

CASELLA WASTE SYSTEMS INC

Form S-4

February 11, 2003

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[INDEX TO FINANCIAL STATEMENTS](#)

As filed with the Securities and Exchange Commission on February 11, 2003

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CASELLA WASTE SYSTEMS, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

4953
(Primary Standard Industrial
Classification Code Number)
25 Greens Hill Lane
Rutland, Vermont 05701
(802) 775-0325

03-0338873
(I.R.S. Employer
Identification Number)

(Address, including zip code, and telephone number, including
area code, of Registrant's principal executive offices)

See inside front cover for information regarding Registrant Guarantors.

John W. Casella
Chairman and Chief Executive Officer
Casella Waste Systems, Inc.
25 Greens Hill Lane
Rutland, Vermont 05701
(802) 775-0325

(Address, including zip code, and telephone number,
including area code, of agent for service)

Copies to:

Jeffrey A. Stein, Esq.
Hale and Dorr LLP
60 State Street
Boston, Massachusetts 02109
Telephone: (617) 526-6000
Telecopy: (617) 526-5000

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Security	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee (2)
9.75% Senior Subordinated Notes due 2013	\$150,000,000	100%	\$150,000,000	\$13,800
Guarantees (3)	N/A	N/A	N/A	N/A

- (1) Estimated solely for the purposes of calculating the registration fee in accordance with Rule 457(f)(2) under the Securities Act of 1933, as amended.
- (2) Calculated based upon the book value of the securities to be received by the Registrant in the exchange in accordance with Rule 457(f)(2).
- (3) No separate consideration will be received for the guarantees, and no separate fee is payable, pursuant to Rule 457(n) under the Securities Act of 1933.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Registrant Guarantors

Exact name of Registrant as specified in its charter	Jurisdiction of Incorporation or Organization	Primary Standard Industrial Classification Code Numbers	I.R.S. Employer Identification Number
All Cycle Waste, Inc.	Vermont	4953	03-0343753
Alternate Energy, Inc.	Massachusetts	4953	04-3185025
Atlantic Coast Fibers, Inc.	Delaware	4953	22-3507048
B. and C. Sanitation Corporation	New York	4953	16-1329345

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Exact name of Registrant as specified in its charter	Jurisdiction of Incorporation or Organization	Primary Standard Industrial Classification Code Numbers	I.R.S. Employer Identification Number
Blasdell Development Group, Inc.	New York	4953	16-1456626
Bristol Waste Management, Inc.	Vermont	4953	03-0326084
Casella NH Investors Co., LLC	Delaware	4953	03-0371572
Casella NH Power Co., LLC	Delaware	4953	03-0371574
Casella RTG Investors Co., LLC	Delaware	4953	03-0371573
Casella Transportation, Inc.	Vermont	4953	03-0357441
Casella Waste Management of Massachusetts, Inc.	Massachusetts	4953	03-0364282
Casella Waste Management of N.Y., Inc.	New York	4953	14-1794819
Casella Waste Management of Pennsylvania, Inc.	Pennsylvania	4953	23-2876596
Casella Waste Management, Inc.	Vermont	4953	03-0272349
Data Destruction Services, Inc.	Maine	4953	04-3273041
Fairfield County Recycling, Inc.	Delaware	4953	06-1296109
FCR Camden, Inc.	Delaware	4953	22-3219896
FCR Florida, Inc.	Delaware	4953	65-0510394
FCR Greensboro, Inc.	Delaware	4953	56-1792979
FCR Greenville, Inc.	Delaware	4953	58-2324930
FCR Morris, Inc.	Delaware	4953	22-3386191
FCR Plastics, Inc.	Delaware	4953	56-2043027
FCR Redemption, Inc.	Delaware	4953	06-1418718
FCR Tennessee, Inc.	Delaware	4953	62-1625160
FCR Virginia, Inc.	Delaware	4953	54-1765067
FCR, Inc.	Delaware	4953	56-2087628
Forest Acquisitions, Inc.	New Hampshire	4953	02-0479340
Grasslands, Inc.	New York	4953	14-1782074
Hakes C & D Disposal, Inc.	New York	4953	16-0431613
Hiram Hollow Regeneration Corp.	New York	4953	14-1738989
The Hyland Facility Associates	New York	4953	22-2673933
K-C International, Ltd.	Oregon	4953	93-1230858
KTI Bio Fuels, Inc.	Maine	4953	22-2520171
KTI Energy of Virginia, Inc.	Virginia	4953	54-1201902
KTI Environmental Group, Inc.	New Jersey	4953	22-2427727
KTI New Jersey Fibers, Inc.	Delaware	4953	22-3601504
KTI Operations Inc.	Delaware	4953	22-2908946
KTI Recycling of New England, Inc.	Maine	4953	01-0203130
KTI Recycling of New Jersey, Inc.	Delaware	4953	22-3539822
KTI Specialty Waste Services, Inc.	Maine	4953	22-3375082
KTI, Inc.	New Jersey	4953	22-2665282
Maine Energy Recovery Company, Limited Partnership	Maine	4953	22-2493823
Mecklenburg County Recycling, Inc.	Connecticut	4953	06-1279110
Natural Environmental, Inc.	New York	4953	16-1442290
New England Landfill Solutions, LLC	Massachusetts	4953	01-0329311
New England Waste Services of Massachusetts, Inc.	Massachusetts	4953	04-3489747
New England Waste Services of ME, Inc.	Maine	4953	01-0329311
New England Waste Services of N.Y., Inc.	New York	4953	14-1794820
New England Waste Services of Vermont, Inc.	Vermont	4953	03-0343930
New England Waste Services, Inc.	Vermont	4953	03-0338865
Newbury Waste Management, Inc.	Vermont	4953	03-0316201
North Country Environmental Services, Inc.	Virginia	4953	54-1496372
Northern Properties Corporation of Plattsburgh	New York	4953	14-1713791
Northern Sanitation, Inc.	New York	4953	14-1630373
PERC, Inc.	Delaware	4953	22-2761012
PERC Management Company Limited Partnership	Maine	4953	16-1347028
Pine Tree Waste, Inc.	Maine	4953	01-0513956
R.A. Bronson Inc.	New York	4953	16-1316393
Resource Recovery of Cape Cod, Inc.	Massachusetts	4953	04-3420128

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Resource Recovery Systems of Sarasota, Inc.	Florida	4953	06-1406506
Resource Recovery Systems, Inc.	Delaware	4953	06-0900935
Resource Transfer Services, Inc.	Massachusetts	4953	04-3420289
Resource Waste Systems, Inc.	Massachusetts	4953	04-3333859
Rochester Environmental Park, LLC	Massachusetts	4953	04-3355194
Schultz Landfill, Inc.	New York	4953	16-1550413
Sunderland Waste Management, Inc.	Vermont	4953	03-0326083
U.S. Fiber, Inc.	North Carolina	4953	56-2026037
Waste-Stream Inc.	New York	4953	14-1488894
Westfield Disposal Service, Inc.	New York	4953	16-1207720
Winters Brothers, Inc.	Vermont	4953	03-0351118

The address, including zip code, and telephone number, including area code, of the principal executive office of each Registrant Guarantor listed above is the same as those of Casella Waste Systems, Inc.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission relating to these securities is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, dated February 11, 2003

PROSPECTUS

\$150,000,000

9.75% Senior Subordinated Notes due 2013

We are offering to exchange 9.75% senior subordinated notes due 2013 that we have registered under the Securities Act of 1933 for all outstanding 9.75% senior subordinated notes due 2013. We refer to these registered notes as the new notes and all outstanding 9.75% senior subordinated notes due 2013 as the old notes.

The Exchange Offer

We will exchange an equal principal amount of new notes that are freely tradeable for all old notes that are validly tendered and not validly withdrawn.

You may withdraw tenders of outstanding old notes at any time prior to the expiration of the exchange offer.

The exchange offer is subject to the satisfaction of limited, customary conditions.

The exchange offer expires at 5:00 p.m., New York City time, , 2003, unless extended.

The exchange of old notes for new notes in the exchange offer generally will not be a taxable event for U.S. federal income tax purposes.

We will not receive any proceeds from the exchange offer.

The New Notes

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

We are offering the new notes in order to satisfy our obligations under the exchange and registration rights agreement entered into in connection with the private placement of the old notes.

The terms of the new notes are substantially identical to the terms of the old notes for which they may be exchanged pursuant to the exchange offer, except that the new notes are registered under the Securities Act and do not contain provisions for certain specified liquidated damages in connection with the failure to comply with the registration covenant.

See "Risk Factors" beginning on page 12 to read about factors you should consider in connection with the exchange offer.

If you are a broker-dealer that receives new notes for your own account as a result of market-making or other trading activities, you must acknowledge that you will deliver a prospectus in connection with any resale of the new notes. The letter of transmittal accompanying this prospectus states that by so acknowledging and by delivering a prospectus, you will not be deemed to admit that you are an "underwriter" within the meaning of the Securities Act. You may use this prospectus, as we may amend or supplement it in the future, for your resales of new notes. We will make this prospectus available to any broker-dealer for use in connection with any such resale for a period beginning when new notes are first issued in the exchange offer and ending on the earlier of the expiration of the 180th day after the completion of the exchange offer or such time as such broker-dealers no longer own any notes that are registrable under the exchange and registration rights agreement entered into in connection with the private placement of the old notes.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the new notes or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 2003

TABLE OF CONTENTS

<u>AVAILABLE INFORMATION</u>
<u>DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS</u>
<u>MARKET DATA</u>
<u>SUMMARY</u>
<u>RISK FACTORS</u>
<u>USE OF PROCEEDS</u>
<u>CAPITALIZATION</u>
<u>SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING DATA</u>
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>
<u>BUSINESS</u>
<u>MANAGEMENT</u>
<u>PRINCIPAL STOCKHOLDERS</u>
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>
<u>DESCRIPTION OF CERTAIN INDEBTEDNESS AND PREFERRED STOCK</u>
<u>THE EXCHANGE OFFER</u>
<u>DESCRIPTION OF THE NEW NOTES</u>
<u>SUMMARY OF U.S. FEDERAL INCOME TAX CONSIDERATIONS</u>
<u>PLAN OF DISTRIBUTION</u>
<u>LEGAL MATTERS</u>
<u>EXPERTS</u>
<u>EXCHANGE AGENT</u>
<u>INDEX TO FINANCIAL STATEMENTS</u>

AVAILABLE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC's web site at <http://www.sec.gov>. Copies of the documents we file with the SEC can be read at the SEC's public reference facility at 450 Fifth Street, N.W., Washington, D.C. 20549. You can also obtain copies of our filings at prescribed rates by writing to the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of its public reference facility.

We are "incorporating by reference" in this prospectus some of the documents we file with the SEC. This means that we can disclose important information to you by referring you to those documents. The information in the documents incorporated by reference is considered to be part of this prospectus. Information in specified documents that we file with the SEC after the date of this prospectus will automatically update and supersede information in this prospectus. We incorporate by reference the documents listed below and any future filings we may make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of filing of the initial registration statement relating to the exchange offer and prior to the termination of any offering of securities offered by this prospectus:

our Annual Report on Form 10-K for the fiscal year ended April 30, 2002;

our Quarterly Reports on Form 10-Q for the quarters ended July 31, 2002 and October 31, 2002;

our Current Reports on Form 8-K filed on September 4, 2002, January 14, 2003, January 21, 2003 and January 24, 2003.

Information contained in this prospectus supplements, modifies or supersedes, as applicable, the information contained in earlier-dated documents incorporated by reference. Information contained in later-dated documents incorporated by reference supplements, modifies or supersedes, as applicable, the information contained in this prospectus or in earlier-dated documents incorporated by reference.

We will provide a copy of the documents we incorporate by reference (other than exhibits, unless the exhibit is specifically incorporated by reference into the filing requested), at no cost, to you if you submit a request to us by writing to or telephoning us at the following address or telephone number:

Casella Waste Systems, Inc.
25 Greens Hill Lane
Rutland, Vermont 05701
Telephone: (802) 775-0325
Attention: Joseph S. Fusco

If you would like to request any documents, please do so by no later than _____, 2003 in order to receive them before the expiration of the exchange offer.

We have filed this prospectus with the SEC as part of a registration statement on Form S-4 under the Securities Act. This prospectus does not contain all of the information set forth in the registration statement because some parts of the registration statement are omitted in accordance with the rules and regulations of the SEC. The registration statement and its exhibits are available for inspection and copying as set forth above.

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. The information contained or incorporated by reference in this prospectus is accurate only as of the date on the front cover of this prospectus or the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since those respective dates. We are not making an offer to sell the new notes in any jurisdiction where the offer or sale is not permitted.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes "forward-looking statements," as defined by federal securities laws, with respect to our financial condition, results of operations and business and our expectations or beliefs concerning future events. Words such as, but not limited to, "believe," "expect,"

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

"anticipate," "estimate," "intend," "plan," "targets," "likely," "will," "would," "could" and similar expressions or phrases identify forward-looking statements.

All forward-looking statements involve risks and uncertainties. Many risks and uncertainties are inherent in the solid waste services industry. Others are more specific to our operations. The occurrence of the events described, and the achievement of the expected results, depend on many events, some or all of which are not predictable or within our control. Actual results may differ materially from expected results.

Factors that may cause actual results to differ from expected results include, among others:

our ability to make successful acquisitions, including of additional disposal capacity, and to integrate acquired businesses and assets with our existing operations;

our ability to finance acquisitions with cash or with our stock, including the risk that we will not have sufficient capital resources and that our stock price will not be sufficiently attractive for use in an acquisition or that we will be unable to raise sufficient additional capital;

the impact of environmental and other regulations and litigation on our business;

our ability to access sufficient capital;

the impact of changing prices or market requirements for recyclable materials;

the geographic concentration of our operations;

the impact on our business in the event that we have inadequately estimated the fair market value of Maine Energy in connection with the payoff of certain obligations or are required to make that payment earlier than we anticipated;

the effects of competition, including on our ability to maintain our operating margins;

the impact on our business in the event that we have inadequately accrued for closure or post-closure costs related to our landfills;

the impact of fluctuations in fuel costs;

our ability to obtain third party financial assurances to secure our contractual obligations;

the impact on our revenues in the event we are required to write off capitalized charges;

the seasonality of our revenues;

risks associated with our substantial indebtedness, leverage, debt service and liquidity;

the impact of our increased leverage on our ability to make future acquisitions;

risks related to the notes and to high-yield securities generally; and

the other risks described in this prospectus under the caption "Risk Factors."

All future written and verbal forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We undertake no obligation, and specifically decline any obligation, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or

iii

otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur.

See the section entitled "Risk Factors" for a more complete discussion of these risks and uncertainties and for other risks and uncertainties. These factors and the other risk factors described in this prospectus are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results. Consequently, there can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements.

MARKET DATA

Market data used throughout this prospectus, including information relating to our relative position in the markets we operate in, is based on the good faith estimates of management, which estimates are based upon their review of internal surveys, independent industry publications and other publicly available information. Although we believe that these sources are reliable, we do not guarantee the accuracy or completeness of this information, and we have not independently verified this information.

iv

SUMMARY

This summary highlights information contained elsewhere in this prospectus, is not complete and does not contain all of the information that may be important to you. We urge you to read this entire prospectus carefully, including the "Risk Factors" section and our consolidated financial statements and related notes. In this prospectus, unless the context requires otherwise, "Casella," the "company," "we," "our" or "us" refers to Casella Waste Systems, Inc. and its subsidiaries. Our fiscal year ends on April 30 and wherever we refer to any of our fiscal years, we refer to the twelve-month period ending April 30 of such year.

OUR BUSINESS

The Company

Casella Waste Systems, Inc. is a vertically-integrated regional solid waste services company that provides collection, transfer, disposal and recycling services to approximately 222,000 residential customers and 48,000 industrial and commercial customers, primarily in the eastern United States. Based on industry sources, we are the fifth largest solid waste services provider in the United States, based on our fiscal year 2001 revenues. We believe we are currently the number one or number two provider of solid waste collection services in 80% of the areas served by our collection divisions. As of January 1, 2003, we owned and/or operated five Subtitle D landfills, one landfill permitted to accept construction and demolition materials, 35 solid waste collection operations, 32 transfer stations, 39 recycling facilities, one waste-to-energy facility and a 50% interest in a joint venture that manufactures, markets and sells cellulose insulation made from recycled fiber.

For the six months ended October 31, 2002, we generated revenues of \$230.4 million. Our Class A common stock is listed on the Nasdaq National Market under the ticker symbol "CWST."

Our Industry

The United States solid waste services industry comprises the collection, recycling, transfer and disposal of solid waste at landfills or other facilities and, according to industry sources, generated revenues of approximately \$40.9 billion in 2001. The collection, transfer and recycling, and disposal segments accounted for approximately 58%, 12%, and 30% of industry revenues, respectively. Approximately 64% of collection revenues were generated from residential sources, with the remainder from commercial and industrial entities.

The industry has generally experienced stable long-term growth, driven primarily by population increases and economic activity. According to industry sources, the volume of solid waste generated in the United States has grown from 264 million tons in 1991 to 445 million tons in 2001, representing a compound annual growth rate of approximately 5.4%. Because the solid waste services industry meets an essential need of communities and businesses and has few cost-effective substitutes, it is generally less affected by economic downturns than other industries.

The solid waste services industry has undergone significant consolidation since 1990. This trend has been largely driven by the impact of government regulations and competitive pressures. Stringent legislation such as Subtitle D regulations under the Resource Conservation and Recovery Act of 1976 has substantially increased the capital required for the development and operation of disposal capacity. Consequently, the number of landfills has decreased from over 6,000 in 1991 to approximately 3,000 in 2001. Furthermore, while the five largest publicly traded solid waste services companies own and/or operate approximately 20% of the landfills nationwide, they handled approximately 50% of the solid waste volume generated in 2001. The stringent legislations governing the industry and competitive pressures have also forced operators to seek economies of scale and become more efficient by establishing vertically-integrated networks of solid waste collection operations, transfer stations and disposal facilities. By securing and controlling the solid waste stream from collection through disposal,

1

known as "internalization," solid waste services companies have been able to achieve higher margins and greater cash flow than if they were required to bring collected waste to a third party's disposal facility.

Although the industry has been consolidating over the past several years, it remains fragmented and highly competitive. In 2001, approximately 47% of the market was managed by publicly traded waste hauling and disposal companies with the balance shared between municipalities and small private firms.

Overview of Our Business

Background. Casella was founded in 1975 as a single truck operation in Rutland, Vermont and subsequently expanded to include operations in New Hampshire, Maine, upstate New York, northern Pennsylvania and eastern Massachusetts. From May 1, 1994 through December 30, 1999 when we acquired KTI, Inc., we acquired 161 solid waste businesses, including five Subtitle D landfills. In 1997, we raised \$50.2 million from the initial public offering of shares of our Class A common stock. In 1998, we raised an additional \$41.3 million through a follow-on public offering and in August 2000, we sold \$55.8 million of our Series A redeemable convertible preferred stock to Berkshire Partners LLC, an investment firm, and other investors.

In December 1999, we acquired KTI for aggregate consideration of \$340.0 million. KTI assets which we considered core to our operations included interests in waste-to-energy facilities in Maine, significant residential and commercial recycling operations, transfer and collection operations which were "tuck-ins" to existing operations and cellulose insulation manufacturing operations. In addition, KTI's assets included a number of businesses that were not core to our operating strategy. Following our acquisition of KTI, we focused on the integration of KTI and the divestiture of non-core KTI assets, which has now been completed. See "Divestiture of Non-core Assets."

Operating Segments. Our operating segments are as follows:

Solid Waste Operations. We manage our solid waste operations on a geographic basis through three regions, which we have designated as the Central, Eastern and Western regions and which each comprise a full range of solid waste services and in the aggregate serve approximately 257,000 customers. For the six months ended October 31, 2002, our solid waste operations generated revenues of \$166.3 million. Within each region, we organize our solid waste services around logical smaller areas that we refer to as "wastesheds." A wasteshed is an area that comprises the complete cycle of activities in the solid waste services process, from collection to transfer operations and recycling to disposal in either landfills or waste-to-energy facilities, some of which may be owned and operated by third parties.

FCR Recycling. In addition to our solid waste operations in these regions, we operate FCR Recycling, one of the largest processors and marketers of recycled materials in the United States. FCR, which is headquartered in Charlotte, North Carolina and is comprised of 24 material recycling facilities, processes and then markets recyclable materials that municipalities and commercial customers deliver to it under long term

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

contracts. FCR also includes our brokerage business. For the six months ended October 31, 2002, FCR generated revenues of \$56.7 million. FCR is a large scale, high volume recycling operation that is distinct from recycling services that we operate as part of our core solid waste services business in our three geographic regions, which consist primarily of the collection and separation of recyclables as part of our residential collection programs.

2

The following table provides information about each operating region and FCR as of January 1, 2003.

	<u>Central region</u>	<u>Eastern region</u>	<u>Western region</u>	<u>FCR Recycling</u>
Revenues for the six months ended October 31, 2002	\$50.8 million	\$80.0 million	\$35.5 million	\$56.7 million
Solid waste collection operations	13	10	12	
Transfer stations	13	9	10	
Recycling facilities	5	8	2	24
Disposal facilities (1)	Bethlehem, NH Coventry, VT Schuyler Falls, NY	Biddeford, ME Hampden, ME	Angelica, NY Campbell, NY	

(1)

Each of the disposal facilities in the table is a Subtitle D landfill, with the exception of the disposal facility located in Campbell, New York, which is a landfill permitted to accept only construction and demolition materials and the disposal facility located in Biddeford, Maine, which is a waste-to-energy facility. In addition, we have rights to the remaining air space capacity at a residual landfill and a construction and demolition landfill located in Brockton, Massachusetts and Cheektowaga, New York, respectively, totaling approximately 638,000 tons as of April 30, 2002. The Cheektowaga landfill is expected to be closed in the summer of 2003. The Brockton landfill has an expected remaining life of approximately three years.

GreenFiber Cellulose Insulation Joint Venture. In addition to our operating segments, we are a 50% partner in US GreenFiber LLC, a joint venture with Louisiana-Pacific Corporation. GreenFiber, which we believe is one of the largest manufacturers of high quality cellulose insulation for use in residential dwellings and manufactured housing, was formed through the combination of our cellulose operations, which we acquired in our acquisition of KTI, with those of Louisiana-Pacific. Based in Charlotte, North Carolina, GreenFiber has a national manufacturing and distribution capability and sells to contractors, manufactured home builders and retailers. GreenFiber, which we account for under the equity method, had revenues of \$48.1 million for the six months ended October 31, 2002. For the same period, we recognized equity income from GreenFiber of \$1.8 million.

Our Competitive Strengths

We believe that our key competitive strengths are:

Leading Provider in Areas Served. We believe we are currently the number one or number two provider of solid waste collection services in 80% of the areas served by our collection divisions. In most of the non-urban markets we serve, we are the only vertically-integrated public company providing solid waste services.

Stable Revenues and Cash Flows. Our leading market position, significant customer base and focus on non-urban markets, which are less dependent on more cyclical waste streams such as industrial or construction and demolition waste, provide us with generally stable revenues and cash flows.

Expertise and Experience in Secondary Markets. We have 28 years of experience operating in less densely-populated secondary markets, which distinguishes us from other regional and national competitors. Our substantial expertise enables us to deal effectively with the unique nature of these markets, which include longer collection routes and seasonal fluctuations.

Experienced Management Team. Since 2000, we have made several key hires, further strengthening our management team. The members of our senior management team have an average of 18 years of experience in the solid waste services industry.

3

Well-developed Infrastructure. We have implemented internal systems, including our information technology and accounting and control systems, which we believe are capable of serving our long-term growth objectives with minimal enhancements. Our information technology systems enable us to closely monitor and improve the performance of our field operations and to integrate acquired companies quickly and effectively into our existing operations.

Strategy

Our objective is to continue to enhance our position as a leading, vertically-integrated regional solid waste services provider in the eastern United States. We are implementing this strategy by:

Maintaining and Increasing Operational Efficiency and Profitability of Existing Businesses. We have developed and implemented programs designed to enhance employee safety, collection and disposal routing efficiency and equipment utilization, capital expenditure cost controls and commercial weight tracking. We have demonstrated continuous incremental improvements since our inception and intend to continue to implement these and other programs to achieve additional operational efficiencies.

Driving Internal Growth. In order to grow our existing operations, we are focused on increasing collection volumes, marketing value-added services and improving our regional position as a low cost provider of services. In addition, we are continually seeking to enhance our internal growth and profitability by developing and acquiring additional disposal capacity within our core markets, which we believe will enable us to increase our vertical integration and internalization rates.

Providing Consistently Superior Customer Service. Both our short- and long-term performance, and our opportunities for growth derive from our ability to meet or exceed customer needs and expectations. Among the programs we have developed, and continue to develop, is an extensive, comprehensive employee training program designed to enhance our employees' skill levels in all aspects of the business that ultimately influence the quality and consistency of our customers' experience with us.

Expanding Through Prudent Acquisition Growth. Our acquisition strategy is focused on acquiring assets that complement our existing businesses. We plan to pursue a prudent acquisition strategy which is focused on smaller acquisitions which enhance our existing market presence, but which may also include infrequent, larger strategic acquisitions which offer substantial regional growth opportunities.

Divestiture of Non-core Assets

Following our acquisition of KTI, we focused on the integration of KTI and the divestiture of non-core KTI assets. These non-core assets included tire recycling assets, commercial recycling facilities, mulch recycling, certain waste-to-energy facilities in Florida and Virginia, a waste-to-oil remediation facility and a broker and a processor of high density polyethylene. We also sold our majority interest in a waste-to-energy facility in Maine that we acquired as part of KTI. As part of the divestiture program, in the fourth quarter of fiscal year 2001 we incurred non-recurring charges of \$111.7 million, of which \$90.6 million was non-cash. We have completed this divestiture program for aggregate consideration of \$107.6 million, including cash proceeds of \$61.7 million which were used to reduce our indebtedness.

Our principal executive offices are located at 25 Greens Hill Lane, Rutland, Vermont 05701. Our telephone number is (802) 775-0325. Our website address is www.casella.com. The information contained or incorporated in our website is not a part of this prospectus.

4

THE OFFERING

Summary of Terms of the Exchange Offer

Background On January 24, 2003, we completed a private placement of the old notes. In connection with that private placement, we entered into an exchange and registration rights agreement in which we agreed to deliver this prospectus to you and to make an exchange offer.

The Exchange Offer We are offering to exchange up to \$150.0 million aggregate principal amount of our new notes which have been registered under the Securities Act for up to \$150.0 million aggregate principal amount of our old notes. You may tender old notes only in integral multiples of \$1,000 principal amount.

Resale of New Notes Based on interpretive letters of the SEC staff to third parties, we believe that you may resell and transfer the new notes issued pursuant to the exchange offer in exchange for old notes without compliance with the registration and prospectus delivery provisions of the Securities Act, if:

you are acquiring the new notes in the ordinary course of your business,

you have no arrangement or understanding with any person to participate in the distribution of the new notes, and

you are not our affiliate as defined under Rule 405 of the Securities Act.

If you fail to satisfy any of these conditions, you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a resale of the new notes.

Broker-dealers that acquired old notes directly from us, but not as a result of market-making activities or other trading activities, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a resale of the new notes.

Each broker-dealer that receives new notes for its own account pursuant to the exchange offer in exchange for old notes that it acquired as a result of market-making or other trading activities must deliver a prospectus in connection with any resale of the new notes and provide us with a signed acknowledgement of this obligation.

Consequences If You Do Not Exchange Your Old Notes Old notes that are not tendered in the exchange offer or are not accepted for exchange will continue to bear legends restricting their transfer. You will not be able to offer or sell the old notes unless:

an exemption from the requirements of the Securities Act is available to you,

we register the resale of old notes under the Securities Act, or

the transaction requires neither an exemption from nor registration under the requirements of the Securities Act.

After the completion of the exchange offer, we will no longer have an obligation to register the old notes, except in limited circumstances.

Expiration Date 5:00 p.m., New York City time, on _____, 2003 unless we extend the exchange offer.

Conditions to the Exchange Offer The exchange offer is subject to limited, customary conditions, which we may waive.

Procedures for Tendering Old Notes If you wish to accept the exchange offer, you must deliver to the exchange agent:

either a completed and signed letter of transmittal or, for old notes tendered electronically, an agent's message from The Depository Trust Company, which we refer to as DTC, stating that the tendering participant agrees to be bound by the letter of transmittal and the terms of the exchange offer,

your old notes, either by tendering them in physical form or by timely confirmation of book-entry transfer through DTC, and

all other documents required by the letter of transmittal.

These actions must be completed before the expiration of the exchange offer.

If you hold old notes through DTC, you must comply with its standard procedures for electronic tenders, by which you will agree to be bound by the letter of transmittal.

By signing, or by agreeing to be bound by the letter of transmittal, you will be representing to us that:

you will be acquiring the new notes in the ordinary course of your business,

you have no arrangement or understanding with any person to participate in the distribution of the new notes, and

you are not our affiliate as defined under Rule 405 of the Securities Act.

See "The Exchange Offer Procedures for Tendering".

Guaranteed Delivery Procedures for Tendering Old Notes If you cannot meet the expiration deadline or you cannot deliver your old notes, the letter of transmittal or any other documentation to comply with the applicable procedures under DTC standard operating procedures for electronic tenders in a timely fashion, you may tender your notes according to the guaranteed delivery procedures set forth under "The Exchange Offer Guaranteed Delivery Procedures".

Special Procedures for Beneficial Holders	If you beneficially own old notes which are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender in the exchange offer, you should contact that registered holder promptly and instruct that person to tender on your behalf. If you wish to tender in the exchange offer on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your old notes, either arrange to have the old notes registered in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time.
Withdrawal Rights	You may withdraw your tender of old notes at any time before the exchange offer expires.
Tax Consequences	The exchange pursuant to the exchange offer generally will not be a taxable event for U.S. federal income tax purposes. See "Summary of U.S. Federal Income Tax Considerations".
Use of Proceeds	We will not receive any proceeds from the exchange or the issuance of new notes in connection with the exchange offer.
Exchange Agent	U.S. Bank National Association is serving as exchange agent in connection with the exchange offer. The address and telephone number of the exchange agent are set forth under "The Exchange Offer Exchange Agent".

Summary Description of the New Notes

The form and terms of the new notes are substantially identical to the form and terms of the old notes, except that:

the new notes will be registered under the Securities Act and will therefore not bear legends restricting their transfer, and

specified rights under the exchange and registration rights agreement, including the provisions providing for registration rights and the payment of liquidated damages in specified circumstances will be limited or eliminated.

The new notes will evidence the same debt as the old notes and will rank equally with the old notes. The same indenture will govern both the old notes and the new notes. We refer to the old notes and the new notes together as the "notes."

Issuer	Casella Waste Systems, Inc.
New Notes Offered	\$150,000,000 aggregate principal amount of 9.75% Senior

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Subordinated Notes due 2013.

Maturity Date	February 1, 2013.
Interest Payment Dates	February 1 and August 1 of each year, commencing August 1, 2003.
Optional Redemption	<p>We may redeem the notes, in whole or in part, at our option at any time on or after February 1, 2008, at the redemption prices listed under "Description of the New Notes Optional Redemption."</p> <p>In addition, on or before February 1, 2006, we may, at our option and subject to certain requirements, use the net proceeds from one or more qualified equity offerings to redeem up to 35% of the aggregate principal amount of the notes at 109.75% of their principal amount, plus accrued and unpaid interest. See "Description of the New Notes Optional Redemption."</p>
Sinking Fund	None.
Subordination and Guarantees	<p>The notes will rank junior to all of our existing and future senior indebtedness, will rank <i>pari passu</i> with any future senior subordinated indebtedness, and will rank senior to any future indebtedness that is expressly subordinated to the notes. See "Description of the New Notes Subordination."</p> <p>All of our existing and future restricted subsidiaries (other than foreign subsidiaries, our captive insurance subsidiary and certain inactive and insignificant subsidiaries) will guarantee our obligation to pay principal, premium, if any, and interest on the notes. The guarantees will rank junior to all existing and future senior indebtedness of these subsidiaries, will rank <i>pari passu</i> with any future senior subordinated indebtedness of these subsidiaries, and will rank senior to any future indebtedness of these subsidiaries that is expressly subordinated to the guarantees. See "Description of the New Notes Subsidiary Guarantees."</p>
8	
Change of Control	<p>As of October 31, 2002, assuming the offering of the old notes and the initial borrowings under our new senior secured credit facilities (which we entered into concurrently with the closing of our private placement of old notes) and the application of the net proceeds therefrom had occurred on that date, the notes and the guarantees would have been subordinated in right of payment to approximately \$158.7 million of indebtedness (not including letters of credit of approximately \$44.8 million), and up to an additional \$130.2 million of indebtedness would have been available, subject to our ability to meet certain borrowing conditions, for borrowing under the revolving portion of the new senior secured credit facilities.</p> <p>If a change of control of Casella occurs, we may be required to make an offer to purchase the notes at 101% of their principal amount, plus accrued and unpaid interest. See "Description of the New Notes Repurchase at the Option of Holders Change of Control."</p>
Certain Covenants	The indenture governing the notes contains certain covenants that,

among other things, limit our ability and the ability of some of our subsidiaries to:

incur additional debt;

create liens;

make investments;

enter into transactions with affiliates;

sell or transfer assets;

incur debt that is expressly senior to the notes and subordinate to any of our other debt;

declare or pay dividends, redeem stock or make other distributions to stockholders; and

consolidate or merge.

These covenants are subject to a number of important qualifications and limitations. See "Description of the New Notes."

Risk Factors

You should carefully consider all of the information in this prospectus. In particular, for a discussion of some specific factors that you should consider in connection with the exchange offer, see "Risk Factors" beginning on page 12.

9

Summary Consolidated Financial and Operating Data

The summary consolidated financial statements of operations and operating data for the three years in the period ended April 30, 2002 and the summary consolidated balance sheet data as of April 30, 2000, 2001 and 2002 are derived from our audited consolidated financial statements. The summary consolidated financial statements of operations and operating data for the six months ended October 31, 2001 and October 31, 2002 and the summary consolidated balance sheet data as of October 31, 2002 are derived from our unaudited consolidated financial statements. The unaudited consolidated financial statements have been prepared by us on a basis consistent with our audited financial statements and, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the financial position and results of operations for such periods. Results for the six months ended October 31, 2002 are not necessarily indicative of the results that may be expected for the year ending April 30, 2003 or any other future period. You should read the following summary consolidated financial and operating data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus.

Fiscal Year Ended April 30,			Six Months Ended October 31,	
2000	2001	2002	2001	2002
(unaudited)				

(dollars in thousands)

Statement of Operations Data:

Revenues	\$	315,013	\$	479,816	\$	420,821	\$	222,126	\$	230,397
----------	----	---------	----	---------	----	---------	----	---------	----	---------

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

	Fiscal Year Ended April 30,			Six Months Ended October 31,	
Cost of operations	195,495	323,703	275,706	145,406	152,425
General and administration	40,003	62,612	53,105	27,192	28,554
Depreciation and amortization	38,343	52,883	50,696	25,565	24,277
Impairment charge		59,619			
Restructuring charge		4,151	(438)		
Legal settlements		4,209			
Other miscellaneous charges		1,604			
Merger-related costs	1,490				
Operating income (loss)	39,682	(28,965)	41,752	23,963	25,141
Interest expense	16,907	41,588	31,451	16,840	14,087
Interest income	(1,234)	(2,941)	(880)	(691)	(156)
(Income) loss from equity method investments, net	1,062	26,256	(1,899)	508	(1,751)
Minority interest	502	1,026	(154)	(31)	(152)
Other (income)/expense, net	640	78	(4,480)	(6,503)	251
Income (loss) from continuing operations before income taxes, discontinued operations, extraordinary item and cumulative effect of change in accounting principle	21,805	(94,972)	17,714	13,840	12,862
Provision (benefit) for income taxes	10,615	(12,731)	5,887	5,292	5,628
Net income (loss) from continuing operations before discontinued operations, extraordinary item and cumulative effect of change in accounting principle	11,190	(82,241)	11,827	8,548	7,234
(Loss) income from discontinued operations, net of taxes	1,884	(15,448)			
Estimated loss on disposal of discontinued operations, net of taxes	(1,393)	(3,846)	(4,096)	(1,625)	
Extraordinary item, net of taxes	(631)				
Cumulative effect of change in accounting principle, net of taxes			(250)	(250)	(62,825)
Net income (loss)	11,050	(101,535)	7,481	6,673	(55,591)
Preferred stock dividend		1,970	3,010	1,405	1,528
Net income (loss) available to common stockholders	\$ 11,050	\$ (103,505)	\$ 4,471	\$ 5,268	\$ (57,119)

10

As of April 30,

	As of April 30,			As of October 31, 2002
	2000	2001	2002	
				(unaudited)

(dollars in thousands)

Balance Sheet Data:

Cash and cash equivalents	\$ 7,788	\$ 22,001	\$ 4,298	\$ 10,276
Working capital (deficit), net (1)	106,580	33,056	(281)	926
Property, plant and equipment, net	369,261	290,537	287,115	284,197

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

As of April 30,

Total assets	860,470	710,943	621,869	573,984
Total debt (2)	450,507	363,223	288,848	283,819
Redeemable preferred stock		57,720	60,730	62,258
Total stockholders' equity	274,718	172,951	176,796	121,846

Fiscal Year Ended April 30,			Six Months Ended October 31,	
2000	2001	2002	2001	2002

(unaudited)

(dollars in thousands)

Other Operating Data:

Net cash provided by operating activities	\$ 48,398	\$ 63,767	\$ 68,530	\$ 37,525	\$ 31,427
Net cash (used in) provided by investing activities	(155,088)	(55,565)	(9,533)	9,444	(21,313)
Net cash (used in) provided by financing activities	116,423	18,765	(70,065)	(57,303)	(4,602)
Capital expenditures	68,575	61,518	37,674	21,994	20,667
Ratio of earnings to fixed charges (3)	2.30x		1.49x	1.83x	1.74x
Ratio of pro forma earnings to pro forma fixed charges (4)			1.92x		2.02x

- (1) Working capital, net is defined as current assets, excluding cash and cash equivalents, minus current liabilities.
- (2) Total debt includes capital leases.
- (3) For purposes of determining the ratio of earnings to fixed charges, "earnings" consists of income from continuing operations before income taxes, discontinued operations, extraordinary item, cumulative effect of a change in accounting principle, fixed charges, minority interests and (income) loss from equity method investments plus distributed income from equity method investees less interest capitalized. "Fixed charges" consists of interest, amortization of deferred financing costs and interest capitalized. For fiscal year 2001, earnings were insufficient to cover fixed charges by \$68,063.
- (4) Ratio of pro forma earnings to pro forma fixed charges adjusts for pro forma interest which gives effect to the offering of the old notes, the initial borrowings under our new senior secured credit facilities and the use of proceeds therefrom, as if these transactions occurred at the beginning of the period presented.

RISK FACTORS

In addition to the other information in this prospectus, you should carefully consider the following factors in connection with the exchange offer. The risks described below are not the only risks we face. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. Any of these risks could cause actual results to differ materially from those indicated by forward-looking statements made in this prospectus and presented elsewhere by management from time to time.

Risks Related to Our Business

We may not be successful in making acquisitions of solid waste assets, including developing additional disposal capacity, or in integrating acquired businesses or assets, which could limit our future growth.

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

Our ability to achieve the benefits we anticipate from acquisitions, including cost savings and operating efficiencies, depends in part on our ability to successfully integrate the operations of such acquired businesses with our operations. The integration of acquired businesses and other assets may require significant management time and company resources. If we are unable to efficiently manage the integration process, our financial condition and results of operations could be materially adversely affected.

In addition, the process of acquiring or developing additional disposal capacity is lengthy, expensive and uncertain. The disposal capacity at our existing landfills is limited by the remaining available volume at our landfills and annual and/or daily disposal limits imposed by the various governmental authorities with jurisdiction over our landfills. We typically reach or approximate our daily and annual maximum permitted disposal capacity at all of our landfills. If we are unable to develop or acquire additional disposal capacity, our ability to achieve economies from the internalization of our waste stream will be limited and we will be required to utilize the disposal facilities of our competitors.

Our ability to make acquisitions is dependent on the availability of adequate cash and the attractiveness of our stock price.

We anticipate that any future business acquisitions will be financed through cash from operations, borrowings under our new senior secured credit facilities, the issuance of shares of our Class A common stock and/or seller financing. We cannot assure you that we will have sufficient existing capital resources or that we will be able to raise sufficient additional capital resources on terms satisfactory to us, if at all, in order to meet our capital requirements for such acquisitions.

We also believe that a significant factor in our ability to close acquisitions will be the attractiveness of our Class A common stock as consideration for potential acquisition candidates. This attractiveness may, in large part, be dependent upon the relative market price and capital appreciation prospects of our Class A common stock compared to the equity securities of our competitors. The trading price of

our Class A common stock on the Nasdaq National Market has affected and could in the future materially adversely affect our acquisition program.

Environmental regulations and litigation could subject us to fines, penalties, judgments and limitations on our ability to expand.

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

Environmental and land use laws may also impact our ability to expand and, in the case of our solid waste operations, may dictate those geographic areas from which we must, or, from which we may not, accept waste. Those laws and regulations may also limit the overall size and daily waste volume that may be accepted by a solid waste operation. If we are not able to expand or otherwise operate one or more of our facilities profitably because of limits imposed under environmental laws, we may be required to increase our utilization of disposal facilities owned by third parties or reduce overall operations, and if so, our business, financial condition and results of operations could suffer a material adverse effect.

We have historically grown and intend to continue to grow through acquisitions, and we have tried and will continue to try to evaluate and address environmental risks and liabilities presented by newly acquired businesses as we have identified them. It is possible that some liabilities,

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

Our operating program depends on our ability to operate and expand the landfills we own and lease and to develop new landfill sites. Localities where we operate generally seek to regulate some or all landfill operations, including siting and expansion of operations. We cannot assure you that the laws adopted by municipalities in which our landfills are located will not have a material adverse effect on our utilization of our landfills or that we will be successful in obtaining new landfill sites or expanding the permitted capacity of any of our current landfills once their remaining disposal capacity has been consumed. If we are unable to develop additional disposal capacity, our ability to achieve economies from the internalization of our waste stream will be limited and we will be required to utilize the disposal facilities of our competitors.

13

In addition to the costs of complying with environmental laws and regulations, we incur costs defending against environmental litigation brought by governmental agencies and private parties. We are, and also may be in the future, defendants in lawsuits brought by parties alleging environmental damage, personal injury, and/or property damage. A significant judgment against us could have a material adverse effect upon our business, financial condition and results of operations. See "Business Regulation" and "Business Legal Proceedings."

Our operations would be adversely affected if we do not have access to sufficient capital.

Our ability to remain competitive and sustain our operations depends in part on cash flow from operations and access to capital. We intend to fund our cash needs primarily through cash from operations and borrowings under our new senior secured credit facilities. However, we may require additional equity and/or debt financing for debt repayment obligations and to fund our growth and operations. In addition, if we undertake more acquisitions or further expand our operations, our capital requirements may increase. We cannot assure you that we will have access to the amount of capital that we require from time to time, on favorable terms or at all.

Our results of operations could continue to be adversely affected by changing prices or market requirements for recyclable materials.

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

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

Our business is geographically concentrated and is therefore subject to regional economic downturns.

Our operations and customers are principally located in the eastern United States. Therefore, our business, financial condition and results of operations are susceptible to regional economic downturns and other regional factors, including state regulations and budget constraints and severe weather conditions. In addition, as we expand in our existing markets, opportunities for growth within these regions will become more limited and the geographic concentration of our business will increase. The costs and time involved in permitting and the scarcity of available landfills will make it difficult for us to expand vertically in these markets. We cannot assure you that we will lessen our regional geographic concentration through any other acquisitions.

14

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

Under the terms of waste handling agreements among the Biddeford-Saco Waste Handling Committee, the cities of Biddeford and Saco, Maine, 13 other municipalities and our subsidiary Maine Energy, Maine Energy will be required, following the date on which the bonds that financed Maine Energy and certain limited partner loans to Maine Energy are paid in full, to pay a residual cancellation payment to the respective municipalities party to those agreements equal to an aggregate of 18% of the fair market value of the equity of the partners in Maine Energy. In connection with our merger with KTI, we estimated the fair market value of Maine Energy as of the date the limited partner loans are anticipated to be paid in full, and recorded a liability equal to 18% of such amount. We cannot assure you that our estimate of the fair market value of Maine Energy will prove to be accurate, and in the event we have underestimated the value of Maine Energy, we could be required to recognize unanticipated charges, in which case our financial condition, results of operations and liquidity could be materially adversely affected.

In connection with these waste handling agreements, the cities of Biddeford and Saco and the additional 13 municipalities that were parties to the agreements have filed lawsuits in the State of Maine seeking the residual cancellation payments and alleging, among other things, our breach of the waste handling agreement for our failure to pay the residual cancellation payments in connection with the KTI merger, failure to pay off limited partner loans in accordance with the terms of the agreement and processing amounts of waste above contractual limits without issuance of proper notice. The complaint seeks damages for breach of contract and a court order requiring us to provide an accounting of all relevant transactions since May 3, 1996. If the plaintiffs are successful in their claims against us and damages are awarded, our business, financial condition and results of operations could be materially adversely affected. See "Business Legal Proceedings."

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

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

As is generally the case in the industry, some municipal contracts are subject to periodic competitive bidding. We cannot assure you that we will be the successful bidder to obtain or retain these contracts. If we are unable to compete with larger and better capitalized companies, or to replace municipal contracts lost through the competitive bidding process with comparable contracts or other revenue sources within a reasonable time period, our business, financial condition and results of operations could be materially adversely affected.

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

Our GreenFiber insulation manufacturing joint venture with Louisiana-Pacific Corporation competes with other parties, some of which have substantially greater resources than GreenFiber does, which they could use for product development, marketing or other purposes to our detriment.

Our results of operations and financial condition may be negatively affected if we inadequately accrue for closure and post-closure costs.

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

operations.

Fluctuations in fuel costs could affect our operating expenses and results.

The price and supply of fuel is unpredictable and fluctuates based on events beyond our control, including among others, geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, war and unrest in oil producing countries and regional production patterns. Because fuel is needed to run our fleet of trucks, price escalations for fuel may increase our operating expenses and have a material adverse effect upon our business, financial condition and results of operations.

We could be precluded from entering into contracts or obtaining permits if we are unable to obtain third party financial assurance to secure our contractual obligations.

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

We may be required to write-off capitalized charges in the future, which could adversely affect our earnings.

Any charge against earnings could have a material adverse effect on our earnings and the market price of our Class A common stock. In accordance with generally accepted accounting principles, we capitalize certain expenditures and advances relating to our acquisitions, pending acquisitions, landfills and development projects. From time to time in future periods, we may be required to incur a charge against earnings in an amount equal to any unamortized capitalized expenditures and advances, net of

any portion thereof that we estimate will be recoverable, through sale or otherwise, relating to (1) any operation that is permanently shut down or has not generated or is not expected to generate sufficient cash flow, (2) any pending acquisition that is not consummated, (3) any landfill or development project that is not expected to be successfully completed, and (4) any goodwill or other intangible assets that are determined to be impaired. We have incurred such charges in the past.

The seasonality of our revenues could adversely impact our financial condition.

Our transfer and disposal revenues have historically been lower during the months of November through March. This seasonality reflects the lower volume of waste during the late fall, winter and early spring months primarily because: (1) the volume of waste relating to construction and demolition activities decreases substantially during the winter months in the northeastern United States; and (2) decreased tourism in Vermont, Maine and eastern New York during the winter months tends to lower the volume of waste generated by commercial and restaurant customers, which is partially offset by increased volume from the winter ski industry. Since certain of our operating and fixed costs remain constant throughout the fiscal year, operating income is therefore impacted by a similar seasonality. In addition, particularly harsh weather conditions typically result in increased operating costs to our operations.

Our recycling business experiences increased volumes of newspaper in November and December due to increased newspaper advertising and retail activity during the holiday season. Our cellulose insulation joint venture experiences lower sales in November and December because of lower production of manufactured housing due to holiday plant shutdowns.

We previously used Arthur Andersen LLP as our independent public accountant.

Our consolidated financial statements as of April 30, 2001 and for each of the two years in the period ended April 30, 2001, included in this prospectus, were audited by Arthur Andersen LLP, independent certified public accountants. On May 20, 2002, our Board of Directors decided to no longer engage Arthur Andersen LLP as our independent public accountants and engaged KPMG LLP to serve as our independent public accountants for the fiscal year ending April 30, 2003 and to audit our financial statements for the fiscal year ended April 30, 2002. The engagement of KPMG LLP as our independent public accountants was based on certain staffing assumptions that were not realized. As a result, on June 13, 2002, our Board of Directors decided to no longer engage KPMG LLP as our independent public accountants and engaged PricewaterhouseCoopers LLP to serve as our independent public accountants for the fiscal year ending April 30, 2003 and to audit our financial

statements for the fiscal year ended April 30, 2002. PricewaterhouseCoopers LLP has not been engaged to audit, and has not audited, any of the financial statements for prior fiscal years through April 30, 2001.

Arthur Andersen LLP was convicted on federal obstruction of justice charges on June 15, 2002, ceased practicing before the SEC on August 31, 2002, and was sentenced to five years probation on October 16, 2002. Because Arthur Andersen LLP has ceased to practice before the SEC, it is not able to provide the updated consent which we would normally be required to file with the SEC. See "Experts." Arthur Andersen LLP's failure to deliver a currently dated written consent will limit your ability to recover any amount from Arthur Andersen LLP under Section 11 of the Securities Act for any material misstatements or omissions in this registration statement, including any material misstatements or omissions in the fiscal year 2000 and 2001 financial statements covered by their report.

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

The holders of our Class B common stock are entitled to ten votes per share and the holders of our Class A common stock are entitled to one vote per share. At January 1, 2003, an aggregate of 988,200 shares of our Class B common stock, representing 9,882,000 votes, were outstanding, all of which were beneficially owned by John W. Casella, our Chairman and Chief Executive Officer, or by his brother, Douglas R. Casella, a member of our Board of Directors. Based on the number of shares of common stock and Series A redeemable convertible preferred stock outstanding on January 1, 2003, the shares of our Class A common stock and Class B common stock beneficially owned by John W. Casella and Douglas R. Casella represent approximately 31.0% of the aggregate voting power of our stockholders. Consequently, John W. Casella and Douglas R. Casella are able to substantially influence all matters for stockholder consideration, including exercising their influence over us according to interests that may differ from the interests of holders of the notes. For instance, they may approve transactions that in their judgment enhance the value of their equity investment in us despite involving risks to holders of the notes.

Risks Related to Our Indebtedness

We have substantial debt and have the ability to incur additional debt. The principal and interest payment obligations of such debt may restrict our future operations and impair our ability to meet our obligations under the notes.

As of October 31, 2002, assuming completion of the offering of the old notes, the initial borrowings under our new senior secured credit facilities and the application of the proceeds therefrom had occurred on that date, we and our subsidiaries would have had approximately \$310.5 million of outstanding indebtedness (not including letters of credit of approximately \$44.8 million). In addition, the terms of the new senior secured credit facilities and the indenture governing the notes permit us to incur additional debt, including up to approximately \$130.2 million that is available under the new senior secured credit facilities, subject to our ability to meet certain borrowing conditions.

Our substantial debt may have important consequences to you. For instance, it could:

make it more difficult for us to satisfy our financial obligations, including those relating to the notes;

require us to dedicate a substantial portion of any cash flow from operations to the payment of interest and principal due under our debt, including the notes, which will reduce funds available for other business purposes, including capital expenditures and acquisitions;

place us at a competitive disadvantage compared with some of our competitors that may have less debt and better access to capital resources; and

limit our ability to obtain additional financing required to fund working capital and capital expenditures and for other general corporate purposes.

Our ability to satisfy our obligations and to reduce our total debt depends on our future operating performance and on economic, financial, competitive and other factors, many of which are beyond our control. Our business may not generate sufficient cash flow, and future financings may not be available to provide sufficient net proceeds, to meet these obligations or to successfully execute our business strategy.

The agreements governing the notes and our other debt impose restrictions on our business and adversely affect our ability to undertake certain corporate actions.

The indenture governing the notes and the agreements governing the new senior secured credit facilities contain covenants imposing significant restrictions on our business. These restrictions may affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities as they arise. These covenants place restrictions on our ability to, among other things:

incur additional debt;

create liens;

make certain investments;

enter into certain transactions with affiliates;

declare or pay dividends, redeem stock or make other distributions to stockholders; and

consolidate, merge or transfer or sell assets.

The new senior secured credit facilities also require us to meet a number of financial ratios and covenants.

Our ability to comply with these agreements may be affected by events beyond our control, including prevailing economic, financial and industry conditions. These covenants could have an adverse effect on our business by limiting our ability to take advantage of financing, merger and acquisitions or other corporate opportunities. The breach of any of these covenants or restrictions could result in a default under the indenture governing the notes or the new senior secured credit facilities. An event of default under our debt agreements would permit some of our lenders to declare all amounts borrowed from them to be due and payable, together with accrued and unpaid interest, and the commitments of the senior lenders to make further extensions of credit under the new senior secured credit facilities could be terminated. If we were unable to repay debt to our senior lenders, these lenders could proceed against the collateral securing that debt. In addition, acceleration of our other indebtedness may cause us to be unable to make interest payments on the notes and repay the principal amount of the notes or may cause the subsidiary guarantors to be unable to make payments under the guarantees.

Risks Related to the Exchange Offer and the Notes

If you fail to exchange your old notes, they will continue to be restricted securities and may become less liquid.

Old notes which you do not tender or we do not accept will, following the exchange offer, continue to be restricted securities. You may not offer or sell untendered old notes except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We will issue new notes in exchange for the old notes pursuant to the exchange offer only following the satisfaction of procedures and conditions described elsewhere in this prospectus. These procedures and conditions include timely receipt by the exchange agent of the old notes and of a properly completed and duly executed letter of transmittal.

Because we anticipate that most holders of old notes will elect to exchange their old notes, we expect that the liquidity of the market for any old notes remaining after the completion of the exchange offer may be substantially limited. Any old note tendered and exchanged in the exchange offer will reduce the aggregate principal amount of the old notes outstanding. Following the exchange offer, if you did not tender your old notes you generally will not have any further registration rights and your old notes will continue to be subject to transfer restrictions.

Accordingly, the liquidity of the market for any old notes could be adversely affected.

The new notes will be unsecured and subordinated to our senior debt.

The new notes will rank junior to all of our existing and future senior debt, including borrowings under the new senior secured credit facilities. The new notes will be guaranteed on a senior subordinated basis by most of our direct and indirect subsidiaries. These guarantees will be subordinated to all existing and future senior debt of the guarantors. Our senior debt includes all debt that is not expressly subordinated to or ranked *pari passu* with the notes or the guarantees, subject to certain exceptions. In addition, the new notes will not be secured by any of our assets or any assets of our subsidiaries. As a result, the new notes will be effectively subordinated to all of our and our subsidiaries' secured indebtedness to the extent of the value of the assets securing such indebtedness. As of October 31, 2002, assuming the offering of the old notes and the initial borrowings under the new senior secured credit facilities and the application of the proceeds therefrom had occurred on that date, the notes and the subsidiary guarantees would have been subordinated in right of payment to approximately \$158.7 million of indebtedness (not including letters of credit of approximately \$44.8 million). In addition, we are permitted under the indenture governing the notes to redeem our Series A redeemable convertible preferred stock to the extent it is still outstanding at the mandatory redemption date, which is August 11, 2007. See "Description of Certain Indebtedness and Preferred Stock" and "Description of the New Notes Certain Covenants Restricted Payments."

You may not be fully repaid on your notes if we or a subsidiary guarantor is declared bankrupt, becomes insolvent, is liquidated or reorganized, defaults on payment under the new senior secured credit facilities or other senior debt or commits a default causing the acceleration of the maturity of our debt. In such a case, holders of any debt, including debt under the new senior secured credit facilities, that ranks senior to the notes will be entitled to be paid in full from our assets and the assets of our subsidiaries before any payment may be made with respect to the notes or the guarantees. As a result, we may not have sufficient assets to fully repay the notes. An event of default under our senior debt also may prohibit us and the guarantors of the notes from paying the obligations under the notes or the guarantees.

20

Because we are a holding company, the notes will be effectively subordinated to the claims of the creditors of our non-guarantor subsidiaries.

We conduct a substantial portion of our business through our subsidiaries. Under certain circumstances, our subsidiaries will not guarantee the notes. Claims of creditors of our non-guarantor subsidiaries, including trade creditors, will generally have priority with respect to the assets and earnings of such subsidiaries over the claims of creditors of Casella Waste Systems, including holders of the notes. The indenture governing the notes permits the incurrence of certain additional indebtedness by our non-guarantor subsidiaries in the future. See "Description of the New Notes Subsidiary Guarantees" and "Description of the New Notes Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock."

We may be unable to purchase the notes upon a change in control.

Upon the occurrence of a change of control, as defined in the indenture governing the notes, we will be required to offer to purchase the notes in cash at a price equal to 101% of the principal amount of the notes, plus accrued interest and liquidated damages, if any. A change in control will constitute an event of default under the new senior secured credit facilities and may trigger similar rights under our other indebtedness then outstanding. In the event of a change in control, we may not have sufficient funds to purchase all of the notes and to repay the amounts outstanding under the new senior secured credit facilities or other indebtedness. Further, payment of the purchase price of the notes is subordinated to the prior payment of our senior debt.

A court could void our subsidiaries' guarantees of the notes under fraudulent transfer laws.

Although the guarantees provide you with a direct claim against the assets of the subsidiary guarantors, under the federal bankruptcy laws and comparable provisions of state fraudulent transfer laws, a guarantee could be voided, or claims with respect to a guarantee could be subordinated to all other debts of that guarantor. In addition, a court could void (i.e., cancel) any payments by that guarantor pursuant to its guarantee and require those payments to be returned to the guarantor or to a fund for the benefit of the other creditors of the guarantor.

The court might take these actions if it found, among other things, that when a subsidiary guarantor executed its guarantee (or, in some jurisdictions, when it became obligated to make payments under its guarantee):

such subsidiary guarantor received less than reasonably equivalent value or fair consideration for the incurrence of its guarantee; and

such subsidiary guarantor:

was (or was rendered) insolvent by the incurrence of the guarantee;

was engaged or about to engage in a business or transaction for which its assets constituted unreasonably small capital;

intended to incur, or believed that it would incur, obligations beyond its ability to pay as those obligations matured; or

was a defendant in an action for money damages, or had a judgment for money damages docketed against it and, in either case, after final judgment, the judgment was unsatisfied.

A court would likely find that a subsidiary guarantor received less than fair consideration or reasonably equivalent value for its guarantee to the extent that it did not receive direct or indirect benefit from the issuance of the notes. A court could also void a guarantee if it found that the subsidiary issued its guarantee with actual intent to hinder, delay, or defraud creditors.

21

Although courts in different jurisdictions measure solvency differently, in general, an entity would be deemed insolvent if the sum of its debts, including contingent and unliquidated debts, exceeds the fair value of its assets, or if the present fair salable value of its assets is less than the amount that would be required to pay the expected liability on its debts, including contingent and unliquidated debts, as they become due.

If a court voided a guarantee, it could require that noteholders return any amounts previously paid under such guarantee. If any guarantee were voided, noteholders would retain their rights against us and any other subsidiary guarantors, although there is no assurance that those entities' assets would be sufficient to pay the notes in full.

There is no public market for the notes, and we cannot be sure that a market for the notes will develop.

There has been no public market for any of the notes. Despite our registration of the issuance of the new notes that we are offering in the exchange offer, we cannot assure you as to:

the liquidity of any such market that may develop;

your ability to sell your notes; or

the price at which you may be able to sell your notes.

The notes are eligible for trading in The PORTAL Market of the National Association of Securities Dealers, Inc. If any of the notes are traded after their initial issuance, they may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar securities and other factors, including general economic conditions, our financial condition, performance and prospects and prospects for companies in our industry generally. In addition, the liquidity of the trading market in the notes and the market prices quoted for the notes may be adversely affected by changes in the overall market for high-yield securities.

The initial purchasers of the old notes are not obligated to make a market in the notes and any such market-making may be discontinued at any time at the sole discretion of the initial purchasers. As a result, you cannot be sure that an active trading market will develop for the notes.

USE OF PROCEEDS

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

We will not receive any proceeds from the exchange offer. In consideration for issuing the new notes, we will receive old notes from you in like principal amount. The old notes surrendered in exchange for the new notes will be retired and canceled and cannot be reissued. Accordingly, issuance of the new notes will not result in any change in our indebtedness.

22

CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization as of October 31, 2002:

on an actual basis; and

on an as adjusted basis to reflect the sale of \$150.0 million in principal amount of the old notes and initial borrowings of \$150.0 million under the new senior secured facilities and the application of these amounts to (1) repay our old revolving credit facility and term loan and (2) pay transaction costs related to the offering of the old notes and the new senior secured credit facilities.

This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the related notes.

	October 31, 2002	
	Actual	As Adjusted
	(unaudited)	
	(in millions)	
Cash and cash equivalents	\$ 10.3	\$ 20.5
Long term debt, including current portion of long-term debt		
Old revolving credit facility	\$ 154.0	\$
Old term loan	119.3	
New revolving credit facility (1)		
New term loan (1)		150.0
Capital leases	4.0	4.0
Other debt (2)	6.5	6.5
Senior subordinated notes offered hereby		150.0
Total debt	283.8	310.5
Minority interest	0.1	0.1
Series A redeemable convertible preferred stock (3)	62.3	62.3
Total stockholders' equity	121.8	116.7(4)
Total capitalization	\$ 468.0	\$ 489.6

(1)

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Concurrently with the completion of the offering of the old notes, we entered into new senior secured credit facilities consisting of a term loan in the aggregate principal amount of \$150.0 million and a revolving credit facility in the aggregate principal amount of \$175.0 million. As of October 31, 2002, we had letters of credit outstanding in the aggregate principal amount of \$44.8 million. These letters of credit were replaced by new letters of credit under the new senior secured credit facilities. As a result, as of October 31, 2002, after giving effect to the offering of the old notes and the new senior secured credit facilities and assuming the issuance of all existing letters of credit under our new senior secured credit facilities, we would have had available borrowing capacity under our new \$175.0 million revolving credit facility of up to \$130.2 million, subject to our ability to meet borrowing conditions. See "Description of Certain Indebtedness and Preferred Stock - New Senior Secured Credit Facilities."

- (2) Represents notes payable in connection with acquired businesses.
- (3) We are permitted under the indenture governing the notes to redeem our Series A redeemable convertible preferred stock to the extent it is still outstanding at the mandatory redemption date, which is August 11, 2007. See "Description of Certain Indebtedness and Preferred Stock - Series A Redeemable Convertible Preferred Stock."
- (4) Includes the effect of \$4.1 million (\$2.4 million net of tax) related to the write-off of the deferred financing costs related to the existing senior secured credit facilities and \$4.6 million (\$2.7 million net of tax) related to the termination of certain interest rate swaps.

23

SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING DATA

The selected consolidated financial statements of operations and operating data for the five years in the period ended April 30, 2002 and the selected consolidated balance sheet data as of April 30, 1998, 1999, 2000, 2001 and 2002 are derived from our audited consolidated financial statements. The selected consolidated financial statements of operations and operating data for the six months ended October 31, 2001 and 2002 and the selected consolidated balance sheet data as of October 31, 2002 are derived from our unaudited consolidated financial statements. The unaudited consolidated financial statements have been prepared by us on a basis consistent with our audited financial statements and, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the financial position and results of operations for such periods. Results for the six months ended October 31, 2002 are not necessarily indicative of the results that may be expected for the year ending April 30, 2003 or any other future period. You should read the following selected historical consolidated financial and operating data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	Fiscal Year Ended April 30,					Six Months Ended October 31,	
	1998	1999	2000	2001	2002	2001	2002
						(unaudited)	
	(dollars in thousands)						
Statement of Operations Data:							
Revenues	\$ 140,991	\$ 179,264	\$ 315,013	\$ 479,816	\$ 420,821	\$ 222,126	\$ 230,397
Cost of operations	87,567	106,893	195,495	323,703	275,706	145,406	152,425
General and administration	19,155	26,210	40,003	62,612	53,105	27,192	28,554
Depreciation and amortization	19,921	25,334	38,343	52,883	50,696	25,565	24,277
Impairment charge	1,571			59,619			
Restructuring charge				4,151	(438)		
Legal settlements				4,209			
Other miscellaneous charges				1,604			
Merger-related costs	290	1,951	1,490				

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

	Fiscal Year Ended April 30,				Six Months Ended October 31,		
	1998	1999	2000	2001	2002	2001	2002
Operating income (loss)	12,487	18,876	39,682	(28,965)	41,752	23,963	25,141
Interest expense	7,611	5,641	16,907	41,588	31,451	16,840	14,087
Interest income	(265)	(77)	(1,234)	(2,941)	(880)	(691)	(156)
(Income) loss from equity method investments, net			1,062	26,256	(1,899)	508	(1,751)
Minority interest			502	1,026	(154)	(31)	(152)
Other (income)/expense, net	(549)	(353)	640	78	(4,480)	(6,503)	251
Income (loss) from continuing operations before income taxes, extraordinary item and cumulative change in accounting principle	5,690	13,665	21,805	(94,972)	17,714	13,840	12,862
Provision (benefit) for income taxes	3,048	7,315	10,615	(12,731)	5,887	5,292	5,628
Net income (loss) from continuing operations before discontinued operations, extraordinary item and cumulative effect of change in accounting principle	2,642	6,350	11,190	(82,241)	11,827	8,548	7,234
(Loss) income from discontinued operations, net of taxes	(808)	265	1,884	(15,448)			
Estimated loss on disposal of discontinued operations, net of taxes			(1,393)	(3,846)	(4,096)	(1,625)	
Extraordinary item, net of taxes			(631)				
Cumulative effect of change in accounting principle, net of taxes					(250)	(250)	(62,825)
Net income (loss)	1,834	6,615	11,050	(101,535)	7,481	6,673	(55,591)
Preferred stock dividend and put warrants	5,738			1,970	3,010	1,405	1,528
Net income (loss) available to common stockholders	\$ (3,904)	\$ 6,615	\$ 11,050	\$ (103,505)	\$ 4,471	\$ 5,268	\$ (57,119)

24

As of April 30,

1998	1999	2000	2001	2002	As of October 31, 2002
					(unaudited)

(dollars in thousands)

Balance Sheet Data:

Cash and cash equivalents	\$ 3,087	\$ 4,195	\$ 7,788	\$ 22,001	\$ 4,298	\$ 10,276
Working capital (deficit), net (1)	685	(1,515)	106,580	33,056	(281)	926
Property, plant and equipment, net	88,518	128,374	369,261	290,537	287,115	284,197
Total assets	205,251	282,228	860,470	710,943	621,869	573,984
Total debt (2)	88,411	94,083	450,507	363,223	288,848	283,819
Redeemable preferred stock				57,720	60,730	62,258
Total stockholders' equity	85,004	148,554	274,718	172,951	176,796	121,846

Fiscal Year Ended April 30,

Six Months Ended
October 31,

1998	1999	2000	2001	2002	2001	2002
------	------	------	------	------	------	------

	Fiscal Year Ended April 30,				Six Months Ended October 31,									
					(unaudited)									
	(dollars in thousands)													
Other Operating Data:														
Net cash provided by operating activities	\$	19,726	\$	37,462	\$	48,398	\$	63,767	\$	68,530	\$	37,525	\$	31,427
Net cash (used in) provided by investing activities		(59,939)		(95,690)		(155,088)		(55,565)		(9,533)		9,444		(21,313)
Net cash (used in) provided by financing activities		40,564		59,154		116,423		18,765		(70,065)		(57,303)		(4,602)
Capital expenditures		29,671		54,118		68,575		61,518		37,674		21,994		20,667
Ratio of earnings to fixed charges (3)		1.72x		3.13x		2.30x				1.49x		1.83x		1.74x
Ratio of pro forma earnings to pro forma fixed charges (4)										1.92x				2.02x

- (1) Working capital, net is defined as current assets, excluding cash and cash equivalents, minus current liabilities.
- (2) Total debt includes capital leases.
- (3) For purposes of determining the ratio of earnings to fixed charges, "earnings" consists of income from continuing operations before income taxes, discontinued operations, extraordinary item, cumulative effect of a change in accounting principle, fixed charges, minority interests and (income) loss from equity method investments plus distributed income from equity method investees less interest capitalized. "Fixed charges" consists of interest, amortization of deferred financing costs and interest capitalized. For fiscal year 2001, earnings were insufficient to cover fixed charges by \$68,063.
- (4) Ratio of pro forma earnings to pro forma fixed charges adjusts for pro forma interest which gives effect to the offering of the old notes, the initial borrowings under our new senior secured credit facilities and the use of proceeds therefrom, as if these transactions occurred at the beginning of the period presented.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations with our consolidated financial statements and related notes included elsewhere in this prospectus. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in the "Risk Factors" section of this prospectus. Our actual results may differ materially from those contained in any forward-looking statements.

Casella is a vertically-integrated regional solid waste services company that provides collection, transfer, disposal and recycling services to residential, industrial and commercial customers, primarily in the eastern region of the United States. As of January 1, 2003, we owned and/or operated five Subtitle D landfills, one landfill permitted to accept construction and demolition materials, 35 solid waste collection operations, 32 transfer stations, 39 recycling facilities and one waste-to-energy facility, as well as a 50% interest in a joint venture that manufactures, markets and sells cellulose insulation made from recycled fiber.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

From May 1, 1994 through December 1999, we acquired 161 solid waste collection, transfer and disposal operations. In December 1999, we acquired KTI. KTI assets which we considered core to our operations included interests in waste-to-energy facilities in Maine, significant residential and commercial recycling operations, transfer and collection operations which were "tuck-ins" to existing operations and cellulose insulation manufacturing operations. In addition, KTI's assets included a number of businesses that were not core to our operating strategy. Following our acquisition of KTI, we focused on the integration of KTI and the divestiture of non-core KTI assets, which has now been completed. As part of the divestiture program, in the fourth quarter of fiscal year 2001 we incurred non-recurring charges of \$111.7 million, of which \$90.6 million was non-cash. The divestiture program resulted in aggregate consideration of \$107.6 million, including cash proceeds of \$61.7 million which were used to reduce our indebtedness. The divestitures reduced revenues in fiscal year 2002 by \$54.9 million from fiscal year 2001.

Since December 1999, we have made 29 acquisitions. Eight of our acquisitions during the three years ended April 30, 2000 were accounted for as poolings of interests. Under the rules governing poolings of interests, our financial statements were restated for all years prior to the acquisitions to reflect the financial position, results of operations and cash flows of the merged entities as if they had been one company for all prior periods presented in the accompanying financial statements. All of our other acquisitions, including KTI, were accounted for under the purchase method of accounting. Under the rules of purchase accounting, the acquired companies' revenues and results of operations have been included together with those of ours from the actual dates of the acquisitions and materially affect the period-to-period comparisons of our historical results of operations. As pooling accounting has been eliminated, all future acquisitions will be accounted for under the purchase method.

Critical Accounting Policies and Estimates

The preparation of our 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 judgments which are based on historical experience and on various other factors that are believed to be reasonable under the circumstances. The results of their 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 the notes to our consolidated financial statements contained elsewhere in this prospectus.

26

Landfill Accounting Capitalized Costs and Amortization

We use life-cycle accounting and the units-of-production method to recognize certain landfill costs. Under life-cycle accounting, all costs related to the acquisition, construction, closure and post-closure of landfill sites are capitalized or accrued and charged to income based on tonnage placed into each site. Capitalized landfill costs include expenditures for land and related airspace, permitting costs and preparation costs. Landfill permitting and preparation costs represent only direct costs related to these activities, including legal, engineering and construction. Landfill preparation costs include the costs of construction associated with excavation, liners, site berms and the installation of leak detection and leachate collection systems. Interest is capitalized on landfill permitting and construction projects while the assets are undergoing activities to ready them for their intended use. Management routinely reviews its investment in operating landfills, transfer stations and other significant facilities to determine whether the costs of these investments are realizable. Our judgments regarding the existence of impairment indicators are based on regulatory factors, market conditions and the operational performance of our landfills. Future events could cause us to conclude that impairment indicators exist and that our landfill carrying costs are impaired. Any resulting impairment charge could have a material adverse effect on our financial condition and results of operations.

Landfill permitting, acquisition and preparation costs, excluding the estimated residual value of land, are amortized on the units-of-production method as landfill airspace is consumed. In determining the amortization rate for these landfills, preparation costs include the total estimated costs to complete construction of the landfills' permitted and permissible capacity. To be considered permissible, airspace must meet all of the following criteria:

we control the land on which the expansion is sought;

all technical siting criteria have been met or a variance has been obtained or is reasonably expected to be obtained;

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

we have not identified any legal or political impediments which we believe will not be resolved in our favor;

we are actively working on obtaining any necessary permits and we expect that all required permits will be received within the next two to five years; and

senior management has approved the project.

Units-of-production amortization rates are determined annually for each of our operating landfills. The rates are based on estimates provided by our engineers and accounting personnel and consider the information provided by surveys, which are performed at least annually. Significant changes in our estimates could materially increase our landfill depletion rates, which could have a material adverse effect on our financial condition and results of operations.

Landfill Accounting Accrued Closure and Post-Closure Costs

Accrued closure and post-closure costs represent future estimated costs related to monitoring and maintenance of a solid waste landfill, after a landfill facility ceases to accept waste and closes. We estimate, based on input from our engineers, accounting personnel and consultants, our future cost requirements for closure and post-closure monitoring and maintenance based on our interpretation of the technical standards of the Subtitle D regulations and the air emissions standards under the Clean Air Act as they are being applied on a state-by-state basis. Closure and post-closure accruals for the cost of monitoring and maintenance include final capping of the site, site inspection, groundwater monitoring, leachate management, methane gas control and recovery, and operation and maintenance costs to be incurred during the period after the facility closes.

27

We provide accruals for these estimated future costs on an undiscounted basis as the remaining permitted airspace of such facilities is consumed. Significant reductions in our estimates of the remaining lives of our landfills or significant increases in our estimates of the landfill closure and post-closure maintenance costs could have a material adverse effect on our financial condition and results of operations.

Asset Impairment

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, we continually review our long-lived assets for impairment whenever events or changes in circumstances indicate that the remaining estimated useful life of such assets might warrant revision or that the balances may not be recoverable. We evaluate possible impairment by comparing estimated future cash flows, before interest expense and on an undiscounted basis, with the net book value of long-term assets including goodwill and other intangible assets. If undiscounted cash flows are insufficient to recover assets, further analysis is performed in order to determine the amount of the impairment. An impairment loss is then recorded equal to the amount by which the carrying amount of the assets exceeds their fair market value. Fair market value is usually determined based on the present value of estimated expected future cash flows using a discount rate commensurate with the risks involved. In instances where goodwill is identified with assets that are subject to an impairment loss, the carrying amount of the identified goodwill is reduced before making any reduction to the carrying amounts of other long-lived assets.

Intangible Assets

In July 2001, the FASB issued SFAS No. 141, *Business Combinations* and SFAS No. 142, *Goodwill and Other Intangible Assets*. These new standards significantly modify the current accounting rules related to accounting for business acquisitions, amortization of intangible assets and the method of accounting for impairment of existing goodwill.

We adopted SFAS No. 142 effective May 1, 2002 and, among other things, we have eliminated the amortization of goodwill and we will annually assess goodwill impairment by applying a fair value based test. SFAS No. 142 requires that any goodwill recorded in connection with an acquisition consummated on or after July 1, 2001 not be amortized.

Bad Debt Allowance

Estimates are used in determining our allowance for bad debts and are based on our historical collection experience, current trends, credit policy and a review of our accounts receivable by aging category. Our reserve is evaluated and revised on a monthly basis.

Self-Insurance Liabilities and Related Costs

We are self insured for vehicles and workers compensation. The liability for unpaid claims and associated expenses, including incurred but not reported losses, is determined by a third party actuary and reflected in our consolidated balance sheet as an accrued liability. We use a third party to track and evaluate actual claims experience for consistency with the data used in the annual actuarial valuation. The actuarially determined liability is calculated in part by our past claims experience, which considers both the frequency and settlement amount of claims.

Discontinued Operations

In April 2001, we adopted a formal plan to dispose of our tire processing, commercial recycling and mulch recycling businesses. We have accounted for these planned dispositions in accordance with APB Opinion No. 30, *Reporting the Effects of Disposal of a Segment of a Business*, and accordingly, the

28

discontinued businesses are carried at estimated realizable value less costs to be incurred through the date of disposition. Assets held for sale and liabilities of operations held for sale are stated at their expected realizable values and have been separately classified in the accompanying consolidated balance sheets.

Income Tax Accruals

We record income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*. Under SFAS No. 109, deferred income taxes are recognized based on the expected future tax consequences of differences between the financial statement basis and the tax basis of assets and liabilities, calculated using currently enacted tax rates. Management judgment is required in determining our provision for income taxes and liabilities and any valuation allowance recorded against our net deferred tax assets. Valuation allowances have been established for the possibility that tax benefits may not be realized for certain deferred tax assets.

General

Revenues

Our revenues in our Eastern, Central and Western regions are attributable primarily to fees charged to customers for solid waste disposal and collection, landfill, waste-to-energy, transfer 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. The majority of our disposal and transfer customers are under one to ten year disposal contracts, with most having clauses for annual cost of living increases. Recycling revenues, which are included in FCR and in the Eastern, Central and Western regions, consist of revenues from the sale of recyclable commodities and operations and maintenance contracts of recycling facilities for municipal customers. FCR revenues include revenues from brokerage operations.

Effective August 1, 2000, we contributed our cellulose insulation assets to a joint venture with Louisiana-Pacific, and accordingly, since that date have recognized half of the joint venture's net income/(loss) on the equity method in our results of operations. In the "Other" segment, we have ancillary revenues including residue recycling and major customer accounts.

Our revenues are shown net of intercompany eliminations. We typically establish our intercompany transfer pricing based upon prevailing market rates. The table below shows, for the periods indicated, the percentage of our total revenues attributable to services provided. Collection revenues increased as a percentage of total revenues in fiscal year 2002 compared to fiscal year 2001 due to the effects of price and volume increases. The decrease in our collection revenues as a percentage of revenues for the six months ended October 31, 2002 compared to the same period for 2001 was primarily due to the effects of volume decreases. The decrease in our collection revenues as a percentage of total revenues in fiscal year 2001 compared to fiscal year 2000 is primarily attributable to the effects of the KTI acquisition, as fiscal year 2000 includes only a partial year of KTI collection revenues. Significant recycling and brokerage revenues were added through that acquisition. The decrease in fiscal year 2002 landfill/disposal facilities revenues compared to fiscal year 2001 is mainly attributable to the disposition of our majority interest in Penobscot Energy Recovery Company ("PERC"), which occurred late in fiscal year 2001. Transfer revenues as a percentage of total revenues has continued to increase between years due to an increase in transfer volumes. The increase in recycling revenues as a percentage of total revenues in fiscal year 2002 compared to the prior year is due to higher volumes partially offset by lower average prices. The increase in our

recycling revenues as a percentage of revenues for the six

months ended October 31, 2002 compared to the same period for 2001 was primarily due to higher average recyclable commodity prices and volumes. The increase in recycling revenues in fiscal year 2001 compared to fiscal year 2000 is due to recycling revenues added through the KTI acquisition. The decrease in our brokerage revenues as a percentage of revenues in fiscal year 2002 compared to the prior year is primarily attributable to the overall effects of commodity prices. Our brokerage business revenues as a percentage of revenues, while higher for the six months ended October 31, 2002 compared to the six months ended October 31, 2001, decreased during the three months ended October 31, 2002 compared to the same period for 2001, due to the sale of the export brokerage business effective September 30, 2002. The increase in brokerage revenues as a percent of total revenues in fiscal year 2001 compared to fiscal year 2000 is due to the brokerage revenues added through the KTI acquisition. The decrease in our other revenues as a percentage of revenues during fiscal year 2002 is primarily attributable to divestitures made during the period.

% of Revenues(1)

	Fiscal Year Ended April 30,			Six Months Ended October 31,	
	2000	2001	2002	2001	2002
Collection	55.8%	42.8%	46.9%	46.6%	44.5%
Landfill/disposal facilities	14.1	16.3	13.7	13.7	14.3
Transfer	5.2	7.7	10.7	11.6	11.4
Recycling	7.6	11.9	15.9	14.7	17.4
Brokerage	10.2	14.7	11.7	11.5	12.3
Other	7.1	6.6	1.1	1.9	0.1
Total revenues	100.0%	100.0%	100.0%	100.0%	100.0%

(1) We restated percentages of total revenues for fiscal year 2001, the six months ended October 31, 2001 and fiscal year 2000 to conform with our classification of revenues attributable to services provided in fiscal year 2002.

Operating Expenses

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

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

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

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

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 pending acquisitions, such as legal and engineering costs. We will have material financial obligations relating to closure and post-closure costs of our existing landfills and any disposal facilities which we may own or operate in the future. We have provided and will in the future provide accruals for future financial obligations relating to closure and post-closure costs of our landfills (generally for a term of 30 years after final closure) 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 closure or post-closure costs will not exceed the amount accrued and reserved or amounts otherwise receivable pursuant to trust funds. 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.

Results of Operations

The following table sets forth for the periods indicated the percentage relationship that certain items from our consolidated financial statements bear in relation to revenues.

	% of Revenues				
	Fiscal Year Ended April 30,			Six Months Ended October 31,	
	2000	2001	2002	2001	2002
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of operations	62.1	67.5	65.5	65.5	66.2
General and administration	12.7	13.0	12.6	12.2	12.4
Depreciation and amortization	12.2	11.0	12.1	11.5	10.5
Impairment charge		12.4			
Restructuring charge		0.9	(0.1)		
Legal settlements		0.9			
Other miscellaneous charges		0.3			
Merger-related costs	0.5				
	12.5	(6.0)	9.9	10.8	10.9
Operating income (loss)	12.5	(6.0)	9.9	10.8	10.9
Interest expense, net	5.0	8.1	7.3	7.3	6.0
(Income) loss from equity method investments, net	0.3	5.5	(0.5)	0.2	(0.8)
Other (income)/expense, net	0.4	0.2	(1.1)	(2.9)	0.1
Provision (benefit) for income taxes	3.4	(2.7)	1.4	2.4	2.5
	3.4%	(17.1)%	2.8%	3.8%	3.1%
Net income (loss) from continuing operations before discontinued operations, extraordinary item and cumulative effect of change in accounting principle	3.4%	(17.1)%	2.8%	3.8%	3.1%

31

Six Months Ended October 31, 2002 versus Six Months Ended October 31, 2001

Revenues. Revenues increased \$8.3 million, or 3.7%, to \$230.4 million in the six months ended October 31, 2002 from \$222.1 million in the six months ended October 31, 2001. The revenue increase was mainly attributable to higher average recyclable commodity prices and volumes, which accounted for \$13.7 million, partially offset by a decrease in revenues from businesses divested amounting to \$8.4 million. Revenues from the rollover effect of acquired businesses accounted for \$1.0 million. The core solid waste business reflected a net increase of \$2.0 million, as the successful price increase program more than offset the decrease in volume.

Cost of operations. Cost of operations increased \$7.0 million, or 4.8%, to \$152.4 million in the six months ended October 31, 2002 from \$145.4 million in the six months ended October 31, 2001. Cost of operations as a percentage of revenues increased to 66.2% in the six months ended October 31, 2002 from 65.5% in the prior year. The increase mainly arose from higher volumes of recyclable material purchases.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

General and administration. General and administration expenses increased \$1.4 million, or 5.0%, to \$28.6 million in the six months ended October 31, 2002 from \$27.2 million in the six months ended October 31, 2001, and increased as a percentage of revenues to 12.4% in the six months ended October 31, 2002 from 12.2% in the six months ended October 31, 2001. The increase in general and administration expenses was primarily the result of increased legal costs associated with ongoing lawsuits.

Depreciation and amortization. Depreciation and amortization expense decreased \$1.3 million, or (5.0)%, to \$24.3 million in the six months ended October 31, 2002 from \$25.6 million in the six months ended October 31, 2001. While depreciation expense remained relatively constant between periods, the decrease was primarily attributable to the reduction in goodwill amortization of \$3.0 million as a result of adopting SFAS 142, offset by increased landfill amortization of \$1.7 million. Depreciation and amortization expense as a percentage of revenue decreased to 10.5% in the six months ended October 31, 2002 from 11.5% in the six months ended October 31, 2001, which resulted from the decrease in goodwill amortization expense and higher levels of revenue.

Interest expense, net. Net interest expense decreased \$2.2 million, or (13.7)%, to \$13.9 million in the six months ended October 31, 2002 from \$16.1 million in the six months ended October 31, 2001. This decrease is primarily attributable to lower average debt balances and lower interest rates on variable rate debt in the 2002 period, versus the 2001 period. Interest expense as a percentage of revenues decreased to 6.0% in the six months ended October 31, 2002 from 7.3% in the six months ended October 31, 2001.

(Income) loss from equity method investments. Income from equity method investments increased \$2.2 million to \$1.7 million in the six months ended October 31, 2002 compared to a loss from equity method investments of \$0.5 million in the six months ended October 31, 2001. Income from GreenFiber decreased \$0.2 million to \$1.7 million in the six months ended October 31, 2002 from \$1.9 million in the six months ended October 31, 2001. GreenFiber's equity income in the six months ended October 31, 2002 included a \$1.0 million gain associated with an eminent domain settlement received from a state department of transportation on the involuntary conversion of a portion of a GreenFiber leased manufacturing facility. The lower equity income in the six months ended October 31, 2002 was due to higher prices paid for raw materials. In the six months ended October 31, 2001, we recorded a \$2.4 million loss related to our further investment in the New Heights tire processing business.

Minority interest. Minority interest in the six months ended October 31, 2002 and 2001 reflects a minority owners' interest in our majority owned subsidiary American Ash Recycling of Tennessee, Ltd. ("AART"). AART has completed its ash operation contract and began closing its operations in the six months ended October 31, 2002.

32

Other expense/(income), net. Other expense in six months ended October 31, 2002 was \$0.2 million compared to other income of \$6.5 million in the six months ended October 31, 2001. Other expense in the six months ended October 31, 2002 consisted primarily of losses on the write down of fixed assets. Other income of \$6.5 million in the prior year was attributable to the gain recognized on the sale of Multitrade of \$4.0 million as well as the sale of Bangor Hydro warrants, which realized a gain of \$1.7 million. The additional increase of \$0.8 million in the prior period is primarily attributable to the sale of other assets.

Provision for income taxes. Provision for income taxes increased \$0.3 million in the six months ended October 31, 2002 to \$5.6 million from \$5.3 million in the six months ended October 31, 2001. The effective tax rate increased to 43.8% in the six months ended October 31, 2002 from 38.2% in the six months ended October 31, 2001 primarily due to the loss on the sale of a significant portion of our interest in New Heights in the six months ended October 31, 2001, partially offset in 2002 by the decrease in nondeductible goodwill amortization and utilization of capital loss carryforwards on the sale of the export brokerage business.

Cumulative effect of change in accounting principle. We adopted SFAS No. 142, *Goodwill and Other Intangible Assets*, which among other things, eliminates the amortization of goodwill and requires an annual assessment of goodwill impairment by applying a fair value based test. We performed an impairment test as of May 1, 2002. Goodwill was determined to be impaired and the amount of \$62.8 million (net of tax benefit of \$0.2 million) was charged to earnings in the six months ended October 31, 2002 as a cumulative effect of change in accounting principle. In the six months ended October 31, 2001, we adopted SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which resulted in a charge to earnings as a cumulative effect of change in accounting principle in the amount of \$0.3 million (net of tax benefit of \$0.1 million) for the portion of interest rate swap hedges determined to be ineffective.

Fiscal Year 2002 versus Fiscal Year 2001

Revenues. Revenues decreased \$59.0 million, or 12.3%, to \$420.8 million in fiscal year 2002 from \$479.8 million in fiscal year 2001. Divested businesses accounted for approximately \$54.9 million of the decrease, while lower average brokerage commodity prices and volumes represented \$32.5 million of the decrease. These decreases were partially offset by price and volume increases in the core solid waste business

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

amounting to \$24.9 million and the positive rollover effect of acquisitions amounting to approximately \$3.5 million.

Cost of operations. Cost of operations decreased \$48.0 million, or 14.8%, to \$275.7 million in fiscal year 2002 from \$323.7 million in fiscal year 2001. This decrease arose mainly from lower volumes of recyclable material purchases and divestitures. Cost of operations as a percentage of revenues decreased to 65.5% in fiscal year 2002 from 67.5% in the prior fiscal year. The decrease in cost of operations as a percentage of revenues was primarily the result of a decreased contribution from brokerage operations, which carry a high cost of operations as a percentage of revenues of approximately 90%.

General and administration. General and administration expenses decreased \$9.5 million, or 15.2%, to \$53.1 million in fiscal year 2002 from \$62.6 million in fiscal year 2001. General and administration expenses decreased slightly as a percentage of revenues to 12.6% in fiscal year 2002 from 13.0% in the prior fiscal year. The decrease in general and administration expenses was primarily the result of divestitures as well as lower legal and bad debt expenses.

Depreciation and amortization. Depreciation and amortization expense decreased \$2.2 million, or 4.1%, to \$50.7 million in fiscal year 2002 from \$52.9 million in fiscal year 2001. The decrease was attributable to lower intangible amortization due to the impairment charge taken in fiscal year 2001

33

and the impact of divested entities. Depreciation and amortization expense as a percentage of revenues increased to 12.1% in fiscal year 2002 from 11.0% in fiscal year 2001. The increase as a percentage of revenues resulted primarily from a lower level of revenues.

Restructuring charge. A restructuring charge of \$0.4 million in fiscal year 2002 represents the reversal of certain unrealized fiscal year 2001 restructuring expenses, partially offset by additional restructuring charges expensed in fiscal year 2002.

Interest expense, net. Net interest expense decreased \$8.1 million, or 21.0%, to \$30.6 million in fiscal year 2002, from \$38.6 million in fiscal year 2001. This decrease is primarily attributable to lower average debt balances and lower interest rates on variable debt in the current period, versus the prior period. Interest expense, as a percentage of revenues, decreased to 7.3% in fiscal year 2002 from 8.1% in fiscal year 2001.

(Income) loss from equity method investments, net. Income from equity method investments in fiscal year 2002 of \$1.9 million reflects equity income in our 50% joint venture interest in GreenFiber amounting to \$4.3 million, offset by a \$2.4 million loss related to our further investment in the New Heights tire processing business. In the prior year, we recorded our share of a loss of \$4.2 million, recorded at GreenFiber due to significant transitional and restructuring expenses. In fiscal year 2001, equity method investment losses also included a \$22.0 million loss attributable to impairment charges taken to reduce our investment in Oakhurst Company, Inc. ("OCI") and New Heights Recovery and Power, LLC ("New Heights").

A portion of our 50% interest in New Heights was sold in September 2001 for consideration of \$0.3 million. We retained an interest of 9.95% in the tire recycling assets of New Heights, as well as financial obligations related solely to the New Heights power plant. In addition, we have an interest in certain notes granted by New Heights collectively valued at approximately \$9.0 million, payment of which is contingent upon certain events. We will record the contingent consideration when the contingency is removed. We are accounting for our retained investment under the equity method.

Minority interest. At April 30, 2002, this amount represented the minority owners' interest in AART, which recorded a loss for the period. At April 30, 2001 minority interest reflected the minority owners' interest in our majority owned subsidiaries Maine Energy and PERC. Effective March 1, 2001, we acquired the remaining 16.25% minority interest in Maine Energy and sold our majority interest in PERC.

Other (income)/expense, net. Other income was \$4.5 million in fiscal year 2002 compared to \$0.1 million in other expenses in fiscal year 2001. This increase is attributable to the divestitures of Multitrade and S&S Commercial, which resulted in a gain of \$4.8 million. Other income in fiscal year 2002 also includes a gain on the sale of Bangor Hydro warrants of \$1.7 million and gains on the sale of equipment of \$0.1 million, offset by the write off of \$1.7 million of commodity hedges due to the bankruptcy of Enron, as well as impairment of our U.S. Plastic Lumber Corp. equity holdings, amounting to \$0.4 million.

Provision (benefit) for income taxes. Provision for income taxes increased \$18.6 million in fiscal year 2002 to \$5.9 million from a benefit of \$12.7 million in fiscal year 2001. This increase, as well as the change in the effective tax rate to 33.2%, is primarily due to the change in pretax income to a profit, the tax benefit from the sale of 80.1% of our equity interest in New Heights in fiscal year 2002 and the write-off of non-deductible goodwill and the equity loss in OCI and in New Heights in fiscal year 2001.

Fiscal Year 2001 versus Fiscal Year 2000

Revenues. Revenues increased approximately \$164.8 million, or 52.3%, to \$479.8 million in fiscal year 2001 from \$315.0 million in fiscal year 2000. The impact of businesses acquired, net of divestitures, throughout fiscal year 2000 and fiscal year 2001, including the KTI acquisition which closed in December 1999, resulted in an increase of \$154.5 million. The remaining increase of \$10.3 million was attributable to internal volume and price growth, including the negative impact of \$10.0 million of lower average recyclable commodity prices in fiscal year 2001 compared to fiscal year 2000.

Cost of operations. Cost of operations increased approximately \$128.2 million, or 65.6%, to \$323.7 million in fiscal year 2001 from \$195.5 million in fiscal year 2000. Cost of operations as a percentage of revenues increased to 67.5% in fiscal year 2001 from 62.1% in fiscal year 2000. The increase in cost of operations as a percentage of revenues was primarily the result of acquiring KTI's brokerage operations, which carry a high cost of operations as a percentage of revenues of approximately 90%. The brokerage operations comprised approximately 14.7% of our revenues in fiscal year 2001, versus 10.2% in fiscal year 2000.

General and administration. General and administration expenses increased approximately \$22.6 million, or 56.5%, to \$62.6 million in fiscal year 2001 from \$40.0 million in fiscal year 2000. General and administration expenses as a percentage of revenues increased to 13.0% in fiscal year 2001 from 12.7% in fiscal year 2000. The increase in general and administration expenses was primarily the result of acquisitions, principally KTI. In addition, we incurred high legal expenses on outstanding litigation against KTI, which we assumed in connection with the acquisition of KTI.

Depreciation and amortization. Depreciation and amortization expenses increased \$14.5 million, or 37.9%, to \$52.9 million in fiscal year 2001 from \$38.3 million in fiscal year 2000. Depreciation and amortization expenses as a percentage of revenues decreased to 11.0% in fiscal year 2001 from 12.2% in fiscal year 2000. The decrease in depreciation and amortization expenses as a percentage of revenues was primarily attributable to our acquisition of KTI. KTI carried lower depreciation expense as a percentage of revenues of approximately 7% than our existing operations of approximately 14.5%.

Impairment charge. In the fourth quarter of fiscal year 2001, we determined that certain assets (mainly goodwill) were impaired and therefore recorded a charge of \$59.6 million to reduce those assets to their estimated fair value. The assets impaired consisted primarily of assets acquired in our acquisition of KTI.

Restructuring charge. In April 2001, we incurred a restructuring charge amounting to \$4.2 million. This amount was primarily attributable to severance and facility closures. See Note 11 of the notes to the audited consolidated financial statements included in this prospectus.

Legal settlements. During fiscal year 2001, we settled five of our outstanding lawsuits and established a reserve for the settlement of four others. The amount provided includes associated legal fees.

Other miscellaneous charges. During fiscal year 2001, we provided for the recapping of a landfill and for a loss contract.

Interest expense, net. Net interest expense increased approximately \$23.0 million, or 146.6%, to \$38.6 million in fiscal year 2001 from \$15.7 million in fiscal year 2000. Interest expense, net, as a percentage of revenues, increased to 8.1% in fiscal year 2001 from 5.0% in fiscal year 2000. The increase in net interest expense as a percentage of revenues is primarily attributable to three factors: (i) higher average debt balances in fiscal year 2001, versus fiscal year 2000; (ii) closing on \$450.0 million senior credit facilities in December 1999 that raised our borrowing cost by approximately

200 basis points over our previous senior credit facilities; and (iii) amending this facility twice in 2001, resulting in fees that further increased the cost of borrowing by approximately 60 basis points.

(Income) loss from equity method investments, net. This amount comprises two items, the loss from Oakhurst Company, Inc. and New Heights (\$22.0 million) and the loss from GreenFiber (\$4.2 million). The former amount arises from our 35% ownership of OCI, which was

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

acquired as part of KTI. OCI owned 37.5% of New Heights. We also had a direct ownership interest in New Heights of 12.5%. The charge in the year included writing down this investment to net realizable value.

On July 3, 2001, we acquired OCI's 37.5% interest in New Heights, a promissory note for \$1 million and common share purchase warrants, all in exchange for the cancellation of all amounts due from OCI and all equity interests in OCI. Our interest in New Heights was subsequently reduced, as described above under "Fiscal Year 2002 versus Fiscal Year 2001 (Income) loss from equity method investments, net".

The second item relates to GreenFiber, which was formed effective August 1, 2000 and in which we acquired a 50% interest. Our share of GreenFiber's income in fiscal year 2001 was more than offset by the restructuring charge and transition costs incurred in setting up the new business and closing redundant plants, leading to a net loss for the period.

Minority interest. This amount now represents the minority owners' interest in our majority owned subsidiary American Ash Recycling of Tennessee, Ltd. Effective March 1, 2001, we acquired the remaining 16.25% minority interest in Maine Energy and sold our majority interest in PERC. Net cash proceeds for the two transactions amounted to \$12.0 million.

Other (income)/expense, net. Other (income)/expense, net decreased by \$0.6 million, in fiscal year 2001. The other expenses in fiscal year 2001 are primarily attributable to the loss on the sale of certain assets in the fourth quarter (\$2.8 million), and the cost of early termination of a letter of credit (\$1.4 million), offset by a gain on the sale of two-thirds of the Bangor Hydro warrants held by us in the amount of \$3.1 million.

Provision (benefit) for income taxes. Provision for income taxes decreased \$23.3 million, to a benefit of \$12.7 million in fiscal year 2001 from \$10.6 million in fiscal year 2000. Provision for income taxes, as a percentage of revenues, decreased to (2.7)% in fiscal year 2001 from 3.4% in fiscal year 2000. The decrease is primarily due to our loss in fiscal year 2001 compared to fiscal year 2000. The other primary factors causing provision for income taxes as a percentage of pre-tax net income to vary were: (i) the write-off of goodwill and recording of the equity loss from OCI and New Heights, which were non-deductible; and (ii) increased amortization of non-deductible KTI goodwill.

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. We had net working capital deficit of \$0.3 million at April 30, 2002 compared to net working capital of \$33.1 million at April 30, 2001. Working capital, net comprises current assets, excluding cash and cash equivalents, minus current liabilities. The main factors accounting for the decrease were lower trade receivable balances, increases in the current portion of accrued closure and post-closure costs, lower cash balances, recognition of the current portion of interest rate swaps and the sale of assets of discontinued operations and net assets held for sale. We had net working capital of \$0.9 million at October 31, 2002. This increase from April 30, 2002 is due primarily to higher trade receivable balances and lower current closure/post-closure accruals and lower interest rate swap obligations, offset by higher trade payable balances.

36

Net cash provided by operations in fiscal year 2002 and fiscal year 2001 amounted to \$68.5 million and \$63.8 million, respectively. The increase was primarily due to the change in our working capital, primarily reflecting an improvement in our accounts receivable collections and an increase in the current portion of accrued closure and post-closure costs. Net cash provided by operations amounted to \$31.4 million for the six months ended October 31, 2002 compared to \$37.5 million for the same period of the prior fiscal year. This decrease is primarily due to the change in our working capital, resulting from higher trade accounts receivables balances and a reduction in accrued liabilities, offset by an increase in trade accounts payable.

Net cash used in investing activities in fiscal year 2002 and fiscal year 2001 amounted to \$9.5 million and \$55.6 million, respectively. The decrease in cash used in investing activities reflected mainly our lower capital expenditures, which were reduced to \$37.7 million in fiscal year 2002 from \$61.5 million in fiscal year 2001. The decrease in cash used in investing activities between years was also as a result of fewer acquisitions and higher proceeds from divestitures. Net cash used in investing activities was \$21.3 million for the six months ended October 31, 2002 compared to \$9.4 million in the same period of the prior fiscal year. This increase in cash used in investing activities is primarily due to proceeds received from divestitures in the six months ended October 31, 2001.

Net cash used in financing activities was \$70.1 million in fiscal year 2002 compared to \$18.8 million provided by financing activities in fiscal year 2001. This increase was primarily due to our paying down debt from the proceeds from divestitures. Net cash used in financing activities was \$4.6 million for the six months ended October 31, 2002 compared to \$57.3 million used for the same period of the prior fiscal year. This decrease was primarily due to paying down debt in the prior fiscal year with the proceeds from divestitures and the utilization of cash and working capital.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Our capital expenditures were \$37.7 million in fiscal year 2002 compared to \$61.5 million in fiscal year 2001. Significant capital projects in fiscal year 2002 included the expenditure of approximately \$20.0 million in connection with landfill site development. Capital spending was significantly higher in fiscal year 2001 mainly due to capital expenditures related to the upgrade of our truck fleet and Maine Energy, especially relating to odor control. Our capital expenditures were \$20.7 million for the six months ended October 31, 2002 compared to \$22.0 million for the same period in the prior fiscal year. We expect our capital spending to total approximately \$39.0 million in fiscal year 2003.

During fiscal year 2002, we completed four acquisitions for an aggregate consideration of \$7.4 million consisting of \$4.6 million in cash and \$2.8 million in notes payable and other consideration. In comparison, during fiscal year 2001, we completed 13 acquisitions for an aggregate consideration of \$22.6 million, consisting of \$9.3 million in cash and \$13.3 million of debt forgiveness. During the six months ended October 31, 2002, we completed three acquisitions for aggregate consideration of \$1.6 million, consisting of \$1.5 million in cash and \$0.1 million in other consideration. During the six months ended October 31, 2001, we completed two acquisitions for aggregate consideration of \$0.3 million in cash. In fiscal year 2002, we completed our previously announced divestiture program which was announced in March 2001, from which we received total consideration of \$107.6 million, including cash proceeds of \$61.7 million which were used to reduce our indebtedness.

We intend to use the additional availability under our new senior secured credit facilities to support our acquisition program. As of January 10, 2003, we were party to signed purchase and sale agreements for the acquisition of solid waste assets having an aggregate purchase price of approximately \$16.0 million in cash and \$2.0 million in notes payable. The closing of these transactions is subject to normal contingencies and there can be no assurances that such acquisitions will be completed. In addition, we have an active acquisition program and we may enter into other agreements prior to the completion of the exchange offer.

Concurrently with the closing of the offering of the old notes, we entered into new senior secured credit facilities. The new senior secured credit facilities provide for a \$150.0 million term loan and a

37

\$175.0 million revolving credit facility, for total aggregate borrowings by us or certain of our subsidiaries of up to \$325.0 million. We have the right to increase the amount of the revolver and/or the term loan by an aggregate amount of up to \$50 million at our discretion, provided that we are not in default at the time of the increase, subject to the receipt of commitments from lenders for such additional amount. See "Description of Certain Indebtedness and Preferred Stock Description of the New Senior Secured Credit Facilities." We used the net proceeds from the offering of the old notes and initial borrowings under our new senior secured credit facilities to repay all outstanding amounts under our old senior secured credit facilities, fees and expenses related to the offering of the old notes and the new senior secured credit facilities and general corporate purposes. As of October 31, 2002, after giving effect to the offering of the old notes and the new senior secured credit facilities and assuming the issuance of all existing letters of credit under our new senior secured credit facilities, we would have had available borrowing capacity under our new \$175.0 million revolving credit facility of up to \$130.2 million, subject to our ability to meet certain borrowing conditions.

We believe that our cash provided internally from operations together with the proceeds of the offering of the old notes and our new senior secured credit facilities should enable us to meet our working capital and other cash needs for the foreseeable future.

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 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 mainly in the eastern 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.

New Accounting Pronouncements

In July 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations*. SFAS No. 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes the cost by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the entity either settles the obligation

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

for the amount recorded or incurs a gain or loss. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. Management is evaluating the effect of this statement on our results of operations and financial position as well as related disclosures.

In April 2002, the FASB issued SFAS No. 145, *Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections*. SFAS No. 145, among other things, restricts the classification of gains and losses from extinguishment of debt as extraordinary such that most debt extinguishment gains and losses will no longer be classified as extraordinary. SFAS No. 145 is effective for fiscal years beginning after May 15, 2002. Upon adoption, gain and losses on future debt extinguishment, if any, will be recorded in pre-tax income. Management is evaluating the effect of this statement on our results of operations and financial position as well as related disclosures.

38

In July 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. SFAS No. 146 addresses costs such as restructuring, involuntary termination of employees and consolidating facilities but excludes from its scope exit and disposal activities that are in connection with a business combination and those activities to which SFAS No. 143 and No. 144 are applicable. SFAS No. 146 is effective for exit and disposal activities that are initiated after December 31, 2002. Management is evaluating the effect of this statement on our results of operations and financial position as well as related disclosures.

Quantitative and Qualitative Disclosure About Market Risk

At January 31, 2003, our outstanding variable rate debt consisted of the \$150.0 million term loan portion of our new senior secured credit facility. If interest rates on this variable rate debt increased or decreased by 100 basis points, our annual interest expense would increase or decrease by approximately \$1.5 million. In addition, the revolving credit facility portion of our new senior secured credit facility, as it may be outstanding from time to time, is variable rate debt. To modify the risk from the possible interest rate fluctuations on our variable rate debt, we expect to enter into hedging transactions from time to time consistent with our policies and procedures. We utilized such hedging transactions in connection with our old senior secured credit facility that was refinanced with the proceeds of the notes and our new senior secured credit facility.

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

We are subject to commodity price fluctuations related to the portion of our sales of recyclable commodities that are not under floor or flat pricing arrangements. As of October 31, 2002, to minimize our commodity exposure, we had entered into eleven commodity hedging agreements. We do not use financial instruments for trading purposes and are not a party to any leveraged derivatives. If commodity prices were to change by 10%, the impact on our operating margin is estimated at \$3.2 million as of October 31, 2002, without considering our hedging agreements. The effect of the hedge position would reduce the impact by \$0.1 million.

On December 2, 2001, Enron, the counterparty for all of our commodity hedges, filed for Chapter 11 bankruptcy protection. As a result of the filing, we executed the early termination provisions provided under the forward contracts, and filed a claim with the bankruptcy court. Additionally, we agreed with our equity method investee, GreenFiber, to include GreenFiber in our claim (as allowed under the applicable affiliate provisions). We recorded a charge of \$1.7 million in other expense to recognize the change in fair value of our commodity contracts. Subsequent changes in the fair value of these commodity contracts (\$0.2 million as of October 31, 2002) will be reflected in earnings until their March 2003 termination.

Deferred gains of approximately \$0.2 million, net of tax, related to our terminated contracts with Enron are included in accumulated other comprehensive income, and will be reclassified into earnings as the original hedged transactions settle.

39

BUSINESS

The Company

Casella Waste Systems, Inc. is a vertically-integrated regional solid waste services company that provides collection, transfer, disposal and recycling services to approximately 222,000 residential customers and 48,000 industrial and commercial customers, primarily in the eastern United States. Based on industry sources, we are the fifth largest solid waste services provider in the United States, based on our fiscal year 2001

revenues. We believe we are currently the number one or number two provider of solid waste collection services in 80% of the areas served by our collection divisions. As of January 1, 2003, we owned and/or operated five Subtitle D landfills, one landfill permitted to accept construction and demolition materials, 35 solid waste collection operations, 32 transfer stations, 39 recycling facilities, one waste-to-energy facility and a 50% interest in a joint venture that manufactures, markets and sells cellulose insulation made from recycled fiber.

For the six months ended October 31, 2002, we generated revenues of \$230.4 million. Our Class A common stock is listed on the Nasdaq National Market under the ticker symbol "CWST."

Industry Overview and Trends

The United States solid waste services industry comprises the collection, recycling, transfer and disposal of solid waste at landfills or other facilities and, according to industry sources, generated revenues of approximately \$40.9 billion in 2001. The collection, transfer and recycling, and disposal segments accounted for approximately 58%, 12%, and 30% of industry revenues, respectively. Approximately 64% of collection revenues were generated from residential sources, with the remainder from commercial and industrial entities.

The industry has generally experienced stable long-term growth, driven by population increases and economic activity. According to industry sources, the volume of solid waste generated in the United States has grown from 264 million tons in 1991 to 445 million tons in 2001, representing a compound annual growth rate of approximately 5.4%. Because the solid waste services industry meets an essential need of communities and businesses and has few cost-effective substitutes, it is generally less affected by economic downturns than other industries.

The essential services the solid waste services industry provides to communities and businesses include:

Collection. Collection, or hauling, involves collecting waste from residential, commercial and industrial sources and transporting it to a transfer station or disposal facility. Residential collection services are provided by municipalities and by companies who contract with municipalities or directly with individual homeowners, homeowners' associations, apartment building owners or mobile home park operators. Commercial and industrial collection operations service businesses and construction and demolition operations.

Transfer Stations. A transfer station is a facility where solid waste that has been collected is received, compacted and then transferred to vehicles for delivery to disposal sites. This process reduces costs by increasing the density of the waste being transported. Transfer stations also improve the efficient utilization of collection personnel and equipment by maximizing time spent on collection and minimizing time spent traveling to disposal sites.

Landfills/Disposal. Most of the solid waste generated in the United States is disposed of in landfills. The cost of disposing of solid waste in a landfill includes the "tipping fees" charged by the landfill operator and the cost of transporting the waste to the landfill, which can be significant. Waste collectors that are able to dispose of waste in their own landfills generally

40

realize a significant cost advantage, particularly if the landfill is in close proximity to the source of the solid waste.

Waste-to-Energy. In addition to disposal at landfills, solid waste is also disposed at waste-to-energy facilities. Waste-to-energy facilities generate electricity by processing non-hazardous solid waste. The power generated by waste-to-energy facilities is generally sold to power companies. Waste-to-energy facilities typically receive solid waste from municipalities under waste handling agreements and from commercial and private waste haulers, including pursuant to short- and long-term contracts.

Recycling and Brokerage. Recycling includes the collection of recyclable waste, including paper, cardboard, plastic, glass, aluminum and other metals, from residential and commercial customers and the sorting and baling of the material. Residential and commercial customers generally pay a fee for the removal of recyclable waste from their premises. After the recycler collects and processes the recyclables, it sells them to purchasers who generally pay a fluctuating, spot-market price for recycled materials. Buyers and sellers often rely on brokers to facilitate the market for recycled materials.

Trends in the Solid Waste Services Market. The solid waste services industry has undergone significant consolidation since 1990. This trend has been largely driven by the impact of government regulations and competitive pressures. Stringent legislation such as Subtitle D has substantially increased the capital required for the development and operation of disposal capacity. Consequently, the number of landfills has decreased from over 6,000 in 1991 to approximately 3,000 in 2001. Furthermore, while the five largest publicly traded solid waste services companies own and/or operate approximately 20% of the landfills nationwide, they handled approximately 50% of the solid waste volume generated in 2001.

We believe that the following factors have been major factors in this consolidation and integration:

Increased Impact of Regulations. Stringent industry regulations, such as Subtitle D, have increased operating and capital costs and accelerated consolidation and acquisition activities in the solid waste services industry. Many smaller industry participants have found these costs difficult to bear and have decided to either close their operations or sell them to larger operators. In addition, Subtitle D requires more stringent engineering regarding the construction, management and closure and post-closure maintenance of solid waste landfills. Similarly, financial assurance requirements for solid waste landfill operators relating to closure and post-closure monitoring have also increased. As a result, the number of solid waste landfills is declining while the average size is increasing.

Increased Integration of Collection and Disposal Operations. In certain markets, including many of the markets in which we operate, competitive pressures are forcing operators to become more efficient by establishing vertically-integrated networks of solid waste collection operations, transfer stations and disposal facilities. By securing and controlling the solid waste stream from collection through disposal, known as "internalization," solid waste services companies have been able to achieve higher margins and greater cash flow than if they were required to bring collected waste to a third party's disposal facility. Operators have adopted a variety of disposal strategies to improve their internalization and achieve higher margins, including owning or securing long-term access to landfills and other disposal facilities, establishing strategic relationships to secure access to landfills, capturing significant waste stream volumes in order to gain leverage in negotiating lower landfill fees and securing long-term, advantageous pricing contracts with high capacity landfills.

Pursuit of Economies of Scale. Larger operators achieve economies of scale not available to smaller operators by spreading their facility, asset and management infrastructure over larger

volumes. Larger solid waste collection and disposal companies have become more cost-effective and competitive by controlling larger waste streams, improving the density of their collection operations and gaining access to significant financial resources to make acquisitions.

Although the industry has been consolidating over the past several years, it remains fragmented and highly competitive. In 2001, approximately 47% of the market was managed by publicly traded waste hauling and disposal companies with the balance shared between municipalities and small private firms. We believe that these small, independent operators present significant opportunities for "tuck-in" acquisitions by companies with disciplined acquisition programs, focused management and access to financial resources.

Trends in Recycling. In the 1980s, municipalities and counties began to initiate recycling programs in response to the increased environmental awareness of consumers and a desire to reduce landfill disposal volumes. These early programs were typically "drop-off", or "curbside" source separated programs, which required the customer or the recycler to sort the recyclable materials at the time of collection. As a way to improve recycling efficiency and expand the number of items that could be recycled the concept of commingled recycling evolved, in which all recyclable materials were collected and mixed at the curb into a single container, which was then transported to the municipal recycling facility where it was sorted and processed. Commingled recycling, while improving collection efficiency, has increased the complexity and capital intensive nature of recycling facilities and created a demand for skilled operators who can efficiently separate and process the recyclables and sell the resultant materials.

In addition, the increased efficiency of recycling collection operations has led to an increase in the amount of recyclables collected. This has increased the commodity price risk for operators of recycling facilities, who must find a market for the recycled materials. As a result, operators have implemented strategies to reduce their exposure to commodity pricing risk. These strategies have included charging collection and processing fees for recycling volume collected from third parties, revenue sharing arrangements and initiating fiber hedging strategies to moderate the risks of commodity pricing volatility.

Our Competitive Strengths

We believe that our key competitive strengths are:

Leading Provider in Areas Served. We believe we are currently the number one or number two provider of solid waste collection services in 80% of the areas served by our collection divisions. In most of the non-urban markets we serve, we are the only vertically-integrated public company providing solid waste services. By establishing this significant market share, we are able to benefit from economies of scale not available to smaller operators, including spreading our facility, asset and management infrastructure over larger volumes.

Stable Revenues and Cash Flows. Our leading market position, significant customer base and focus on non-urban markets, which are less dependent on more cyclical waste streams such as industrial or construction and demolition waste, provide us with generally stable revenues and cash flows. In addition, the solid waste services industry overall is generally more resistant to economic conditions than many other industries. A majority of our commercial and industrial collection services are performed under one-to-three-year service agreements and our residential collection and disposal services are performed either on a subscription basis or through contracts with municipalities, homeowners associations, apartment building owners or mobile home park operators.

Expertise and Experience in Secondary Markets. We have 28 years of experience operating in less densely-populated secondary markets, which distinguishes us from other regional and

42

national competitors. Our substantial expertise enables us to effectively deal with the unique nature of these markets, which include longer collection routes and seasonal fluctuations. Furthermore, our expertise and operating history has enabled us to assemble a strategic portfolio of assets within our operating regions, including five Subtitle D landfills and 32 transfer stations.

Experienced Management Team. Since 2000, we have made several key hires, further strengthening our management team. Each member of our senior management team has significant experience in the solid waste services industry, including in operations, acquisitions and the development of disposal capacity. John Casella has been our Chief Executive Officer since 1976, and James Bohlig, our President, has been responsible for business development, acquisitions and operations since 1993. Charles Leonard, our Senior Vice President of Solid Waste Operations, and Richard Norris, our Chief Financial Officer, have 20 years and 15 years experience, respectively, with major companies in the solid waste services industry. In addition, our board of directors and Berkshire Partners LLC, the principal holder of our Series A redeemable convertible preferred stock, provide us with valuable perspective and support.

Well-developed Infrastructure. We have implemented internal systems, including our information technology and accounting and control systems, which we believe are capable of serving our long-term growth objectives with minimal enhancements. Our information technology systems enable us to closely monitor and improve the performance of our field operations and to integrate acquired companies quickly and effectively into our existing operations.

Strategy

Our objective is to continue to enhance our position as a leading, vertically-integrated regional solid waste services provider in the eastern United States. We are implementing this strategy by:

Maintaining and Increasing Operational Efficiency and Profitability of Existing Businesses. We have developed and implemented programs designed to enhance employee safety, collection and disposal routing efficiency and equipment utilization, capital expenditure cost controls and commercial weight tracking. We have demonstrated continuous incremental improvements since our inception and intend to continue to implement these and other programs to achieve additional operational efficiencies. In addition, we are seeking to improve our internalization rate, particularly in the Eastern and Western regions. For example, we use transfer stations to link remote collection operations with landfills we operate,

increasing our internalization.

Driving Internal Growth. In order to grow our existing operations, we are focused on increasing collection volumes, marketing value-added services and improving our regional position as a low cost provider of services. In addition, we are continually seeking to enhance our internal growth and profitability by developing and acquiring additional disposal capacity within our core markets, including through the expansion of existing landfills and the acquisition of new landfills or waste-to-energy facilities, which we believe will enable us to increase our vertical integration and internalization rates. We have entered into strategic relationships with municipal and county governments and other third parties for access to, or operation of, landfill capacity, and we expect to seek additional opportunities for such relationships in the future.

Providing Consistently Superior Customer Service. Both our short- and long-term performance, and our opportunities for growth derive from our ability to meet or exceed customer needs and expectations. Among the programs we have developed, and continue to develop, is an extensive, comprehensive employee training program is designed to enhance our employees' skill levels in all aspects of the business that ultimately influence the quality and consistency of our customers' experience with us.

43

Expanding Through Prudent Acquisition Growth. Our acquisition strategy is focused on acquiring assets that complement our existing businesses. We plan to pursue a prudent acquisition strategy focused on smaller acquisitions which enhance our existing market presence, but which could also include infrequent, larger strategic acquisitions which offer substantial regional growth opportunities. Our acquisition strategy is designed to further improve our market penetration and collection route density and/or to further increase the internalization rates of our wastestreams.

Overview of Our Business

Background. Casella was founded in 1975 as a single truck operation in Rutland, Vermont and subsequently expanded to include operations in New Hampshire, Maine, upstate New York, northern Pennsylvania and eastern Massachusetts. In 1993, we initiated an acquisition strategy to take advantage of anticipated reductions in available landfill capacity in Vermont and surrounding states due to increasing environmental regulation and other market forces driving consolidation in the solid waste services industry. In 1995, we expanded our operations from Vermont and New Hampshire to Maine with the acquisition of the companies comprising New England Waste Services of ME, Inc., and in January 1997 we established a market presence in upstate New York and northern Pennsylvania through our acquisition of Superior Disposal Services, Inc.'s business. From May 1, 1994 through December 30, 1999, we acquired 161 solid waste businesses, including five Subtitle D landfills.

In 1997, we raised \$50.2 million from the initial public offering of shares of our Class A common stock. In 1998, we raised an additional \$41.3 million through a follow-on public offering of an additional 1.6 million shares of Class A common stock. In August 2000, we sold 55,750 shares of our Series A redeemable convertible preferred stock to Berkshire Partners LLC, an investment firm, and other investors for \$55.8 million.

KTI Acquisition and Restructuring. In December 1999, we acquired KTI, an integrated provider of waste processing services, for aggregate consideration of \$340.0 million. KTI represented a unique opportunity to acquire disposal capacity and collection operations in our primary market area and in contiguous markets in eastern Massachusetts, as well as other businesses which fit within our operating strategy. KTI assets which we considered core to our operations included the following:

A majority interest in Maine Energy Recovery Company, Limited Partnership, a waste-to-energy facility which provided us with important additional disposal capacity in our Eastern region and which generates electric power for sale. We subsequently acquired the remaining ownership interest in this facility;

FCR, which consisted of 18 recycling facilities (now 24) that process and market recyclable materials under long-term contracts with municipalities and commercial customers. FCR also included a brokerage business;

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Transfer and collection operations which were "tuck-ins" to our existing Maine operations; and

Cellulose insulation plants which manufacture cellulose insulation for use in residential dwellings and manufactured housing and which consume significant fiber produced from the residential recycling business of FCR.

Following our acquisition of KTI, we focused on the integration of KTI and the divestiture of non-core KTI assets, which included tire recycling assets, commercial recycling facilities, mulch recycling, certain waste-to-energy facilities in Florida and Virginia, a waste-to-oil remediation facility and a broker and a processor of high density polyethylene. We also sold our majority interest in a waste-to-energy facility in Maine that we acquired as part of KTI. As part of this divestiture program, in the fourth quarter of fiscal year 2001, we incurred non-recurring charges of \$111.7 million, of which \$90.6 million were non-cash, relating to the impairment of goodwill from the acquisition of KTI, the closure of certain facilities, severance payments to terminated employees and losses on sale of non-core assets. We have completed the divestiture program for aggregate consideration of \$107.6 million, including cash proceeds of \$61.7 million which were used to reduce our indebtedness.

44

Solid Waste Operations

Our solid waste operations comprise a full range of non-hazardous solid waste services, including collection operations, transfer stations, material recycling facilities and disposal facilities.

Collections. A majority of our commercial and industrial collection services are performed under one-to-three-year service agreements, with prices and fees determined by such factors as collection frequency, type of equipment and containers furnished, the type, volume and weight of solid waste collected, distance to the disposal or processing facility and cost of disposal or processing. Our residential collection and disposal services are performed either on a subscription basis (i.e., with no underlying contract) with individuals, or through contracts with municipalities, homeowner associations, apartment building owners or mobile home park operators.

Transfer Stations. Our transfer stations receive, compact and transfer solid waste collected primarily by various collection operations, for transport to disposal facilities by larger vehicles. We believe that transfer stations benefit us by: (1) increasing the size of the wastesheds which have access to our landfills; (2) reducing costs by improving utilization of collection personnel and equipment; and (3) helping us build relationships with municipalities and other customers by providing a local physical presence and enhanced local service capabilities.

Material Recycling Facilities. Our material recycling facilities, or MRFs, receive, sort, bale and resell recyclable materials originating from the municipal solid waste stream, including newsprint, cardboard, office paper, containers and bottles. Through FCR, we operate 24 MRFs in geographic areas not served by our collection divisions or disposal facilities. Revenues are received from municipalities and customers in the form of processing and tipping fees and commodity sales. These MRFs are large scale, high-volume facilities that process recycled materials delivered to them by municipalities and commercial customers under long term contracts. We also operate MRFs as an integral part of our core solid waste operations, which generally process recyclables collected from our various residential collection operations. This latter group is concentrated primarily in Vermont, as the public sector in other states within our core solid waste services market area have generally maintained primary responsibility for recycling efforts.

Disposal Facilities. We dispose of solid waste at our landfills and at our waste-to-energy facility.

Landfills. The following table provides certain information regarding the landfills that we operate. All of this information is provided as of April 30, 2002. Each of the landfills in the table is a Subtitle D landfill, with the exception of the Hakes landfill, which is permitted to accept only construction and demolition materials.

Landfill	Location	Estimated Remaining Permitted Capacity in Tons (1)	Estimated Annual Tonnage (2)	Estimated Remaining Permitted Life in Years (3)	Estimated Additional Permittable Capacity in Tons (1) (4)	Estimated Additional Permittable Life in Years (3)
(tonnage in thousands)						
Clinton County(5)	Schuylers Falls, NY	1,493	175	8.5	6,500	37.1
Waste USA	Coventry, VT	1,392	240	5.8	5,560	23.2
Pine Tree	Hampden, ME	2,792	295	9.5	404	1.4
NCES	Bethlehem, NH	408(6)	135	3.0	(7)	(7)
Hyland(8)	Angelica, NY	1,581	227	7.0	1,455	6.4

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Landfill	Location	Estimated Remaining Permitted Capacity in Tons (1)	Estimated Annual Tonnage (2)	Estimated Remaining Permitted Life in Years (3)	Estimated Additional Permittable Capacity in Tons (1) (4)	Estimated Additional Permittable Life in Years (3)
Hakes	Campbell, NY	1,285	94	13.7	3,266	34.7

(1) We convert estimated remaining permitted capacity and estimated additional permittable capacity from cubic yards to tons by assuming a compaction factor equal to the historic average compaction factor applicable to the respective landfill over the last three fiscal years. In addition to a total capacity limit, certain permits may place a daily and/or annual limit on capacity.

(2) Based on current permitted capacity, estimated future use and permit limitations.

45

(3) Estimated remaining permitted and additional permittable life in years at a landfill is calculated by dividing the landfill's estimated remaining permitted and additional permittable capacity, respectively, in tons by the estimated annual tonnage.

(4) Represents capacity which we have determined to be "permittable" in accordance with the following criteria: (i) we control the land on which the expansion is sought; (ii) all technical siting criteria have been met or a variance has been obtained or is reasonably expected to be obtained; (iii) we have not identified any legal or political impediments which we believe will not be resolved in our favor; (iv) we are actively working on obtaining any necessary permits and we expect that all required permits will be received within the next two to five years; and (v) senior management has approved the project.

(5) Operated pursuant to a lease expiring in 2021.

(6) Includes capacity which has been permitted as Stage II, Phase II and as Stage III and which we have operated under the authority of the New Hampshire Department of Environmental Services. Our right to utilize this capacity is being contested by the Town of Bethlehem. See " Legal Proceedings."

(7) Since expansion capacity requires resolution of a local dispute on land use and state technical review, 1.3 million tons of expansion capacity having an estimated useful life of 9.9 years, is omitted.

(8) We are seeking a local permissive expansion referendum which if approved would, subject to our receipt of necessary permits, authorize an additional approximately 5.1 million tons of capacity having an estimated useful life of 22.5 years.

Clinton County. The Clinton County landfill, located in Schuyler Falls, New York, is leased from Clinton County pursuant to a 25 year lease which expires in 2021. The landfill serves the principal wastesheds of Clinton, Franklin, Essex, Warren and Washington Counties in New York, and certain selected contiguous Vermont wastesheds. Permitted waste accepted includes municipal solid waste, construction and demolition debris, and special waste which is approved by regulatory agencies. The facility is currently in the final stages of a multi-year landfill expansion permitting process which, if successful, would provide considerable additional volume beyond the current terms of the lease agreement. We have entered into extended agreements with the town and county applicable to this additional volume and expect to receive the necessary approvals during the next 12 months.

Waste USA. The Waste USA landfill is located in Coventry, Vermont and serves the major wastesheds associated with the northern two-thirds of Vermont. The landfill is permitted to accept all residential and commercially produced municipal solid waste, including pre-approved sludges, and construction and demolition debris. Since our purchase of this landfill in 1995, we have expanded the capacity of this landfill through approximately fiscal 2007. We are currently in the process of applying for approximately 5.5 million tons of additional capacity which, at the current usage rate, would add an additional 20-25 years of capacity.

Pine Tree. The Pine Tree landfill is located in Hampden, Maine and is one of only two commercial landfills serving principal wastesheds in the State of Maine. It is permitted to accept ash, front-end processing residues from the waste-to-energy facilities within the State of Maine and related sludges and special waste which is approved by regulatory agencies. In addition, it is permitted to accept municipal solid waste that

is by-pass waste, which is non-burnable waste, from the Maine Energy and PERC waste-to-energy facilities, as well as municipal solid waste that is in excess of the processing capacities of other waste-to-energy facilities within the State of Maine. The facility recently received final approval for approximately 3.0 million tons of additional capacity (of which approximately 400,000 tons have been utilized) and is currently developing its next expansion plan. See " Regulation."

NCES. The North Country Environmental Services (NCES) landfill located in Bethlehem, New Hampshire serves the northern and central wastesheds of New Hampshire and certain contiguous Vermont and Maine wastesheds. Since the purchase of this landfill in 1994, we have consistently experienced expansion opposition from the local town through enactment of restrictive local zoning and planning ordinances. In each case, in order to access additional permissible capacity, we have been required to assert our rights through litigation in the New Hampshire court system. In February 1999, we received court approval for approximately 600,000 tons of additional capacity, which we expect to last through June 2005. Our use of this capacity, which is ongoing, remains subject to court challenge by local authorities. We have recently applied for the next expansion permit for this landfill and we are

46

asserting our rights through the New Hampshire court system in order to overcome continued local opposition. See " Legal Proceedings."

Hyland. The Hyland landfill located in Angelica, New York, serves certain Western region wastesheds located throughout western New York. The facility is permitted to accept all residential and commercial municipal solid waste, construction and demolition debris and special waste which is approved by regulatory agencies. The facility is located on a 600-acre property, which represents considerable additional expansion capabilities. In 1999, as part of a long-term settlement with the Town of Angelica, we entered into an agreement requiring a permissive referendum to expand beyond a pre-agreed footprint. As a result, the above table reflects only that capacity which has been pre-agreed with the Town of Angelica as being permissible. We expect to seek a townwide referendum during calendar year 2003 local elections. If successful, we expect to seek and receive a permit for an additional 38 acres, representing in excess of 5.0 million tons of additional capacity.

Hakes. The Hakes construction and demolition landfill, located in Campbell, New York, is permitted to accept only construction and demolition material. The landfill serves the principal rural wastesheds of western New York. We believe that the site has permissible capacity of over 3.0 million tons, based on existing regulatory requirements and local community support. We expect to apply for this expansion during the next 18 months and do not expect substantial opposition from the local community. We recently entered into a revised long-term host community agreement related to the expansion of the facility.

We also have rights to remaining capacity at a residual landfill and a construction and demolition landfill in Brockton, Massachusetts and Cheektowaga, New York, respectively, totaling approximately 638,000 tons as of April 30, 2002. The Cheektowaga landfill is expected to be closed in the summer of 2003. The Brockton landfill has an expected remaining life of approximately three years. In addition, we own and/or operated five unlined landfills which are not currently in operation. All of these landfills have been closed and capped to environmental regulatory standards by us.

Maine Energy Waste-to-Energy Facility. We own a waste-to-energy facility, Maine Energy Recovery Company, Limited Partnership, which generates electricity by processing non-hazardous solid waste. This waste-to-energy facility provides us with important additional disposal capacity and generates power for sale. The facility receives solid waste from municipalities under long-term waste handling agreements and also receives raw materials from commercial and private waste haulers and municipalities with short-term contracts, as well as from our collection operations. Maine Energy is contractually required to sell all of the electricity generated at its facility to Central Maine Power, an electric utility, and guarantees 100% of its electric generating capacity to CL Power Sales One, LLC. Maine Energy is part of the Eastern region. Our use of the facility is subject to permit conditions, some of which are opposed by local authorities. See " Regulation."

Operating Segments

We manage our solid waste operations on a geographic basis through three regions, which we have designated as the Central, Eastern and Western regions and which each comprise a full range of solid waste services serving approximately an aggregate of 257,000 customers, and FCR, which comprises our larger-scale non-solid waste recycling and our brokerage operations.

Within each geographic region, we organize our solid waste services around smaller areas that we refer to as "wastesheds". A wasteshed is an area that comprises the complete cycle of activities in the solid waste services process, from collection to transfer operations and recycling to disposal in either landfills or waste-to-energy facilities, some of which may be owned and operated by third parties. We typically operate several divisions within each wasteshed, each of which provides a particular service, such as collection, recycling, disposal or transfer. Each of these divisions is managed as a separate

profit center, but operates interdependently with the other divisions within the wasteshed. Each wasteshed generally operates autonomously from adjoining wastesheds.

Throughout its 24 material recycling facilities, FCR services 22 anchor contracts, which are long-term commitments from a municipality of five years or greater to guarantee the delivery of all recycled residential recyclables to FCR. These contracts may include a minimum volume guarantee committed by the municipality. We also have service agreements with individual towns and cities and commercial customers, including small solid waste companies and major competitors that do not have processing capacity within a specific geographic region. The 24 FCR facilities process recyclables collected from approximately 2.7 million households, representing a population of approximately 8.2 million.

The following table provides information about each operating region and FCR as of January 1, 2003.

	Central region	Eastern region	Western region	FCR Recycling
Revenues for the six months ended				
October 31, 2002	\$50.8 million	\$80.0 million	\$35.5 million	\$56.7 million
Solid waste collection operations	13	10	12	
Transfer stations	13	9	10	
Recycling facilities	5	8	2	24
Disposal facilities (1)	Bethlehem, NH Coventry, VT Schuyler Falls, NY	Biddeford, ME Hampden, ME	Angelica, NY Campbell, NY	

(1)

Each of the disposal facilities in the table is a Subtitle D landfill, with the exception of the disposal facility located in Campbell, New York, which is a landfill permitted to accept only construction and demolition materials and the disposal facility located in Biddeford, Maine, which is a waste-to-energy facility. In addition, we have rights to the remaining air space capacity at a residual landfill and a construction and demolition landfill located in Brockton, Massachusetts and Cheektowaga, New York, respectively, totaling approximately 638,000 tons as of April 30, 2002. The Cheektowaga landfill is expected to be closed in the summer of 2003. The Brockton landfill has an expected remaining life of approximately three years.

Central Region. The Central region consists of wastesheds located in Vermont, northwestern New Hampshire and eastern upstate New York. The portion of upstate New York served by the Central Region includes Clinton, Franklin, Essex, Warren, Washington, Saratoga, Rensselaer and Albany counties. Our Waste USA landfill in Coventry, Vermont is one of only two permitted Subtitle D landfills in Vermont, and our NCES landfill in Bethlehem, New Hampshire is one of only six permitted Subtitle D landfills in New Hampshire. In the Central Region, there are a total of 13 permitted Subtitle D landfills.

The Central region has become our most mature operating platform, as we have operated in this region since our inception in 1975. We have achieved a high degree of vertical integration of the wastestream in this region, resulting in stable cash flow performance. In the Central region, we also have a market leadership position. Our primary competition in the Central region comes from Waste Management, Inc. in the larger population centers (primarily southern New Hampshire), and from smaller independent operators in the more rural areas. As our most mature region, future operating efficiencies will be driven primarily by improving our core operating efficiencies and providing enhanced customer service.

Eastern Region. The Eastern region consists of wastesheds located in Maine, southeastern New Hampshire and eastern Massachusetts. These wastesheds generally have been affected by the regional constraints on disposal capacity imposed by the public policies of New Hampshire, Maine and Massachusetts which have, over the past 10 years, either limited new landfill development or precluded

development of additional capacity from existing landfills. The Pine Tree landfill is one of only two permitted Subtitle D commercial landfills in Maine. Consequently, the Eastern Region relies more heavily on non-landfill waste-to-energy disposal capacity than our other regions. Maine Energy is one of nine waste-to-energy facilities in the Eastern Region.

We entered the State of Maine in 1996 with our purchase of the assets comprising New England Waste Services of ME., Inc. in Hampden, Maine. Our acquisition of KTI in 1999 significantly improved our disposal capacity in this region and provided an alternative internalization option for our solid waste assets in eastern Massachusetts. Our major competitor in the State of Maine is Waste Management, Inc., as well as several smaller local competitors.

We entered eastern Massachusetts in fiscal year 2000 with the acquisition of assets that were divested by Allied Waste Industries, Inc. under court order following its acquisition of Browning Ferris Industries, Inc., and through the acquisition of smaller independent operators. In this region, we generally rely on third party disposal capacity. Consequently, we believe we have a greater opportunity to increase our internalization rates and operating efficiencies in the Eastern region than in our two other regions, where our competitive position generally is stronger. Our primary competitors in eastern Massachusetts are Waste Management, Inc., Allied Waste Industries, Inc., and smaller independent operators.

Western Region. The Western region consists of wastesheds in upstate New York (which includes Ithaca, Elmira, Oneonta, Lowville, Potsdam, Geneva, Auburn, Buffalo, Jamestown and Olean) and northern Pennsylvania (Wellsboro, PA). We entered the Western Region with our acquisition of Superior Disposal Services, Inc.'s business in 1997 and have consistently expanded in this region largely through tuck-in acquisitions and internal growth. Our collection operations include leadership positions in nearly every rural market in the Western region outside of larger metropolitan markets such as Syracuse, Rochester, Albany and Buffalo.

While we have achieved strong market positions in this region, we remain focused on increasing our vertical integration through the acquisition or privatization and operation of additional disposal capacity in the market. As compared to our other operating regions, the Western Region, where we own the Hyland landfill, presently contains an excess of disposal capacity as a result of the proliferation during the 1990s of publicly-developed Subtitle D landfills. As a result, we believe that opportunities exist for us to enter into long-term leasing arrangements and other strategic partnerships with county and municipal governments for the operation and/or utilization of their landfills, similar to our long-term lease for the Clinton County landfill being operated by our Central Region. We expect that successful implementation of this strategy will lead to improved internalization rates.

Our primary competitors in the Western region are Waste Management, Inc., Republic Services Group, Inc. and Allied Waste Industries, Inc. in the larger urban areas and smaller independent operators in the more rural markets.

FCR Recycling. FCR Recycling is one of the largest processors and marketers of recycled materials in the eastern United States, comprising 24 material recycling facilities that process and then market recyclable materials that municipalities and commercial customers deliver to it under long term contracts. Eleven of FCR's facilities are leased, seven are owned and six are under operating contracts. In fiscal year 2002, FCR processed and marketed approximately 850,000 tons of recyclable materials. FCR's facilities are principally located in key urban markets, including in Connecticut; North Carolina; New Jersey; Florida; Tennessee; Georgia; Michigan; New York; South Carolina; Virginia; New Hampshire; Massachusetts; Wisconsin, Maine; and Halifax, Canada.

A significant portion of the material provided to FCR is delivered pursuant to 22 anchor contracts, which are long-term contracts with municipal customers. The anchor contracts generally have a term of five to ten years and expire at various times between 2003 and 2018. The terms of each of the contracts

vary, but all the contracts provide that the municipality or a third party delivers materials to our facility. In approximately one-third of the contracts, the municipalities agree to deliver a guaranteed tonnage and the municipality pays a fee for the amount of any shortfall from the guaranteed tonnage. Under the terms of the individual contracts, we charge the municipality a fee for each ton of material delivered to us. Some contracts contain revenue sharing arrangements under which the municipality receives a specified percentage of the revenues from the sale by us of the recovered materials.

FCR derives a significant portion of its revenues from the sale of recyclable materials. The purchase and sale prices of recyclable materials, particularly newspaper, corrugated containers, plastics, ferrous and aluminum, can fluctuate based upon market conditions. We use long-term supply contracts with customers with floor price arrangements to reduce the commodity risk for certain recyclables, particularly newspaper, cardboard, plastics and aluminum metals. Under such contracts, we obtain a guaranteed minimum price for the recyclable materials along with a commitment to receive additional amounts if the current market price rises above the floor price. The contracts are generally with large domestic

companies that use the recyclable materials in their manufacturing process, such as paper, packaging and consumer goods companies. In fiscal year 2002, 63% of the revenues from the sale of recyclable materials of the residential recycling segment were derived from sales under long-term contracts with floor prices. We also hedge against fluctuations in the commodity prices of recycled paper and corrugated containers in order to mitigate the variability in cash flows and earnings generated from the sales of recycled materials at floating prices. As of January 1, 2003, we had twelve commodity hedge contracts outstanding with designated terms effective through August 2005.

The brokerage business derives all of its revenues from the sale of recyclable materials, predominately old newspaper, old corrugated cardboard, mixed paper and office paper. The brokerage business markets in excess of 250,000 tons per year of various paper fibers both domestically and overseas. The brokers in our brokerage operation are required to identify both the buyer and the seller of the recyclable materials before committing to broker the transaction, thereby minimizing pricing risk, and are not permitted to enter into speculative trading of commodities. As part of our acquisition of KTI, we had also acquired a brokerage business which was focused on export markets. In September 2002, we transferred these export brokerage operations to former employees who had been responsible for managing that business. See Note 11 to our unaudited consolidated financial statements at and for the period ended October 31, 2002 included in this prospectus.

GreenFiber Cellulose Insulation Joint Venture

We are a 50% partner in US GreenFiber LLC, a joint venture with Louisiana-Pacific. GreenFiber, which we believe is one of the largest manufacturers of high quality cellulose insulation for use in residential dwellings and manufactured housing, was formed through the combination of our cellulose operations, which we acquired in our acquisition of KTI, with those of Louisiana-Pacific. Based in Charlotte, North Carolina, GreenFiber has a national manufacturing and distribution capability and sells to contractors, manufactured home builders and retailers, including Home Depot, Inc. GreenFiber has ten manufacturing facilities located in Atlanta, Georgia; Charlotte, North Carolina; Delphos, Ohio; Elkwood, Virginia; Norfolk, Nebraska; Phoenix, Arizona; Sacramento, California; Tampa, Florida; and Waco, Texas. GreenFiber utilizes a hedging strategy to help stabilize its exposure to fluctuating newsprint costs, which generally represent approximately 30% of its raw material costs, and is a major purchaser of FCR recycling fiber material produced at various facilities. GreenFiber, which we account for under the equity method, had revenues of \$48.1 million for the six months ended October 31, 2002. For the same period, we recognized equity income from GreenFiber of \$1.8 million.

Competition

The solid waste services industry is highly competitive. We compete for collection and disposal volume primarily on the basis of the quality, breadth and price of our services. From time to time,

competitors may reduce the price of their services in an effort to expand market share or to win a competitively bid municipal contract. These practices may also lead to reduced pricing for our services or the loss of business. In addition, competition exists within the industry not only for collection, transportation and disposal volume, but also for acquisition candidates.

Some of the larger urban markets in which we compete are served by one or more of the large national solid waste companies that may be able to achieve greater economies of scale than us, including Waste Management, Inc., Allied Waste Industries, Inc. and Republic Services, Inc. We also compete with a number of regional and local companies that offer competitive prices and quality service. In addition, we compete with operators of alternative disposal facilities, including incinerators, and with certain municipalities, counties and districts that operate their own solid waste collection and disposal facilities. Public sector facilities may have certain advantages over us due to the availability of user fees, charges or tax revenues and tax-exempt financing.

The insulation industry is highly competitive and labor intensive. In our cellulose insulation manufacturing activities, GreenFiber, our joint venture with Louisiana-Pacific Corporation, competes primarily with manufacturers of fiberglass insulation such as Owens Corning, CertainTeed Corporation and Johns Manville. These manufacturers have significant market shares and are substantially better capitalized than GreenFiber.

Marketing and Sales

We have a coordinated marketing and sales strategy, which is formulated at the corporate level and implemented at the divisional level. We market our services locally through division managers and direct sales representatives who focus on commercial, industrial, municipal and residential customers. We also obtain new customers from referral sources, our general reputation and local market print advertising. Leads are also developed from new building permits, business licenses and other public records. Additionally, each division generally advertises in the yellow pages and other local business print media that cover its service area.

Maintenance of a local presence and identity is an important aspect of our marketing plan, and many of our managers are involved in local governmental, civic and business organizations. Our name and logo, or, where appropriate, that of our divisional operations, are displayed on all our containers and trucks. Additionally, we attend and make presentations at municipal and state conferences and advertise in governmental associations' membership publications.

We market our commercial, industrial and municipal services through our sales representatives who visit customers on a regular basis and make sales calls to potential new customers. These sales representatives receive a significant portion of their compensation based upon meeting certain incentive targets. We emphasize providing quality services and customer satisfaction and retention, and believe that our focus on quality service will help retain existing and attract additional customers.

Employees

As of January 1, 2003, we employed approximately 2,600 persons, including approximately 500 professionals or managers, sales, clerical, data processing or other administrative employees and approximately 2,100 employees involved in collection, transfer, disposal, recycling or other operations. Certain of our employees are covered by collective bargaining agreements. We believe relations with our employees to be satisfactory.

Risk Management, Insurance and Performance or Surety Bonds

We actively maintain environmental and other risk management programs, which we believe are appropriate for our business. Our environmental risk management program includes evaluating existing

facilities, as well as potential acquisitions, for environmental law compliance and operating procedures. We also maintain a worker safety program, which encourages safe practices in the workplace. Operating practices at all of our operations are intended to reduce the possibility of environmental contamination and litigation.

We carry a range of insurance intended to protect our assets and operations, including a commercial general liability policy and a property damage policy. A partially or completely uninsured claim against us (including liabilities associated with cleanup or remediation at our facilities), if successful and of sufficient magnitude, could have a material adverse effect on our business, financial condition and results of operations. Any future difficulty in obtaining insurance could also impair our ability to secure future contracts, which may be conditioned upon the availability of adequate insurance coverage.

Effective July 1, 1999, we established a captive insurance company, Casella Insurance Company, through which we are self-insured for worker's compensation and, effective May 1, 2000, automobile coverage. Our maximum exposure under the worker's compensation plan is \$500,000 per individual event with a \$1,000,000 aggregate limit, after which reinsurance takes effect. Our maximum exposure under the automobile plan is \$500,000 per individual event with a \$3,000,000 aggregate limit, after which reinsurance takes effect.

Municipal solid waste collection contracts and landfill closure obligations may require performance or surety bonds, letters of credit or other means of financial assurance to secure contractual performance. While we have not experienced difficulty in obtaining these financial instruments, if we were unable to obtain these financial instruments in sufficient amounts or at acceptable rates we could be precluded from entering into additional municipal solid waste collection contracts or obtaining or retaining landfill operating permits.

Customers

We provide our collection services to commercial, industrial and residential customers. A majority of our commercial and industrial collection services are performed under one-to-three-year service agreements, and fees are determined by such factors as collection frequency, type of equipment and containers furnished, the type, volume and weight of the solid waste collected, the distance to the disposal or processing facility and the cost of disposal or processing. Our residential collection and disposal services are performed either on a subscription basis (i.e., with no underlying contract) with individuals, or through contracts with municipalities, homeowners associations, apartment owners or mobile home park operators.

Maine Energy is contractually required to sell all of the electricity generated at its facilities to Central Maine Power, an electric utility, pursuant to a contract that expires in 2012, and guarantees 100% of its electricity generating capacity to CL Power Sales One, LLC, pursuant to a contract that expires in 2007.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

FCR provides recycling services to municipalities, commercial haulers and commercial waste generators within the geographic proximity of the processing facilities. We also act as a broker of recyclable materials, principally to paper and box board manufacturers in the United States, Canada, the Pacific Rim, Europe, South America and Asia.

Our cellulose insulation joint venture, GreenFiber, sells to contractors, manufactured home builders and retailers.

Raw Materials

Maine Energy received approximately 27% of its solid waste in fiscal year 2002 from 19 Maine municipalities under long-term waste handling agreements. Maine Energy also receives raw materials

52

from commercial and private waste haulers and municipalities with short-term contracts, as well as from our own collection operations.

In fiscal year 2002, FCR received approximately 62% of its material under long-term agreements with municipalities. These contracts generally provide that all recyclables collected from the municipal recycling programs shall be delivered to a facility that is owned or operated by us. The quantity of material delivered by these communities is dependent on the participation of individual households in the recycling program.

The primary raw material for our insulation joint venture is newspaper. In fiscal year 2002, GreenFiber received approximately 23% of the newspaper used by it from FCR. It purchased the remaining newspaper from municipalities, commercial haulers and paper brokers. The chemicals used to make the newspaper fire retardant are purchased from industrial chemical manufacturers located in the United States and South America.

Seasonality

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

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

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

Since certain of our operating and fixed costs remain constant throughout the fiscal year, operating income is therefore impacted by a similar seasonality. In addition, particularly harsh weather conditions typically result in increased operating costs.

The recycling segment experiences increased volumes of newspaper in November and December due to increased newspaper advertising and retail activity during the holiday season. The insulation business experiences lower sales in November and December because of lower production of manufactured housing due to holiday plant shutdowns.

Regulation

Introduction

We are subject to extensive and evolving federal, state and local environmental laws and regulations which have become increasingly stringent in recent years. The environmental regulations affecting us are administered by the United States Environmental Protection Agency ("EPA") and other federal, state and local environmental, zoning, health and safety agencies. Failure to comply with such requirements could result in substantial costs, including civil and criminal fines and penalties. Except as described below, we believe that we are currently in substantial compliance with applicable federal, state and local environmental laws, permits, orders and regulations. We do not currently anticipate any material environmental costs to bring our operations into compliance, although there can be no assurance in this regard in the

future. We expect that our operations in the solid waste services industry will be subject to continued and increased regulation, legislation and regulatory enforcement actions. We attempt to anticipate future legal and regulatory requirements and to carry out plans intended to keep our operations in compliance with those requirements.

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

The principal federal, state and local statutes and regulations applicable to our various operations are as follows:

The Resource Conservation and Recovery Act of 1976, as amended ("RCRA")

RCRA regulates the generation, treatment, storage, handling, transportation and disposal of solid waste and requires states to develop programs to ensure the safe disposal of solid waste. RCRA divides solid waste into two groups, hazardous and non-hazardous. Wastes are generally classified as hazardous if they (1) either (a) are specifically included on a list of hazardous wastes, or (b) exhibit certain characteristics defined as hazardous, and (2) are not specifically designated as non-hazardous. Wastes classified as hazardous under RCRA are subject to more extensive regulation than wastes classified as non-hazardous, and businesses that deal with hazardous waste are subject to regulatory obligations in addition to those imposed on handlers of non-hazardous waste.

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

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

We currently do not accept for transportation or disposal hazardous substances (as defined in CERCLA, discussed below) in concentrations or volumes that would classify those materials as hazardous wastes. However, we have transported hazardous substances in the past and very likely will transport and dispose of hazardous substances in the future, to the extent that materials defined as hazardous substances under CERCLA are present in consumer goods and in the non-hazardous waste streams of our customers.

We do not accept hazardous wastes for incineration at our waste-to-energy facilities. We typically test ash produced at our waste-to-energy facilities on a regular basis; that ash generally does not contain hazardous substances in sufficient concentrations or volumes to result in the ash being classified as hazardous waste. However, it is possible that future waste streams accepted for incineration could contain elevated volumes or concentrations of hazardous substances or that legal requirements will change, and that the resulting incineration ash would be classified as hazardous waste.

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

In October 1991, the EPA adopted the Subtitle D regulations under RCRA governing solid waste landfills. The Subtitle D regulations, which generally became effective in October 1993, include location restrictions, facility design standards, operating criteria, closure and post-closure requirements, financial assurance requirements, groundwater monitoring requirements, groundwater remediation standards and corrective action requirements. In addition, the Subtitle D regulations require that new landfill sites meet more stringent liner design criteria (typically, composite soil and synthetic liners or two or more synthetic liners) intended to keep leachate out of groundwater and have extensive

collection systems to carry away leachate for treatment prior to disposal. Regulations generally require us to install groundwater monitoring wells at virtually all landfills we operate, to monitor groundwater quality and, indirectly, the effectiveness of the leachate collection systems. The Subtitle D regulations also require facility owners or operators to control emissions of methane gas generated at landfills exceeding certain regulatory thresholds. State landfill regulations must meet these requirements or the EPA will impose such requirements upon landfill owners and operators in that state. Each state also must adopt and implement a permit program or other appropriate system to ensure that landfills within the state comply with the Subtitle D regulatory criteria. Various states in which we operate or in which we may operate in the future have adopted regulations or programs as stringent as, or more stringent than, the Subtitle D regulations.

The Federal Water Pollution Control Act of 1972, as amended ("Clean Water Act")

The Clean Water Act regulates the discharge of pollutants into the "waters of the United States" from a variety of sources, including solid waste disposal sites and transfer stations, processing facilities and waste-to-energy facilities (collectively, "solid waste management facilities"). If run-off or collected leachate from our solid waste management facilities, or process or cooling waters generated at our waste-to-energy facilities, is discharged into streams, rivers or other surface waters, the Clean Water Act would require us to apply for and obtain a discharge permit, conduct sampling and monitoring and, under certain circumstances, reduce the quantity of pollutants in such discharge. A permit also may be required if that run-off, leachate, or process or cooling water is discharged to a treatment facility that is owned by a local municipality. Numerous states have enacted regulations, which are equivalent to those issued under the Clean Water Act, but which also regulate the discharge of pollutants to groundwater. Finally, virtually all solid waste management facilities must comply with the EPA's storm water regulations, which are designed to prevent contaminated storm water from flowing into surface waters.

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA")

CERCLA established a regulatory and remedial program intended to provide for the investigation and remediation of facilities where or from which a release of any hazardous substance into the environment has occurred or is threatened. CERCLA has been interpreted to impose retroactive strict, and under certain circumstances, joint and several, liability for investigation and cleanup of facilities on current owners and operators of the site, former owners and operators of the site at the time of the disposal of the hazardous substances, as well as the generators of the hazardous substances and certain transporters of the hazardous substances. In addition, CERCLA imposes liability for the costs of evaluating and addressing damage to natural resources. The costs of CERCLA investigation and cleanup can be very substantial. Liability under CERCLA does not depend upon the existence or disposal of "hazardous waste" as defined by RCRA, but can be based on the existence of any of more than 700 "hazardous substances" listed by the EPA, many of which can be found in household waste. In addition, the definition of "hazardous substances" in CERCLA incorporates substances designated as hazardous or toxic under the Federal Clean Water Act, Clean Air Act and Toxic Substances Control Act. If we were found to be a responsible party for a CERCLA cleanup, the enforcing agency could hold us, under certain circumstances, or any other responsible party, responsible for all investigative and remedial costs, even if others also were liable. CERCLA also authorizes EPA to impose a lien in

55

favor of the United States upon all real property subject to, or affected by, a remedial action for all costs for which a party is liable. CERCLA provides a responsible party with the right to bring a contribution action against other responsible parties for their allocable share of investigative and remedial costs. Our ability to get others to reimburse us for their allocable share of such costs would be limited by our ability to identify and locate other responsible parties and prove the extent of their responsibility and by the financial resources of such other parties.

The Clean Air Act of 1970, as amended ("Clean Air Act")

The Clean Air Act, generally through state implementation of federal requirements, regulates emissions of air pollutants from certain landfills based upon the date the landfill was constructed and the annual volume of emissions. The EPA has promulgated new source performance standards regulating air emissions of certain regulated pollutants (methane and non-methane organic compounds) from municipal solid waste landfills. Landfills located in areas where levels of regulated pollutants exceed certain thresholds may be subject to even more extensive air pollution controls and emission limitations. In addition, the EPA has issued standards regulating the disposal of asbestos-containing materials under the Clean Air Act.

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

All of the federal statutes described above authorize lawsuits by private citizens to enforce certain provisions of the statutes. In addition to a penalty award to the United States, some of those statutes authorize an award of attorney's fees to private parties successfully advancing such an action.

The Occupational Safety and Health Act of 1970, as amended ("OSHA")

OSHA establishes employer responsibilities and authorizes the Occupational Safety and Health Administration to promulgate occupational health and safety standards, including the obligation to maintain a workplace free of recognized hazards likely to cause death or serious injury, to comply with adopted worker protection standards, to maintain certain records, to provide workers with required disclosures and to implement certain health and safety training programs. Various of those promulgated standards may apply to our operations, including those standards concerning notices of hazards, safety in excavation and demolition work, the handling of asbestos and asbestos-containing materials, and worker training and emergency response programs.

State and Local Regulations

Each state in which we now operate or may operate in the future has laws and regulations governing the generation, storage, treatment, handling, processing, transportation, incineration and disposal of solid waste, water and air pollution and, in most cases, the siting, design, operation, maintenance, closure and post-closure maintenance of solid waste management facilities. In addition, many states have adopted statutes comparable to, and in some cases more stringent than, CERCLA. These statutes impose requirements for investigation and remediation of contaminated sites and liability for costs and damages associated with such sites, and some authorize the state to impose liens to secure costs expended addressing contamination on property owned by responsible parties. Some of those liens may take priority over previously filed instruments. Furthermore, many municipalities also have ordinances, laws and regulations affecting our operations. These include zoning and health measures that limit solid waste management activities to specified sites or conduct, flow control provisions that direct the delivery of solid wastes to specific facilities or to facilities in specific areas, laws that grant the right to establish franchises for collection services and then put out for bid the right

to provide collection services, and bans or other restrictions on the movement of solid wastes into a municipality.

Certain permits and approvals may limit the types of waste that may be accepted at a landfill or the quantity of waste that may be accepted at a landfill during a given time period. In addition, certain permits and approvals, as well as certain state and local regulations, may limit a landfill to accepting waste that originates from specified geographic areas or seek to restrict the importation of out-of-state waste or otherwise discriminate against out-of-state waste. Generally, restrictions on importing out-of-state waste have not withstood judicial challenge. However, from time to time federal legislation is proposed which would allow individual states to prohibit the disposal of out-of-state waste or to limit the amount of out-of-state waste that could be imported for disposal and would require states, under certain circumstances, to reduce the amounts of waste exported to other states. Although such legislation has not been passed by Congress, if this or similar legislation is enacted, states in which we operate landfills could limit or prohibit the importation of out-of-state waste. Such actions could materially and adversely affect the business, financial condition and results of operations of any of our landfills within those states that receive a significant portion of waste originating from out-of-state.

Certain states and localities may, for economic or other reasons, restrict the export of waste from their jurisdiction, or require that a specified amount of waste be disposed of at facilities within their jurisdiction. In 1994, the U.S. Supreme Court rejected as unconstitutional, and therefore invalid, a local ordinance that sought to limit waste going out of the locality by imposing a requirement that the waste be delivered to a particular facility. However, it is uncertain how that precedent will be applied in different circumstances. For example, in 2002, the U.S. Supreme Court decided not to hear an appeal of a federal Appeals Court decision that held that the flow control ordinances directing waste to a publicly owned facility are not per se unconstitutional and should be analyzed under a standard that is less stringent than if waste had been directed to a private facility. The less stringent standard has not yet been applied to the facts of that case, which involves flow control regulations in Oneida and Herkimer Counties in New York, and the outcome is uncertain. Additionally, certain state and local jurisdictions continue to seek to enforce such restrictions and, in certain cases, we may elect not to challenge such restrictions. Further, some proposed federal legislation would allow states and localities to impose flow restrictions. Those restrictions could reduce the volume of waste going to landfills or transfer stations in certain areas, which may materially adversely affect our ability to operate our facilities and/or affect the prices we can charge for certain services. Those restrictions also may result in higher disposal costs for our collection operations. In sum, flow control restrictions could have a material adverse effect on our business, financial condition and results of operations.

There has been an increasing trend at the federal, state and local levels to mandate or encourage both waste reduction at the source and waste recycling, and to prohibit or restrict the disposal in landfills of certain types of solid wastes, such as yard wastes and leaves, beverage containers, newspapers, household appliances and batteries. Regulations reducing the volume and types of wastes available for transport to and disposal in landfills could affect our ability to operate our landfill facilities.

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

generated by qualifying facilities at a price equal to the utility's full "avoided cost".

Our waste-to-energy business is dependent upon our ability to sell the electricity generated by our facility to an electric utility or a third party such as an energy marketer. Maine Energy currently sells electricity to an electric utility under a long term power purchase agreement. When that agreement

57

expires, or if the electric utility were to default under the agreement, there is no guarantee that any new agreement would contain a purchase price as favorable as the one in the current agreement.

We have obtained approval from the Maine Department of Environmental Protection ("DEP") for an odor control system at our waste-to-energy facility in Biddeford, Maine. For optimum odor control, that system involves, among other items, an increase in the height of our scrubber stacks and a change in our odor control chemicals. At the municipal level, the Biddeford Zoning Board of Appeals has denied our request to increase scrubber stack heights. We have appealed that decision to the York County Superior Court. The Biddeford Planning Board approved our request to test alternative odor control chemicals as part of the control system during the summer of 2002. We have submitted an evaluation of our test of the odor control chemicals to the Biddeford Planning Board for its review. We have been advised that the Biddeford Planning Board will determine in February 2003 whether and under what conditions we will be able to utilize odor control chemicals as part of the odor control system. If we are not able to increase our stack heights and use alternative chemicals, there is no assurance that our state-approved odor control system will operate optimally to control odors, or if it does not, that our operations would not be significantly curtailed, which could have a material adverse effect on our business, financial condition and results of operations.

Based on the results of the testing that we performed to evaluate the effectiveness of Maine Energy's odor control system, the City of Biddeford alleged to DEP in October 2002 that emissions of volatile organic compounds ("VOCs") from the odor control system exceeded DEP air license limits. In cooperation with DEP, Maine Energy agreed to voluntarily perform several rounds of testing to quantify and speciate emissions of VOCs from the scrubber stacks, using appropriate analytical methods. Depending on the results of such testing, we may be subject to enforcement action by DEP and we may incur additional material costs to comply with applicable requirements.

In addition, on October 16, 2002, the City of Biddeford and Joseph Stephenson (as the Code Enforcement Officer for the City of Biddeford) filed a Land Use Citation and Complaint against Maine Energy alleging that Maine Energy is emitting levels of volatile organic compounds which exceed permitted levels. The complaint seeks an unspecified amount of civil penalties, a preliminary and permanent injunction, and legal costs. On December 3, 2002, the court ruled that the complaint failed to meet certain pleading requirements and ordered plaintiffs to file a new complaint by December 30, 2002. Plaintiffs failed to refile by the court's deadline. We believe we have meritorious defenses to these claims.

We own a membership interest in New Heights Investor Co., LLC, through which we own a 50% interest in the power plant assets owned by New Heights Recovery & Power LLC. The power plant is a waste-to-energy facility using tires as fuel, in Ford Heights, Illinois. In August 2000, the Illinois Environmental Protection Agency ("IEPA") issued a violation notice to the facility asserting non-compliance with its construction permit related to air emissions. The facility has undertaken certain corrective measures and is working with IEPA to negotiate a new permit. While non-compliance with permitting requirements is subject to civil penalties, we do not expect them to be assessed. However, there can be no assurance that, if civil penalties were assessed, they would not have a material adverse effect on our financial position or results of operations.

Legal Proceedings

Our wholly owned subsidiary, North Country Environmental Services, Inc. ("NCES"), was a party to an appeal against the Town of Bethlehem, New Hampshire ("Town") before the New Hampshire Supreme Court. The appeal arose from cross actions for declaratory and injunctive relief filed by NCES and the Town to determine the permitted extent of NCES's landfill in the Town. The New Hampshire Superior Court in Grafton ruled on February 1, 1999 that the Town could not enforce an ordinance purportedly prohibiting expansion of the landfill, at least with respect to 51 acres of NCES's 87 acre

58

parcel, based upon certain existing land-use approvals. As a result, NCES was able to construct and operate "Stage II, Phase II" of the landfill. In May 2001, the Supreme Court denied the Town's appeal. Notwithstanding the Supreme Court's ruling, the Town has continued to assert

jurisdiction to conduct unqualified site plan review with respect to Stage II, Phase II. Additionally, the Town has asserted such jurisdiction with respect to Stage III and has further stated that the Town's height ordinance and building permit process may apply to Stage III. On September 12, 2001, we filed a petition for, among other things, declaratory relief. On December 4, 2001, the Town filed an answer to our petition asserting counterclaims seeking, among other things, authorization to assert site plan review over Stage III, which commenced operation in December 2000 following approval by the New Hampshire Department of Environmental Services ("DHES"), as well as the methane gas utilization/leachate handling facility operating in Stage III, and also an order declaring that an ordinance prohibiting landfills applies to Stage IV expansion for which we have filed an application with DHES. On October 8, 2002, the judge ruled on our motion to dismiss five of the Town's counterclaims. The judge dismissed two of the counterclaims (attorney fees and injunctive relief), but denied our motion to dismiss the other three counterclaims (the Town's claim that landfill construction subsequent to Stage II, Phase II is subject to the 21 conditions of the 1986 special exception; the Town's claim for a declaration that NCES must apply for site-plan review and a building permit for construction subsequent to Stage II, Phase II, or in the alternative, that the Town may commence an enforcement action for our failure to make such application; and the Town's request for declaratory relief to allow it to apply its zoning ordinances to Stage IV). A mediation conference took place on October 18, 2002, but no settlement was reached. The trial was held in December 2002. Post-trial briefs were filed on January 31, 2003. We believe that the State Supreme Court's denial of the town's appeal last year and DHES' approval of our landfill operations provide adequate authority for us to operate. However, there can be no guarantee we will prevail, or will be able to continue, or to expand, current operations in accordance with our plans, which could have a material adverse effect on our business, financial position or results of operations.

On or about March 24, 2000, a complaint was filed in the United States District Court, District of New Jersey against us, KTI, and Ross Pirasteh, Martin J. Sergi, and Paul A. Garrett, who were KTI's principal officers. The complaint purported to be on behalf of all shareholders who purchased KTI common stock from January 1, 1998 through April 14, 1999. The complaint alleged that the defendants made unspecified misrepresentations regarding KTI's financial condition during the class period in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). On or about April 6, 2000, the plaintiffs filed an amended class action complaint, which changes the class period covered by the complaint to the period including August 15, 1998 through April 14, 1999. At a settlement conference held on September 27, 2002 the parties reached an agreement, which requires the defendants to pay \$3.8 million in return for a full release. Our share of the settlement amount is \$150,000. The remainder will be paid by insurers. Final settlement is pending court approval.

During the period of November 21, 1996 to October 9, 1997, we performed certain closure activities and installed a cut-off wall at the Clinton County landfill, located in Clinton County, New York. On or about April 1999, the New York State Department of Labor alleged that we should have paid prevailing wages in connection with the labor associated with such activities. We have disputed the allegations and a hearing on the liability issue was held on September 16, 2002. In November 2002, both sides submitted proposed findings of fact and conclusions of law. The hearing officer is expected to make a recommendation to the Department of Labor commissioner by the end of our fiscal year. We continue to explore settlement possibilities with the State. We believe that we have meritorious defenses to these claims.

On or about July 2, 2001, we were served with a complaint filed in New York State Supreme Court, Erie County, as one of over twenty defendants named in a toxic tort lawsuit filed by residents

surrounding three sites in Cheektowaga, New York known as the Buffalo Crushed Stone limestone quarry, the Old Land Reclamation inactive landfill and the Schultz landfill. We are alleged to have liability as a result of our airspace agreement at the Schultz landfill, which is a permitted construction and demolition landfill. Plaintiffs claim property damages and some personal injuries based on alleged nuisance conditions arising out of these facilities and seek compensatory damages in excess of \$3 million, punitive damages of \$10 million and injunctive relief. We believe that we have meritorious defenses to these claims.

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

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

On or about December 11, 2001, we were served with a bill in equity in aid of discovery filed in the Strafford Superior Court in New Hampshire by Nancy Hager. The bill in equity seeks an accounting related to non-compete tip fee payments from us to Ms. Hager pursuant to a 1993 release and settlement agreement. The bill in equity is a request for pre-litigation discovery for the purpose of investigating a potential claim for failure to pay appropriate non-compete tip fee amounts. In light of an arbitration clause in the 1993 release and settlement agreement, we filed a motion to stay the proceedings under the bill in equity pending completion of the arbitration process. On March 18, 2002, the court granted our motion to stay. On August 5, 2002, the court extended the stay pending the arbitration process. On October 17, 2002, Ms. Hager voluntarily withdrew her bill in equity without prejudice. On January 15, 2003, Ms. Hager filed a written request for arbitration with the American Arbitration Association alleging that she is owed between \$150,000 and \$300,000. We believe we have meritorious defenses to these claims.

On January 10, 2002, the City of Biddeford, Maine filed a lawsuit in York County Superior Court in Maine alleging breach of the waste handling agreement among the Biddeford-Saco Waste Handling Committee, the cities of Biddeford and Saco, Maine and our subsidiary Maine Energy for (1) failure to pay the residual cancellation payments in connection with our merger with KTI and (2) processing amounts of waste above contractual limits without notice to the City. On May 3, 2002, the City of Saco filed a lawsuit in York County Superior Court against us, Maine Energy and other subsidiaries. The complaint in that action, which was amended by the City of Saco on July 22, 2002, alleges breaches of the 1991 waste handling agreement for failure to pay the residual cancellation payment, which Saco alleges is due as a result of, among other things, (1) our merger with KTI and (2) Maine Energy's failure to pay off certain limited partner loans in accordance with the terms of the agreement. The complaint also seeks damages for breach of contract and a court order requiring us to provide an accounting of all transactions since May 3, 1996 involving transfers of assets to or for the benefit of the

60

equity owners of Maine Energy. On June 6, 2002, the additional 13 municipalities that were parties to the 1991 waste handling agreements filed a lawsuit in York County Superior Court against Maine Energy alleging breaches of the 1991 waste handling agreements for failure to pay the residual cancellation payment which they allege is due as a result of (1) our merger with KTI; and (2) failure to pay off the limited partner loans when funds were allegedly available. On July 25, 2002, the three actions were consolidated for purposes of discovery, case management and pretrial proceedings. We believe we have meritorious defenses to these claims.

We executed an assurance of discontinuance with the Vermont Attorney General's Office, effective June 10, 2002, relating to the terms of our commercial small container hauling contracts entered into with customers in Vermont, which requires us to make modifications to our commercial small container hauling contracts used within the State of Vermont. The required modifications will not have a material adverse effect on our business, financial condition or results of operations. Additionally, following the finalization of the assurance of discontinuance, we received a letter from an attorney representing a competitor in Vermont who is threatening to file a lawsuit against us alleging that the competitor was damaged as a result of our use of the earlier versions of the contracts. We believe that we have meritorious defenses to any such claims that may be brought.

We offer no prediction of the outcome of any of the proceedings described above. We are vigorously defending each of these lawsuits. 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 or results of operations.

We are a defendant in certain other lawsuits alleging various claims incurred in the ordinary course of business, none of which, either individually or in the aggregate, we believe are material to our business, financial condition, results of operations or cash flows.

61

MANAGEMENT

Our executive officers, other key employees and directors and their respective ages as of January 1, 2003 are as follows:

Name	Age	Position
<i>Executive Officers</i>		
John W. Casella	52	Chairman, Chief Executive Officer and Secretary
James W. Bohlig	56	President and Chief Operating Officer, Director

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Name	Age	Position
Richard A. Norris	59	Senior Vice President, Chief Financial Officer and Treasurer
Charles E. Leonard	48	Senior Vice President, Solid Waste Operations

Other Key Employees

Michael J. Brennan	44	Vice President and General Counsel
Timothy A. Cretney	39	Regional Vice President
Christopher M. DesRoches	45	Vice President, Sales and Marketing
Sean P. Duffy	43	Regional Vice President
Joseph S. Fusco	39	Vice President, Communications
James M. Hiltner	39	Regional Vice President
Larry B. Lackey	42	Vice President, Permits, Compliance and Engineering
Alan N. Sabino	43	Regional Vice President
Gary R. Simmons	53	Vice President, Fleet Management

Non-Employee Directors

Douglas R. Casella	46	Director
John F. Chapple III	61	Director
D. Randolph Peeler	38	Director
Gregory B. Peters	57	Director
Wilbur L. Ross, Jr.	65	Director

John W. Casella has served as Chairman of our Board of Directors since July 2001 and as our Chief Executive Officer since 1993. Mr. Casella served as President from 1993 to July 2001 and as Chairman of the Board of Directors from 1993 to December 1999. In addition, Mr. Casella has been Chairman of the Board of Directors of Casella Waste Management, Inc. since 1977. Mr. Casella is also an executive officer and director of Casella Construction, Inc., a company owned by Mr. Casella and Douglas R. Casella. Mr. Casella has been a member of numerous industry-related and community service-related state and local boards and commissions including the Board of Directors of the Associated Industries of Vermont, The Association of Vermont Recyclers, Vermont State Chamber of Commerce and the Rutland Industrial Development Corporation. Mr. Casella has also served on various state task forces, serving in an advisory capacity to the Governors of Vermont and New Hampshire on solid waste issues. Mr. Casella holds an Associate of Science in Business Management from Bryant & Stratton University and a Bachelor of Science in Business Education from Castleton State College. Mr. Casella is the brother of Douglas R. Casella, a member of our Board of Directors.

James W. Bohlig has served as our President since July 2001 and as Chief Operating Officer since 1993. Mr. Bohlig also served as Senior Vice President from 1993 to July 2001. Mr. Bohlig has served as a member of our Board of Directors since 1993. From 1989 until he joined us, Mr. Bohlig was Executive Vice President and Chief Operating Officer of Russell Corporation, a general contractor and developer based in Rutland, Vermont. Mr. Bohlig is a licensed professional engineer. Mr. Bohlig holds a Bachelor of Science in Engineering and Chemistry from the U.S. Naval Academy, and is a graduate of the Columbia University Executive Program in Business Administration.

Richard A. Norris has served as our Senior Vice President, Chief Financial Officer and Treasurer since July 2001. He joined us in July 2000 as Vice President and Corporate Controller. From 1997 to July 2000, Mr. Norris served as Vice President and Chief Financial Officer for NexCycle, Inc., a processor of secondary materials. From 1986 to 1997, he served as Vice President of Finance, US Operations for Laidlaw Waste Systems, Inc. Mr. Norris is qualified as a Chartered Accountant in both Canada and the United Kingdom. Mr. Norris graduated from Leeds University with a Bachelor of Arts in German.

Charles E. Leonard has served as our Senior Vice President, Solid Waste Operations since July 2001. From December 1999 until he joined us, he acted as a consultant to several corporations, including Allied Waste Industries, Inc. From November 1997 to December 1999, he was Regional Vice President for Service Corporation International, a provider of death-care services. From September 1988 to January 1997, he served as Senior Vice President, US Operations for Laidlaw Waste Systems, Inc. From June 1978 to July 1988, Mr. Leonard was employed by Browning-Ferris Industries in various management positions. Mr. Leonard is a graduate of Memphis State University with a Bachelor of Arts in Marketing.

Michael J. Brennan has served as our Vice President and General Counsel since July 2000. From January 1996 to July 2000, he served in various capacities at Waste Management, Inc., including most recently, as Associate General Counsel.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Timothy A. Cretney has served as our Regional Vice President since May 2002. From January 1997 to May 2002 he served as Regional Controller for our Western region. From August 1995 to January 1997, Mr. Cretney was Treasurer and Vice President of Superior Disposal Services, Inc., a waste services company which we acquired in January 1997. From 1992 to 1995, he was General Manager of the Binghamton, New York office of Laidlaw Waste Systems, Inc. and from 1989 to 1992 he was Central New York Controller of Laidlaw Waste Systems. Mr. Cretney holds a B.A. in Accounting from State University of New York College at Brockport.

Christopher M. DesRoches has served as our Vice President, Sales and Marketing since November 1996. From January 1989 to November 1996, he was a regional vice president of sales for Waste Management, Inc. Mr. DesRoches is a graduate of Arizona State University.

Sean P. Duffy has served as our Regional Vice President since December 1999. Since December 1999, Mr. Duffy has also served as Vice President of FCR, Inc., which he co-founded in 1983 and which became a wholly-owned subsidiary of ours in December 1999. From May 1983 to December 1999, Mr. Duffy served in various capacities at FCR, including, most recently, as President. From May 1998 to May 2001, Mr. Duffy also served as President of FCR Plastics, Inc., a subsidiary of FCR, Inc.

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

James M. Hiltner has served as our Regional Vice President since March 1998. From 1990 to March 1998, Mr. Hiltner held various positions at Waste Management, Inc. including serving as a region president from June 1995 to February 1998, where his responsibilities included overseeing waste management operations in upstate New York and northwestern Pennsylvania, a division president from April 1992 to June 1995 and a general manager from November 1990 to April 1992. Mr. Hiltner holds a B.S. in Business Administration from Millersville University of Pennsylvania.

Larry B. Lackey has served as our Vice President, Permits, Compliance and Engineering since 1995. From 1993 to 1995, Mr. Lackey served as our Manager of Permits, Compliance and Engineering. From

63

1984 to 1993, Mr. Lackey was an Associate Engineer for Dufresne-Henry, Inc., an engineering consulting firm. Mr. Lackey is a graduate of Vermont Technical College.

Alan N. Sabino has served as our Regional Vice President since July 1996. From 1995 to July 1996, Mr. Sabino served as a Division President for Waste Management, Inc. From 1985 to 1994, he served as Region Operations Manager for Chambers Development Company, Inc., a waste management company. Mr. Sabino is a graduate of Pennsylvania State University.

Gary R. Simmons has served as our Vice President, Fleet Management since May 1997. From December 1996 to May 1997, Mr. Simmons was the owner of GRS Consulting, a waste industry consulting firm. From 1995 to December 1996, Mr. Simmons served as National and Regional Fleet Service Manager for USA Waste Services, Inc., a waste management company. From 1977 to 1995, Mr. Simmons served in various fleet maintenance and management positions for Chambers Development Company, Inc.

Douglas R. Casella has served as Vice Chairman of our Board of Directors since 1993. Mr. Casella founded Casella Waste Management, Inc. in 1975. Since 1989, Mr. Casella has served as president of Casella Construction, Inc., a company owned by Mr. Casella and John W. Casella, which specializes in general contracting, soil excavation and related heavy equipment work. Since 1975, Mr. Casella has served as president of Casella Waste Management, Inc. Mr. Casella is the brother of John W. Casella.

John F. Chapple III has served as a member of our Board of Directors since 1994. Mr. Chapple was president and owner of Catamount Waste Services, Inc., a central Vermont hauling and landfill operation which we purchased in May 1994, from August 1989 to July 1994. Mr. Chapple has been retired since 1995.

D. Randolph Peeler has served as a member of our Board of Directors since August 2000. Mr. Peeler has been a managing director of Berkshire Partners LLC, a private equity firm, since January 2000. From May 1997 to December 1999, Mr. Peeler served as a vice president of Berkshire Partners and from June 1996 to April 1997 as a senior associate of Berkshire Partners. From 1994 to June 1996, Mr. Peeler was president of Professional Dental Associates, a private healthcare services company which he co-founded. Prior to 1994, Mr. Peeler served as chief of staff for the Assistant Secretary for Economic Policy in the United States Department of the Treasury. Mr. Peeler was also a consultant with Cannon Associates and Bain & Co., where he worked with clients in the healthcare, heavy manufacturing, distribution, information technology and professional services industries.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Gregory B. Peters has served as a member of our Board of Directors since 1993. Mr. Peters has served as managing member of Lake Champlain Capital Management, LLC, since April 2001. Since April 1988, Mr. Peters has also served as managing general partner of Vermont Venture Capital Partners, L.P., which is the general partner of The Vermont Venture Capital Fund, L.P., a venture capital management company. Since 1986, Mr. Peters has also served as general partner of North Atlantic Capital Partners, L.P., which is the general partner of North Atlantic Venture Fund, L.P. From July 1986 to March 2001, Mr. Peters served as vice president of North Atlantic Capital Corporation, a venture capital management company.

Wilbur L. Ross, Jr. has served as a member of our Board of Directors since December 1999. Mr. Ross has served as chairman and chief executive officer of WL Ross & Co. LLC, a merchant banking firm, since April 2000. From 1976 to March 2000, Mr. Ross served as executive managing director of Rothschild Inc., an investment banking firm, and as senior managing director from 1998 to March 2000. Mr. Ross is a director of News Communications, Inc., a publisher of community oriented newspapers. Mr. Ross is a director of Syms Corp., a clothing retailer and the chairman of International Steel Group. From June 1997 to December 1999, Mr. Ross served as a director of KTI, Inc.

64

PRINCIPAL STOCKHOLDERS

The following table sets forth information as of January 1, 2003, regarding the beneficial ownership of shares of our voting stock for (a) each person or entity known by us to own beneficially more than 5% of the outstanding shares of a class of voting stock, (b) each director, (c) each executive officer and (d) directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC, and includes generally voting power and/or investment power with respect to securities. Shares of Class A common stock subject to options, warrants and/or convertible preferred stock which are currently exercisable or convertible or which are exercisable or convertible within 60 days of January 1, 2003 are deemed outstanding for purposes of computing the percentage beneficially owned by the person or entity holding such securities but are not deemed outstanding for purposes of computing the percentage beneficially owned by any other person or entity. Except as indicated by footnote, we believe that the persons named in this table, based on information provided by these persons, have sole voting and investment power with respect to the securities indicated. Unless otherwise indicated, the address of each of our executive officers and directors is care of Casella Waste Systems, Inc., 25 Greens Hill Lane, Rutland, Vermont 05701.

The "Total Ownership of Equity Securities" column reflects each listed individual's or entity's percent beneficial ownership with respect to all of our voting securities. This column assumes the conversion of shares of Class B common stock and Series A redeemable convertible preferred stock into shares of our Class A common stock. Holders of Class B common stock are entitled to ten votes for each share of Class B common stock that they beneficially own. Each share of Class B common stock is convertible at the option of the holder thereof into one share of Class A common stock. Holders of Series A redeemable convertible preferred stock are entitled to one vote for each share of common stock into which a share of Series A redeemable convertible preferred stock is convertible as of the applicable record date. Each share of Series A redeemable convertible preferred stock would be convertible into approximately 81 shares of Class A common stock as of January 1, 2003. As of January 1, 2003, we had 22,739,148 shares of Class A common stock outstanding.

Name of Beneficial Owner	Class A Common Stock		Class B Common Stock		Series A Redeemable Convertible Preferred Stock		Total Ownership of Equity Securities(%)
	# of shares	% of class	# of shares	% of class	# of shares	% of class	
5% Stockholder							
Funds affiliated with Berkshire Partners LLC(1)	4,736,971	17.5			52,750	94.6	16.8
Executive Officers and Directors							
John W. Casella(3)	1,399,402	5.9	494,100	50.0			4.9
James W. Bohlig(4)	853,293	3.7					3.0
Richard A. Norris(5)	101,666	*					*
Charles E. Leonard(6)	110,000	*					*
Douglas R. Casella(7)	1,421,250	6.0	494,100	50.0			5.0
John F. Chapple III(8)	147,643	*					*
D. Randolph Peeler(9)	4,749,471	17.6			52,750	94.6	16.8

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

					Series A		
					Redeemable	Convertible	*
					Preferred Stock		*
Gregory B. Peters(10)	36,684	*					*
Wilbur L. Ross, Jr.(11)	26,475	*					*
Executive officers and directors as a group (9 people)(12)	8,845,884	29.9	988,200	100.0	52,750	94.6	29.7
		65					

* Represents less than 1% of the outstanding shares of the respective class of our voting stock.

- (1) The address of Berkshire Partners LLC is One Boston Place, Boston, Massachusetts 02116.
- (2) Includes 4,277,671 shares of Class A common stock issuable upon conversion of Series A redeemable convertible preferred stock. The Series A redeemable convertible preferred stock is convertible at any time at the discretion of the holder thereof.
- (3) Includes (a) 348,500 shares of Class A common stock issuable upon the exercise of options or warrants within 60 days of January 1, 2003, (b) 41,850 shares of Class A common stock held in trust for the benefit of Mr. Casella's minor children, (c) 694 shares of Class A common stock held by Mr. Casella's wife, and (d) 494,100 shares of Class A common stock issuable at any time upon the conversion of Class B common stock on a one-for-one basis.
- (4) Includes (a) 583,293 shares of Class A common stock issuable upon the exercise of options or warrants within 60 days of January 1, 2003 and (b) 8,000 shares of Class A common stock held in trust for the benefit of Mr. Bohlig's minor children.
- (5) Includes 96,666 shares of Class A common stock issuable upon the exercise of options or warrants within 60 days of January 1, 2003.
- (6) Consists of 110,000 shares of Class A common stock issuable upon the exercise of options or warrants within 60 days of January 1, 2003.
- (7) Includes (a) 348,500 shares of Class A common stock issuable upon the exercise of options or warrants within 60 days of January 1, 2003, (b) 6,550 shares of Class A common stock held in trust for the benefit of Mr. Casella's minor children and (c) 494,100 shares of Class A common stock issuable at any time upon the conversion of Class B common stock on a one-for-one basis.
- (8) Includes 27,000 shares of Class A common stock issuable upon the exercise of options or warrants within 60 days of January 1, 2003.
- (9) Includes (a) the securities held by funds affiliated with Berkshire Partners LLC and (b) 12,500 shares of Class A common stock issuable upon the exercise of options or warrants within 60 days of January 1, 2003. Mr. Peeler disclaims beneficial ownership of the shares held by Berkshire Partners LLC except to the extent of his pecuniary interest in such shares arising from his position as a managing director of Berkshire Partners LLC.
- (10) Includes (a) 17,000 shares of Class A common stock issuable upon the exercise of options or warrants within 60 days of January 1, 2003 and (b) 2,000 shares of Class A common stock held by the children of Mr. Peters.
- (11) Consists of 26,475 shares of Class A common stock issuable upon the exercise of options or warrants within 60 days of January 1, 2003.
- (12) Includes (a) 1,569,934 shares of Class A common stock issuable upon the exercise of options or warrants within 60 days of January 1, 2003, (b) 988,200 shares of Class A common stock issuable at any time upon the conversion of Class B common stock on a

one-for-one basis and (c) 4,277,671 shares of Class A common stock issuable at any time upon the conversion of Series A redeemable convertible preferred stock.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We have from time to time engaged Casella Construction, Inc., a company owned by John W. Casella, our Chairman and Chief Executive Officer, and Douglas R. Casella, a member of our Board of Directors, to provide construction services for us, including construction, closure and capping activities at our landfills. In fiscal year 2002, we paid Casella Construction, Inc. an aggregate of \$2,559,000. Since the beginning of fiscal year 2003, we have paid Casella Constuction, Inc. an aggregate of \$1,123,000.

We are party to two real estate leases with Casella Associates, a Vermont partnership owned by John W. Casella and Douglas R. Casella, relating to facilities occupied by us. The leases, relating to our corporate headquarters in Rutland, Vermont and our Montpelier, Vermont facility, provide for aggregate monthly payments of \$18,000 and expire in April 2003. We have classified these leases as capital leases for financial reporting purposes. In November 1997, the lease relating to our corporate headquarters in Rutland, Vermont was amended to allow us to upgrade and make capital improvements to the premises at an estimated cost of \$500,000, to be paid by us. At the time the improvements were made, Casella Associates was granted an option to purchase the improvements at cost. Casella Associates exercised its option in December 2002.

From 1977 to 1992, we operated an unlined landfill located in Whitehall, New York owned by Bola, Inc., a corporation owned by John W. Casella and Douglas R. Casella, which operated as a single-purpose real estate holding company. We paid the cost of closing this landfill in 1992, and have agreed to pay all post-closure obligations. Since the beginning of fiscal year 2003, we have paid an aggregate of \$8,000 pursuant to this arrangement. As of April 30, 2002, we accrued \$83,000 for costs related to these post-closure obligations.

In connection with and at the time of our acquisition of the business of Catamount Waste Services, Inc. in June 1994, we entered into a lease with CV Landfill, Inc., a Vermont corporation affiliated with Catamount Waste Services, Inc., pursuant to which we agreed to lease a transfer station for a term of 10 years. CV Landfill, Inc. is owned by John F. Chapple III, who became a member of our Board of Directors at the time of the acquisition of the business of Catamount Waste Services, Inc. Pursuant to the lease agreement, we paid monthly rent for the first five years at a rate of \$5.00 per ton of waste disposed of at the transfer station, with a minimum rent of \$6,650 per month. Since June 1999, we have been required to pay monthly rent at a rate of \$2.00 per ton, with a minimum rent of \$2,500 per month. In fiscal year 2002, we paid CV Landfill, Inc. an aggregate of \$64,400. Since the beginning of fiscal year 2003, we have paid CV Landfill, Inc. an aggregate of \$55,000.

We believe that each transaction described above was on terms at least as favorable as those we would expect to negotiate with disinterested third parties.

On March 2, 2000, we made a loan to Mr. Bohlig, our President and Chief Operating Officer and a member of our Board of Directors. The terms of the loan provide for the payment of accrued interest and principal upon demand. Interest on the loan accrues monthly at the prime rate (4.75% annually at April 30, 2002) and is adjusted on a monthly basis. Our loan to Mr. Bohlig was in the aggregate principal amount of \$400,000. As of January 1, 2003, \$400,000 was outstanding under this loan, which was the largest aggregate amount of indebtedness outstanding under this loan since the beginning of fiscal year 2002. On November 28, 2000, we made an additional loan to Mr. Bohlig. The terms of this loan are identical to the terms of the earlier loan. This loan to Mr. Bohlig was in the aggregate principal amount of \$616,000. As of January 1, 2003, \$616,000 was outstanding under this loan, which was the largest aggregate amount of indebtedness outstanding under this loan since the beginning of fiscal year 2002.

For more information please see note 16 to our audited consolidated financial statements included in this prospectus.

DESCRIPTION OF CERTAIN INDEBTEDNESS AND PREFERRED STOCK

Description of the New Senior Secured Credit Facilities

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

General. Concurrently with the closing of the offering of the old notes, we obtained new senior secured credit facilities from a group of financial institutions for which Fleet National Bank and Bank of America, N.A. act as administrative agent and syndication agent, respectively. The new senior secured credit facilities provide for aggregate borrowings by us of up to \$325.0 million, consisting of:

a \$150.0 million term loan; and

a \$175.0 million revolving credit facility, including an \$80.0 million sublimit for standby letters of credit.

We have the right to increase the amount of the revolver and/or the term loan by an aggregate amount of up to \$50.0 million in our discretion, provided that we are not in default at the time of increase, subject to the receipt of commitments from lenders for such additional amount.

Interest Rates. Amounts outstanding under the new senior secured credit facilities accrue interest, at our option, at a rate per annum equal to either: (1) the base rate, as defined in the new senior secured credit facilities, or (2) an adjusted Eurodollar rate, as defined in the new senior secured credit facilities, in each case plus an applicable interest margin. Until the delivery of the compliance certificate for the second full fiscal quarter after the closing of the new senior secured credit facilities, the applicable interest margin for the revolving credit facility will be no lower than 3.00% for Eurodollar rate loans and 1.0% for base rate loans and the applicable margin for the term loan will be no lower than 3.25% for Eurodollar rate loans and 1.25% for base rate loans. After such time, the applicable interest margins for the revolving credit facility and the term loan will be subject to adjustment based on our ratio of consolidated Total Funded Debt to EBITDA, as defined in the loan documents. The interest rate otherwise payable under the new senior secured credit facilities will increase by 2.0% per annum during the continuance of a payment default.

Fees and Expenses. We will pay a commitment fee on the unused portion of the revolver in an amount of 0.375% per annum or 0.5% per annum, based on our ratio of consolidated Total Funded Debt to EBITDA. We will pay the lenders a fee for financial letters of credit equal to the applicable interest margin for Eurodollar rate loans under the revolving credit facility, and equal to 50% of the applicable interest margin for Eurodollar rate loans in the case of performance letters of credit. We will also pay each issuing bank of any letter of credit a fronting fee equal to 0.125% per annum on the face amount of each letter of credit, plus customary issuance and administrative fees.

Maturity. Borrowings under the term loan are due and payable in seven annual installments, the first six of which are equal to 1% of the notional amount of the loan and the seventh of which is equal to the outstanding balance of the term loan. The final balance of the term loan will be due in January 2010. The revolving credit facility is available until January 2008, at which time it will become due and payable. The maturities of both the term loan and the revolving credit facility will be accelerated to May 11, 2007 unless either (1) no more than \$20.0 million aggregate liquidation preference of the Series A redeemable convertible preferred stock remains outstanding on that date or (2) the mandatory redemption date for the Series A redeemable convertible preferred stock has been extended to a date 90 days beyond the maturity of the term loan (with all other terms of the Series A redeemable convertible preferred stock remaining substantially the same).

Mandatory Prepayments. We are required to prepay the facilities under the new senior secured credit facilities in an amount equal to:

100% of the net cash proceeds of asset sales in excess of \$5.0 million per annum, except for sales in the ordinary course, subject to carveouts for certain specified asset sales;

68

100% of the net cash proceeds of any permitted debt issuances, provided that we may issue up to an aggregate of \$100.0 million of subordinated debt without mandatory prepayment of the term loan;

50% of the net cash proceeds from the issuance of new equity, provided that we may issue up to an aggregate of \$125.0 million of new equity without mandatory prepayment of the term loan. To the extent that the new equity, or a portion thereof, is issued as payment in a permitted acquisition or to employees, consultants or directors in accordance with bona fide compensation plans, the dollar value of the shares being issued to pay for the permitted acquisition or under such compensation plans will not give rise to a mandatory prepayment; and

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

a percentage of excess operating cash flow (as defined in the loan documents) ranging from 50% to 0%, based on our ratio of consolidated Total Funded Debt to EBITDA. Cash flow is measured beginning with the period from the closing of the new senior secured credit facilities through April 30, 2003, and subsequently for each fiscal year period thereafter.

The lenders will apply such prepayments to the term loan in inverse order of maturity. The term loan lenders may at their option decline mandatory prepayments in which case such payments shall be applied to repay outstanding amounts under the revolving credit facility (without a permanent reduction of the Revolving Credit Commitment).

Security and Guarantees. The new senior secured credit facilities will be secured by a first priority security interest in substantially all of our assets (except that the administrative agent will not initially perfect liens on real estate, landfills and motor vehicles), including a pledge of the stock or other equity interests of our significant subsidiaries and partnerships.

Covenants. The new senior secured credit facilities contain certain covenants which, among other things and subject to certain baskets, limit:

the existence of additional indebtedness, letters of credit and landfill closure bonds;

the existence of liens or other encumbrances, guarantees or pledges, or the granting of negative pledges;

investments and advances;

mergers, acquisitions and sales of assets;

the payment of dividends and distributions and repurchases of common stock;

prepayments of equity and subordinated debt instruments, including the notes and the indenture governing the notes; and

certain transactions with affiliates.

The new senior secured credit facilities require us to meet financial tests, including, without limitation:

maximum consolidated Total Funded Debt to EBITDA ratio;

maximum senior funded debt to EBITDA ratio;

minimum EBITDA to interest ratio;

minimum net worth;

maximum capital expenditures; and

no cumulative net loss for two consecutive quarters.

Events of Default. The new senior secured credit facilities contain customary events of default, including, among other things:

payment defaults;

breaches of representations and warranties;

covenant defaults;

cross-defaults to certain other debt, including the notes;

events of bankruptcy and insolvency;

judgment defaults;

a change of control, as defined in the new senior secured credit facilities; and

certain violations of laws and regulations, including ERISA.

Waiver and Modification. The terms of the new senior secured credit facilities may be waived or modified upon approval by us and the required percentage of the lenders (or, where applicable, the affected lenders) and without consent of the note holders.

The description of the new senior secured credit facilities set forth above does not purport to be complete and is qualified in its entirety by reference to the new senior secured credit facilities, which is available from us upon request.

Series A Redeemable Convertible Preferred Stock

On June 28, 2000, we entered into a preferred stock purchase agreement with Berkshire Fund V, Limited Partnership, Berkshire Fund V Investment Corp., Berkshire Investors LLC, BancBoston Capital Inc. (an affiliate of Fleet Securities, Inc., an initial purchaser of the old notes), RGIP, LLC and Squam Lake Investors IV, L.P. Pursuant to the agreement, we sold an aggregate of 55,750 shares of our Series A redeemable convertible preferred stock at a purchase price of \$1,000 per share for an aggregate purchase price of \$55,750,000. These shares are convertible into Class A common stock, at the option of the Series A holders, at \$14 per share. Dividends are cumulative at an annual rate of 5%, payable quarterly in arrears until August 11, 2003 through the adjustment of the liquidation preference and the conversion rate of the outstanding shares of Series A redeemable convertible preferred stock and thereafter, at our option, in either cash or through such an adjustment of the liquidation preference and conversion rate of the Series A redeemable convertible preferred stock. We have the option to redeem the Series A redeemable convertible preferred stock for cash at any time after August 2003 at a price giving the holder a defined yield, but we must redeem any outstanding shares on August 11, 2007 at liquidation value, plus accrued but unpaid dividends, if any. Any cash dividends will be paid, and optional redemptions made, only to the extent that we are permitted to do so under the provisions of the indenture governing the notes described under "Description of the New Notes Certain Covenants Restricted Payments." The Indenture, however, permits us to redeem any outstanding shares on the mandatory redemption date, which is August 11, 2007. Any shares redeemed upon the mandatory redemption will not reduce the amount that would otherwise be available for Restricted Payments.

The Series A redeemable convertible preferred stock purchasers and their permitted transferees are entitled to certain rights with respect to the registration under the Securities Act of certain shares of our Class A common stock, including shares of Class A common stock that were or may be acquired upon the conversion of shares of Series A redeemable convertible preferred stock. In the event we propose to register any of our securities under the Securities Act at any time, with certain exceptions, the Series A preferred stockholders will be entitled to include shares in such registration, subject to the right of the managing underwriter of any underwritten offering to exclude from such registration some

or all of their registrable shares. The filing of the registration statement of which this prospectus forms a part for the exchange of the old notes for the new notes is an exception to the foregoing right and the Series A preferred stockholders will not be entitled to include shares in this registration. The Series A preferred stockholders have the additional right to require us to prepare and file registration statements under the

Securities Act with respect to all of the registrable shares if such holders holding specified percentages of such shares and having a certain aggregate value so request. We are required to use our best efforts to effect such registration, subject to certain conditions and limitations. Mr. Peeler, a member of our Board of Directors and a member of the audit and compensation committees and the stock plan subcommittee of our Board of Directors, is a managing director of Berkshire Partners LLC.

THE EXCHANGE OFFER

Purpose and Effect of Exchange Offer; Registration Rights

We sold the old notes on January 24, 2003 in an unregistered private placement to a group of investment banks that served as the initial purchasers. The initial purchasers then resold the old notes under an offering circular, dated January 21, 2003, in reliance on Rule 144A and Regulation S under the Securities Act.

As part of this private placement, we entered into an exchange and registration rights agreement with the initial purchasers on January 21, 2003. Under the exchange and registration rights agreement, we agreed to file this registration statement. We also agreed:

to use our reasonable best efforts to cause this registration statement to be declared effective under the Securities Act on or before July 23, 2003;

to keep the exchange offer open for not less than 30 days and to complete the exchange offer within 45 days after the date on which this registration statement is declared effective under the Securities Act; and

to keep this registration statement continuously effective under the Securities Act for a period beginning after the date of completion of the exchange offer and ending on the earlier of the date 180 days after the date of completion of the exchange offer or such time as all broker-dealers no longer own any old notes.

Under the circumstances described below, we also agreed to use our reasonable best efforts to cause the SEC to declare effective a shelf registration statement with respect to the resale of the old notes. We agreed to keep the shelf registration statement effective until the earlier of the date two years after the shelf registration statement is declared effective under the Securities Act or the date on which there are no longer any old notes outstanding. These circumstances include:

if any change in law or applicable interpretations of those laws by the SEC do not permit us to effect the exchange offer as contemplated by the exchange and registration rights agreement;

if the exchange offer is not consummated on or prior to August 22, 2003; or

if any holder of the old notes is not eligible to participate in the exchange offer and notifies us in writing prior to August 22, 2003 that it is prohibited by law or SEC policy from participating in the exchange offer, that the registration statement of which this prospectus is a part is not appropriate or available for the resale of the new notes acquired by it in the exchange offer and that the delivery of a prospectus is required, or that it is a broker-dealer and owns notes acquired directly from us or an affiliate of ours.

If we fail to comply with specified obligations under the exchange and registration rights agreement, we must pay liquidated damages to the holders of the notes.

By participating in the exchange offer, holders of the old notes will receive new notes that are freely tradeable and not subject to restrictions on transfer, subject to the exceptions described below under "Resale of New Notes".

Resale of New Notes

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

We believe that the new notes issued in exchange for the old notes may be offered for resale, resold and otherwise transferred by any new note holder without compliance with the registration and prospectus delivery provisions of the Securities Act if the conditions set forth below are met. We base this belief solely on interpretations of the federal securities laws by the SEC set forth in several no-action letters issued to third parties unrelated to us. A no-action letter is a letter from the SEC

72

responding to a request for its views as to whether a particular matter complies with the federal securities laws or whether the SEC would refer the matter to the SEC's enforcement division for action. We have not obtained, and do not intend to obtain, our own no-action letter from the SEC regarding the resale of the new notes. Instead, holders will be relying on the no-action letters that the SEC has issued to third parties in circumstances that we believe are similar to ours. Based on these no-action letters, the following conditions must be met:

the holder must acquire the new notes in the ordinary course of its business;

the holder must have no arrangements or understanding with any person to participate in the distribution of the new notes within the meaning of the Securities Act; and

the holder must not be an "affiliate", as defined in Rule 405 of the Securities Act, of ours.

Each holder of old notes that wishes to exchange old notes for new notes in the exchange offer must represent to us that it satisfies all of the above listed conditions. Any holder who tenders in the exchange offer who does not satisfy all of the above listed conditions:

cannot rely on the position of the SEC set forth in the no-action letters referred to above; and

must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a resale of the new notes.

The SEC considers broker-dealers that acquired old notes directly from us, but not as a result of market-making activities or other trading activities, to be making a distribution of the new notes if they participate in the exchange offer. Consequently, these holders must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a resale of the new notes.

Each broker-dealer that receives new notes for its own account in exchange for old notes acquired by such broker-dealer as a result of market-making activities or other trading activities must deliver a prospectus in connection with a resale of the new notes and provide us with a signed acknowledgement of this obligation. A broker-dealer may use this prospectus, as amended or supplemented from time to time, in connection with resales of new notes received in exchange for old notes where the broker-dealer acquired the old notes as a result of market-making activities or other trading activities. The letter of transmittal states that by acknowledging and delivering a prospectus, a broker-dealer will not be considered to admit that it is an "underwriter" within the meaning of the Securities Act. We have agreed that for a period of 180 days after the expiration date of the exchange offer, we will make this prospectus available to broker-dealers for use in connection with any such resale of the new notes.

Except as described in the prior paragraph, holders may not use this prospectus for an offer to resell, resale or other retransfer of new notes. We are not making the exchange offer to, nor will we accept tenders for exchange from, holders of old notes in any jurisdiction in which the exchange offer or the acceptance of it would not be in compliance with the securities or blue sky laws of that jurisdiction.

Terms of the Exchange

Upon the terms and subject to the conditions set forth in this prospectus and the accompanying letter of transmittal, which we refer to together in this prospectus as the "exchange offer", we will accept any and all old notes validly tendered and not withdrawn prior to 5:00 p.m., New York City time, on the expiration date. The date of acceptance for exchange of the old notes, and completion of the exchange offer, is the exchange date, which will be the first business day following the expiration date, unless extended as described in this prospectus. We will issue, on or promptly after the exchange date, an aggregate principal amount of up to \$150.0 million of new notes for a like principal amount of outstanding old notes tendered and accepted in connection with the exchange offer. The new notes issued in connection with the exchange offer

will be delivered as soon as practicable following the

73

exchange date. Holders may tender some or all of their old notes in connection with the exchange offer, but only in integral multiples of \$1,000. The exchange offer is not conditioned upon any minimum amount of old notes being tendered for exchange.

The terms of the new notes are identical in all material respects to the terms of the old notes, except that:

we have registered the new notes under the Securities Act and therefore these notes will not bear legends restricting their transfer; and

specified rights under the exchange and registration rights agreement, including the provisions providing for payment of liquidated damages in specified circumstances relating to the exchange offer, will be limited or eliminated.

The new notes will evidence the same debt as the old notes. The new notes will be issued under the same indenture and entitled to the same benefits under that indenture as the old notes being exchanged. As of the date of this prospectus, \$150.0 million in aggregate principal amount of the old notes were outstanding. Old notes accepted for exchange will be retired and cancelled and not reissued.

In connection with the issuance of the old notes, we arranged for the old notes originally purchased by qualified institutional buyers and those sold in reliance on Regulation S under the Securities Act to be issued and transferable in book-entry form through the facilities of The Depository Trust Company, or DTC, acting as depository. Except as described under "Description of the New Notes Form, Denomination, Transfer, Exchange and Book-Entry Procedures", we will issue the new notes in the form of a global note registered in the name of DTC or its nominee and each beneficial owner's interest in it will be transferable in book-entry form through DTC.

Holders of old notes do not have any appraisal or dissenters' rights in connection with the exchange offer. We intend to conduct the exchange offer in accordance with the applicable requirements of the Exchange Act and the rules and regulations of the SEC.

We shall be considered to have accepted validly tendered old notes if and when we have given oral or written notice to that effect to the exchange agent. The exchange agent will act as agent for the tendering holders for the purposes of receiving the new notes from us.

If we do not accept any tendered old notes for exchange because of an invalid tender, the occurrence of the other events described in this prospectus or otherwise, we will return these old notes, without expense, to the tendering holder as promptly as possible after the expiration date of the exchange offer.

Holders who tender old notes will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal, transfer taxes on exchange of old notes in connection with the exchange offer. We will pay all charges and expenses, other than the applicable taxes described in the section "Fees and Expenses" below, in connection with the exchange offer.

If we successfully complete the exchange offer, any old notes which holders do not tender or which we do not accept in the exchange offer will remain outstanding and continue to accrue interest. The holders of old notes after the exchange offer in general will not have further rights under the exchange and registration rights agreement, including registration rights and any rights to liquidated damages. Holders of the old notes wishing to transfer their old notes would have to rely on exemptions from the registration requirements of the Securities Act.

Expiration Date; Extensions; Amendments

The expiration date for the exchange offer is 5:00 p.m., New York City time, on _____, 2003. We may extend this expiration date in our sole discretion, but in no event to a date later than _____, 2003. If we so extend the expiration date, the term "expiration date" shall mean the latest date and time to which we extend the exchange offer.

74

We reserve the right, in our sole discretion:

to delay accepting any old notes;

to extend the exchange offer;

to terminate the exchange offer if, in our sole judgment, any of the conditions described below shall not have been satisfied;
or

to amend the terms of the exchange offer in any manner.

We will give oral or written notice of any delay, extension or termination to the exchange agent. In addition, we will give, as promptly as practicable, oral or written notice regarding any delay in acceptance, extension or termination of the offer to the registered holders of old notes. If we amend the exchange offer in a manner that we determine to constitute a material change, or if we waive a material condition, we will promptly disclose the amendment or waiver in a manner reasonably calculated to inform the holders of old notes of the amendment, and extend the offer if required by law.

Without limiting the manner in which we may choose to make public announcements of any delay in acceptance, extension, termination, amendment or waiver regarding the exchange offer, we shall have no obligation to publish, advertise, or otherwise communicate any public announcement, other than by making a timely release to a financial news service.

Interest on the New Notes

Interest on the new notes will accrue at the rate of 9.75% per annum on the principal amount, payable semiannually in arrears on February 1 and August 1, commencing on August 1, 2003. In order to avoid duplicative payment of interest, all interest accrued on old notes that are accepted for exchange before August 1, 2003 will be superseded by the interest that is deemed to have accrued on the new notes from January 24, 2003 through the date of the exchange.

Conditions to the Exchange Offer

Despite any other term of the exchange offer, we will not be required to accept for exchange, or exchange new notes for, any old notes and we may terminate the exchange offer as provided in this prospectus before the acceptance of the old notes, if:

the exchange offer, or the making of any exchange by a holder, violates, in our good faith determination, any applicable law, rule or regulation or any applicable interpretation of the staff of the SEC;

any action or proceeding shall have been instituted or threatened with respect to the exchange offer which, in our judgment, would impair our ability to proceed with the exchange offer; or

we have not obtained any governmental approval which we, in our sole discretion, consider necessary for the completion of the exchange offer as contemplated by this prospectus.

The conditions listed above are for our sole benefit and we may assert them regardless of the circumstances giving rise to any of these conditions. We may waive these conditions in our sole discretion in whole or in part at any time. A failure on our part to exercise any of the above rights shall not constitute a waiver of that right, and that right shall be considered an ongoing right which we may assert at any time and from time to time.

If we determine in our sole discretion that any of the events listed above has occurred, we may, subject to applicable law:

refuse to accept any old notes and return all tendered old notes to the tendering holders;

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

extend the exchange offer and retain all old notes tendered before the expiration of the exchange offer, subject, however, to the rights of holders to withdraw these old notes; or

waive unsatisfied conditions relating to the exchange offer and accept all properly tendered old notes which have not been withdrawn.

Any determination by us concerning the above events will be final and binding.

In addition, we reserve the right in our sole discretion to:

purchase or make offers for any old notes that remain outstanding subsequent to the expiration date; and

to the extent permitted by applicable law, purchase old notes in the open market, in privately negotiated transactions or otherwise.

The terms of any such purchases or offers may differ from the terms of the exchange offer.

Procedures for Tendering

Except in limited circumstances, only a DTC participant listed on a DTC securities position listing with respect to the old notes may tender old notes in the exchange offer. To tender old notes in the exchange offer, holders of old notes that are DTC participants may follow the procedures for book-entry transfer as set forth below under "Book-Entry Transfer" and in the letter of transmittal.

In addition, you must comply with one of the following:

the exchange agent must receive, before expiration of the exchange offer, a timely confirmation of book-entry transfer of old notes into the exchange agent's account at DTC according to DTC's standard operating procedures for electronic tenders and a properly transmitted agent's message as described below; or

the exchange agent must receive any corresponding certificate or certificates representing old notes along with the letter of transmittal; or

the holder must comply with the guaranteed delivery procedures described below.

The tender by a holder of old notes will constitute an agreement between such holder and us in accordance with the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal. If less than all the old notes held by a holder are tendered, the tendering holder should fill in the amount of old notes being tendered in the specified box on the letter of transmittal. The entire amount of old notes delivered or transferred to the exchange agent will be deemed to have been tendered unless otherwise indicated.

The method of delivery of old notes, the letter of transmittal and all other required documents or transmission of an agent's message, as described under "Book-Entry Transfer", to the exchange agent is at the election and risk of the holder. Instead of delivery by mail, we recommend that holders use an overnight or hand delivery service. In all cases, sufficient time should be allowed to assure timely delivery to the exchange agent prior to the expiration of the exchange offer. No letter of transmittal or old notes should be sent to us or DTC. Delivery of documents to DTC in accordance with its procedures will not constitute delivery to the exchange agent.

Any beneficial holder whose old notes are registered in the name of his or its broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact such registered holder promptly and instruct such registered holder to tender on its behalf. If such beneficial

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

holder wishes to tender on its own behalf, such beneficial holder must, prior to completing and executing the letter of transmittal and delivering its old notes, either:

make appropriate arrangements to register ownership of the old notes in such holder's name; or

obtain a properly completed bond power from the registered holder.

The transfer of record ownership may take considerable time and may not be completed prior to the expiration date.

Signatures on a letter of transmittal or a notice of withdrawal, as described in "Withdrawal of Tenders" below, must be guaranteed by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or an "eligible guarantor institution", within the meaning of Rule 17Ad-15 under the Exchange Act, which we refer to in this prospectus as an "eligible institution", unless the old notes are tendered:

by a registered holder who has not completed the box entitled "Special Registration Instructions" or "Special Delivery Instructions" on the letter of transmittal; or

for the account of an eligible institution.

If the letter of transmittal is signed by a person other than the registered holder of any old notes listed therein, the old notes must be endorsed or accompanied by appropriate bond powers which authorize the person to tender the old notes on behalf of the registered holder, in either case signed as the name of the registered holder or holders appears on the old notes. If the letter of transmittal or any old notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing and, unless waived by us, evidence satisfactory to us of their authority to so act must be submitted with the letter of transmittal.

We will determine in our sole discretion all questions as to the validity, form, eligibility, including time of receipt, and acceptance and withdrawal of tendered old notes. We reserve the absolute right to reject any and all old notes not properly tendered or any old notes whose acceptance by us would, in the opinion of our counsel, be unlawful. We also reserve the right to waive any defects, irregularities or conditions of tender as to any particular old notes either before or after the expiration date. Our interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be final and binding on all parties. Unless waived, holders must cure any defects or irregularities in connection with tenders of old notes within a period we will determine. Although we intend to request the exchange agent to notify holders of defects or irregularities relating to tenders of old notes, neither we, the exchange agent nor any other person will have any duty or incur any liability for failure to give this notification. We will not consider tenders of old notes to have been made until these defects or irregularities have been cured or waived. The exchange agent will return any old notes that are not properly tendered and as to which the defects or irregularities have not been cured or waived to the tendering holders, unless otherwise provided in the letter of transmittal, as soon as practicable following the expiration date.

In addition, we reserve the right, as set forth above under the caption "Conditions to the Exchange Offer," to terminate the exchange offer.

By tendering, each holder represents to us, among other things, that:

the holder acquired new notes pursuant to the exchange offer in the ordinary course of its business;

the holder has no arrangement or understanding with any person to participate in the distribution of the new notes within the meaning of the Securities Act; and

the holder is not our "affiliate," as defined in Rule 405 under the Securities Act.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

If the holder is a broker-dealer which will receive new notes for its own account in exchange for old notes acquired by such broker-dealer as a result of market-making activities or other trading activities, such holder must acknowledge that it will deliver a prospectus in connection with any resale of the new notes.

Book-Entry Transfer

We understand that the exchange agent will make a request promptly after the date of this prospectus to establish an account with respect to the old notes at DTC for the purpose of facilitating the exchange offer. Any financial institution that is a participant in DTC's system, including Euroclear and Clearstream, may make book-entry delivery of old notes by causing DTC to transfer such old notes into the exchange agent's DTC account in accordance with DTC's Automated Tender Offer Program procedures for such transfer. The exchange of new notes for tendered old notes will only be made after a timely confirmation of a book-entry transfer of the old notes into the exchange agent's account and timely receipt by the exchange agent of an agent's message.

The term "agent's message" means a message, transmitted by DTC and received by the exchange agent and forming part of the confirmation of a book-entry transfer, which states that DTC has received an express acknowledgment from a participant tendering old notes that such participant has received an appropriate letter of transmittal and agrees to be bound by the terms of the letter of transmittal, and that we may enforce such agreement against the participant. Delivery of an agent's message will also constitute an acknowledgment from the tendering DTC participant that the representations contained in the letter of transmittal and described under "Resale of New Notes" above are true and correct.

Guaranteed Delivery Procedures

The following guaranteed delivery procedures are intended for holders who wish to tender their old notes but:

their old notes are not immediately available;

the holders cannot deliver their old notes, the letter of transmittal, or any other required documents to the exchange agent prior to the expiration date; or

the holders cannot complete the procedure under DTC's standard operating procedures for electronic tenders before expiration of the exchange offer.

The conditions that must be met to tender old notes through the guaranteed delivery procedures are as follows:

the tender must be made through an eligible institution;

before expiration of the exchange offer, the exchange agent must receive from the eligible institution either a properly completed and duly executed notice of guaranteed delivery in the form accompanying this prospectus, by facsimile transmission, mail or hand delivery, or a properly transmitted agent's message in lieu of notice of guaranteed delivery:

setting forth the name and address of the holder, the certificate number or numbers of the old notes tendered and the principal amount of old notes tendered;

stating that the tender offer is being made by guaranteed delivery; and

guaranteeing that, within three business days after expiration of the exchange offer, the letter of transmittal, or facsimile of the letter of transmittal, together with the old notes

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

tendered or a book-entry confirmation, and any other documents required by the letter of transmittal will be deposited by the eligible institution with the exchange agent; and

the exchange agent must receive the properly completed and executed letter of transmittal, or facsimile of the letter of transmittal, as well as all tendered old notes in proper form for transfer or a book-entry confirmation, and any other documents required by the letter of transmittal, within three New York Stock Exchange trading days after expiration of the exchange offer.

Upon request to the exchange agent, a notice of guaranteed delivery will be sent to holders who wish to tender their old notes according to the guaranteed delivery procedures set forth above.

Withdrawal of Tenders

Your tender of old notes pursuant to the exchange offer is irrevocable except as otherwise provided in this section. You may withdraw tenders of old notes at any time prior to 5:00 p.m., New York City time, on the expiration date.

For a withdrawal to be effective:

the exchange agent must receive a written notice, which may be by telegram, telex, facsimile transmission or letter, of withdrawal at the address set forth below under "Exchange Agent"; or

for DTC participants, holders must comply with DTC's standard operating procedures for electronic tenders and the exchange agent must receive an electronic notice of withdrawal from DTC.

Any notice of withdrawal must:

specify the name of the person who tendered the old notes to be withdrawn;

identify the old notes to be withdrawn, including the certificate number or numbers and principal amount of the old notes to be withdrawn;

be signed by the person who tendered the old notes in the same manner as the original signature on the letter of transmittal, including any required signature guarantees; and

specify the name in which the old notes are to be re-registered, if different from that of the withdrawing holder.

If old notes have been tendered pursuant to the procedure for book-entry transfer described above, any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn old notes and otherwise comply with the procedures of the applicable facility. We will determine in our sole discretion all questions as to the validity, form and eligibility, including time of receipt, for such withdrawal notices, and our determination shall be final and binding on all parties. Any old notes so withdrawn will be deemed not to have been validly tendered for purposes of the exchange offer and no new notes will be issued with respect to them unless the old notes so withdrawn are validly re-tendered. Any old notes which have been tendered but which are not accepted for exchange will be returned to the holder without cost to such holder as soon as practicable after withdrawal, rejection of tender or termination of the exchange offer. Properly withdrawn old notes may be re-tendered by following the procedures described above under "Procedures for Tendering" at any time prior to the expiration date.

Exchange Agent

We have appointed U.S. Bank National Association as exchange agent in connection with the exchange offer. Holders should direct questions, requests for assistance and for additional copies of this

prospectus, the letter of transmittal or notices of guaranteed delivery to the exchange agent addressed as follows:

By Hand or Overnight Courier:

U.S. Bank National Association
Corporate Trust Services
180 East Fifth Street
St. Paul, Minnesota 55101
Attention: Specialized Finance 4th Floor

By Facsimile Transmission:

U.S. Bank National Association
Corporate Trust Services
180 East Fifth Street
St. Paul, Minnesota 55101
Attention: Specialized Finance 4th Floor
(651) 244-1537

Delivery of a letter of transmittal to any address or facsimile number other than the one set forth above will not constitute a valid delivery.

Fees and Expenses

We will not make any payments to brokers, dealers or other persons soliciting acceptances of the exchange offer. We will, however, pay the exchange agent reasonable and customary fees for its services and will pay the exchange agent for its related reasonable out-of-pocket expenses, including accounting and legal fees. We may also pay brokerage houses and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding copies of this prospectus, letters of transmittal and related documents to the beneficial owners of the old notes and in handling or forwarding tenders for exchange.

Holders who tender their old notes for exchange will not be obligated to pay any transfer taxes. If, however:

new notes are to be delivered to, or issued in the name of, any person other than the registered holder of the old notes tendered; or

tendered old notes are registered in the name of any person other than the person signing the letter of transmittal; or

a transfer tax is imposed for any reason other than the exchange of old notes in connection with the exchange offer;

then the tendering holder must pay the amount of any transfer taxes due, whether imposed on the registered holder or any other persons. If the tendering holder does not submit satisfactory evidence of payment of these taxes or exemption from them with the letter of transmittal, the amount of these transfer taxes will be billed directly to the tendering holder.

Consequences of Failures to Properly Tender Old Notes in the Exchange

We will issue the new notes in exchange for old notes under the exchange offer only after timely receipt by the exchange agent of the old notes, a properly completed and duly executed letter of transmittal and all other required documents. Therefore, holders of the old notes desiring to tender old notes in exchange for new notes should allow sufficient time to ensure timely delivery. We are under no duty to give notification of defects or irregularities of tenders of old notes for exchange. Old notes that are not tendered or that are tendered but not accepted by us will, following completion of the exchange offer, continue to be subject to the existing restrictions upon transfer under the Securities Act. Upon completion of the exchange offer, specified rights under the exchange and registration rights agreement, including registration rights and any right to additional interest, will be either limited or eliminated.

Participation in the exchange offer is voluntary. In the event the exchange offer is completed, we will not be required to register the remaining old notes. Remaining old notes will continue to be subject to the following restrictions on transfer:

holders may resell old notes only if we register the old notes under the Securities Act, if an exemption from registration is available, or if the transaction requires neither registration under nor an exemption from the requirements of the Securities Act; and

the remaining old notes will bear a legend restricting transfer in the absence of registration or an exemption.

We do not currently anticipate that we will register the remaining old notes under the Securities Act. To the extent that old notes are tendered and accepted in connection with the exchange offer, any trading market for remaining old notes could be adversely affected.

81

DESCRIPTION OF THE NEW NOTES

General

You can find the definitions of certain terms used in this description under the subheading " Certain Definitions". In this description, "Casella", "we" or "us" refers only to Casella Waste Systems, Inc. and not to any of its subsidiaries.

We issued the old notes, and will issue the new notes, under an indenture, dated as of January 24, 2003, as supplemented and amended from time to time (the "Indenture"), among us, the Guarantors (as defined below) and U.S. Bank National Association, a national banking association, as trustee (the "Trustee"). The terms of the notes include those stated in the Indenture and those made part of that Indenture by reference to the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"). The terms of the new notes are substantially identical to the terms of the old notes for which they may be exchanged pursuant to the exchange offer, except that the new notes are registered under the Securities Act and do not contain provisions for certain specified liquidated damages in connection with the failure to comply with the registration covenant. Accordingly, unless specifically stated to the contrary, the following description applies equally to the old notes and the new notes (which are sometimes referred to in this description collectively as "Notes").

The following description is a summary of the material provisions of the Indenture. It does not restate that agreement in its entirety. We urge you to read the indenture, because it, and not this description, defines your rights as holders of the notes. A copy of the form of indenture was filed as an exhibit to our Current Report on Form 8-K filed with the SEC on January 24, 2003 and is available from us upon request. See also "Available Information".

We are offering to exchange new notes in the aggregate principal amount of \$150.0 million for old notes. The notes will be issued only in registered form, without coupons, in denominations of \$1,000 and integral multiples thereof.

Brief Description of the Notes and the Subsidiary Guarantees

The Notes will be:

general unsecured obligations of Casella;

subordinated in right of payment to all existing and future Senior Debt of Casella;

equal in right of payment to all future unsecured Indebtedness of Casella that is subordinated in right of payment to any other Indebtedness of Casella;

senior in right of payment to any future Indebtedness of Casella that expressly provides that it is junior in right of payment to the Notes; and

unconditionally guaranteed by the Guarantors.

The Notes will be guaranteed by each existing and future Restricted Subsidiary of Casella, other than any Foreign Subsidiary, our captive insurance subsidiary and certain inactive and insignificant Restricted Subsidiaries of Casella.

The Subsidiary Guarantee by each Guarantor will be:

general unsecured obligations of such Guarantor;

subordinated in right of payment to all existing and future Senior Debt of such Guarantor;

equal in right of payment to all future unsecured Indebtedness of such Guarantor that is subordinated in right of payment to any other Indebtedness of such Guarantor; and

senior in right of payment to any future Indebtedness of such Guarantor that expressly provides that it is junior in right of payment to the Subsidiary Guarantee of such Guarantor.

Assuming the offering of the old notes and the related transactions (including the initial borrowings under the Senior Credit Facility and the application of the net proceeds therefrom) had been completed on October 31, 2002, Casella and the Guarantors would have had total Senior Debt of approximately \$158.7 million (not including outstanding letters of credit of approximately \$44.8 million), and up to an additional \$130.2 million of Senior Debt would have been available, subject to our meeting certain borrowing conditions, to be borrowed under the Senior Credit Facility. As indicated above and as discussed in detail below under the subheading " Subordination," payments on the Notes and under the Subsidiary Guarantees will be subordinated to the payment of Senior Debt. The Indenture permits us and the Guarantors to incur additional Senior Debt.

All of our subsidiaries are "Restricted Subsidiaries." However, under the circumstances described below under " Certain Covenants Designation of Restricted and Unrestricted Subsidiaries," we will be permitted to designate certain of our subsidiaries as "Unrestricted Subsidiaries." Unrestricted Subsidiaries will not be subject to the restrictive covenants in the Indenture, but transactions between Casella and/or any of its Restricted Subsidiaries on the one hand and any of the Unrestricted Subsidiaries on the other hand will be subject to certain restrictive covenants.

Our Unrestricted Subsidiaries, Foreign Subsidiaries, our captive insurance subsidiary and certain inactive and insignificant Restricted Subsidiaries will not guarantee the Notes. The Notes will be structurally subordinated to the Indebtedness and other obligations (including trade payables) of our Unrestricted Subsidiaries, Foreign Subsidiaries and our captive insurance subsidiary.

Principal, Maturity and Interest

Casella issued \$150.0 million of old notes on January 24, 2003. The Indenture provides for the issuance of additional Notes having identical terms and conditions to the Notes (the "Additional Notes"), subject to compliance with the covenants contained in the Indenture. Any Additional Notes will be part of the same issue as the Notes and will vote on all matters with the Notes.

Casella will issue Notes in denominations of \$1,000 and integral multiples of \$1,000.

The Notes will mature on February 1, 2013.

Interest on the Notes will accrue at the rate of 9.75% per annum and will be payable semi-annually in arrears on February 1 and August 1, commencing on August 1, 2003. Casella will make each interest payment to the Holders of record of the Notes on the immediately preceding January 15 and July 15. Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Methods of Receiving Payments on the Notes

If a Holder has given wire transfer instructions to Casella, Casella will make all principal, premium, if any, and interest payments on those Notes in accordance with those instructions. All other payments on the Notes will be made at the office or agency of the Paying Agent and Registrar within the City and State of New York unless Casella elects to make interest payments by check mailed to the Holders at their address set forth in the register of Holders.

Paying Agent and Registrar for the Notes

The Trustee will initially act as Paying Agent and Registrar. Casella may change the Paying Agent or Registrar without prior notice to the Holders of the Notes, and Casella or any of its Subsidiaries may act as Paying Agent or Registrar.

Transfer and Exchange

A Holder may transfer or exchange Notes in accordance with the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents, and Casella may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. Casella is not required to transfer or exchange any Note selected for redemption. Also, Casella is not required to transfer or exchange any Note for a period of 15 days before a selection of Notes to be redeemed. The registered Holder of a Note will be treated as the owner of it for all purposes.

Subsidiary Guarantees

The Guarantors will jointly and severally, fully and unconditionally, guarantee Casella's obligations under the Notes. The Subsidiary Guarantee of each Guarantor will be subordinated to the prior payment in full in cash or cash equivalents of all Senior Debt of that Guarantor to the same extent that the Notes are subordinated to Senior Debt of Casella. The obligations of each Guarantor under its Subsidiary Guarantee will be limited as necessary to prevent that Subsidiary Guarantee from constituting a fraudulent conveyance under applicable law. See "Risk Factors - Risks Related to the Exchange Offer and the Notes - A court could void our subsidiaries' guarantees of the notes under fraudulent transfer laws."

The Subsidiary Guarantee of a Guarantor will be released:

upon the sale or other disposition (including by way of merger or consolidation), to any Person that is not an Affiliate of Casella, of all of the Capital Stock of that Guarantor held by Casella or any of its Restricted Subsidiaries or of all or substantially all of the assets of that Guarantor; *provided* that such sale or other disposition is made in accordance with the Indenture and, if Casella or any of its Restricted Subsidiaries intends to comply with the covenant described under the caption " Repurchase at the Option of Holders - Asset Sales" by purchasing Replacement Assets, Casella delivers to the Trustee a written agreement that it will do so within the time frame set forth in the provisions of the Indenture described under the caption " Repurchase at the Option of Holders - Asset Sales"; or

if Casella designates such Guarantor as an Unrestricted Subsidiary in accordance with the Indenture.

Subordination

The payment of all Obligations on or relating to the Notes is subordinated in right of payment to the prior payment in full in cash or cash equivalents of all Obligations on Senior Debt of Casella (including all Obligations with respect to the Senior Credit Facility, whether outstanding on the Issue Date or thereafter incurred). Notwithstanding the foregoing, payments and distributions made from the trust established pursuant to the provisions described under " Legal Defeasance and Covenant Defeasance" shall not be so subordinated in right of payment so long as the payments into the trust were made in accordance with the requirements described under " Legal Defeasance and Covenant Defeasance" and did not violate the subordination provisions when they were made.

The holders of Senior Debt will be entitled to receive payment in full in cash or cash equivalents of all Obligations due in respect of Senior Debt before the Holders of Notes will be entitled to receive any payment or distribution of any kind or character with respect to any Obligations on, or relating to, the Notes (other than payments or distributions of Permitted Junior Securities) in the event of any distribution to creditors of Casella:

- (1) in a total or partial liquidation, dissolution or winding up of Casella;

- (2) in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to Casella or its assets;
- (3) in an assignment for the benefit of creditors; or
- (4) in any marshalling of Casella's assets and liabilities.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Casella also may not make any payment or distribution of any kind or character with respect to any Obligations on, or relating to, the Notes or acquire any Notes for cash or assets or otherwise, other than payments or distributions of Permitted Junior Securities and payments and distributions made from the trust established pursuant to the provisions described under " Legal Defeasance and Covenant Defeasance" so long as the payments into the trust were made in accordance with the requirements described under " Legal Defeasance and Covenant Defeasance" and did not violate the subordination provisions when they were made, if:

- (1) a payment default on any Senior Debt occurs and is continuing beyond the applicable grace period, if any; or
- (2) any other default occurs and is continuing on Designated Senior Debt that permits holders of the Designated Senior Debt to accelerate its maturity and the Trustee receives a notice of such default (a "Payment Blockage Notice") from the Representative of any Designated Senior Debt.

Payments on and distributions with respect to any Obligations on, or with respect to, the Notes may and shall be resumed:

- (1) in the case of a payment default, upon the date on which all payment defaults are cured or waived; and
- (2) in case of a nonpayment default, the earliest of (x) the date on which all such nonpayment defaults are cured or waived, (y) 179 days after the date on which the applicable Payment Blockage Notice is received or (z) the date on which the Trustee receives notice from the Representative for such Designated Senior Debt rescinding the Payment Blockage Notice, unless the maturity of any Designated Senior Debt has been accelerated.

No new Payment Blockage Notice may be delivered unless and until 360 days have elapsed since the effectiveness of the immediately prior Payment Blockage Notice.

No nonpayment default that existed or was continuing on the date of delivery of any Payment Blockage Notice to the Trustee shall be, or be made, the basis for a subsequent Payment Blockage Notice unless such default shall have been cured or waived for a period of not less than 90 consecutive days (it being acknowledged that any subsequent action, or any breach of any financial covenants for a period ending after the date of delivery of such initial Payment Blockage Notice that in either case would give rise to a default pursuant to any provisions under which a default previously existed or was continuing shall constitute a new default for this purpose).

Casella must promptly notify holders of Senior Debt if payment of the Notes is accelerated because of an Event of Default.

As a result of the subordination provisions described above, in the event of a bankruptcy, liquidation or reorganization of Casella, Holders of the Notes may recover less ratably than creditors of Casella who are holders of Senior Debt. See "Risk Factors Risks Related to the Exchange Offer and the Notes The new notes will be unsecured and subordinated to our senior debt."

Optional Redemption

Prior to February 1, 2006, Casella may on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes issued under the Indenture at a redemption price equal to

85

109.75% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of one or more Public Equity Offerings; *provided that*

at least 65% of the aggregate principal amount of Notes issued under the Indenture remains outstanding immediately after such redemption (excluding Notes held by Casella or any of its Subsidiaries); and

the redemption must occur within 90 days after the closing of such Public Equity Offering (disregarding the date of closing of any over-allotment option with respect thereto).

Except pursuant to the preceding paragraph, the Notes will not be redeemable at Casella's option prior to February 1, 2008.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

On or after February 1, 2008, Casella may redeem some or all of the Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest thereon, if any, to the applicable redemption date, if redeemed during the twelve-month period beginning on February 1 of the years indicated below:

Year	Percentage
2008	104.875%
2009	103.250%
2010	101.625%
2011 and thereafter	100.000%

Casella may acquire Notes by means other than a redemption, whether pursuant to an issuer tender offer, open market purchases, negotiated transactions or otherwise, so long as such acquisition does not otherwise violate the terms of the Indenture.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption as follows:

if the Notes are listed on a national securities exchange, in compliance with the requirements of the principal national securities exchange on which the Notes are listed; or

if the Notes are not so listed, on a *pro rata* basis, by lot or by such method as the Trustee shall deem fair and appropriate.

provided that, in the case of such redemption pursuant to the first paragraph under "Optional Redemption" or with Net Proceeds from an Asset Sale pursuant to the provisions of the Indenture described in clause (3) of the second paragraph under the caption "Repurchase at the Option of Holders Asset Sales," the Trustee will select the Notes on *pro rata* basis or on as nearly a *pro rata* basis as practicable (subject to the procedures of The Depository Trust Company).

No Notes of \$1,000 or less shall be redeemed in part. Notices of redemption shall be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each Holder of Notes to be redeemed at its registered address. Notices of redemption may not be conditional.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.

Repurchase at the Option of Holders

Change of Control

If a Change of Control occurs, each Holder of Notes will have the right to require Casella to repurchase all or any part (equal to \$1,000 or an integral multiple thereof) of that Holder's Notes pursuant to a Change of Control Offer (the "Change of Control Offer"). In the Change of Control Offer, Casella will offer to pay an amount in cash (the "Change of Control Payment") equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest thereon, if any, to the date of purchase. Within 30 days following any Change of Control, Casella will mail a notice to each Holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase Notes on the date (the "Change of Control Payment Date") specified in such notice, which date shall be no earlier than 30 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by the Indenture and described in such notice.

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

accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer;

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions thereof so tendered; and

deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by Casella.

The Paying Agent will promptly mail to each Holder of Notes so tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount of \$1,000 or an integral multiple thereof.

Prior to complying with any of the provisions of this "Change of Control" covenant, but in any event within 90 days following a Change of Control, Casella will either repay all outstanding Senior Debt or obtain the requisite consents, if any, under all agreements governing outstanding Senior Debt to permit the repurchase of Notes required by this covenant. Casella will publicly announce the results of the Change of Control Offer as soon as practicable after the Change of Control Payment Date.

Casella 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 the Indenture applicable to a Change of Control Offer made by Casella and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Notwithstanding the foregoing, Casella 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 Notes validly tendered at a cash price equal to or higher than the Change of Control Payment and has purchased all Notes properly tendered in accordance with the terms of such Alternate Offer. The Alternate Offer must comply with all the other provisions applicable to the Change of Control Offer, shall remain, if commenced prior to the Change of Control, open for acceptance until the consummation of the Change of Control and must permit Holders to withdraw any tenders of Notes made into the Alternate Offer until the final expiration or consummation thereof.

Casella will comply, and will cause any third party making a Change of Control Offer or an Alternate Offer to comply, with the requirements of Rule 14e-1 under the Exchange Act and any other

87

securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with a 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 the Indenture relating to a Change of Control Offer, Casella will not be deemed to have breached its obligations under the Indenture by virtue of complying with such laws or regulations.

The occurrence of a Change of Control would constitute an event of default under Casella's Senior Credit Facility. In addition, the Senior Credit Facility prohibits, and the agreements governing any future Senior Debt may prohibit, Casella from purchasing any Notes, and may also provide that certain change of control events with respect to Casella would constitute a default under such agreements. In the event a Change of Control occurs at a time when Casella is prohibited from purchasing Notes, Casella could seek the consent of its senior lenders to the purchase of Notes or could attempt to refinance the borrowings that contain such prohibition. If Casella does not obtain such a consent or repay such borrowings, Casella will remain prohibited from purchasing Notes. In such case, Casella's failure to purchase tendered Notes would constitute an Event of Default under the Indenture which would, in turn, constitute a default under such Senior Debt. In such circumstances, the subordination provisions in the Indenture would likely restrict payments to the Holders of Notes.

The definition of Change of Control includes a phrase relating to the sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the assets of Casella and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a Holder of Notes to require Casella to repurchase such Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of Casella and its Subsidiaries taken as a whole may be uncertain.

The provisions described above that require Casella to make a Change of Control Offer following a Change of Control will be applicable regardless of whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders of the Notes to require that Casella repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

Asset Sales

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Casella will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

Casella or such Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Sale at least equal to the fair market value of the assets or Equity Interests issued, sold or otherwise disposed of;

such fair market value, if in excess of \$5.0 million, is determined in good faith by Casella's Board of Directors and evidenced by a resolution of the Board of Directors set forth in an Officers' Certificate delivered to the Trustee; and

at least 75% of the consideration therefor received by Casella or such Restricted Subsidiary is in the form of cash or Cash Equivalents and is received at the time of such Asset Sale. For purposes of this provision, each of the following shall be deemed to be cash:

- (a) the amount of any liabilities shown on Casella's or such Restricted Subsidiary's most recent balance sheet (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are assumed by another Person and from which Casella and its Restricted Subsidiaries are released from further liability; and

88

- (b) any securities, notes or other obligations received by Casella or any such Restricted Subsidiary from such transferee that are promptly (subject to ordinary settlement periods) converted by Casella or such Restricted Subsidiary into cash (to the extent of the cash received in that conversion).

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, Casella may apply such Net Proceeds at its option:

- (1) to repay Senior Debt and, if the Senior Debt repaid is revolving credit Indebtedness, to permanently reduce a corresponding amount of commitments with respect thereto;
- (2) to make an investment in or expenditures for assets (excluding securities other than Capital Stock of any Person that (A) is or becomes a Guarantor or (B) is merged, consolidated or amalgamated with or into, or transfers all or substantially all of its assets to, or is liquidated into, Casella or any Guarantor) that replace the assets that were the subject of the Asset Sale or that will be used in the Permitted Business ("Replacement Assets"); and/or
- (3) to redeem Notes pursuant to any of the provisions of the Indenture described under the caption " Optional Redemption."

Pending the final application of any such Net Proceeds, Casella may temporarily reduce revolving credit borrowings or otherwise invest such Net Proceeds in any manner that is not prohibited by the Indenture.

Any Net Proceeds from Asset Sales that are not applied as provided in the preceding paragraph will constitute "Excess Proceeds." When the aggregate amount of Excess Proceeds exceeds \$10.0 million, Casella will make an offer to

all Holders of Notes and

all holders of other Indebtedness that ranks *pari passu* with the Notes containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets

to purchase (an "Asset Sale Offer") the maximum principal amount of Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds. The offer price for Notes in any Asset Sale Offer will be equal to 100% of the principal amount of Notes purchased, plus accrued and unpaid interest, if any, to the date of purchase, and will be payable in cash. If the aggregate principal amount of Notes and such other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, Casella shall select the Notes and such other *pari passu* Indebtedness to be purchased on a *pro rata* basis. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds shall be reset at zero. Accordingly, if any Excess Proceeds remain after consummation of an Asset Sale Offer, Casella may use such Excess Proceeds for any purpose not otherwise prohibited by the Indenture.

When any non-cash consideration received by Casella or any of its Restricted Subsidiaries in connection with any Asset Sale is converted into or sold or otherwise disposed of for cash or Cash Equivalents, such cash and Cash Equivalents must be applied in accordance with this covenant.

Casella 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 an Asset Sale Offer. To the extent the provisions of any applicable securities laws or regulations conflict with the provisions of the Indenture relating to an Asset Sale Offer, Casella will not be deemed to have breached its obligations under the Indenture by virtue of complying with such laws or regulations.

The Senior Credit Facility currently prohibits Casella from purchasing any Notes. In addition, the agreements governing any future Senior Debt may prohibit Casella from purchasing any Notes. In the

event the Indenture requires Casella to make an Asset Sale Offer at a time when Casella is prohibited from purchasing Notes, Casella could seek the consent of its senior lenders to the purchase of Notes, use the proceeds of the Asset Sale to pay down such Senior Debt, or attempt to refinance the borrowings that contain such prohibitions. If Casella does not obtain such consents or repay or refinance such borrowings, Casella would remain prohibited from purchasing Notes. In such case, Casella's failure to purchase tendered Notes would constitute an Event of Default under the Indenture which would, in turn, constitute a default under such Senior Debt. In such circumstances, the subordination provisions in the Indenture would likely restrict payments to the Holders of Notes.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Restricted Payments

Casella will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

- (i) declare or pay any dividend or make any other payment or distribution on account of Casella's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving Casella or any of its Restricted Subsidiaries) or to the direct or indirect holders of Casella's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends or distributions payable solely in Qualified Capital Stock or dividends or distributions payable to Casella or any of its Restricted Subsidiaries);
- (ii) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving Casella or any of its Restricted Subsidiaries) any Equity Interests of Casella or any direct or indirect parent of Casella or any Restricted Subsidiary of Casella (other than any such Equity Interests owned by Casella or any of its Restricted Subsidiaries);
- (iii) make any payment on or with respect to, or purchase, redeem, prepay, decrease, defease or otherwise acquire or retire for value, any Indebtedness that is expressly subordinated in right of payment to the Notes or any Subsidiary Guarantee, except (x) any payment of interest or principal at the Stated Maturity thereof, (y) any payment made with Qualified Capital Stock and (z) any payment made to Casella or any of its Restricted Subsidiaries; or
- (iv) make any Restricted Investment

(all such payments and other actions set forth in clauses (i) through (iv) above being collectively referred to as "Restricted Payments"), unless, at the time of and after giving effect to such Restricted Payment:

- (1) no Default has occurred and is continuing or would occur as a consequence thereof;
- (2) Casella would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable Four Quarter Period, have been permitted to incur at least \$1.00 of additional Indebtedness pursuant to the Coverage Ratio Exception; and
- (3)

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by Casella and its Restricted Subsidiaries after the date of the Indenture (excluding Restricted Payments permitted by clauses (2), (3), (4) (only to the extent payable to Casella or any of its Restricted Subsidiaries), (5), (7) and (8) of the next succeeding paragraph), is less than the sum (the "Basket"), without duplication, of

- (a) 50% of the Consolidated Net Income of Casella for the period (taken as one accounting period) from the beginning of the first fiscal quarter commencing after the Issue Date to

90

the end of Casella's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit), *plus*

- (b) 100% of the aggregate net cash proceeds received by Casella since the Issue Date from the issuance and sale of Qualified Capital Stock or from the issuance and sale of convertible or exchangeable Disqualified Capital Stock or Indebtedness of Casella or any of its Restricted Subsidiaries that has been converted into or exchanged for Qualified Capital Stock (other than any issuance and sale to a Subsidiary of Casella), *less* the amount of any cash, or the fair market value of any other assets, distributed by Casella or any of its Restricted Subsidiaries upon such conversion or exchange (other than to Casella or any of its Restricted Subsidiaries), *plus*
- (c) to the extent not otherwise included in the calculation of Consolidated Net Income for purposes of clause (a) above, 100% of (x) any amount received in cash by Casella or any of its Restricted Subsidiaries as dividends, distributions or return of capital from, or payment of interest or principal on any loan or advance to, and (y) the aggregate net cash proceeds received by Casella or any of its Restricted Subsidiaries upon the sale or other disposition of, the investee (other than an Unrestricted Subsidiary of Casella) of any Investment made by Casella and its Restricted Subsidiaries since the Issue Date; *provided* that the foregoing sum shall not exceed, in the case of any investee, the aggregate amount of Investments previously made (and treated as a Restricted Payment) by Casella or any of its Restricted Subsidiaries in such investee subsequent to the Issue Date; *plus*
- (d) to the extent not otherwise included in the calculation of Consolidated Net Income for purposes of clause (a) above, 100% of (x) any amount received in cash by Casella or any of its Restricted Subsidiaries as dividends, distributions or return of capital from, or payment of interest or principal on any loan or advance to, or upon the sale or other disposition of the Capital Stock of, an Unrestricted Subsidiary of Casella and (y) the fair market value of the net assets of an Unrestricted Subsidiary of Casella, at the time such Unrestricted Subsidiary is redesignated as a Restricted Subsidiary or is merged, consolidated or amalgamated with or into, or is liquidated into, Casella or any of its Restricted Subsidiaries, multiplied by Casella's proportionate interest in such Subsidiary; *provided* that the foregoing sum shall not exceed, in the case of any Unrestricted Subsidiary, the aggregate amount of Investments previously made (and treated as a Restricted Payment) by Casella or any of its Restricted Subsidiaries in such Unrestricted Subsidiary subsequent to the Issue Date; *plus*
- (e) to the extent not otherwise included in the calculation of Consolidated Net Income for purposes of clause (a) above, 100% of the amount of any Investment made (and treated as a Restricted Payment) since the Issue Date in a Person that subsequently becomes a Restricted Subsidiary of Casella.

91

The preceding provisions will not prohibit:

- (1) the payment of any dividend within 60 days after the date of declaration thereof, if at said date of declaration such payment would have complied with the provisions of the Indenture;
- (2)

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

the redemption, repurchase, retirement, defeasance or other acquisition of (a) any Indebtedness of Casella or any Guarantor that is expressly subordinated in right of payment to the Notes or any Subsidiary Guarantee or (b) any Equity Interests of Casella or any of its Restricted Subsidiaries in exchange for, or out of the net cash proceeds of the substantially concurrent issuance and sale (other than to a Subsidiary of Casella) of, Qualified Capital Stock; *provided* that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase, retirement, defeasance or other acquisition shall not increase the Basket;

- (3) the redemption, repurchase, retirement, defeasance or other acquisition of Indebtedness of Casella or any Guarantor which is expressly subordinated in right of payment to the Notes or any Subsidiary Guarantee with the net cash proceeds from an incurrence of Permitted Refinancing Indebtedness;
- (4) the payment of any dividend or other distribution of earnings and profits by a Restricted Subsidiary of Casella to the holders of all of its Equity Interests on a *pro rata* basis or to the holders of the Equity Interests of GreenFiber in accordance with the terms of the limited liability company agreement governing GreenFiber, as in effect at the time of such payment;
- (5) the repurchase of Equity Interests deemed to occur upon the exercise of stock options if such Equity Interests represent a portion of the exercise price thereof;
- (6) as long as no Default has occurred and is continuing or would be caused thereby, the redemption, repurchase or other acquisition of Equity Interests constituting restricted stock repurchased from an employee of Casella or any of its Restricted Subsidiaries in connection with the termination of employment of such employee, in an amount not to exceed the net cash proceeds received from such terminated employee upon issuance of such Equity Interests;
- (7) (i) the redemption in cash on or after August 11, 2007 of the shares of Series A Redeemable Convertible Preferred Stock outstanding on the date hereof pursuant to the mandatory redemption provisions of the Series A Convertible Preferred Stock and (ii) the payment of dividends on the Series A Redeemable Convertible Preferred Stock by the increase, at or after the relevant dividend payment dates, in the liquidation preference thereof equal to the amount of such dividends; and
- (8) Restricted Payments not to exceed \$5.0 million in the aggregate since the Issue Date.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by Casella or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The fair market value of any assets or securities having a fair market value in excess of \$5.0 million that are required to be valued by this covenant shall be determined in good faith by the Board of Directors, whose resolution with respect thereto shall be delivered to the Trustee. The Board of Directors' determination must be based upon an opinion or appraisal issued by an accounting, appraisal or investment banking firm of national standing if the fair market value exceeds \$10.0 million. Not later than the date of making any Restricted Payment, Casella shall deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

92

In determining whether any Restricted Payment is permitted by the foregoing covenant, Casella may allocate or reallocate all or any portion of such Restricted Payment between clauses (6) and (8) of the second paragraph of this "Restricted Payments" covenant or between such clauses and the Basket; *provided* that at the time of such allocation or reallocation, all such Restricted Payments, or allocated portions thereof, would be permitted under such provisions.

Incurrence of Indebtedness and Issuance of Preferred Stock

On or after the date of the Indenture (i) Casella will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur any Indebtedness (including Acquired Debt), and (ii) Casella will not issue any Disqualified Capital Stock and will not permit any of its

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Restricted Subsidiaries to issue any shares of Preferred Stock; *provided* that Casella or any Guarantor may incur Indebtedness (including Acquired Debt), and Casella may issue Disqualified Capital Stock, if the Consolidated Fixed Charge Coverage Ratio is at least 2.0 to 1.0 (this proviso, the "Coverage Ratio Exception").

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "Permitted Debt"):

- (1) Indebtedness and letters of credit under the Senior Credit Facility (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of Casella and its Restricted Subsidiaries thereunder) in an aggregate principal amount not to exceed \$375.0 million *less* the aggregate amount of all Net Proceeds of Asset Sales applied by Casella or any of its Subsidiaries since the date of the Indenture to repay Indebtedness under the Senior Credit Facility pursuant to clause (1) of the second paragraph under " Repurchase at the Option of Holders Asset Sales";
- (2) the Notes issued on the Issue Date, the Exchange Notes and the Subsidiary Guarantees thereof;
- (3) Capital Lease Obligations and Purchase Money Obligations, and Permitted Refinancing Indebtedness thereof, in an aggregate amount not to exceed \$10.0 million at any time outstanding;
- (4) Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to refinance, (x) Existing Indebtedness or (y) Indebtedness incurred under the Coverage Ratio Exception or clause (2) of this paragraph or this clause (4);
- (5) Indebtedness owed by Casella or any of its Restricted Subsidiaries to Casella or any of its Restricted Subsidiaries; *provided* that:
 - (a) if Casella or any Guarantor is the obligor on such Indebtedness, such Indebtedness must be expressly subordinated to the prior payment in full in cash of all Obligations with respect to the Notes, in the case of Casella, or the Subsidiary Guarantee of such Guarantor, in the case of a Guarantor; and
 - (b) (x) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than Casella or a Wholly Owned Restricted Subsidiary thereof and (y) any sale or other transfer of any such Indebtedness to a Person that is not either Casella or a Wholly Owned Restricted Subsidiary thereof shall be deemed, in each case, to constitute an incurrence of such Indebtedness by Casella or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (5);
- (6) Hedging Obligations with respect to (a) interest rates on any Indebtedness that is permitted by the terms of the Indenture to be outstanding, (b) foreign currency exchange rates, (c) prices of recycled paper, fiber, aluminum, tin, glass, rubber, plastics or other recycled

products or (d) the price of fuel required for the operations of the businesses of Casella and its Restricted Subsidiaries; *provided* that (i) any such Hedging Obligation of the type described in clauses (b) through (d) will be permitted by this clause (6) only if it was entered into to protect Casella and its Restricted Subsidiaries from fluctuations in foreign currency exchange rates, the prices of recycled paper, fiber, aluminum, tin, glass, rubber, plastics or other recycled products or fuel covered by such agreements, as applicable, and not for speculative purposes, (ii) in the case of Hedging Obligations of the type described in clause (a) above, any such Hedging Obligations will be permitted by this clause (6) only to the extent the notional principal amount of such Hedging Obligations, when incurred, does not exceed the principal amount of the Indebtedness to which such Hedging Obligations relate and (iii) in the case of Hedging Obligations of the type described in clause (b) above, such Hedging Obligations do not increase the Indebtedness of Casella and its Restricted Subsidiaries outstanding other than as a result of fluctuations in foreign currency exchange rates or by reason of fees, indemnities and

compensation payable thereunder;

- (7) obligations in the ordinary course of business in respect of workers' compensation claims, self-insurance obligations, performance, surety and similar bonds and completion bonds and bid guarantees with respect to the assets or business of Casella or any of its Restricted Subsidiaries;
- (8) (x) the Guarantee by Casella or any Guarantor of Indebtedness of Casella or a Guarantor and (y) the guarantee by any Restricted Subsidiary that is not a Guarantor of Indebtedness of any other Restricted Subsidiary that is not a Guarantor; *provided* that, in each case, the Indebtedness being guaranteed is permitted to be incurred by another provision of the Indenture;
- (9) indemnification, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the disposition of any business or assets of Casella or any of its Restricted Subsidiaries or Capital Stock of any of its Restricted Subsidiaries; *provided* that the maximum aggregate liability in respect of all of such obligations outstanding under this clause (9) shall at no time exceed the gross proceeds including non-cash proceeds (the fair market value of such non-cash proceeds being measured at the time received and without giving effect to any subsequent changes in value) actually received by Casella and its Restricted Subsidiaries in connection with such dispositions;
- (10) Acquired Debt incurred by the debtor prior to the time that the debtor thereunder was acquired by or merged into Casella or any of its Subsidiaries, or prior to the time that the related asset was acquired by Casella or any of its Subsidiaries, and was not incurred in connection with, or in contemplation of, such acquisition or merger, and Permitted Refinancing Indebtedness thereof, in an aggregate amount not to exceed \$10.0 million at any time outstanding;
- (11) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds; *provided* that such Indebtedness is extinguished within five business days of incurrence; and
- (12) additional Indebtedness in an aggregate amount not to exceed \$10.0 million at any time outstanding.

Notwithstanding any other provision in this covenant, the maximum amount of Indebtedness that Casella or any of its Restricted Subsidiaries may incur pursuant to this covenant shall not be deemed to be exceeded as a result of fluctuations in exchange rates of currencies. The outstanding principal amount of any particular Indebtedness shall be counted only once and any obligation arising under any

Guarantee, Lien, letter of credit or similar instrument supporting such Indebtedness shall be disregarded, so long as the obligor is permitted to incur such obligation. For purposes of determining compliance with this covenant, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (12) above, or is entitled to be incurred pursuant to the Coverage Ratio Exception, Casella will be permitted to divide and classify such item of Indebtedness on the date of its incurrence in any manner that complies with this covenant (*provided* that all Indebtedness outstanding under the Senior Credit Facility on the Issue Date shall be deemed to have been incurred pursuant to clause (1) above).

No Senior Subordinated Debt

Casella will not, directly or indirectly, incur any Indebtedness that is, or purports to be, subordinate or junior in right of payment to any Senior Debt of Casella and senior in any respect in right of payment to the Notes. No Guarantor will, directly or indirectly, incur any Indebtedness that is, or purports to be, subordinate or junior in right of payment to any Senior Debt of such Guarantor and senior in any respect in right of payment to such Guarantor's Subsidiary Guarantee. For purposes hereof, unsecured Indebtedness shall not be deemed to be subordinate or junior to secured Indebtedness solely because it is unsecured, and Indebtedness that is not Guaranteed by a particular Person shall not be deemed to be subordinate or junior to Indebtedness solely because it is not so Guaranteed.

Liens

Casella will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien of any kind securing Indebtedness, Attributable Debt or trade payables on any asset now owned or hereafter acquired, except Permitted Liens, unless all payments due under the Indenture and the Notes are secured on an equal and ratable basis with the obligation so secured until such time as such is no longer secured by a Lien; *provided* that if such obligation is by its terms expressly subordinated to the Notes or any Subsidiary Guarantee, the Lien securing such obligation shall be subordinate and junior to the Lien securing the Notes and the Subsidiary Guarantees with the same relative priority as such subordinate or junior obligation shall have with respect to the Notes and the Subsidiary Guarantees.

Dividend and Other Payment Restrictions Affecting Subsidiaries

Casella will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

- (1) pay dividends or make any other distributions on or in respect of its Equity Interests to Casella or any of Casella's Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any indebtedness owed to Casella or any of Casella's Restricted Subsidiaries;
- (2) make loans or advances to Casella or any of Casella's Restricted Subsidiaries; or
- (3) transfer any of its properties or assets to Casella or any of Casella's Restricted Subsidiaries.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

- (1) the Senior Credit Facility or any Existing Indebtedness, in each case, as in effect on the date of the Indenture and any amendments or refinancings thereof; *provided* that such amendments or refinancings are not materially more restrictive, taken as a whole, with respect to such

95

dividend and other restrictions than those contained in the Senior Credit Facility or such Existing Indebtedness, as in effect on the date of the Indenture;

- (2) the Indenture and the Notes;
- (3) applicable law, rule, regulation or order of any governmental authority;
- (4) any instrument governing Indebtedness or Capital Stock of a Person acquired by Casella or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred;
- (5) customary non-assignment provisions (and sublease restrictions) in leases entered into in the ordinary course of business and consistent with past practices;
- (6) Purchase Money Obligations that impose restrictions only on the property acquired of the nature described in clause (3) of the preceding paragraph;

- (7) any agreement for the sale or other disposition of a Restricted Subsidiary that restricts distributions by such Restricted Subsidiary pending its sale or other disposition; *provided* that such sale or disposition is made in compliance with the provisions of the Indenture described under the caption " Repurchase at the Option of Holders Asset Sales";
- (8) Permitted Refinancing Indebtedness; *provided* that such dividend and other restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;
- (9) Liens securing Indebtedness otherwise permitted to be incurred pursuant to the provisions of the covenant described above under the caption " Liens" that limit the right of Casella or any of its Restricted Subsidiaries to dispose of the assets subject to such Lien;
- (10) provisions with respect to the disposition or distribution of assets or property in joint venture agreements and other similar agreements entered into in the ordinary course of business;
- (11) customary restrictions on cash or other deposits or net worth imposed by customers or government authorities under contracts or other agreements entered into in the ordinary course of business; and
- (12) any agreement relating to a Sale and Leaseback Transaction or Capital Lease Obligation, in each case, otherwise permitted by the Indenture, but only on the property subject to such transaction or lease and only to the extent that such restrictions or encumbrances are customary with respect to a Sale and Leaseback Transaction or capital lease.

Transactions with Affiliates

Casella will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract,

agreement, understanding, loan, advance or guarantee with, or for the benefit of, any of its Affiliates (each, an "Affiliate Transaction"), unless:

- (1) such Affiliate Transaction is on terms that are no less favorable to Casella or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by Casella or such Restricted Subsidiary with an unrelated Person; and
- (2) Casella delivers to the Trustee:
 - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of \$2.0 million, a resolution of the Board of Directors of Casella set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the Disinterested Directors of Casella, if there are any such Disinterested Directors; and
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of \$10.0 million, or in excess of \$2.0 million if such transaction has not been approved by a majority of the Disinterested Directors or if at such time there are no Disinterested Directors, an opinion as to the fairness of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

investment banking firm of national standing.

The following items shall not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

- (1) transactions exclusively between or among Casella and/or one or more of its Restricted Subsidiaries; *provided*, in each case, such transaction is not otherwise prohibited by the Indenture and that no Affiliate of Casella (other than a Restricted Subsidiary) owns any Equity Interests in any Restricted Subsidiary that is a party to such transaction;
- (2) any agreement in effect on the Issue Date as in effect on the Issue Date or as thereafter amended in a manner which is, taken as a whole, in the good faith judgment of the Board of Directors of Casella not materially less favorable to Casella or such Restricted Subsidiary than the original agreement as in effect on the Issue Date;
- (3) any employment, compensation, benefit or indemnity agreements, arrangements or plans in respect of any officer, director, employee or consultant of Casella or any of its Restricted Subsidiaries entered into in the ordinary course of business and approved by the Board of Directors of Casella;
- (4) loans and advances permitted by clause (6) of the definition of "Permitted Investments";
- (5) transactions between Casella or any of its Restricted Subsidiaries and GreenFiber; *provided*, in each case, that (i) such transaction (a) is on terms that are no less favorable to Casella or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by Casella or such Restricted Subsidiary with an unrelated Person and (b) is not otherwise prohibited by the Indenture and (ii) that no Affiliate of Casella (other than a Restricted Subsidiary) owns any Equity Interests in any Person that is a party to such transaction;
- (6) the issuance and sale of Qualified Capital Stock; and
- (7) Restricted Payments (other than Investments) that are permitted by the provisions of the Indenture described under the caption " Restricted Payments."

97

Additional Subsidiary Guarantees

If Casella or any of its Restricted Subsidiaries transfers, acquires or creates another Restricted Subsidiary (other than any Foreign Subsidiary) after the date of the Indenture or transfers or causes to be transferred, in any one transaction or a series of related transactions, any assets in excess of \$1,000 to any Restricted Subsidiary (other than a Foreign Subsidiary or our captive insurance subsidiary) that is not a Guarantor, or designates any Unrestricted Subsidiary (other than a Foreign Subsidiary) as a Restricted Subsidiary, then that newly acquired, created, capitalized or designated Restricted Subsidiary must become a Guarantor and shall, within ten business days of the date on which it was so acquired, created, capitalized or designated:

execute and deliver to the Trustee a supplemental indenture in form reasonably satisfactory to the Trustee pursuant to which such Restricted Subsidiary shall unconditionally guarantee all of Casella's obligations under the Notes and the Indenture on the terms set forth in the Indenture and

deliver to the Trustee an Opinion of Counsel that such supplemental indenture has been duly authorized, executed and delivered by such Restricted Subsidiary and constitutes a valid and legally binding and enforceable obligation of such Restricted Subsidiary, subject to customary exceptions.

Thereafter, such Restricted Subsidiary shall be a Guarantor for all purposes of the Indenture.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Notwithstanding the preceding paragraph, any Subsidiary Guarantee will provide by its terms that it will be automatically and unconditionally released and discharged under the circumstances described above under the caption " Subsidiary Guarantees." The form of the Subsidiary Guarantee will be attached as an exhibit to the Indenture.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors of Casella may designate (a "Designation") any Restricted Subsidiary to be an Unrestricted Subsidiary if such Designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, all outstanding Investments owned by Casella and its Restricted Subsidiaries in the Subsidiary so designated will be deemed to be an Investment made as of the time of such Designation and will reduce the amount available for Restricted Payments under the first paragraph of the covenant described above under the caption " Restricted Payments" or for Permitted Investments, as applicable. All such outstanding Investments will be valued at their fair market value at the time of such Designation in accordance with the provisions of the second to last paragraph under " Restricted Payments." Such Designation will be permitted only if such Investment would be a Permitted Investment or otherwise would at the time of such Designation not be prohibited under provisions of the Indenture described under the caption " Restricted Payments."

The Board of Directors of Casella may revoke any Designation of a Subsidiary of Casella as an Unrestricted Subsidiary (a "Revocation"); *provided that*

- (a) no Default exists at the time of or after giving effect to such Revocation; and
- (b) all Liens and Indebtedness of such Unrestricted Subsidiary outstanding immediately after such Revocation would, if incurred at such time, have been permitted to be incurred (and shall be deemed to have been incurred) for all purposes of the Indenture.

Any such Designation or Revocation by the Board of Directors of Casella after the Issue Date shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors of Casella giving effect to such Designation or Revocation and an Officers' Certificate certifying that such Designation or Revocation complied with the foregoing provisions.

98

Sale and Leaseback Transactions

Casella will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; *provided that* Casella or any Restricted Subsidiary of Casella that is a Guarantor may enter into a Sale and Leaseback Transaction if:

- (1) Casella or that Guarantor, as applicable, could have (a) incurred Indebtedness in an amount equal to the Attributable Debt relating to such Sale and Leaseback Transaction pursuant to the covenant described under " Incurrence of Indebtedness and Issuance of Preferred Stock" and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption " Liens";
- (2) the gross cash proceeds of such Sale and Leaseback Transaction are at least equal to the fair market value, as determined in good faith by the Board of Directors and set forth in an Officers' Certificate delivered to the Trustee, of the assets that are the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in such Sale and Leaseback Transaction is permitted by, and Casella applies the proceeds of such transaction in compliance with, the provisions of the Indenture described above under the caption " Repurchase at the Option of Holders Asset Sales" (unless the sale of such assets would not constitute an Asset Sale under the definition of "Asset Sale").

Limitation on Issuances and Sales of Equity Interests in Wholly Owned Subsidiaries

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Casella will not, and will not permit any of its Restricted Subsidiaries to, transfer, convey, sell, lease or otherwise dispose of any Equity Interests in any Wholly Owned Restricted Subsidiary of Casella to any Person (other than Casella or a Wholly Owned Restricted Subsidiary of Casella), unless the transfer, conveyance, sale, lease or other disposition is of all the Equity Interests in such Wholly Owned Restricted Subsidiary and the Net Proceeds from such transfer, conveyance, sale, lease or other disposition are applied in accordance with the provisions of the Indenture described above under the caption "Repurchase at the Option of Holders Asset Sales." In addition, Casella will not permit any of its Wholly Owned Restricted Subsidiaries to issue any of their Equity Interests (other than, if necessary, shares of their Capital Stock constituting directors' qualifying shares) to any Person other than Casella or a Wholly Owned Restricted Subsidiary of Casella. This covenant will not apply with respect to the Equity Interests of GreenFiber or any of its Subsidiaries or its direct parent if or when GreenFiber becomes a Wholly Owned Restricted Subsidiary of Casella.

Business Activities

Casella will not, and will not permit any Restricted Subsidiary to, engage in any business other than Permitted Businesses.

Payments for Consent

Casella will not, and will not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes *unless* such consideration is offered to be paid and is paid to all Holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or amendment.

99

Reports

Whether or not required by the SEC, so long as any Notes are outstanding, Casella will furnish to the Holders of Notes, within the time periods specified in the SEC's rules and regulations:

- (1) all quarterly and annual financial information that would be required to be contained in a filing with the SEC on Forms 10-Q and 10-K if Casella were required to file such Forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to the annual information only, a report on the annual financial statements by Casella's certified independent accountants; and
- (2) all current reports that would be required to be filed with the SEC on Form 8-K if Casella were required to file such reports.

If Casella has designated any of its Subsidiaries as Unrestricted Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph shall include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, and in Management's Discussion and Analysis of Financial Condition and Results of Operations, of the financial condition and results of operations of Casella and its Restricted Subsidiaries separate from the financial condition and results of operations of Casella's Unrestricted Subsidiaries.

In addition, whether or not required by the SEC, Casella will file a copy of all of the information and reports referred to in clauses (1) and (2) above with the SEC for public availability within the time periods specified in the SEC's rules and regulations (unless the SEC will not accept such a filing) and make such information available to securities analysts and prospective investors upon request.

Merger, Consolidation, or Sale of Assets

(a) Casella may not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not Casella is the surviving corporation); or (2) sell, assign, lease, transfer, convey or otherwise dispose of all or substantially all of Casella's properties or assets (determined on a consolidated basis for Casella and its Restricted Subsidiaries), in one or more related transactions, to another Person, unless:

- (1) either: (A) Casella is the surviving corporation; or (B) the Person formed by or surviving any such consolidation or merger (if other than Casella) or to which such sale, assignment, transfer, conveyance or other disposition shall have been made (the "Surviving Person") is a corporation organized under the laws of the United States, any State thereof or the District of Columbia;

- (2) the Surviving Person assumes all the obligations of Casella under the Notes, the Indenture and the Exchange and Registration Rights Agreement pursuant to agreements reasonably satisfactory to the Trustee;
- (3) immediately after such transaction no Default exists (including, without limitation, after giving effect to any Indebtedness or Liens incurred, assumed or granted in connection with or in respect of such transaction); and
- (4) Casella or the Surviving Person:
- (x) will have a Consolidated Net Worth immediately after the transaction equal to or greater than the Consolidated Net Worth of Casella immediately preceding the transaction; and
- (y) will be permitted to incur at least \$1.00 of additional Indebtedness pursuant to the Coverage Ratio Exception.

100

The foregoing clauses (3) and (4) shall not apply to (a) a merger or consolidation of any Restricted Subsidiary with or into Casella or (b) a transaction solely for the purpose of and with the effect of reincorporating Casella in another jurisdiction and/or forming a holding company to hold all of the Capital Stock of Casella or forming an intermediate holding company to hold all of the Capital Stock of Casella's Subsidiaries.

In the event of any transaction described in and complying with the conditions listed in the preceding paragraph in which Casella is not the continuing corporation, the successor Person formed or remaining shall succeed to, and be substituted for, and may exercise every right and power of, Casella and Casella will be discharged from all obligations and covenants under the Indenture and the Notes.

(b) No Guarantor may, and Casella will not cause or permit any Guarantor to, consolidate with or merge with or into (whether or not such Guarantor is the surviving Person), another Person unless:

- (1) immediately after such transaction, no Default exists (including, without limitation, after giving effect to any Indebtedness or Liens incurred, assumed or granted in connection with or in respect of such transaction); and
- (2) the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) assumes all the obligations of such Guarantor under its Subsidiary Guarantee, the Indenture and the Exchange and Registration Rights Agreement pursuant to agreements reasonably satisfactory to the Trustee.

The requirements of this clause (b) shall not apply to (x) a consolidation or merger of any Guarantor with or into Casella or any other Guarantor so long as Casella or a Guarantor survives such consolidation or merger or (y) the sale by consolidation or merger of a Guarantor, which sale is covered by and complies with the provisions of the Indenture described under " Repurchase at the Option of Holders Asset Sales."

(c) Casella will deliver to the Trustee prior to the consummation of each proposed transaction an Officers' Certificate certifying that the conditions set forth above are satisfied and an Opinion of Counsel, which opinion may contain customary exceptions and qualifications, that the proposed transaction and the supplemental indenture, if any, comply with the Indenture.

Events of Default and Remedies

Each of the following is an "Event of Default":

- (1) default for a continued period of 30 days in the payment when due of interest on the Notes, whether or not prohibited by the subordination provisions of the Indenture;
- (2)

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

default in payment when due of the principal of or premium, if any, on the Notes, whether or not prohibited by the subordination provisions of the Indenture;

- (3) failure by Casella or any of its Subsidiaries to comply with the provisions described under the captions " Repurchase at the Option of Holders Change of Control" or " Repurchase at the Option of Holders Asset Sales";
- (4) failure by Casella or any of its Restricted Subsidiaries to comply with any of the other agreements or covenants in the Indenture or the Notes for 60 days after delivery of written notice of such failure to comply by the Trustee or Holders of not less than 25% of the principal amount of the Notes then outstanding;

101

- (5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness whether such Indebtedness now exists or is created after the date of the Indenture, if that default:
 - (a) is caused by a failure to pay principal of or premium, if any, or interest on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "Payment Default"); or
 - (b) results in the acceleration of such Indebtedness prior to its express maturity, and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates \$10.0 million or more;
- (6) failure by Casella or any of its Restricted Subsidiaries to pay final judgments aggregating in excess of \$10.0 million, which judgments are not paid, discharged or stayed for a period of 60 days;
- (7) except as permitted by the Indenture, any Subsidiary Guarantee of any Significant Subsidiary shall be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect or any Guarantor, or any Person acting on behalf of any Guarantor, shall deny or disaffirm its obligations under its Subsidiary Guarantee;
- (8) a court having jurisdiction in the premises enters (a) a decree or order for relief in respect of Casella or any of its Significant Subsidiaries in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or (b) a decree or order adjudging Casella or any of its Significant Subsidiaries a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of Casella or any of its Significant Subsidiaries under any applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of Casella or any of its Significant Subsidiaries or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and any such decree or order of the type in clause (a) or (b) above remains unstayed and in effect for a period of 60 consecutive days; or
- (9) Casella or any of its Significant Subsidiaries:
 - (a) commences a voluntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or any other case or proceeding to be adjudicated a bankrupt or insolvent; or
 - (b) consents to the entry of a decree or order for relief in respect of Casella or any of its Significant Subsidiaries in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against Casella or

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

any of its Significant Subsidiaries; or

- (c) files a petition or answer or consent seeking reorganization or relief under any applicable federal or state law; or
- (d) consents to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of Casella or any of its Significant Subsidiaries or of any substantial part of its property; or
- (e) makes an assignment for the benefit of creditors; or
- (f) admits in writing its inability to pay its debts generally as they become due.

102

In the case of an Event of Default under clause (8) or (9) with respect to Casella or any Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default (except a Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest.

The Holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the Notes waive any existing Default and its consequences under the Indenture except a continuing Default in the payment of interest on, or the principal or premium of, the Notes.

Casella is required to deliver to the Trustee annually a statement regarding compliance with the Indenture. Upon becoming aware of any Default, Casella is required to deliver to the Trustee a statement specifying such Default.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of Casella or any Guarantor, as such, shall have any liability for any obligations of Casella or the Guarantors under the Notes, the Indenture, the Guarantors' Subsidiary Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws.

Legal Defeasance and Covenant Defeasance

Casella may, at its option and at any time, elect to have all of its Obligations discharged with respect to the outstanding Notes and all Obligations of the Guarantors discharged with respect to their Subsidiary Guarantees ("Legal Defeasance") except for:

- (1) the rights of Holders of outstanding Notes to receive payments in respect of the principal of, premium, if any, and interest on such Notes when such payments are due from the trust referred to below;
- (2) Casella's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;
- (3)

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

the rights, powers, trusts, duties and immunities of the Trustee, and Casella's obligations in connection therewith; and

- (4) the Legal Defeasance provisions of the Indenture.

In addition, Casella may, at its option and at any time, elect to have the obligations of Casella and the Guarantors released with respect to certain covenants that are described in the Indenture ("Covenant Defeasance") and thereafter any omission to comply with those covenants shall not constitute a Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy and insolvency events) described under "Events of Default" will no longer constitute an Event of Default with respect to the Notes.

103

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (1) Casella must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders of the Notes, cash in U.S. dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, premium, if any, and interest on the outstanding Notes on the Stated Maturity or on the applicable redemption date, as the case may be, and Casella must specify whether the Notes are being defeased to maturity or to a particular redemption date;
- (2) in the case of Legal Defeasance, Casella shall have delivered to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that (a) Casella has received from, or there has been published by, the Internal Revenue Service a ruling or (b) since the date of the Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;
- (3) in the case of Covenant Defeasance, Casella shall have delivered to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;
- (4) no Default shall have occurred and be continuing either: (a) on the date of such deposit (other than a Default resulting from the borrowing of funds to be applied to such deposit), or (b) insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 91st day after the date of deposit; *provided* that such Legal Defeasance or Covenant Defeasance, as the case may be, shall be deemed to have occurred on the date of such deposit, subject to an Event of Default from bankruptcy or insolvency within such 91-day period;
- (5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than the Indenture) to which Casella or any of its Restricted Subsidiaries is a party or by which Casella or any of its Restricted Subsidiaries is bound;
- (6) Casella must deliver to the Trustee an Officers' Certificate stating that the deposit was not made by Casella with the intent of preferring the Holders of Notes over the other creditors of Casella with the intent of defeating, hindering, delaying or defrauding creditors of Casella or others; and
- (7) Casella must deliver to the Trustee an Officers' Certificate and an Opinion of Counsel stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

104

Amendment, Supplement and Waiver

Casella and the Guarantors, when authorized by board resolutions, and the Trustee may enter into one or more supplemental indentures to amend the Indenture or the Notes with the written consent of Holders of a majority of the principal amount of the then outstanding Notes. The Holders of a majority in principal amount of then outstanding Notes may waive any existing Default or compliance with any provision of the Indenture or the Notes without prior notice to any holder of Notes.

Notwithstanding the foregoing, without the consent of each Holder affected, an amendment or waiver may not (with respect to any Notes held by a non-consenting Holder):

- (1) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;
- (2) reduce the principal of or change or have the effect of changing the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes (other than provisions of the Indenture described above under the caption " Repurchase at the Option of Holders");
- (3) reduce the rate of or change the time for payment of interest on any Note;
- (4) waive an uncured Default in the payment of principal of or premium, if any, or interest on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the Notes and a waiver of the payment default that resulted from such acceleration);
- (5) make any Note payable in money other than that stated in the Notes;
- (6) impair or affect the right of any Holder of Notes to receive payment of principal of and interest on the Notes on or after the due dates therefor or to institute suit for payment for the enforcement of any such payment on or after the due dates therefor, or make any changes in the provisions of the Indenture permitting Holders of a majority in principal amount of Notes to waive any past Default and its consequences;
- (7) waive a redemption payment with respect to any Note (other than a payment required by one of the provisions of the Indenture described above under the caption " Repurchase at the Option of Holders," subject to clause (9) below);
- (8) release any Guarantor from any of its obligations under its Subsidiary Guarantee or the Indenture otherwise than in accordance with the terms of the Indenture;
- (9) in the event that a Change of Control has occurred or an Asset Sale has been consummated, amend, change or modify in any material respect the obligation of Casella to make and consummate a Change of Control Offer or make and consummate an Asset Sale Offer with respect to such Change of Control or Asset Sale;
- (10) make any change to the provisions of the Indenture relating to subordination (including the related definitions) that adversely affects the rights of the Holders of the Notes; or
- (11) make any change in the preceding amendment and waiver provisions.

Notwithstanding the foregoing, without the consent of any Holder of Notes, Casella and the Trustee may amend or supplement the Indenture or the Notes:

- (1) to cure any ambiguity, defect or inconsistency;
- (2) to provide for uncertificated Notes in addition to or in place of certificated Notes;

105

- (3) to provide for the assumption of Casella's obligations to Holders of Notes in the case of a merger or consolidation or sale of all or substantially all of Casella's assets;
- (4) to make any change that would provide any additional rights or benefits to the Holders of Notes or that does not adversely affect the legal rights under the Indenture of any Holder; or
- (5) to comply with requirements of the Commission in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act.

The consent of Holders of the Notes is not necessary under the Indenture to approve the particular form of any proposed amendment; it is sufficient if such consent approves the substance of the proposed amendment.

No amendment of, or supplement or waiver to, the Indenture shall adversely affect the rights of any holder of Senior Debt under the subordination provisions of the Indenture without the consent of such holder or its Representative.

Governing Law

The Indenture, the Notes and the Subsidiary Guarantees will be governed by the laws of the State of New York.

Concerning the Trustee

If the Trustee becomes a creditor of Casella or any Guarantor, the Indenture limits its right to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the Commission for permission to continue or resign.

The Holders of a majority in principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default shall occur and be continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent person in the conduct of such person's own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder of Notes, unless such Holder shall have offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

"Acquired Debt" means, with respect to any specified Person:

- (1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Restricted Subsidiary of such specified Person or which is assumed by such specified Person at the time such specified Person acquires the assets of such other Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or selling its assets to, or becoming a Restricted Subsidiary of, such specified Person; and
- (2)

Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

106

"*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. For purposes of this definition, "control," as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" shall have correlative meanings.

"*amend*" means amend, modify, supplement, restate or amend and restate, including successively; and "amending" and "amended" have correlative meanings.

"*asset*" means any asset or property, whether real, personal or other, tangible or intangible.

"*Asset Sale*" means:

- (a) the sale, lease, conveyance or other disposition of any assets, other than sales of inventory in the ordinary course of business consistent with past practices (such inventory to include solid waste, recyclables and other by-products of the wastestream collected by Casella and its Restricted Subsidiaries and sold to, or disposed of with, third parties in the ordinary course of business consistent with past practices); and
- (b) the issuance of Equity Interests by any of Casella's Restricted Subsidiaries or the sale of Equity Interests in any of its Restricted Subsidiaries or the sale of Equity Interests held by Casella or its Restricted Subsidiaries in any of its Unrestricted Subsidiaries.

Notwithstanding the preceding, the following shall not be deemed to be Asset Sales:

- (1) any single transaction or series of related transactions that (x) involves assets having a fair market value of less than \$5.0 million or (y) results in net proceeds to Casella and its Restricted Subsidiaries of less than \$5.0 million;
- (2) a transfer of assets between or among Casella and/or one or more of its Wholly Owned Restricted Subsidiaries;
- (3) an issuance of Equity Interests by, or a transfer of Equity Interests in, a Wholly Owned Restricted Subsidiary to Casella or to another Wholly Owned Restricted Subsidiary;
- (4) the sale, lease, conveyance or other disposition of the assets or Equity Interests of the Specified Assets for fair market value thereof; *provided* that the aggregate net proceeds thereof are used as provided in clause (1), (2) or (3) of the second paragraph under "Repurchase at the Option of Holders Asset Sales" or to fund working capital of Casella and its Restricted Subsidiaries;
- (5) disposals or replacements in the ordinary course of business of equipment that has become worn-out, obsolete or damaged or otherwise unsuitable for use in connection with the business of Casella and its Restricted Subsidiaries;
- (6) the sale or disposition of cash or Cash Equivalents;
- (7) the release, surrender or waiver of contract, tort or other claims of any kind as a result of the settlement of any litigation or threatened litigation;
- (8)

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

the granting or existence of Liens (and foreclosure thereon) not prohibited by the Indenture; and

(9)

a Restricted Payment or a Permitted Investment that is not prohibited by the covenant described above under the caption " Restricted Payments."

107

"Attributable Debt" in respect of a Sale and Leaseback Transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such Sale and Leaseback Transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP.

"Basket" has the meaning ascribed to such term in clause (3) of the first paragraph of the "Restricted Payments" covenant.

"Beneficial Owner" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as such term is used in Section 13(d)(3) of the Exchange Act), such "person" shall be deemed to have beneficial ownership of all securities that such "person" has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition.

"Board of Directors" means (1) in the case of a corporation, the board of directors and (2) in all other cases, a body performing substantially similar functions as a board of directors.

"Capital Lease Obligation" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet in accordance with GAAP.

"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
- (4) 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.

"Cash Equivalents" means:

- (1) a marketable obligation, maturing within one year after issuance thereof, issued, guaranteed or insured by the government of the United States of America or an instrumentality or agency thereof;
- (2) demand deposits, certificates of deposit, eurodollar time deposits, banker's acceptances, in each case, maturing within one year after issuance thereof, and overnight bank deposits, in each case, issued by any lender under the Credit Agreement, or a U.S. national or state bank or trust company or a European, Canadian or Japanese bank having capital, surplus and undivided profits of at least \$500.0 million and whose long-term unsecured debt has a rating of "A" or better by S&P or A2 or better by Moody's or the equivalent rating by any other nationally recognized rating agency (*provided* that the aggregate face amount of all Investments in certificates of deposit or bankers' acceptances issued by the principal offices of or branches of such European or Japanese banks located outside the United States shall not at any time exceed 33¹/₃% of all Investments described in this definition);

- (3) open market commercial paper, maturing within 270 days after issuance thereof, which has a rating of A-2 or better by S&P or P-2 or better by Moody's, or the equivalent rating by any other nationally recognized rating agency;

108

- (4) repurchase agreements and reverse repurchase agreements with a term not in excess of one year with any financial institution which has been elected a primary government securities dealer by the Federal Reserve Board or whose securities are rated AA- or better by S&P or Aa3 or better by Moody's or the equivalent rating by any other nationally recognized rating agency relating to marketable direct obligations issued or unconditionally guaranteed by the United States of America or any agency or instrumentality thereof and backed by the full faith and credit of the United States of America; and

- (5) shares of any money market mutual fund rated at least AAA or the equivalent thereof by S&P or at least Aaa or the equivalent thereof by Moody's or any other mutual fund at least 95% of the assets of which consist of the type specified in clauses (1) through (4) above.

"Change of Control" means the occurrence of any of the following:

- (1) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), other than the Permitted Holder, is or becomes the Beneficial Owner, directly or indirectly, of securities representing 35% or more of the voting power of all Voting Stock of Casella; or
- (2) Continuing Directors shall cease to constitute at least a majority of the directors constituting the Board of Directors of Casella; or
- (3) 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 Casella 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) other than the Permitted Holder; or
- (4) Casella consolidates with, or merges with or into, any Person other than the Permitted Holder, or any Person other than the Permitted Holder consolidates with, or merges with or into, Casella, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of Casella is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of Casella 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
- (5) the adoption by the stockholders of Casella of a plan or proposal for the liquidation or dissolution of Casella.

"Consolidated EBITDA" means, with respect to any Person, for any period, the sum (without duplication) of

- (1) Consolidated Net Income, and
- (2) to the extent Consolidated Net Income has been reduced thereby,

all income taxes of such Person and its Restricted Subsidiaries paid or accrued in accordance with GAAP for such period (other than income taxes attributable to extraordinary gains or losses or income taxes attributable to Asset

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Sales and other sales or dispositions outside the ordinary course of business to the extent that gains or losses from such transactions have been excluded from the computation of Consolidated Net Income),

Consolidated Interest Expense, and

109

Consolidated Non-cash Charges less any non-cash items increasing Consolidated Net Income for such period (except to the extent such non-cash item increasing Consolidated Net Income relates to a cash benefit for any future period),

all as determined on a consolidated basis for such Person and its Restricted Subsidiaries in accordance with GAAP.

"Consolidated Fixed Charge Coverage Ratio" means, with respect to any Person, the ratio of (x) Consolidated EBITDA of such Person during the four full fiscal quarters for which financial statements are available (the "Four Quarter Period") ending on or prior to the Transaction Date to (y) Consolidated Fixed Charges of such Person for the Four Quarter Period.

For purposes of this definition, "Consolidated EBITDA" and "Consolidated Fixed Charges" shall be calculated after giving effect on a pro forma basis in accordance with Regulation S-X under the Exchange Act to the incurrence, repayment or redemption of any Indebtedness of such Person or any of its Restricted Subsidiaries giving rise to the need to make such calculation and any incurrence, repayment or redemption of other Indebtedness, other than the incurrence, repayment or redemption of Indebtedness in the ordinary course of business for working capital purposes pursuant to working capital facilities, occurring during the Four Quarter Period or at any time subsequent to the last day of the Four Quarter Period and prior to the Transaction Date, as if such incurrence, repayment or redemption, as the case may be, occurred on the first day of the Four Quarter Period.

In addition, Investments (including any Designation of Unrestricted Subsidiaries), Revocations, acquisitions, dispositions, mergers and consolidations that have been made by Casella or any of its Restricted Subsidiaries during the Four Quarter Period or subsequent to the Four Quarter Period and on or prior to the Transaction Date shall be given effect on a pro forma basis in accordance with Regulation S-X under the Exchange Act, to the extent applicable, assuming that all such Investments, Revocations, acquisitions, dispositions, mergers and consolidations (and the reduction or increase of any associated Consolidated Fixed Charges, and the change in Consolidated EBITDA, resulting therefrom) had occurred on the first day of the Four Quarter Period. If, since the beginning of such period, any Person (that subsequently became a Restricted Subsidiary or was merged with or into Casella or any Restricted Subsidiary since the beginning of such period) shall have made any Investment, Revocation, acquisition, disposition, merger or consolidation that would have required adjustment pursuant to this definition, then the Consolidated Fixed Charge Coverage Ratio shall be calculated giving pro forma effect thereto for such period as if such Investment, Revocation, acquisition, disposition, merger or consolidation had occurred at the beginning of the applicable Four Quarter Period.

If such Person or any of its Restricted Subsidiaries directly or indirectly Guarantees Indebtedness of a Person other than Casella or a Restricted Subsidiary, the preceding paragraph will give effect to the incurrence of such Guaranteed Indebtedness as if such Person or any Restricted Subsidiary of such Person had directly incurred or otherwise assumed such Guaranteed Indebtedness.

Furthermore, in calculating "Consolidated Fixed Charges" for purposes of determining the denominator (but not the numerator) of this "Consolidated Fixed Charge Coverage Ratio,"

- (1) interest on outstanding Indebtedness determined on a fluctuating basis as of the Transaction Date and which will continue to be so determined thereafter shall be deemed to have accrued at a fixed rate per annum equal to the weighted average rate of interest during the Four Quarter Period;
- (2) if interest on any Indebtedness actually incurred on the Transaction Date may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rates, then the interest rate in effect on the Transaction Date will be deemed to have been in effect during the Four Quarter Period; and

110

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

- (3) notwithstanding clause (1) above, interest on Indebtedness determined on a fluctuating basis, to the extent such interest is covered by agreements relating to Hedging Obligations, shall be deemed to accrue at the weighted average rate per annum during the Four Quarter Period resulting after giving effect to the operation of such agreements.

"Consolidated Fixed Charges" means, with respect to any Person for any period, the sum, without duplication, of

- (1) Consolidated Interest Expense, *plus*
- (2) the amount of all dividend payments on any series of Preferred Stock of such Person and its Restricted Subsidiaries (other than dividends paid in Qualified Capital Stock and other than dividends paid to such Person or to a Restricted Subsidiary of such Person) paid, accrued or scheduled to be paid or accrued during such period (*provided* that dividends paid by the increase in liquidation preference, or the issuance, of Disqualified Capital Stock shall be valued at the amount of such increase in liquidation preference or the value of the liquidation preference of such issuance, as applicable).

"Consolidated Interest Expense" means, with respect to any Person for any period, the sum of, without duplication,

- (1) the aggregate of the interest expense of such Person and its Restricted Subsidiaries for such period determined on a consolidated basis in accordance with GAAP, including, without limitation,
- any amortization of debt discount and amortization or write-off of deferred financing costs, excluding (x) the write-off of deferred financing costs as a result of the prepayments of Indebtedness on the Issue Date described in this offering circular and (y) the amortization of deferred financing costs recorded as of the Issue Date in connection with the Notes and the Senior Credit Facility;
 - the net costs under Hedging Obligations, excluding the cost of terminating interest rate swaps in connection with the prepayments of Indebtedness on the Issue Date described in this offering circular;
 - all capitalized interest; and
 - the interest portion of any deferred payment obligation;
- (2) the interest component of Capital Lease Obligations and Attributable Debt paid, accrued and/or scheduled to be paid or accrued by such Person and its Restricted Subsidiaries during such period as determined on a consolidated basis in accordance with GAAP; and
- (3) all interest on any Indebtedness of the type described in clause (a) or (b) of the concluding sentence of the first paragraph of the definition of "Indebtedness."

"Consolidated Net Income" means, with respect to any Person (such Person, for purposes of this definition, the "Referent Person"), for any period, the net income (or loss) of the Referent Person and its Restricted Subsidiaries for such period on a consolidated basis, determined in accordance with GAAP; *provided* that there shall be excluded from such net income (loss), to the extent otherwise included therein, without duplication,

- (1) after-tax gains or losses on Asset Sales or other asset sales outside the ordinary course of business or abandonments or reserves relating thereto;
- (2) after-tax extraordinary gains or extraordinary losses determined in accordance with GAAP;

-
- (3) the net income (but not loss) of any Restricted Subsidiary of the Referent Person to the extent that the declaration of dividends or similar distributions by that Restricted Subsidiary of that income is restricted;
 - (4) the net income or loss of any Person that is not a Restricted Subsidiary of the Referent Person except to the extent of cash dividends or distributions paid to the Referent Person or to a Wholly Owned Restricted Subsidiary of the Referent Person (subject, in the case of a dividend or distribution paid to a Restricted Subsidiary, to the limitation contained in clause (3) above);
 - (5) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made out of Consolidated Net Income accrued at any time following the Issue Date;
 - (6) the net income of any Person earned prior to the date it becomes a Restricted Subsidiary of the Referent Person or is merged or consolidated with the Referent Person or any Restricted Subsidiary of the Referent Person;
 - (7) in the case of a successor to the Referent Person by consolidation or merger or as a transferee of the Referent Person's assets, any earnings of the successor corporation prior to such consolidation, merger or transfer of assets;
 - (8) gains or losses from the cumulative effect of any change in accounting principles; and
 - (9) the write-off of deferred financing costs as a result of, and the cost of terminating interest rate swaps in connection with, the prepayments of Indebtedness on the Issue Date described in this offering circular.

"Consolidated Net Worth" means, with respect to any Person as of any date, the sum of:

- (1) the consolidated equity of the common stockholders of such Person and its consolidated Subsidiaries as of such date; *plus*
- (2) the respective amounts reported on such Person's balance sheet as of such date with respect to any series of Preferred Stock (other than Disqualified Capital Stock) that by its terms is not entitled to the payment of dividends unless such dividends may be declared and paid only out of net earnings in respect of the year of such declaration and payment, but only to the extent of any cash received by such Person upon issuance of such preferred stock.

"Consolidated Non-cash Charges" means, with respect to any Person, for any period, the aggregate depreciation, amortization and other non-cash charges of such Person and its Restricted Subsidiaries reducing the Consolidated Net Income of such Person and its Restricted Subsidiaries for such period determined on a consolidated basis in accordance with GAAP (excluding any such charges constituting an extraordinary item or loss or any such charge which requires an accrual of or a reserve for cash charges for any future period).

"Continuing Director" means, as of any date of determination, any member of the Board of Directors of Casella who:

- (1) was a member of such Board of Directors on the date of the Indenture; or
- (2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board at the time of such nomination or election.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

"Coverage Ratio Exception" has the meaning set forth in the first paragraph of the covenant described under the caption " Incurrence of Indebtedness and Issuance of Preferred Stock."

"Default" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"Designated Senior Debt" means (1) the Senior Credit Facility and all Hedging Obligations with respect thereto and (2) any other Senior Debt permitted under the Indenture (a) the principal amount of which is \$25.0 million or more and (b) that has been designated by Casella as "Designated Senior Debt."

"Designation" has the meaning set forth in the " Designation of Restricted and Unrestricted Subsidiaries" covenant.

"Disinterested Director" means, with respect to any transaction or series of related transactions, a member of the Board of Directors of Casella who (1) does not have any material direct or indirect financial interest in or with respect to such transaction or series of related transactions and (2) is not an Affiliate, officer, director or employee of any Person (other than Casella or any Restricted Subsidiary) who has any direct or indirect financial interest in or with respect to such transaction or series of related transactions.

"Disqualified Capital Stock" means any class or series of Capital Stock of any Person that by its terms or otherwise is

- (1) required to be redeemed or is redeemable at the option of the holder of such class or series of Capital Stock at any time on or prior to the date that is 91 days after the Stated Maturity of the principal of the Notes; or
- (2) convertible into or exchangeable at the option of the holder thereof for Capital Stock referred to in clause (1) above or Indebtedness having a scheduled maturity on or prior to the date that is 91 days after the Stated Maturity of the principal of the Notes.

Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Capital Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a "change of control" or "asset sale" will not constitute Disqualified Capital Stock if such requirement only becomes operative after compliance with such terms applicable to the Notes, including the purchase of any Notes tendered pursuant thereto.

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"Exchange Notes" has the meaning set forth under " Registration Covenant; Exchange Offer."

"Existing Indebtedness" means Indebtedness of Casella and its Restricted Subsidiaries in existence on the Issue Date (after giving effect to the use of proceeds from the offering of the Notes on the Issue Date and the initial borrowings under the Senior Credit Facility as described in this offering circular under the caption "Use of Proceeds") other than Indebtedness under the Senior Credit Facility and Indebtedness owed to Casella or any of its Subsidiaries, until such amounts are repaid.

113

"Foreign Subsidiary" means any Restricted Subsidiary of Casella organized under the laws of, and conducting a substantial portion of its business in, any jurisdiction other than the United States of America or any State thereof or the District of Columbia.

"Four Quarter Period" has the meaning set forth in the definition of "Consolidated Fixed Charge Coverage Ratio."

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

"GreenFiber" means US GreenFiber LLC, a Delaware limited liability company.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

"**Guarantee**" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness.

"**Guarantors**" means:

(1)

each of the following Restricted Subsidiaries of Casella:

All Cycle Waste, Inc., a Vermont corporation;

Alternate Energy, Inc., a Massachusetts corporation;

Atlantic Coast Fibers, Inc., a Delaware corporation;

B. and C. Sanitation Corporation, a New York corporation;

Blasdell Development Group, Inc., a New York corporation;

Bristol Waste Management, Inc., a Vermont corporation;

Casella NH Investors Co., LLC, a Delaware limited liability company;

Casella NH Power Co., LLC, a Delaware limited liability company;

Casella RTG Investors Co., LLC, a Delaware limited liability company;

Casella Transportation, Inc., a Vermont corporation;

Casella Waste Management of Massachusetts, Inc., a Massachusetts corporation;

Casella Waste Management of N.Y., Inc., a New York corporation;

Casella Waste Management of Pennsylvania, Inc., a Pennsylvania corporation;

Casella Waste Management, Inc., a Vermont corporation;

Data Destruction Services, Inc., a Maine corporation;

Fairfield County Recycling, Inc., a Delaware corporation;

FCR Camden, Inc., a Delaware corporation;

FCR Florida, Inc., a Delaware corporation;

FCR Greensboro, Inc., a Delaware corporation;

FCR Greenville, Inc., a Delaware corporation;

FCR Morris, Inc., a Delaware corporation;

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

FCR Plastics, Inc., a Delaware corporation;

FCR Redemption, Inc., a Delaware corporation;

FCR Tennessee, Inc., a Delaware corporation;

FCR Virginia, Inc., a Delaware corporation;

FCR, Inc., a Delaware corporation;

Forest Acquisitions, Inc., a New Hampshire corporation;

Grasslands Inc., a New York corporation;

Hakes C & D Disposal, Inc., a New York corporation;

Hiram Hollow Regeneration Corp., a New York corporation;

The Hyland Facility Associates, a New York general partnership;

K-C International, Ltd., an Oregon corporation;

KTI Bio Fuels, Inc., a Maine corporation;

KTI Energy of Virginia, Inc., a Virginia corporation;

KTI Environmental Group, Inc., a New Jersey corporation;

KTI New Jersey Fibers, Inc., a Delaware corporation;

KTI Operations Inc., a Delaware corporation;

KTI Recycling of New England, Inc., a Maine corporation;

KTI Recycling of New Jersey, Inc., a Delaware corporation;

KTI Specialty Waste Services, Inc., a Maine corporation;

KTI, Inc., a New Jersey corporation;

Maine Energy Recovery Company, Limited Partnership, a Maine limited partnership;

Mecklenburg County Recycling, Inc., a Connecticut corporation;

Natural Environmental, Inc., a New York corporation;

New England Landfill Solutions, LLC, a Massachusetts limited liability company;

New England Waste Services of Massachusetts, Inc., a Massachusetts corporation;

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

New England Waste Services of ME, Inc., a Maine corporation;

New England Waste Services of N.Y., Inc., a New York corporation;

New England Waste Services of Vermont, Inc., a Vermont corporation;

New England Waste Services, Inc., a Vermont corporation;

114

Newbury Waste Management, Inc., a Vermont corporation;

North Country Environmental Services, Inc., a Virginia corporation;

Northern Properties Corporation of Plattsburgh, a New York corporation;

Northern Sanitation, Inc., a New York corporation;

PERC, Inc., a Delaware corporation;

PERC Management Company Limited Partnership, a Maine limited partnership;

Pine Tree Waste, Inc., a Maine corporation;

R.A. Bronson Inc., a New York corporation;

ReSource Recovery of Cape Cod, Inc., a Massachusetts corporation;

Resource Recovery Systems of Sarasota, Inc., a Florida corporation;

Resource Recovery Systems, Inc., a Delaware corporation;

ReSource Transfer Services, Inc., a Massachusetts corporation;

ReSource Waste Systems, Inc., a Massachusetts corporation;

Rochester Environmental Park, LLC, a Massachusetts limited liability company;

Schultz Landfill, Inc., a New York corporation;

Sunderland Waste Management, Inc., a Vermont corporation;

U.S. Fiber, Inc., a North Carolina corporation;

Waste-Stream Inc., a New York corporation;

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Westfield Disposal Service, Inc., a New York corporation;

Winters Brothers, Inc., a Vermont corporation; and

- (2) each other Subsidiary of Casella that executes a Subsidiary Guarantee in accordance with the provisions of the Indenture;

and their respective successors and assigns, and in each case, until such Person is released from its Subsidiary Guarantee in accordance with the provisions of the Indenture.

"Hedging Obligations" means, with respect to any Person, the obligations of such Person under:

- (1) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements, foreign currency collar agreements, foreign currency hedging agreements or foreign currency swap agreements or other similar arrangements or agreements; and
- (2) forward contracts, commodity swap agreements, commodity option agreements or other similar agreements or arrangements.

"Holder" means the registered holder of any Note.

"incur" means to directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to any Indebtedness and "incurrence" shall have a correlative meaning. For the avoidance of doubt, the accrual of interest, accretion or amortization of original issue discount and increase in the liquidation preference of Preferred Stock in lieu of payment of cash dividends thereon shall not be an incurrence; *provided*, in each such case, that the amount thereof is included in Consolidated Fixed Charges of Casella as accrued in the respective period. For the avoidance of doubt, Existing Indebtedness shall be deemed to have been incurred prior to the date of the Indenture.

"Indebtedness" means, with respect to any specified Person, any indebtedness of such Person, whether or not contingent:

- (1) in respect of borrowed money;
- (2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);
- (3) in respect of banker's acceptances;
- (4) representing Capital Lease Obligations;
- (5) representing the balance deferred and unpaid of the purchase price of any property, except any such balance that constitutes an accrued expense or trade payable;
- (6) representing any Hedging Obligations;

- (7) representing any Disqualified Capital Stock of such Person and any Preferred Stock issued by a Restricted Subsidiary of such Person; or

- (8) in respect of Attributable Debt,

if and to the extent any of the preceding items (other than letters of credit, Hedging Obligations, Disqualified Capital Stock and Preferred Stock) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term "Indebtedness" includes (a) all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person), and (b) to the extent not otherwise included, the Guarantee by such Person of any Indebtedness of any other Person.

The amount of any Indebtedness outstanding as of any date shall be:

- (1) the accreted value thereof, in the case of any Indebtedness issued with original issue discount;
- (2) the maximum fixed price upon the mandatory redemption or repurchase (including upon the option of the holder), in the case of Disqualified Capital Stock of such Person;
- (3) the maximum voluntary or involuntary liquidation preferences plus accrued and unpaid dividends, in the case of Preferred Stock of a Restricted Subsidiary of such Person; and
- (4) the principal amount thereof, together with any interest thereon that is more than 30 days past due or is redeemable at the option of the holder, in the case of any other Indebtedness.

"Investments" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the forms of direct or indirect loans (including guarantees of Indebtedness or other obligations), advances or capital contributions, purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. "Investment" excludes (1) extensions of trade credit by Casella and its Restricted Subsidiaries on commercially reasonable terms in accordance with normal trade practices of Casella or such Restricted Subsidiary, as the case may be, and (2) any purchase, redemption or other acquisition or retirement for value of any Capital Stock of Casella or any warrants, options or other rights to purchase or acquire any such Capital Stock. If Casella or any Restricted Subsidiary of Casella sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary of Casella such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of Casella, Casella shall be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Equity Interests of such Restricted Subsidiary not sold or disposed of in an amount determined as provided in the penultimate paragraph of the covenant described above under the caption " Restricted Payments." The amount of any Investment shall be the original cost of such Investment, without any adjustments for increases or decreases in value, or write-ups, write-downs or write-offs with respect to such Investment but less all cash distributions constituting a return of capital.

"Issue Date" means the date on which the Notes are first issued.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof (other than an operating lease), any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

"Moody's" means Moody's Investors Service, Inc. or any successor thereto.

"Net Proceeds" means the aggregate cash proceeds received by Casella or any of its Restricted Subsidiaries in respect of any Asset Sale, net of the direct costs relating to such Asset Sale, including,

without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result thereof, taxes paid or payable as a result thereof, in each case after taking into account any available tax credits or deductions and any tax sharing arrangements and amounts required to be applied to the repayment of Indebtedness, other than Senior Debt, secured by a Lien on the asset or assets that were the subject of such Asset Sale.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

"**Obligations**" means, with respect to any Indebtedness, the principal, premium, if any, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing such Indebtedness.

"**Officers' Certificate**" means a certificate signed on behalf of Casella by any one of the following: the Chief Executive Officer, the President, the Vice President-Finance, the Chief Financial Officer, Treasurer, Controller or the Secretary of Casella and delivered to the Trustee.

"**Opinion of Counsel**" means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to Casella, a Guarantor or the Trustee.

"**Permitted Business**" means the business of Casella and its Restricted Subsidiaries conducted on the Issue Date and businesses ancillary or reasonably related thereto, which, for purposes hereof, shall include the business conducted by GreenFiber and businesses ancillary or reasonably related thereto.

"**Permitted Holder**" means Berkshire Partners LLC and its Affiliates.

"**Permitted Investments**" means:

- (1) any Investment in Cash Equivalents;
- (2) any Investment in Casella or any Guarantor;
- (3) any Investment by Casella or any of its Restricted Subsidiaries in a Person, if as a result of such Investment:
 - (a) such Person becomes a Guarantor; or
 - (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, Casella or a Guarantor;
- (4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the provisions of the Indenture described above under the caption " Repurchase at the Option of Holders Asset Sales" or any transaction not constituting an Asset Sale by reason of the \$5.0 million threshold contained in clause (1) of the definition thereof;
- (5) any Investment acquired in exchange for the issuance of, or acquired with the net cash proceeds of any substantially concurrent issuance and sale of, Qualified Capital Stock; *provided* that no such issuance or sale shall increase the Basket;
- (6) loans and advances in the ordinary course of business to employees, officers or directors of Casella or any of its Restricted Subsidiaries in an aggregate amount not to exceed \$2.0 million at any one time outstanding;
- (7) Hedging Obligations permitted by clause (6) of the second paragraph of the covenant described under the caption " Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock";
- (8) Investments in securities of trade creditors or customers received in settlement of obligations or upon the bankruptcy or insolvency of such trade creditors of customers pursuant to any plan of reorganization or similar arrangement; and

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

other Investments in any Person having an aggregate fair market value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (9) since the date of the Indenture, not exceeding \$15.0 million at any one time outstanding.

The amount of Investments outstanding at any time pursuant to clause (9) above shall be deemed to be reduced, without duplication:

- (a) upon the disposition or repayment of or return on any Investment made pursuant to clause (9) above, by an amount equal to the return of capital with respect to such Investment to Casella or any of its Restricted Subsidiaries (to the extent not included in the computation of Consolidated Net Income), less the cost of the disposition of such Investment and net of taxes;
- (b) upon a redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary, by an amount equal to the lesser of (x) the fair market value of Casella's proportionate interest in such Subsidiary immediately following such redesignation, and (y) the aggregate amount of Investments in such Subsidiary that increased (and did not previously decrease) the amount of Investments outstanding pursuant to clause (9) above; and
- (c) upon the making of an Investment in a Person that was not a Restricted Subsidiary of Casella immediately prior to the making of such Investment but that subsequently becomes a Restricted Subsidiary of Casella, by an amount equal to the lesser of (x) the fair market value of Casella's proportionate interest in such Subsidiary immediately following such redesignation, and (y) the aggregate amount of Investments in such Subsidiary that increased (and did not previously decrease) the amount of Investments outstanding pursuant to clause (9) above.

"Permitted Junior Securities" means: (1) Equity Interests in Casella or any Guarantor; or (2) debt securities of Casella or any Guarantor that are subordinated to all Senior Debt and any debt securities issued in exchange for Senior Debt to substantially the same extent as, or to a greater extent than, the Notes and the Subsidiary Guarantees are subordinated to Senior Debt pursuant to the Indenture.

"Permitted Liens" means:

- (1) Liens on assets of Casella or any Guarantor to secure Senior Debt of Casella or such Guarantor;
- (2) Liens in favor of Casella or any Restricted Subsidiary;
- (3) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with Casella or any Restricted Subsidiary of Casella; *provided* that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with Casella or its Restricted Subsidiary;
- (4) Liens on property existing at the time of acquisition thereof by Casella or any Restricted Subsidiary of Casella; *provided* that such Liens were in existence prior to the contemplation of such acquisition and do not extend to any assets other than the property so acquired;
- (5) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business;
- (6) Liens to secure Indebtedness permitted by clause (3) of the second paragraph of the covenant entitled " Incurrence of Indebtedness and Issuance of Preferred Stock" covering only the assets acquired with such Indebtedness;

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Liens existing on the date of the Indenture and continuation statements with respect to such Liens filed in accordance with the provisions of the Uniform Commercial Code or similar state commercial codes;

- (8) judgment Liens not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment shall not have been finally terminated or the period within which such proceedings may be initiated shall not have expired;
- (9) Liens securing Permitted Refinancing Indebtedness which is incurred to refinance any Indebtedness which has been secured by a Lien permitted under the Indenture and which has been incurred in accordance with the provisions of the Indenture; *provided* that such Liens (A) are not materially less favorable to the Holders and are not materially more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being refinanced and (B) do not extend to or cover any property or assets of Casella or any of its Restricted Subsidiaries not securing the Indebtedness so refinanced;
- (10) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptance issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;
- (11) Liens securing reimbursement obligations with respect to letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof;
- (12) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded, *provided* that any reserve or other appropriate provision as shall be required in conformity with GAAP shall have been made therefor;
- (13) Liens securing Hedging Obligations;
- (14) deposits or pledges made in connection with, or to secure payment of, workmen's compensation, unemployment insurance, old age pensions or other social security obligations;
- (15) Liens of carriers, warehousemen, mechanics and materialmen, and other like liens incurred in the ordinary course of business;
- (16) Liens on any landfill acquired after the Issue Date securing reasonable royalty or similar payments (determined by reference to volume or weight utilized) due to the seller of such landfill as a consequence of such acquisition;
- (17) Liens on the Capital Stock of Hardwick Landfill, Inc., Roach Enterprises, LLC or their successors or on the Capital Stock of any Restricted Subsidiary acquiring the assets of such companies securing the Obligations of the Company incurred in connection with the acquisition of Hardwick Landfill, Inc., Roach Enterprises, LLC or their assets to the sellers thereof; and
- (18) other Liens incurred in the ordinary course of business of Casella or any Restricted Subsidiary of Casella with respect to obligations that do not exceed \$5.0 million at any one time outstanding.

"Permitted Refinancing Indebtedness" means any Indebtedness of Casella or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to refinance other Indebtedness of Casella or any of its Restricted Subsidiaries; *provided* that:

- (1)

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

the principal amount (or accreted value, if applicable) or liquidation preference of such Permitted Refinancing Indebtedness does not exceed the principal amount of (or accreted value, if applicable), plus accrued interest and premium, if any, on the Indebtedness, or the liquidation preference, plus accrued dividends and premium, if any, on the Preferred Stock, so refinanced (plus the amount of reasonable expenses incurred in connection therewith);

- (2) such Permitted Refinancing Indebtedness has a final maturity date, or mandatory redemption date, later than the final maturity date, or mandatory redemption date as applicable, of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness or Preferred Stock being refinanced;
- (3) if the Indebtedness being refinanced is subordinated in right of payment to the Notes, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes on terms at least as favorable to the Holders of Notes as those contained in the documentation governing the Indebtedness being refinanced;
- (4) if the Indebtedness being refinanced ranks *pari passu* with the Notes, such Permitted Refinancing Indebtedness ranks *pari passu* with, or is subordinated in right of payment to, the Notes;
- (5) Preferred Stock shall be refinanced only with Preferred Stock; and
- (6) the obligor(s) on the Permitted Refinancing Indebtedness thereof shall include only obligor(s) on such Indebtedness being refinanced, Casella and/or one or more of the Guarantors.

"**Person**" means an individual, partnership, corporation, limited liability company, unincorporated organization, trust or joint venture or a governmental agency or political subdivision thereof.

"**Preferred Stock**" of any Person means any Capital Stock of such Person that has preferential rights to any other Capital Stock of such Person with respect to dividends or redemption or upon liquidation.

"**Public Equity Offering**" means any underwritten public offering of common stock of Casella.

"**Purchase Money Obligations**" means Indebtedness of Casella or any of its Restricted Subsidiaries incurred for the purpose of financing all or any part of the purchase price, or the cost of construction or improvement, of any assets to be used in the business of Casella or such Restricted Subsidiary; *provided, however*, that (1) the aggregate amount of such Indebtedness shall not exceed such purchase price or cost, (2) such Indebtedness shall be incurred no later than 180 days after the acquisition of such assets or such construction or improvement and (3) such Indebtedness shall not be secured by any assets of Casella or any of its Restricted Subsidiaries other than the assets so acquired, constructed or improved.

"**Qualified Capital Stock**" means any Capital Stock of Casella that is not Disqualified Capital Stock.

"**refinance**" means to extend, refinance, renew, replace, defease or refund, including successively; and "refinancing" and "refinanced" shall have correlative meanings.

"**Replacement Asset**" has the meaning set forth in the "Asset Sales" covenant.

"**Representative**" means the indenture trustee or other trustee, agent or representative in respect of any Designated Senior Debt; *provided* that if, and for so long as, any Designated Senior Debt lacks such a representative, then the Representative for such Designated Senior Debt shall at all times constitute the holders of a majority in outstanding principal amount of such Designated Senior Debt.

"**Restricted Investment**" means an Investment other than a Permitted Investment.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

"Restricted Subsidiary" of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary.

"Revocation" has the meaning set forth in the " Designation of Restricted and Unrestricted Subsidiaries" covenant.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or any successor thereto.

"Sale and Leaseback Transaction" means an arrangement relating to property now owned or hereafter acquired whereby Casella or a Restricted Subsidiary of Casella transfers such property to a Person and Casella or a Restricted Subsidiary of Casella leases it from such Person.

"Senior Credit Facility" means the Second Amended and Restated Revolving Credit and Term Loan Agreement, dated on or about the Issue Date, among Casella, the Guarantors, Fleet National Bank, as administrative agent, Bank of America, N.A., as syndication agent, and the lenders party thereto, including any notes, guarantees, collateral and security documents (including mortgages, pledge agreements and other security arrangements), instruments and agreements executed in connection therewith, and 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 borrowings or other Indebtedness outstanding or available to be borrowed thereunder) all or any portion of the Indebtedness under such agreement, and any successor or replacement agreement or agreements with the same or any other borrowers, agents, creditors, lenders or group of creditors or lenders.

"Senior Debt" means:

- (1) all Indebtedness outstanding under the Senior Credit Facility, and all Hedging Obligations with respect thereto;
- (2) any other Indebtedness permitted to be incurred by Casella or a Guarantor under the terms of the Indenture, unless the instrument under which such Indebtedness is incurred expressly provides that it is on a parity with the Notes or subordinated in right of payment to the Notes or any other Indebtedness of Casella; and
- (3) all Obligations with respect to the items listed in the preceding clauses (1) and (2) (including any interest accruing subsequent to the filing of a petition of bankruptcy at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable law).

Notwithstanding anything to the contrary in the preceding, Senior Debt will not include:

- (1) any liability for federal, state, local or other taxes owed or owing by Casella;
- (2) any Indebtedness of Casella to any of its Subsidiaries or other Affiliates;
- (3) any trade payables; or
- (4) any Indebtedness that is incurred in violation of the Indenture (but, as to any such obligation, no such violation shall be deemed to exist for purposes of this clause (4) if the holders(s) of such obligation or their Representative shall have received an Officers' Certificate of Casella to the effect that the incurrence of such Indebtedness does not (or, in the case of revolving credit Indebtedness, that the incurrence of the entire committed amount thereof at the date of the initial borrowing thereunder is made would not) violate the Indenture).

"Series A Redeemable Convertible Preferred Stock" means shares of Casella's Series A Redeemable Convertible Preferred Stock under the Certificate of Designations therefor in effect on the date of the Indenture or as thereafter amended in a manner not materially adverse to the Holders.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

"**Significant Subsidiary**" means (1) any Restricted Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Act, as such Regulation is in effect on the date hereof or (2) any Restricted Subsidiary that, when aggregated with all other Restricted Subsidiaries that are not otherwise Significant Subsidiaries and as to which any event described in clause (7), (8) or (9) under the "Events of Default" covenant has occurred and is continuing, would constitute a Significant Subsidiary under clause (1) of this definition.

"**Specified Assets**" means K-C International Ltd., the brokerage business of KTI Recycling of New England Inc., the brokerage business of Pine Tree Waste Inc., US GreenFiber LLC, KTI New Jersey Fibers, Inc., Atlantic Coast Fibers, Inc., Casella NH Investors Co., LLC, Casella NH Power Co., LLC, Casella RTG Investors Co., LLC and RTG Holdings Corporation and the companies and assets comprising the FCR operating segment, or the successors of the foregoing only with respect to the businesses conducted by the foregoing on the date of the Indenture.

"**Stated Maturity**" means, with respect to any installment of interest or principal on any Indebtedness, the date on which such payment of interest or principal is scheduled to be paid in the documentation governing such Indebtedness, and shall not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"**Subsidiary**" means, with respect to any Person:

- (1) 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
- (2) 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).

"**Subsidiary Guarantee**" means the subordinated Guarantee by each Guarantor of Casella's payment obligations under the Indenture and the Notes, executed pursuant to the Indenture.

"**Transaction Date**" means the date of the transaction giving rise to the need to calculate the Consolidated Fixed Charge Coverage Ratio.

"**Unrestricted Subsidiary**" of any Person means

any Subsidiary of such Person that at the time of determination has been designated an Unrestricted Subsidiary, and has not been redesignated a Restricted Subsidiary, in accordance with the " Designation of Restricted and Unrestricted Subsidiaries" covenant; and

any Subsidiary of such Unrestricted Subsidiary.

"**Voting Stock**" of any Person as of any date means the Capital Stock of such Person that is entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees of such Person.

"**Weighted Average Life to Maturity**" means, when applied to any Indebtedness or Disqualified Capital Stock at any date, the number of years obtained by dividing:

- (1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal or liquidation preference, including payment at final maturity, in respect thereof, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2)

the then outstanding principal amount or liquidation preference of such Indebtedness or Disqualified Capital Stock.

"**Wholly Owned Restricted Subsidiary**" of any Person means a Restricted Subsidiary of such Person all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) shall at the time be owned by such Person and/or by one or more Wholly Owned Restricted Subsidiaries of such Person.

Form, Denomination, Transfer, Exchange and Book-Entry Procedures

We will issue new notes only in fully registered form, without interest coupons, in denominations of \$1,000 and integral multiples of \$1,000. We will not issue new notes in bearer form.

Global Notes

The new notes initially will be represented by one or more notes in registered, global form without interest coupons (collectively, the "Global Notes"). We will deposit the Global Notes upon issuance with the Trustee as custodian for The Depository Trust Company ("DTC"), in New York, New York, and register the Global Notes in the name of DTC or its nominee, in each case for credit to an account of a direct or indirect participant in DTC as described below.

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. You may not exchange your beneficial interest in the Global Notes for Notes in certificated form except in the limited circumstances described below under "Exchanges of Book-Entry Notes for Certificated Notes." In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream), which may change from time to time.

Exchanges of Book-Entry Notes for Certificated Notes

You may not exchange your beneficial interest in a Global Note for a note in certificated form unless:

- (1) DTC (a) notifies us that it is unwilling or unable to continue as depository for the Global Note or (b) has ceased to be a clearing agency registered under the Securities Exchange Act of 1934 (the "Exchange Act"), and in either case we thereupon fail to appoint a successor depository; or
- (2) We, at our option, notify the Trustee in writing that we are electing to issue the Notes in certificated form; or
- (3) an Event of Default shall have occurred and be continuing with respect to the Notes.

In all cases, certificated Notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depository (in accordance with its customary procedures). Any certificated Notes issued in

exchange for an interest in a Global Note will bear the legend restricting transfers that is borne by such Global Note. Any such exchange will be effected through the DWAC system and an appropriate adjustment will be made in the records of the Security Registrar to reflect a decrease in the principal amount of the relevant Global Note.

Certain Book-Entry Procedures

The description of the operations and procedures of DTC, Euroclear and Clearstream that follows is provided solely as a matter of convenience. These operations and procedures are solely within their control and are subject to changes by them from time to time. Casella takes no responsibility for these operations and procedures and urges you to contact the system or their participants directly to discuss these matters.

DTC has advised Casella as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants ("participants")

and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical transfer and delivery of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly ("indirect participants").

DTC has advised Casella that its current practice, upon the issuance of the Global Notes, is to credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such Global Notes to the accounts with DTC of the participants through which such interests are to be held. Ownership of beneficial interests in the Global Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominees (with respect to interests of participants).

As long as DTC, or its nominee, is the registered holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner and holder of the Notes represented by such Global Note for all purposes under the Indenture and the Notes. Except in the limited circumstances described above under "Exchanges of Book-Entry Notes for Certificated Notes," you will not be entitled to have any portions of a Global Note registered in your name, will not receive or be entitled to receive physical delivery of Notes in definitive form and will not be considered the owner or holder of a Global Note (or any note represented thereby) under the Indenture or the Notes.

You may hold your interests in the Global Notes directly through DTC, if you are participants in such system, or indirectly through organizations (including Euroclear and Clearstream) which are participants in such system. All interests in a Global Note, including those held through Euroclear or Clearstream, will be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream will also be subject to the procedures and requirements of such system.

The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, your ability to transfer your beneficial interests in a Global Note to such persons may be limited to that extent. Because DTC can act only on behalf of its participants, which in turn act on behalf of indirect participants and certain banks, your ability to pledge your interests in a Global Note to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be adversely affected by the lack of a physical certificate evidencing such interests.

124

Casella will make payments of the principal of, premium, if any, and interest on Global Notes to DTC or its nominee as the registered owner thereof. Neither Casella nor the Trustee nor any of their respective agents will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Casella expects that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a Global Note representing any Notes held by it or its nominee, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note for such Notes as shown on the records of DTC or its nominee. Casella also expects that payments by participants to owners of beneficial interests in such Global Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in "street name." Such payment will be the responsibility of such participants.

Except for trades involving only Euroclear and Clearstream participants, interests in the Global Note will trade in DTC's settlement system, and secondary market trading activity in such interests will therefore settle in immediately available funds, subject in all cases to the rules and procedures of DTC and its participants. Transfers between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer and exchange provisions applicable to the Notes described elsewhere herein, cross-market transfers between DTC participants, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected by DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depository; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a DTC participant will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the DTC settlement date. Cash received in Euroclear or Clearstream as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following the DTC settlement date.

DTC has advised Casella that DTC will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described below) only at the direction of one or more participants to whose account with DTC interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such participant or participants has or have given such direction. However, if there is an Event of Default under the Notes, the Global Notes will be exchanged for legended Notes in certificated form, and distributed to DTC's participants.

125

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of beneficial ownership interests in the Global Notes among participants of DTC, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of Casella, the Trustee or any of their respective agents will have any responsibility for the performance by DTC, Euroclear and Clearstream, their participants or indirect participants of their respective obligations under the rules and procedures governing their operations, including maintaining, supervising or reviewing the records relating to, or payments made on account of, beneficial ownership interests in Global Notes.

Registration Covenant; Exchange Offer

In connection with the sale of the old notes, Casella entered into an Exchange and Registration Rights Agreement (the "Exchange and Registration Rights Agreement") pursuant to which Casella has agreed, for the benefit of the holders of the Notes:

- (1) to file with the SEC, within 90 days following the issue date of the old notes, a registration statement (the "Exchange Offer Registration Statement") under the Securities Act relating to an exchange offer (the "Exchange Offer") pursuant to which the new notes (sometimes referred to in this description as "Exchange Notes") would be offered in exchange for the then outstanding old notes tendered at the option of the Holders thereof; and
- (2) to use its reasonable best efforts to cause the Exchange Offer Registration Statement to become effective as soon as practicable thereafter, but not later than 180 days from the issue date of the old notes.

Casella has further agreed to commence the Exchange Offer promptly after the Exchange Offer Registration Statement has become effective, hold the offer open for at least 30 days, and exchange Exchange Notes for all old notes validly tendered and not withdrawn before the expiration of the offer. The registration statement of which this prospectus forms a part is the Exchange Offer Registration Statement.

However, if:

- (1) on or before the date of consummation of the Exchange Offer, the existing SEC interpretations are changed such that the Exchange Notes would not in general be freely transferable in such manner on such date;
- (2) the Exchange Offer has not been completed within 210 days after the issue date of the old notes; or
- (3) the Exchange Offer is not available to any holder of the old notes and the holder of the old notes notifies Casella to that effect;

Casella will, in lieu of (or, in the case of clause (3), in addition to) effecting registration of the Exchange Notes, file and use its best efforts to cause a registration statement under the Securities Act relating to a shelf registration (the "Shelf Registration Statement") of the old notes for resale by holders (the "Resale Registration") to become effective and to remain effective until two years following the effective date of such registration statement or such shorter period that will terminate when all the securities covered by the Shelf Registration Statement have been sold pursuant to the Shelf Registration Statement.

Casella will, in the event of the Resale Registration, provide to the holder or holders of the applicable Notes copies of the prospectus that is a part of the Shelf Registration Statement, notify such holder or holders when the Resale Registration for the applicable Notes has become effective and take certain other actions as are required to permit unrestricted resales of the applicable Notes. A holder of Notes that sells such Notes pursuant to the Resale Registration generally would be required to be

named as a selling securityholder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the Exchange and Registration Rights Agreement that are applicable to such a holder (including certain indemnification obligations).

In the event that:

(1) Casella has not filed the registration statement relating to the Exchange Offer (or, if applicable, the Resale Registration) on or before the date on which it is required to be filed pursuant to the Exchange and Registration Rights Agreement; or

(2) the Exchange Offer Registration Statement has not become effective within 180 days following the issue date of the old notes or the Shelf Registration Statement has not become effective within 120 days following the date the Shelf Registration Statement is filed; or

(3) the Exchange Offer has not been consummated within 45 days following the initial effective date of the Exchange Offer Registration Statement; or

(4) any registration statement required by the Exchange and Registration Rights Agreement is filed and declared effective but shall thereafter cease to be effective (except as specifically permitted therein) without being succeeded immediately by an additional registration statement that is filed and declared effective (any such event referred to in clauses (1) through this (4), the "Registration Default"),

then Casella will pay to the holders of the old notes, as liquidated damages, for the period from the occurrence of the Registration Default, an amount per annum equal to 0.50% of the aggregate principal amount of the old notes during the first 90-day period following the occurrence of such Registration Default which rate shall increase by an additional 0.50% during each subsequent 90-day period, up to a maximum of 2.00% of the aggregate principal amount of the old notes ("Liquidated Damages") until the earlier of (a) the date on which all Registration Defaults have been cured and (b) the date on which all the old notes and Exchange Notes otherwise become freely transferable by all holders thereof other than affiliates of Casella or the Guarantors without further registration under the Securities Act. Notwithstanding the foregoing, (A) the amount of Liquidated Damages payable shall not increase solely because more than one Registration Default has occurred and (B) a holder of old notes or Exchange Notes who is not entitled to the benefits of the Shelf Registration Statement (i.e. such holder has not elected to include required information) shall not be entitled to Liquidated Damages with respect to a Registration Default that pertains to a Shelf Registration Statement. Liquidated Damages shall be paid on interest payment dates to the holders of record for the payment of interest. References in this "Description of the New Notes," except for provisions described above under the caption " Amendment, Supplement and Waiver," to interest on the Notes shall mean such interest plus liquidated damages, if any.

Under certain circumstances Casella may delay the filing or the effectiveness of the Exchange Offer Registration Statement or the Shelf Registration Statement, as applicable, or suspend or otherwise fail to maintain the effectiveness thereof for a period of up to 60 days during any 12-month period (such period, a "Blackout Period"). Casella will not be obligated to pay Liquidated Damages for the occurrence of a Registration Default during a Blackout Period.

The summary herein of certain provisions of the Exchange and Registration Rights Agreement does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the Exchange and Registration Rights Agreement, a copy of which will be available upon request to Casella.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

The following is a summary of certain U.S. federal income tax considerations relating to the purchase, ownership and disposition of the notes, but does not provide a complete analysis of all potential tax considerations.

The following summary describes, in the case of U.S. holders, the material U.S. federal income tax consequences and, in the case of non-U.S. holders, the material U.S. federal income and estate tax consequences, of the acquisition, ownership and disposition of the notes but does not purport to be a complete analysis of all the potential tax considerations relating thereto. We have based this summary on the provisions of the Internal Revenue Code of 1986, as amended, or the Code, the applicable Treasury Regulations promulgated or proposed thereunder, or the Treasury Regulations, judicial authority and current administrative rulings and practice, all of which are subject to change, possibly on a retroactive basis, or to different interpretation. This summary applies to you only if you are an initial purchaser of the notes who acquired the notes at their original issue price within the meaning of Section 1273 of the Code and holds the notes as capital assets. A capital asset is generally an asset held for investment rather than as inventory or as property used in a trade or business. This summary does not discuss all of the aspects of U.S. federal income and estate taxation which may be relevant to investors in light of their particular investment or other circumstances. This summary also does not discuss the particular tax consequences that might be relevant to you if you are subject to special rules under the federal income tax laws. Special rules apply, for example, if you are:

a bank, thrift, insurance company, regulated investment company, or other financial institution or financial service company;

a broker or dealer in securities or foreign currency;

a person that has a functional currency other than the U.S. dollar;

a partnership or other flow-through entity;

a subchapter S corporation;

a person subject to alternative minimum tax;

a person who owns the notes as part of a straddle, hedging transaction, constructive sale transaction or other risk-reduction transaction;

a tax-exempt entity;

a person who has ceased to be a United States citizen or to be taxed as a resident alien; or

a person who acquires the notes in connection with your employment or other performance of services.

In addition, the following summary does not address all possible tax consequences. In particular, except as specifically provided, it does not discuss any estate, gift, generation-skipping, transfer, state, local or foreign tax consequences. We have not sought a ruling from the Internal Revenue Service, or the IRS, with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions. For all these reasons, we urge you to consult with your tax advisor about the federal income tax and other tax consequences of the acquisition, ownership and disposition of the notes.

INVESTORS CONSIDERING THE PURCHASE OF THE NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE UNITED STATES FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL OR FOREIGN TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

In General

We have treated the notes as indebtedness for federal income tax purposes. This summary assumes that the IRS will respect this classification.

U.S. Holders

As explained below, the federal income tax consequences of acquiring, owning and disposing of the notes depend on whether or not you are a U.S. Holder. For purposes of this summary, you are a U.S. Holder if you are beneficial owner of the notes and for federal income tax purposes are:

a citizen or resident of the United States, including an alien individual who is a lawful permanent resident of the United States or who meets the substantial presence residency test under the federal income tax laws;

a corporation or other entity treated as a corporation for federal income tax purposes, that is created or organized in or under the laws of the United States, any of the fifty states or the District of Columbia, unless otherwise provided by Treasury Regulations;

an estate the income of which is subject to federal income taxation regardless of its source; or

a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust;

and if your status as a U.S. Holder is not overridden under the provisions of an applicable tax treaty.

If a partnership holds the notes, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in such a partnership, you should consult your tax advisor.

Payment of Interest

All of the notes bear interest at a stated fixed rate. You generally must include this stated interest in your gross income as ordinary interest income:

when you receive it, if you use the cash method of accounting for federal income tax purposes; or

when it accrues, if you use the accrual method of accounting for federal income tax purposes.

In certain circumstances, we may be obligated to pay you amounts in excess of stated interest or principal on the notes. For example, we would have to pay liquidated damages to you in certain circumstances described in "Description of the New Notes Registration Covenant; Exchange Offer". In addition, in certain cases we will be able to call the notes for redemption, or upon a change in control we may be obligated to repurchase the notes, in each case at a price that will include an additional amount in excess of the principal of the notes. According to Treasury Regulations, the possibility of liquidated damages being paid to you will not affect the amount of interest income you recognize in advance of the payment of any liquidated damages if there is only a remote chance as of the date the notes were issued that you will receive liquidated damages. We believe that the likelihood that we will pay liquidated damages is remote. Therefore, we do not intend to treat the potential payment of liquidated damages as part of the yield to maturity of any notes. Similarly, we intend to take the position that the likelihood of a redemption or repurchase of the notes is remote and likewise do not intend to treat the possibility of any premium payable on a redemption or repurchase as affecting the yield to maturity of any notes. Our determination that these contingencies are remote is binding on you unless you disclose your contrary position in the manner required by applicable Treasury Regulations. Our determination is not, however, binding on the IRS. In the event a

contingency occurs, it could affect the amount and timing of the income that you must recognize. If we pay liquidated damages on the notes, you will be required to recognize additional income. If we pay a premium, the premium could be treated as capital gain under the rules described under " Sale, Exchange or Redemption of Notes". If we fail to satisfy the registration covenant, voluntarily redeem the notes or undergo a change in control, you should consult your tax advisor regarding the appropriate treatment of any liquidated damages or premium you receive.

Sale, Exchange or Redemption of Notes

You generally will recognize gain or loss upon the sale, exchange, redemption, retirement or other disposition of the notes measured by the difference between (i) the amount of cash proceeds and the fair market value of any property you receive (except to the extent attributable to accrued interest income not previously included in income, which will generally be taxable as ordinary income, or attributable to accrued interest previously included in income, which amount may be received without generating further income), and (ii) your adjusted tax basis in the notes. Your adjusted tax basis in a note generally will equal your cost of the note, less any principal payments received by you. Gain or loss on the disposition of notes will generally be capital gain or loss and will be long-term gain or loss if the notes have been held for more than one year at the time of such disposition. In general, for individuals, long-term capital gains are taxed at a maximum rate of 20% and short-term capital gains are taxed at a maximum rate of 38.6%. You should consult your tax advisor regarding the treatment of capital gains and losses.

Exchange Offer

The exchange of old notes for new notes pursuant to the exchange offer will not constitute a taxable event for U.S. federal income tax purposes. As a result, a holder of the old notes will not recognize taxable gain or loss as a result of the exchange of these notes for new notes, the holding period of the new notes will include the holding period of the old notes surrendered in exchange therefor and a holder's adjusted tax basis in the new notes will be the same as such holder's adjusted tax basis in the old notes immediately prior to the surrender of such old notes pursuant to the exchange offer.

Information Reporting and Backup Withholding Tax

In general, information reporting requirements will apply to payments to certain noncorporate U.S. Holders of principal and interest on a note and the proceeds of the sale of a note. If you are a U.S. Holder, you may be subject to backup withholding when you receive interest with respect to the notes, or when you receive proceeds upon the sale, exchange, redemption, retirement or other disposition of the notes. The backup withholding rate is 30% for the year 2003, 29% for the years 2004 and 2005 and 28% thereafter. In general, you can avoid this backup withholding by properly executing under penalties of perjury an IRS Form W-9 or substantially similar form that provides:

your correct taxpayer identification number; and

a certification that (a) you are exempt from backup withholding, (b) you have not been notified by the IRS that you are subject to backup withholding as a result of a failure to report all interest or dividends, or (c) you have been notified by the IRS that you are no longer subject to backup withholding.

If you do not provide your correct taxpayer identification number on the IRS Form W-9 or substantially similar form, you may be subject to penalties imposed by the IRS.

Backup withholding will not apply, however, with respect to payments made to certain holders, provided their exemptions from backup withholding are properly established.

Amounts withheld are generally not an additional tax and may be refunded or credited against your federal income tax liability, provided you furnish the required information to the IRS.

We will report to the U.S. Holders of notes and to the IRS the amount of any "reportable payments" for each calendar year and the amount of tax withheld, if any, with respect to such payments.

Non-U.S. Holders

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

As used herein, the term "Non-U.S. Holder" means any beneficial owner of a note that is a nonresident alien or a corporation, estate or trust that is not a U.S. Holder.

Payment of Interest

Generally, subject to the discussion of backup withholding below, if you are a Non-U.S. Holder, interest income that is not effectively connected with a United States trade or business will not be subject to a U.S. withholding tax under the "portfolio interest exemption" provided that:

you do not actually or constructively own 10% or more of the combined voting power of all of our classes of stock entitled to vote;

you are not a controlled foreign corporation related to us actually or constructively through stock ownership;

you are not a bank which acquired the notes in consideration for an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business; and

either (a) you provide a Form W-8BEN (or a suitable substitute form) signed under penalties of perjury that includes your name and address and certifies as to your non-U.S. holder status, or (b) a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business, provides a statement to us or our agent under penalties of perjury in which it certifies that a Form W-8BEN or W-8IMY (or a suitable substitute form) has been received by it from you or a qualifying intermediary and furnishes us or our agent with a copy of such form.

Treasury regulations provide alternative methods for satisfying the certification requirement described in the paragraph above. These regulations may require a Non-U.S. holder that provides an IRS form, or that claims the benefit of an income tax treaty, to also provide its U.S. taxpayer identification number.

Interest on notes not exempted from U.S. withholding tax as described above and not effectively connected with a United States trade or business generally will be subject to U.S. withholding tax at a 30% rate, except where an applicable tax treaty provides for the reduction or elimination of such withholding tax. We may be required to report annually to the IRS and to each Non-U.S. Holder the amount of interest paid to, and the tax withheld, if any, with respect to, each Non-U.S. Holder.

Except to the extent that an applicable treaty otherwise provides, generally you will be taxed in the same manner as a U.S. Holder with respect to interest if the interest income is effectively connected with your conduct of a United States trade or business. If you are a corporate Non-U.S. Holder, you may also, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate (or, if applicable, a lower treaty rate). Even though such effectively connected interest is subject to income tax, and may be subject to the branch profits tax, it may not be subject to withholding tax if you deliver proper documentation.

To claim the benefit of a tax treaty or to claim exemption from withholding because the income is U.S. trade or business income, the Non-U.S. Holder must provide a properly executed Form W-8BEN

131

or W-8ECI. Under the Treasury Regulations, a Non-U.S. Holder may under certain circumstances be required to obtain a U.S. taxpayer identification number and make certain certifications to us. Special procedures are provided in the Treasury Regulations for payments through qualified intermediaries. Prospective investors should consult their tax advisors regarding the effect, if any, of the Treasury Regulations.

Sale, Exchange or Redemption of Notes

If you are a Non-U.S. Holder of a note, generally you will not be subject to United States federal income tax or withholding tax on any gain realized on the sale, exchange or redemption of the note, unless:

the gain is effectively connected with your conduct of a United States trade or business;

you are an individual and are present in the United States for a period or periods aggregating 183 days or more during the taxable year (as determined under the Internal Revenue Code) of the disposition and certain other conditions are met; or

you are subject to tax pursuant to the provisions of the Code applicable to certain United States expatriates.

Death of a Non-U.S. Holder

If you are an individual Non-U.S Holder and you hold a note at the time of your death, it will not be includable in your gross estate for United States estate tax purposes, provided that you do not at the time of death actually or constructively own 10% or more of the combined voting power of all of our classes of stock entitled to vote, and provided that, at the time of death, payments with respect to such note would not have been effectively connected with your conduct of a trade or business within the United States.

Information Reporting and Backup Withholding Tax

If you are a Non-U.S. Holder, United States information reporting requirements and backup withholding tax will not apply to payments of interest on a note if you provide the statement described in "Non-U.S. Holders Payment of Interest", provided that the payor does not have actual knowledge that you are a United States person.

Information reporting will not apply to any payment of the proceeds of the sale of a note effected outside the United States by a foreign office of a "broker" (as defined in applicable Treasury Regulations), unless such broker:

- (i) is a United States person;
- (ii) is a foreign person that derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States;
- (iii) is a controlled foreign corporation for United States federal income tax purposes; or
- (iv) is a foreign partnership, if at any time during its tax year, one or more of its partners are U.S. persons (as defined in U.S. Treasury regulations) who in the aggregate hold more than 50% of the income or capital interests in the partnership or if, at any time during its tax year, such foreign partnership is engaged in a United States trade or business.

Payment of the proceeds of any such sale effected outside the United States by a foreign office of any broker that is described in (i), (ii), (iii) or (iv) of the preceding sentence will be subject to information reporting requirements unless such broker has documentary evidence in its records that you are a Non-U.S. Holder and certain other conditions are met, or you otherwise establish an exemption. However, under such circumstances, Treasury Regulations provide that such payments are not subject to backup withholding. Payment of the proceeds of any such sale to or through the United States office of a broker is subject to information reporting and backup withholding requirements, unless you provide the statement described in "Non-U.S. Holders Payment of Interest" or otherwise establish an exemption.

PLAN OF DISTRIBUTION

Each broker-dealer that receives new notes for its own account in connection with the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of those new notes. A broker-dealer may use this prospectus, as amended or supplemented from time to time, in connection with resales of new notes received in exchange for old notes where such broker-dealer acquired old notes as a result of market-making activities or other trading activities. We have agreed that for a period of 180 days after the expiration date of the exchange offer, we will make available a prospectus, as amended or supplemented, meeting the requirements of the Securities Act to any broker-dealer for use in connection with those resales.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

We will not receive any proceeds from any sale of new notes by broker-dealers. Broker-dealers may sell new notes received by them for their own account pursuant to the exchange offer from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the new notes or a combination of those methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any broker-dealer or the purchasers of any new notes.

Any broker-dealer that resells new notes that were received by it for its own account pursuant to the exchange offer and any broker or dealer that participates in a distribution of such new notes may be deemed to be an "underwriter" within the meaning of the Securities Act. A profit on any such resale of new notes and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that, by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

For a period of 180 days after the expiration date of the exchange offer, we will promptly send additional copies of this prospectus and any amendment or supplement to this prospectus to any broker-dealer that requests these documents in the letter of transmittal. We will indemnify the holders of the old notes, including any broker-dealers, against specified liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

Hale and Dorr LLP, Boston, Massachusetts, will pass upon the validity of the new notes and the guarantees for Casella and the Guarantors.

EXPERTS

The financial statements as of April 30, 2002 and for the year then ended, included in this prospectus, have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The financial statements as of April 30, 2001 and for each of the two years in the period ended April 30, 2001, prior to the revisions described in Note 2, included in this prospectus, were audited by Arthur Andersen LLP, independent accountants, as stated in their report appearing therein. Arthur Andersen LLP has ceased operations and such report is a copy of the previously issued report, and the report has not been reissued.

The consolidated financial statements of KTI, Inc. as of December 31, 1998 and for the year then ended appearing in this prospectus and the registration statement of which this prospectus is a part have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon

133

appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

Under U.S. securities regulations, issuers are generally required to obtain a current written consent from the independent accountants that audited their financial statements in order to include the corresponding audit reports in a registration statement filed with the SEC. While Arthur Andersen LLP provided a consent with respect to the financial statements referred to above in connection with the filing of our Annual Report on Form 10-K for the fiscal year ended April 30, 2001, Arthur Andersen LLP has ceased to practice before the SEC and is therefore not in a position to provide the updated consent which would normally be required upon the filing of the registration statement of which this prospectus is a part. However, in reliance on Rule 437a promulgated under the Securities Act, we have filed the registration statement without including an updated written consent of Arthur Andersen LLP. Because Arthur Andersen LLP has not consented to the inclusion of their report in the registration statement of which this prospectus is a part, you will not be able to recover against Arthur Andersen LLP under Section 11 of the Securities Act for any untrue statements of a material fact contained in the financial statements audited by Arthur Andersen LLP included in this prospectus or any omissions to state a material fact required to be stated herein.

EXCHANGE AGENT

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

We have appointed U.S. Bank National Association as exchange agent in connection with the exchange offer. Holders should direct questions, requests for assistance and for additional copies of this prospectus, the letter of transmittal or notices of guaranteed delivery to the exchange agent addressed as follows:

By Hand or Overnight Courier:

U.S. Bank National Association
Corporate Trust Services
180 East Fifth Street
St. Paul, Minnesota 55101
Attention: Specialized Finance 4th Floor

By Facsimile Transmission:

U.S. Bank National Association
Corporate Trust Services
180 East Fifth Street
St. Paul, Minnesota 55101
Attention: Specialized Finance 4th Floor
(651) 244-1537

134

INDEX TO FINANCIAL STATEMENTS

Audited Consolidated Financial Statements

Report of Independent Accountants

Report of Independent Public Accountants

Consolidated Balance Sheets as of April 30, 2001 and April 30, 2002

Consolidated Statements of Operations for the fiscal years ended April 30, 2000, 2001 and 2002

Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Equity for the fiscal years ended April 30, 2000, 2001 and 2002

Consolidated Statements of Cash Flows for the fiscal years ended April 30, 2000, 2001 and 2002

Notes to Audited Consolidated Financial Statements

Unaudited Consolidated Financial Statements

Consolidated Balance Sheets as of April 30, 2002 and October 31, 2002

Consolidated Statements of Operations for the three and six months ended October 31, 2001 and 2002

Consolidated Statements of Cash Flows for the six months ended October 31, 2001 and 2002

Notes to Unaudited Consolidated Financial Statements

Audited Consolidated Financial Statements of KTI, Inc.

Report of Independent Auditors

Consolidated Balance Sheet as of December 31, 1998

Consolidated Statement of Operations for the fiscal year ended December 31, 1998

Consolidated Statement of Stockholders' Equity at December 31, 1998

Consolidated Statement of Cash Flows for the fiscal year ended December 31, 1998

Notes to Consolidated Financial Statements

Unaudited Consolidated Financial Statements of KTI, Inc.

Consolidated Balance Sheets as of December 31, 1998 and September 30, 1999

Consolidated Statements of Operations for the nine months ended September 30, 1998 and 1999

Consolidated Statements of Stockholders' Equity at September 30, 1999

Consolidated Statements of Cash Flows for the nine months ended September 30, 1998 and 1999

Notes to Unaudited Consolidated Financial Statements

F-1

Report of Independent Accountants

To the Board of Directors and Stockholders of Casella Waste Systems, Inc.:

In our opinion, the accompanying consolidated balance sheet as of April 30, 2002 and the related consolidated statements of operations, of redeemable convertible preferred stock and stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Casella Waste Systems, Inc. and its subsidiaries at April 30, 2002, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The financial statements of the Company as of April 30, 2001 and for each of the two years in the period ended April 30, 2001 were audited, prior to the revisions described in Note 2, by other independent accountants who have ceased operations. Those independent accountants expressed an unqualified opinion on those financial statements in their report dated July 19, 2001.

As discussed in Note 2 to the financial statements, on May 1, 2001, the Company changed its method of accounting for derivative instruments and hedging activities.

As discussed above, the financial statements of the Company as of April 30, 2001, and for each of the two years in the period ended April 30, 2001, were audited by other independent accountants who have ceased operations. As described in Note 2, these financial statements have been revised to include the transitional disclosures required by Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, which was adopted by the Company as of May 1, 2002, and the reclassification of net assets of discontinued operations and net assets held for sale required by Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. We audited the transitional disclosures and reclassifications described in Note 2. In our opinion, the transitional disclosures for 2001 and 2000 and reclassifications for April 30, 2001 in Note 2 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 or 2000 financial statements of the Company other than with respect to such disclosures and reclassifications and, accordingly, we do not express an opinion or any other form of assurance on the 2001 or 2000 financial statements taken as a whole.

/S/ PricewaterhouseCoopers LLP
Boston, Massachusetts
June 29, 2002

F-2

The below report of Arthur Andersen LLP is a copy of the previously issued report of Arthur Andersen LLP and the report has not been reissued by Arthur Andersen LLP.

This prospectus does not include the statement of financial position as of April 30, 2000, and the consolidated statements of operations, of redeemable convertible preferred stock and stockholders' equity, and of cash flows for the year ended April 30, 1999. As

discussed in Note 2, the Company has revised its financial statements for the year ended April 30, 2001 and 2000 to include the transitional disclosures required by Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* and, as of April 30, 2001, the reclassification of net assets of discontinued operations and net assets held for sale required by Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The Arthur Andersen LLP report does not extend to these changes. The revisions to the 2001 and 2000 financial statements related to these transitional disclosures and reclassifications were reported on by PricewaterhouseCoopers LLP, as stated in their report appearing herein.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of Casella Waste Systems, Inc.:

We have audited the accompanying consolidated balance sheets of Casella Waste Systems, Inc. (a Delaware Corporation) and subsidiaries as of April 30, 2000 and 2001, and the related consolidated statements of operations, redeemable convertible preferred stock and stockholders' equity and cash flows for each of the three years ended April 30, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Casella Waste Systems, Inc. and subsidiaries as of April 30, 2000 and 2001, and the consolidated results of their operations and their consolidated cash flows for each of the three years ended April 30, 2001, in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP
/s/ Arthur Andersen LLP
Boston, Massachusetts
July 19, 2001

F-3

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands)

	April 30, 2001	April 30, 2002
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 22,001	\$ 4,298
Restricted cash	7,175	10,286
Accounts receivable trade, net of allowance for doubtful accounts of \$4,904 and \$786	51,776	43,130
Notes receivable officers/employees	1,953	1,105
Prepaid expenses	5,669	3,156
Inventory	3,017	2,410
Investments	3,641	62
Deferred income taxes	8,015	8,767

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

	April 30, 2001	April 30, 2002
Assets held for sale	44,225	2,447
Other current assets	2,763	2,267
Total current assets	150,235	77,928
Property, plant and equipment, net of accumulated depreciation and amortization of \$125,160 and \$163,521	290,537	287,115
Intangible assets, net	237,573	228,451
Restricted cash	2,902	2
Deferred income taxes	5,259	648
Investments in unconsolidated entities	21,844	26,865
Other non-current assets	2,593	860
	560,708	543,941
	\$ 710,943	\$ 621,869

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

F-4

	April 30, 2001	April 30, 2002
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 6,690	\$ 6,436
Current maturities of capital lease obligations	1,429	1,816
Accounts payable	29,158	23,690
Accrued payroll and related expenses	2,542	5,813
Accrued interest	4,880	1,481
Accrued income taxes	3,388	3,676
Accrued closure and post-closure costs, current portion	77	6,465
Liabilities of operations held for sale	24,650	828
Other accrued liabilities	22,364	23,706
Total current liabilities	95,178	73,911
Long-term debt, less current maturities	350,511	277,545
Capital lease obligations, less current maturities	4,593	3,051
Accrued closure and post-closure costs, less current maturities	17,153	18,307
Minority interest	677	523
Other long-term liabilities	12,160	11,006
COMMITMENTS AND CONTINGENCIES		
Series A redeemable, convertible preferred stock, 55,750 shares authorized, issued and outstanding as of April 30, 2001 and 2002, liquidation preference of \$1,000 per share plus accrued but unpaid dividends	57,720	60,730

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

	April 30, 2001	April 30, 2002
STOCKHOLDERS' EQUITY:		
Class A common stock		
Authorized 100,000,000 shares, \$0.01 par value issued and outstanding	22,198,000	
and 22,667,000 shares as of April 30, 2001 and 2002, respectively	222	227
Class B common stock		
Authorized 1,000,000 shares, \$0.01 par value 10 votes per share, issued and		
outstanding 988,000 shares	10	10
Accumulated other comprehensive (loss) income	586	(4,250)
Additional paid-in capital	271,502	272,697
Accumulated deficit	(99,369)	(91,888)
	<u> </u>	<u> </u>
Total stockholders' equity	172,951	176,796
	<u> </u>	<u> </u>
	\$ 710,943	\$ 621,869
	<u> </u>	<u> </u>

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

F-5

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands)

	Fiscal Year Ended April 30,		
	2000	2001	2002
Revenues	\$ 315,013	\$ 479,816	\$ 420,821
Operating Expenses:			
Cost of operations	195,495	323,703	275,706
General and administration	40,003	62,612	53,105
Depreciation and amortization	38,343	52,883	50,696
Impairment charge		59,619	
Restructuring charge		4,151	(438)
Legal settlements		4,209	
Other miscellaneous charges		1,604	
Merger-related costs	1,490		
	<u> </u>	<u> </u>	<u> </u>
	275,331	508,781	379,069
	<u> </u>	<u> </u>	<u> </u>
Operating income (loss)	39,682	(28,965)	41,752
	<u> </u>	<u> </u>	<u> </u>
Other (income)/expense, net:			
Interest income	(1,234)	(2,941)	(880)
Interest expense	16,907	41,588	31,451
(Income) loss from equity method investments, net	1,062	26,256	(1,899)

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

	Fiscal Year Ended April 30,		
	2000	2001	2002
Minority interest	502	1,026	(154)
Other (income)/expense, net	640	78	(4,480)
Other expense, net	17,877	66,007	24,038
Income (loss) from continuing operations before income taxes, discontinued operations, extraordinary item and cumulative effect of change in accounting principle	21,805	(94,972)	17,714
Provision (benefit) for income taxes	10,615	(12,731)	5,887
Net income (loss) from continuing operations before discontinued operations, extraordinary item and cumulative effect of change in accounting principle	11,190	(82,241)	11,827
Discontinued Operations:			
(Loss) income from discontinued operations (net of income taxes of \$1,471 in 2000 and tax benefit of \$8,781 in 2001)	1,884	(15,448)	
Estimated loss on disposal of discontinued operations (net of income tax benefit of \$891, \$1085 and \$157)	(1,393)	(3,846)	(4,096)
Extraordinary item early extinguishment of debt, (net of income tax benefit of \$448)	(631)		
Cumulative effect of change in accounting principle (net of income tax benefit of \$170)			(250)
Net income (loss)	11,050	(101,535)	7,481
Preferred stock dividend		1,970	3,010
Net income (loss) available to common stockholders	\$ 11,050	\$ (103,505)	\$ 4,471

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

F-6

	Fiscal Year Ended April 30,		
	2000	2001	2002
Earnings Per Share:			
Basic:			
Income (loss) from continuing operations before income taxes, discontinued operations, extraordinary item and cumulative effect of change in accounting principle	\$ 0.59	\$ (3.63)	\$ 0.38
(Income) loss from discontinued operations, net	0.10	(0.66)	
Estimated loss on disposal of discontinued operations, net	(0.07)	(0.17)	(0.18)
Extraordinary item, net	(0.03)		
Cumulative effect of change in accounting principle, net			(0.01)
Net income (loss) per common share	\$ 0.59	\$ (4.46)	\$ 0.19
Basic weighted average common shares outstanding	18,731	23,189	23,496
Diluted:			
	\$ 0.57	\$ (3.63)	\$ 0.37

Fiscal Year Ended April 30,

	Fiscal Year Ended April 30,		
Income (loss) from continuing operations before income taxes, discontinued operations, extraordinary item and cumulative effect of change in accounting principle			
(Income) loss from discontinued operations, net	0.10	(0.66)	
Estimated loss on disposal of discontinued operations, net	(0.07)	(0.17)	(0.17)
Extraordinary item, net	(0.03)		
Cumulative effect of change in accounting principle, net			(0.01)
Net income (loss) per common share	\$ 0.57	\$ (4.46)	\$ 0.19
Diluted weighted average common shares outstanding	19,272	23,189	24,169

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

F-7

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK
AND STOCKHOLDERS' EQUITY

(In thousands)

	Stockholders' Equity					
	Series A Redeemable Convertible Preferred Stock		Class A Common Stock		Class B Common Stock	
	# of Shares	Amount	# of Shares	Par Value	# of Shares	Par Value
Balance, April 30, 1999		\$	14,869	\$ 149	988	\$ 10
Issuance of Class A common stock and stock options KTI acquisition			7,152	72		
Issuance of Class A common stock from the exercise of stock warrants/options and employee stock purchase plan			194	1		
Equity transactions of majority-owned subsidiary						
Net income						
Unrealized loss on securities						
Total comprehensive income						
Balance, April 30, 2000		\$	22,215	\$ 222	988	\$ 10
Issuance of Class A common stock from the exercise of stock options and employee stock purchase plan			32			
Issuance of Series A redeemable convertible preferred stock	56	55,750				
Accrual of preferred stock dividend		1,970				
Equity transactions of majority-owned subsidiary						
Net loss						
Unrealized gain on securities						
Total comprehensive loss						

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

	Stockholders' Equity					
Other			(49)			
Balance, April 30, 2001	56	\$ 57,720	22,198	\$ 222	988	\$ 10
Issuance of Class A common stock			12			
Issuance of Class A common stock from the exercise of stock warrants, options and employee stock purchase plan			457	5		
Accrual of preferred stock dividend		3,010				
Net income						
Unrealized gain/(loss) on securities, net of reclassification adjustments						
Change in fair value of interest rate swaps and commodity hedges, net of reclassification adjustments						
Total comprehensive income						
Other						
Balance, April 30, 2002	56	\$ 60,730	22,667	\$ 227	988	\$ 10

F-8

	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Total Comprehensive Income (Loss)
Balance, April 30, 1999	\$ 154,733	\$ (6,914)		\$ 147,978	
Issuance of Class A common stock and stock options KTI acquisition	113,788			113,860	
Issuance of Class A common stock from the exercise of stock warrants/options and employee stock purchase plan	859			860	
Equity transactions of majority-owned subsidiary	1,275			1,275	
Net income		11,050		11,050	\$ 11,050
Unrealized loss on securities			(305)	(305)	(305)
Total comprehensive income					\$ 10,745
Balance, April 30, 2000	\$ 270,655	\$ 4,136	\$ (305)	\$ 274,718	
Issuance of Class A common stock from the exercise of stock options and employee stock purchase plan	258			258	
Issuance of Series A redeemable convertible preferred stock	(1,009)			(1,009)	
Accrual of preferred stock dividend		(1,970)		(1,970)	
Equity transactions of majority-owned subsidiary	1,506			1,506	
Net loss		(101,535)		(101,535)	\$ (101,535)
Unrealized gain on securities			891	891	891
Total comprehensive loss					\$ (100,644)
Other	92			92	
Balance, April 30, 2001	\$ 271,502	\$ (99,369)	\$ 586	\$ 172,951	

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Total Comprehensive Income (Loss)
Issuance of Class A common stock	138			138	
Issuance of Class A common stock from the exercise of stock warrants, options and employee stock purchase plan	4,063			4,068	
Accrual of preferred stock dividend	(3,010)			(3,010)	
Net income		7,481		7,481	\$ 7,481
Unrealized gain/(loss) on securities, net of reclassification adjustments			(586)	(586)	(586)
Change in fair value of interest rate swaps and commodity hedges, net of reclassification adjustments			(4,250)	(4,250)	(4,250)
Total comprehensive income					\$ 2,645
Other	4			4	
Balance, April 30, 2002	\$ 272,697	\$ (91,888)	\$ (4,250)	\$ 176,796	

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

F-9

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Fiscal Year Ended April 30,		
	2000	2001	2002
Cash Flows from Operating Activities:			
Net income (loss)	\$ 11,050	\$ (101,535)	\$ 7,481
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation and amortization	38,343	52,883	50,696
Loss (income) from discontinued operations, net	(1,884)	15,448	
Estimated loss on disposal of discontinued operations, net	1,393	3,846	4,096
Extraordinary item, net	631		
(Income) loss from equity method investments	1,062	26,256	(1,899)
Impairment charge		59,619	
Loss from commodity hedge contracts, net			1,289
Gain on investments, net		(3,131)	(1,216)
(Gain) loss on sale of equipment	840	1,101	(76)
Gain on sale of assets			(4,848)

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

	Fiscal Year Ended April 30,		
Minority interest	502	1,026	(154)
Deferred income taxes	11,939	(10,866)	5,593
Changes in assets and liabilities, net of effects of acquisitions and divestitures			
Accounts receivable	(17,320)	16,692	8,055
Accounts payable	1,433	(6,643)	(5,564)
Other assets and liabilities	409	9,071	5,077
	<u>37,348</u>	<u>165,302</u>	<u>61,049</u>
Net Cash Provided by Operating Activities	<u>48,398</u>	<u>63,767</u>	<u>68,530</u>
Cash Flows from Investing Activities:			
Acquisitions, net of cash acquired	(81,838)	(9,331)	(4,601)
Proceeds from divestitures, net of cash divested		15,814	31,216
Additions to property, plant and equipment	(68,575)	(61,518)	(37,674)
Proceeds from sale of equipment	1,317	2,298	1,938
Proceeds from sale of investments		6,718	3,530
Advances to unconsolidated entities	(5,580)	(9,546)	(3,942)
Other	(412)		
	<u>(155,088)</u>	<u>(55,565)</u>	<u>(9,533)</u>
Net Cash Used In Investing Activities	<u>(155,088)</u>	<u>(55,565)</u>	<u>(9,533)</u>
Cash Flows from Financing Activities:			
Proceeds from long-term borrowings	423,955	49,590	73,384
Principal payments on long-term debt	(309,667)	(87,331)	(147,009)
Proceeds from equity transactions of majority-owned subsidiary	1,275	1,506	
Proceeds from exercise of stock options	860	259	3,560
Proceeds from the issuance of Series A redeemable, convertible preferred stock, net		54,741	
	<u>116,423</u>	<u>18,765</u>	<u>(70,065)</u>
Net Cash (Used In) Provided by Financing Activities	<u>116,423</u>	<u>18,765</u>	<u>(70,065)</u>
Cash used in discontinued operations	(6,140)	(12,754)	(6,635)
Net (decrease) increase in cash and cash equivalents	3,593	14,213	(17,703)
Cash and cash equivalents, beginning of period	4,195	7,788	22,001
	<u>\$ 7,788</u>	<u>\$ 22,001</u>	<u>\$ 4,298</u>
Cash and cash equivalents, end of period	<u>\$ 7,788</u>	<u>\$ 22,001</u>	<u>\$ 4,298</u>

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

F-10

	Fiscal Year Ended April 30,		
	2000	2001	2002
Supplemental Disclosures of Cash Flow Information:			
Cash paid (received) during the year for			
Interest	\$ 12,514	\$ 37,484	\$ 32,887
Income taxes, net of refunds	\$ 1,876	\$ (1,773)	\$ (1,267)

Fiscal Year Ended April 30,

Supplemental disclosures of non-cash investing and financing activities:			
Summary of entities acquired in purchase business combinations			
Fair market value of assets acquired	\$ 519,054	\$ 22,602	\$ 7,377
Notes receivable exchanged for assets		(13,263)	
Common stock and stock options issued	(113,860)		
Cash paid, net	(81,838)	(9,335)	(4,601)
Liabilities Assumed, Notes Payable and Notes Receivable Forgiven to Seller	\$ 323,356	\$ 4	\$ 2,776
Common Stock and Stock Options Issued as Compensation	\$	\$	\$ 650

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

F-11

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for per share data)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Casella Waste Systems, Inc. ("the Company" or "the Parent") is a regional, integrated solid waste services company, that provides collection, transfer, disposal and recycling services, primarily in the eastern United States. The Company markets recyclable metals, aluminum, plastics, paper and corrugated cardboard which has been processed at its facilities as well as recyclables purchased from third parties. The Company also generates and sells electricity under a long-term contract at a waste-to-energy facility, Maine Energy Recovery Company LP ("Maine Energy") (see Note 9).

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

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned and majority owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

(b) Use of Estimates and Assumptions

The Company's preparation of its financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements. The estimates and assumptions will also affect the reported amounts for certain revenues and expenses during the reporting period. Listed below are the estimates and assumptions that the Company considers to be significant in the preparation of its financial statements.

Landfill Accounting Capitalized Costs and Amortization

The Company uses life-cycle accounting and the units-of-production method to recognize certain landfill costs. Under life-cycle accounting, all costs related to acquisition, construction, closure and post-closure of landfill sites are capitalized or accrued and charged to income based on tonnage placed into each site. The Company routinely reviews its investment in operating landfills, transfer stations and other significant facilities to determine whether the costs of these investments is realizable. The Company's judgments regarding the existence of impairment indicators are based on regulatory factors, market conditions and operational performance of its landfills.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Units-of-production amortization rates are determined annually for each of the Company's operating landfills, and such rates are based on estimates provided by its engineers and accounting personnel and consider the information provided by surveys, which are performed at least annually.

Landfill Accounting - Accrued Closure and Post-Closure Costs

Accrued closure and post-closure costs represent future estimated costs related to monitoring and maintenance of a solid waste landfill, after a landfill facility ceases to accept waste and closes. The Company provides accruals for these estimated future costs on an undiscounted basis as the remaining permitted airspace of such facilities is consumed.

F-12

Recovery of Long-Lived Assets

In accordance with SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*, the Company continually reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the remaining estimated useful life of such assets might warrant revision or that the balances may not be recoverable. An impairment loss is recorded if the amount by which the carrying amount of the assets exceeds their fair market value. Fair market value is usually determined based on the present value of estimated expected future cash flows using a discount rate commensurate with the risks involved. In instances where goodwill is identified with assets that are subject to an impairment loss, the carrying amount of the identified goodwill is reduced before making any reduction to the carrying amounts of other long-lived assets.

Allowance for Doubtful Accounts

The Company estimates allowance for bad debts based on historical collection experience, current trends, credit policy and a review of accounts receivable by aging category.

Self Insurance Reserves

The Company is self insured for vehicles and worker's compensation. Through the use of actuarial calculations, the Company estimates the amounts required to settle insurance claims. The actuarially determined liability is calculated in part by past claims experience, which considers both frequency and settlement of claims.

Discontinued Operations

Discontinued businesses are carried at estimated net realizable value less costs to be incurred through the date of disposition. Net assets of discontinued operations are stated at their expected net realizable values and have been separately classified in the accompanying consolidated balance sheets.

Income Taxes

The Company uses estimates to determine its provision for income taxes and liabilities and any valuation allowance recorded against its net deferred tax assets. Valuation allowances have been established for the possibility that tax benefits may not be realized for certain deferred tax assets.

(c) Revenue Recognition

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

Revenues from the sale of electricity to local utilities by the Company's waste-to-energy facility (see Note 9) are recorded at the contract rate specified by its power purchase agreement as the electricity is delivered.

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

Revenues from brokerage are recognized at the time of shipment.

F-13

(d) Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, trade receivables, investments in closure trust funds, trade payables and debt instruments. The carrying values of these financial instruments approximate their respective fair values. See Note 8 for the terms and carrying values of the Company's various debt instruments.

(e) Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.

(f) Inventory

Inventory includes secondary fibers, recyclables ready for sale and supplies and is stated at the lower of cost (first-in, first-out) or market. Inventory consisted of finished goods and supplies of approximately \$2,651 and \$2,410 at April 30, 2001 and 2002, respectively, and raw materials of \$366 and \$0 at April 30, 2001 and 2002, respectively.

(g) Investments

In accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, the Company classifies its investment in equity securities as "available for sale." Accordingly, the carrying value of the securities is adjusted to fair value through other comprehensive (loss) income.

In October, 2001, the Company sold its remaining Bangor Hydro Warrants for \$3,530. The resulting gain of \$1,654 is included in other income. \$1,038 (net of taxes of \$707) of the gain was reclassified from other comprehensive (loss) income. The Company used the specific identification method as a basis for calculating the gain on sale.

At April 30, 2002, the Company wrote down to fair value certain equity security investments. The write down, which was reclassified from other comprehensive (loss) income, amounted to \$438 and was due to a decline in the fair value which, in the opinion of management, was considered to be other than temporary. The write down is included in other (income)/expense in the accompanying statement of operations.

As of April 30, 2001 and 2002, the fair value of investments was approximately \$3,641 and \$62, respectively, which is included in investments in the accompanying consolidated balance sheets. Unrealized holdings gains/(losses) on such securities, which are included net of tax in stockholders' equity as of April 30, 2001 and 2002, amounted to \$586 (net of taxes of \$399) and \$0, respectively.

(h) Property, Plant and Equipment

Property, plant and equipment are recorded at cost, less accumulated depreciation and amortization. The Company provides for depreciation and amortization using the straight-line method by charges to operations in amounts that allocate the cost of the assets over their estimated useful lives as follows (See Note 5):

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

The cost of maintenance and repairs is charged to operations as incurred.

F-14

Capitalized landfill costs include expenditures for land and related airspace, permitting costs and preparation costs. Landfill permitting and preparation costs represent only direct costs related to these activities, including legal, engineering and construction. Landfill preparation costs include the costs of construction associated with excavation, liners, site berms and the installation of leak detection and leachate collection systems. Interest is capitalized on landfill permitting and construction projects while the assets are undergoing activities to ready them for their intended use. The interest capitalization rate is based on the Company's weighted average cost of indebtedness. Interest capitalized for the years ended April 30, 2000, 2001 and 2002 was \$640, \$373 and \$437, respectively. Management routinely reviews its investment in operating landfills, transfer stations and other significant facilities to determine whether the costs of these investments are realizable.

Landfill permitting, acquisition and preparation costs, excluding the estimated residual value of land, are amortized as landfill airspace is consumed. In determining the amortization rate for these landfills, preparation costs include the total estimated costs to complete construction of the landfills' permitted and permittable capacity. To be considered permittable, airspace must meet all of the following criteria: the Company must control the land on which the expansion is sought; all technical siting criteria have been met or a variance has been obtained or is reasonably expected to be obtained; no legal or political impediments have been identified which the Company believes will not be resolved in its favor; the Company is actively working on obtaining any necessary permits and expects that all required permits will be received within the next two to five years; and senior management has approved the project. Units-of-production amortization rates are determined annually for each of the Company's operating landfills. The rates are based on estimates provided by the Company's engineers and accounting personnel and consider the information provided by surveys, which are performed at least annually.

(i) Intangible Assets

Covenants not to compete and customer lists are amortized using the straight-line method over their estimated useful lives, typically no more than 10 years. Deferred debt acquisition costs are capitalized and amortized over the life of the related debt using the effective interest method (See Note 6).

Goodwill is the cost in excess of fair value of identifiable assets of acquired businesses and has been amortized through April 30, 2002 using the straight-line method over periods not exceeding 40 years. In July 2001, the FASB issued SFAS No. 141, *Business Combinations* and SFAS No. 142, *Goodwill and Other Intangible Assets*, effective for fiscal years beginning after December 15, 2001. These standards, among other things, significantly modify the current accounting rules related to accounting for business acquisitions, amortization of intangible assets and the method of accounting for impairments. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests. Other intangible assets will continue to be amortized over their useful lives (see Note 1(o)).

In accordance with SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*, the Company continually reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the remaining estimated useful life of such assets might warrant revision or that the balances may not be recoverable.

As a result of the factors discussed in Note 14, during 2001, the Company recorded a charge of \$59,619 to reduce certain assets (mainly goodwill arising from the acquisition of KTI, see Note 3), to their estimated fair value.

F-15

(j) Investments in Unconsolidated Entities

The Company entered into an agreement in July 2000 with Louisiana-Pacific to combine their respective cellulose insulation businesses into a single operating entity, US GreenFiber LLC ("GreenFiber") under a joint venture agreement effective August 1, 2000. The Company contributed the operating assets of its cellulose insulation manufacturing business together with \$1,000 in cash. There was no gain or loss recognized on this transaction. The Company's investment in GreenFiber amounted to \$17,881 and \$21,672 at April 30, 2001 and 2002, respectively.

A portion of the Company's 50% interest in New Heights was sold in September 2001 for consideration of \$250. The Company retained an interest of 9.95% in the tire assets of New Heights, as well as financial obligations related solely to the New Heights power plant. In addition, the Company has an interest in certain notes granted by New Heights collectively valued at approximately \$9,000, payment of which is contingent upon certain events. The Company will record the contingent consideration when the contingency is removed. The Company's investment in New Heights amounted to \$3,963 and \$2,113 at April 30, 2001 and 2002, respectively.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

The Company sold 80.1% of Recovery Technologies Group, Inc. ("RTG") in September, 2001 as part of the sale of the tire processing business. The Company retained a 19.9% indirect interest in the RTG tire collection and processing business which is valued at \$3,080 at April 30, 2002.

The Company accounts for its 50% ownership in GreenFiber as well as its retained investment in the New Heights project under the equity method of accounting.

(k) Income Taxes

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

(l) Accrued Closure and Post-Closure Costs

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

Accruals for closure and post-closure monitoring and maintenance requirements consider final capping of the site, site inspection, groundwater monitoring, leachate management, methane gas control and recovery, and operation and maintenance costs to be incurred during the period after the facility closes. Certain of these environmental costs, principally capping and methane gas control costs, are also incurred during the operating life of the site in accordance with the landfill operation requirements of Subtitle D and the air emissions standards. Reviews of the future cost requirements for closure and post-closure monitoring and maintenance for the Company's operating landfills by the Company's engineers, accounting personnel and consultants are performed at least annually and are the basis upon which the Company's estimates of these future costs and the related accrual rates are revised. The Company provides accruals for these estimated costs as the remaining permitted airspace of such facilities is consumed.

F-16

The Company operates in states which require a certain portion of landfill closure and post-closure obligations to be secured by financial assurance, which may take the form of restricted cash, surety bonds and letters of credit. Surety bonds securing closure and post-closure obligations at April 30, 2001 and 2002 totaled \$14,424 and \$13,654, respectively.

(m) Comprehensive (Loss) Income

Comprehensive (loss) income is defined as the change in net assets of a business enterprise during a period from transactions generated from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. Accumulated other comprehensive (loss) income included in the accompanying balance sheets consists of unrealized gains and losses on the Company's available for sale securities, change in the fair market value of the Company's interest swap and commodity hedge agreements as well as the cumulative effect of the change in accounting principle relative to the adoption of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (See Note 2).

(n) Earnings per Share

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

(o) New Accounting Pronouncements

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

In July 2001, the FASB issued SFAS No. 141, *Business Combinations* and SFAS No. 142, *Goodwill and Other Intangible Assets*. These new standards significantly modify the current accounting rules related to accounting for business acquisitions, amortization of intangible assets and the method of accounting for impairments of existing goodwill. The effective date for SFAS No. 142 is fiscal years beginning after December 15, 2001.

SFAS No. 142, among other things, eliminates the amortization of goodwill and requires an annual assessment of goodwill impairment by applying a fair value based test. SFAS No. 142 requires that any goodwill recorded in connection with an acquisition consummated on or after July 1, 2001 not be amortized. Accordingly, during the fiscal year ended April 30, 2002, the Company did not record goodwill amortization expense of approximately \$18 related to three acquisitions consummated after June 30, 2001. In connection with our adoption of SFAS No. 142 as of May 1, 2002, goodwill was determined to be impaired and the amount of \$62,826 (net of estimated tax benefit of \$187) was charged to earnings as a cumulative effect of a change in accounting principle. Remaining goodwill will be tested for impairment on an annual basis and further impairment charges may result. In accordance with the non-amortization provisions of SFAS No. 142, remaining goodwill will not be amortized going forward. As a result, it is estimated that operating income will increase by approximately \$6,285 per year. See Note 2(b) for transitional disclosures regarding the Company's adoption of SFAS 142.

In July 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations*. SFAS No. 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes the cost by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the entity either settles the obligation for the amount recorded or incurs a

F-17

gain or loss. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. Management is evaluating the effect of this statement on the Company's results of operations and financial position as well as related disclosures.

In August 2001, the FASB issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long Lived Assets*. SFAS No. 144 supercedes SFAS No. 121, *Accounting for the Impairment of Long Lived Assets and for Long Lived Assets to be Disposed Of*. SFAS No. 144 addresses financial accounting and reporting for the impairment of long lived assets held for use and for long-lived assets that are to be disposed of by sale (including discontinued operations). SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. See Note 2(c) for the impact on the Company's statement of financial position.

(p) Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable. Concentration of credit risk with respect to accounts receivable is limited because a large number of geographically diverse customers comprise the Company's customer base, thus spreading the trade credit risk. For the years ended April 30, 2001 and 2002, no single group or customer represents greater than 2.0% of total accounts receivable. The Company controls credit risk through credit evaluations, credit limits, and monitoring procedures. The Company performs credit evaluations for commercial and industrial customers and performs ongoing credit evaluations of its customers, but generally does not require collateral to support accounts receivable. Credit risk related to derivative instruments results from the fact the Company enters into interest rate and commodity price swap agreements with various counterparties. However, the Company monitors its derivative positions by regularly evaluating positions and the credit worthiness of the counterparties.

2. ADOPTION OF NEW ACCOUNTING STANDARDS

(a) SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*

The Company adopted SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, on May 1, 2001. SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. The Company's objective for utilizing derivative instruments is to reduce its exposure to fluctuations in cash flows due to changes in the variable interest rates under its credit facility and changes in the commodity prices of recycled paper.

The Company's strategy to hedge against fluctuations in variable interest rates involves entering into interest rate swaps that are specifically designated to existing interest payments under the credit facility and accounted for as cash flow hedges pursuant to SFAS No. 133. The

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Company has six interest rate swaps outstanding, expiring at various times between January and April 2003 with an aggregate notional amount of \$250,000. The Company has evaluated these swaps and believes these instruments qualify for hedge accounting pursuant to SFAS No. 133.

Upon adoption of SFAS No. 133, the Company recorded the fair value of these interest rate swaps as an obligation of \$6,900, with the offset (net of taxes of \$2,796) recorded as an unrealized loss in other comprehensive (loss) income (see Note 8). Because the relevant terms of the interest rate swaps and the specific debts they have been designated to hedge are not identical, the swaps are not perfectly effective, and could result in ineffectiveness being recorded in earnings. Accordingly, the ineffective portion of the hedge amounting to \$250 (net of taxes of \$170) has been recorded as a cumulative effect of change in accounting principle in the accompanying financial statements.

F-18

As of April 30, 2002 the fair value of these swaps was an obligation of \$8,225, with the net amount (net of taxes of \$3,312) recorded as an unrealized loss in other comprehensive (loss) income. The estimated net amount of the existing losses as of April 30, 2002 included in accumulated other comprehensive income expected to be reclassified into earnings as payments are either made or received under the terms of the interest rate swaps within the next 12 months is approximately \$8,225. The actual amounts reclassified into earnings are dependent on future movements in interest rates.

The Company's strategy to hedge against fluctuations in the commodity prices of recycled paper is to enter into hedges to mitigate the variability in cash flows generated from the sales of recycled paper at floating prices, resulting in a fixed price being received from these sales. The Company had entered into 10 commodity hedges, which expired at various times between December 2001 and February 2003. The Company had evaluated these hedges and believed that these instruments qualified for hedge accounting pursuant to SFAS No. 133. Because the relevant terms of the hedges and the transactions they were designated to hedge were identical, there was no ineffectiveness required to be recognized in earnings. Upon adoption of SFAS No. 133, the Company recorded the fair value of these hedges as an asset of \$1,800, with the net amount (net of taxes of \$729) recorded as an unrealized gain in other comprehensive (loss) income.

On December 2, 2001, Enron Corporation (Enron), the counterparty for all of the Company's commodity hedges, filed for Chapter 11 bankruptcy protection. As a result of the filing, the Company executed the early termination provisions provided under the forward contracts, and filed a claim with the bankruptcy court. Additionally, the Company agreed with its equity method investee, GreenFiber, to include GreenFiber in its claim (as allowed under the applicable affiliate provisions). The Company recorded a charge of \$1,688 in other expense to recognize the change in fair value of its commodity contracts. Subsequent changes in the fair value of these commodity contracts (currently \$319 in fiscal year 2002) will be reflected in earnings until their March 2003 termination.

Deferred gains of approximately \$661, net of tax, related to the Company's terminated contracts with Enron are included in accumulated other comprehensive income, and will be reclassified into earnings as the original hedged transactions settle.

(b) SFAS No. 142, *Goodwill and Other Intangible Assets*

As described in Note 1(o), and in accordance with the transition provisions required upon the adoption of SFAS No. 142 effective May 1, 2002, the following schedule reflects net income and earnings per share for fiscal years 2000, 2001 and 2002 adjusted to exclude goodwill amortization expense.

	Fiscal Year		
	2000	2001	2002
Reported net income (loss) available to common stockholders	\$ 11,050	\$ (103,505)	\$ 4,471
Goodwill amortization (net of income taxes of \$1,759, \$2,143 and \$1,329)	3,281	6,254	4,956
Adjusted net income (loss) available to common stockholders	\$ 14,331	\$ (97,251)	\$ 9,427
Basic earnings per common share:			
Reported net income (loss) available to common stockholders	\$ 0.59	\$ (4.46)	\$ 0.19
Goodwill amortization, net	0.18	0.27	0.21
Adjusted basic earnings (loss) per share available to common stockholders	\$ 0.77	\$ (4.19)	\$ 0.40

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

	Fiscal Year		

Diluted earnings per common share:			
Reported net income (loss) available to common stockholders	\$ 0.57	\$ (4.46)	\$ 0.19
Goodwill amortization, net	0.17	0.27	0.20
	-----	-----	-----
Adjusted diluted earnings (loss) per share available to common stockholders	\$ 0.74	\$ (4.19)	\$ 0.39
	-----	-----	-----

F-19

(c) SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*

On May 1, 2002, the Company adopted SFAS No. 144, *Accounting for the Impairment of Long-Lived Assets*. Among other things, this standard requires that the assets and liabilities of a disposal group held for sale (including those of discontinued operations) be presented separately in the asset and liability sections, respectively, of the balance sheet. The standard also requires reclassification of such items if financial statements are reissued. The table below shows the balance sheet as previously reported, and also as reclassified pursuant to SFAS No. 144. See also Note 14.

	April 30,	
	2001	2002
	-----	-----
<i>As previously reported:</i>		
Net assets held for sale	\$ 8,041	\$
Net assets of discontinued operations	11,534	1,619
Other current assets	106,010	75,481
	-----	-----
Total current assets	125,585	77,100
Non-current assets	560,708	543,941
	-----	-----
Total assets	\$ 686,293	\$ 621,041
	-----	-----
Current liabilities	\$ 70,528	\$ 73,083
Non-current liabilities	385,094	310,432
	-----	-----
Total liabilities	\$ 455,622	\$ 383,515
	-----	-----
<i>Reclassified pursuant to FAS 144:</i>		
Assets held for sale	\$ 44,225	\$ 2,447
Other current assets	106,010	75,481
	-----	-----
Total current assets	150,235	77,928
Non-current assets	560,708	543,941
	-----	-----
Total assets	\$ 710,943	\$ 621,869
	-----	-----
Liabilities of operations held for sale	\$ 24,650	\$ 828
Other current liabilities	70,528	73,083
	-----	-----
Total current liabilities	95,178	73,911
Other non-current liabilities	385,094	310,432
	-----	-----

April 30,

Total liabilities	\$	480,272	\$	384,343
-------------------	----	---------	----	---------

3. BUSINESS COMBINATIONS

(a) Transactions Recorded as Purchases

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

In addition to the above, the Company also acquired 38, 13 and four solid waste hauling operations in fiscal years 2000, 2001 and 2002, respectively, in transactions accounted for as purchases. Accordingly, the operating results of these businesses are included in the accompanying consolidated

F-20

statements of operations from the dates of acquisition, and the purchase prices have been allocated to the net assets acquired based on fair values at the dates of acquisition, with the residual amounts allocated to goodwill. Management does not believe the final purchase price allocation will produce materially different results than reflected herein.

The purchase prices allocated to those net assets acquired (including KTI) were as follows:

	April 30,		
	2000	2001	2002
Current assets	\$ 107,457	\$ 644	\$ 60
Property, plant and equipment	220,830	2,671	5,821
Intangible assets (including goodwill)	190,178	19,287	1,496
Other non-current assets	589		
Current liabilities	(41,647)	(4)	
Other non-current liabilities	(281,709)		
Total Consideration	\$ 195,698	\$ 22,598	\$ 7,377

The following unaudited pro forma combined information shows the results of the Company's operations for the fiscal years 2000 and 2001 as though each of the acquisitions completed in the two years occurred as of May 1, 1999. For the fiscal year 2002, unaudited pro forma combined information shows the results of the Company's operations as though each of the acquisitions completed in 2002 had occurred as of May 1, 2001.

	Fiscal Year		
	2000	2001	2002
Revenues	\$ 562,462	\$ 482,759	\$ 427,139
Operating income (loss)	\$ 53,912	\$ (28,474)	\$ 41,879
Net income (loss) available to common stockholders	\$ 11,345	\$ (103,446)	\$ 4,762
Diluted pro forma net income (loss) per common share	\$ 0.51	\$ (4.46)	\$ 0.20
Weighted average diluted shares outstanding	22,346	23,189	24,169

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

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

(b) Transactions Recorded as Poolings of Interests

The Company has completed several mergers and business acquisitions accounted for as poolings of interests. For the year ended April 30, 2000 the Company merged with two businesses and issued 362,973 Class A common shares. There were no acquisitions accounted for as poolings of interests in the fiscal years ended 2001 and 2002.

4. RESTRICTED CASH

Restricted cash consists of cash held in trust on deposit with various banks as collateral for the Company's financial obligations relative to its self-insurance claims liability as well as landfill closure and post-closure costs and other facilities' closure costs. Cash is also restricted by specific agreement for facilities' maintenance and other purposes.

F-21

A summary of restricted cash is as follows:

	April 30, 2001			April 30, 2002		
	Short Term	Long Term	Total	Short Term	Long Term	Total
Insurance	\$ 6,872	\$	\$ 6,872	\$ 10,144	\$	\$ 10,144
Landfill closure		2,498	2,498	91	2	93
Other facilities closure		301	301			
Facility maintenance and operations				50		50
Other	303	103	406	1		1
Total	\$ 7,175	\$ 2,902	\$ 10,077	\$ 10,286	\$ 2	\$ 10,288

5. PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment at April 30, 2001 and 2002 consist of the following:

	April 30,	
	2001	2002
Land	\$ 11,813	\$ 13,289
Landfills	90,173	112,506
Buildings and improvements	50,597	51,690
Machinery and equipment	139,921	147,838
Rolling stock	84,076	84,825
Containers	39,117	40,488
	415,697	450,636
Less Accumulated depreciation and amortization	125,160	163,521
	\$ 290,537	\$ 287,115

Depreciation expense for the fiscal years 2000, 2001 and 2002 was \$23,246, \$35,033 and \$32,382, respectively.

6. INTANGIBLE ASSETS

Intangible assets at April 30, 2001 and 2002 consist of the following:

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

	April 30,	
	2001	2002
Goodwill	\$ 241,181	\$ 239,836
Covenants not to compete	14,206	14,447
Customer lists	562	420
Deferred debt acquisition costs and other	8,040	8,490
	<u>263,989</u>	<u>263,193</u>
Less: accumulated amortization	26,416	34,742
	<u>\$ 237,573</u>	<u>\$ 228,451</u>

Amortization expense for the fiscal years 2000, 2001 and 2002 was \$15,097, \$17,850 and \$18,314, respectively.

F-22

7. OTHER ACCRUED LIABILITIES

Other accrued liabilities at April 30, 2001 and 2002 consist of the following:

	April 30,	
	2001	2002
Interest rate swap obligation	\$ 8,225	\$ 8,225
Self insurance reserve	5,341	5,491
Accrued restructuring liability	4,151	37
Other accrued liabilities	12,872	9,953
	<u>22,364</u>	<u>23,706</u>
Total other accrued liabilities	<u>\$ 22,364</u>	<u>\$ 23,706</u>

8. LONG-TERM DEBT

Long-term debt as of April 30, 2001 and 2002 consists of the following:

	April 30,	
	2001	2002
Advances on senior secured revolving credit facility (the "Revolver") which provides for advances of up to \$280,000, due December 14, 2004, bearing interest at LIBOR plus 2.50%, (approximately 4.50% at April 30, 2002 based on 3 month LIBOR), and decreasing to \$275,000 and \$250,000 in fiscal 2003 and 2004, respectively, collateralized by substantially all of the assets of the Company	\$ 208,415	\$ 156,800
Advances on senior secured delayed draw term "B" Loan (the "Term Loan") due December 14, 2006, bearing interest at LIBOR plus 3.75% (approximately 5.75% at April 30, 2002 based on 3 month LIBOR), and calling for principal payments of \$1,500 per year, beginning in fiscal 2001 with the remaining principal balance due at maturity. This loan is collateralized by substantially all of the assets of the Company	137,500	119,300
Notes payable in connection with businesses acquired, bearing interest at rates of 0% - 12.5%, due in monthly or annual installments varying to \$22, expiring December 2002 through May 2009	4,329	1,797

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

	<u>April 30,</u>	
Subordinated, convertible notes payable in connection with business acquired, bearing interest at 7.5%, due in monthly installments varying to \$48, expiring on March 15, 2003. Convertible into Class A common stock of the Company, at the note holder's election, at the rate of one share of common stock for each \$15.375 of the principal amount surrendered for conversion	4,110	2,419
Notes payable in connection with businesses acquired, bearing interest at 0%, discounted at 4.74% to 5.5%, due in monthly and quarterly installments varying to \$375 through April 2005	2,847	3,665
	<u>357,201</u>	<u>283,981</u>
Less Current Portion	6,690	6,436
	<u>\$ 350,511</u>	<u>\$ 277,545</u>

The Revolver and the Term Loan credit facility agreements contain covenants that restrict dividends and stock repurchases, limit capital expenditures and annual operating lease payments, set minimum fixed charges, interest coverage and leverage ratios and positive quarterly profitable operations, as defined. For the year ended April 30, 2002, the Company considered its quarterly profitable operations measure to be the most restrictive. For the quarter ended April 30, 2001, the

F-23

Company's compliance with the covenants was waived. The Revolver credit agreement requires the Company to pay a quarterly commitment fee of 0.50% on the full amount of the facility.

Further advances were available under the Revolver in the amount of \$44,985 and \$83,276 as of April 30, 2001 and 2002, respectively. These available amounts are net of outstanding irrevocable letters of credit totaling \$26,600 and \$39,923 as of April 30, 2001 and 2002. As of April 30, 2001 and 2002 no amounts had been drawn under the outstanding letters of credit.

The Company has entered into interest rate swap agreements to balance fixed and floating rate debt interest risk in accordance with management's criteria. The agreements are contracts to exchange fixed and floating interest rate payments periodically over a specified term without the exchange of the underlying notional amounts. The agreements provide only for the exchange of interest on the notional amounts at the stated rates, with no multipliers or leverage. Differences paid or received over the life of the agreements are recorded in the consolidated financial statements as additions to or reductions of interest expense on the underlying debt. The fair market value of the swaps is estimated at a loss of \$6,900 and \$8,225 as of April 30, 2001 and 2002, respectively.

As of April 30, 2002, interest rate agreements in notional amounts and with terms as set forth in the following table were outstanding:

<u>Bank</u>	<u>Notional Amounts</u>	<u>Receive</u>	<u>Pay</u>	<u>Range of Agreement</u>
Bank A	\$ 130,000	LIBOR	5.43 6.74%	January 2001 to March 2003
Bank B	\$ 120,000	LIBOR	5.19 6.875%	April 2000 to April 2003

As of April 30, 2002, debt matures as follows:

<u>Fiscal Year</u>	
2003	\$ 6,436
2004	2,365
2005	159,072
2006	1,452
2007	114,512
Thereafter	<u>144</u>

\$ 283,981

The Company is negotiating a new senior secured credit facility which will provide for a \$150,000 term loan and a \$175,000 revolving credit facility, for total aggregate borrowings of up to \$325,000. The new credit facilities will be available to the Company contingent upon the closing of a senior subordinated note offering in the amount of \$150,000. The net proceeds from the senior subordinated note offering and initial borrowings under the new senior secured credit facilities will be used to repay all outstanding amounts under its existing senior secured credit facilities, fees and expenses related to the new senior secured credit facilities and for general corporate purposes. There can be no assurance that these financings will be completed.

F-24

9. COMMITMENTS AND CONTINGENCIES

(a) Leases

The following is a schedule of future minimum lease payments, together with the present value of the net minimum lease payments under capital leases, as of April 30, 2002.

	<u>Operating Leases</u>	<u>Capital Leases</u>
Fiscal Year		
2003	\$ 5,013	\$ 2,070
2004	4,260	1,297
2005	3,844	730
2006	3,350	535
2007	2,158	494
Thereafter	1,452	535
Total Minimum Lease Payments	<u>\$ 20,077</u>	5,661
Less amount representing interest		<u>794</u>
		4,867
Current maturities of capital lease obligations		<u>1,816</u>
Present value of long term capital lease obligations		<u>\$ 3,051</u>

The Company leases real estate, compactors and hauling vehicles under leases that qualify for treatment as capital leases. The assets related to these leases have been capitalized and are included in property and equipment at April 30, 2001 and 2002.

The Company leases operating facilities and equipment under operating leases with monthly payments varying to \$63.

Total rent expense under operating leases charged to operations was \$1,979, \$2,649 and \$5,787 for each of the fiscal years 2000, 2001 and 2002, respectively.

(b) Investment in Waste to Energy Facilities

Effective March 1, 2001, the Company acquired the remaining 16.25% minority interest in its majority owned subsidiary, Maine Energy, and sold all of its majority interest in the Penobscot Energy Recovery Company LP. Net proceeds for these transactions amounted to \$12,011. Therefore, the Company now owns a 100% interest in Maine Energy, which utilizes non-hazardous solid waste as the fuel for the generation of electricity.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Maine Energy sells the electricity it produces to Central Maine Power ("Central Maine") pursuant to a long-term power purchase agreement. Under this agreement, Maine Energy has agreed to sell energy to Central Maine through May 31, 2007 at an initial rate of 7.18 cents (determined in 1996) per kilowatt-hour ("kWh"), which escalates annually by 2% (8.32 cents per kWh as of April 30, 2002). From June 1, 2007 until December 31, 2012, Maine Energy is to be paid the then current market value for both its energy and capacity by Central Maine.

If, in any year, Maine Energy fails to produce 100,000,000 kWh of electricity and Maine Energy does not have a force majeure defense, such as physical damage to the plant or other similar events, Maine Energy must pay approximately \$3,750 to Central Maine as liquidated damages. This payment obligation is secured by a letter of credit with a bank. Additionally, if, in any year, Maine Energy fails to produce 15,000,000 kWh of electricity and Maine Energy does not have a force majeure defense, Maine Energy must pay the balance of the letter of credit to Central Maine as liquidated damages. The balance of the letter of credit at April 30, 2002 was \$22,500.

F-25

The Company has met all of its kWh requirements under the power purchase agreement for the fiscal years 2000, 2001 and 2002.

Under the terms of a waste handling agreement between certain municipalities and Maine Energy, the latter is obligated to make a payment at the point in time that Maine Energy pays off its debt obligations (as defined), currently estimated to occur between 2003 and 2005, or upon the consummation of an outright sale of Maine Energy. The estimated obligation has been recorded in other long-term liabilities as of April 30, 2002.

Additionally, the Company owned 100% of Timber Energy Resources, Inc. ("Timber Energy"). Timber Energy uses biomass waste as its source of fuel to be combusted for the generation of electricity. Timber Energy also operates two wood processing facilities. Timber Energy sells the electricity that it generates to Florida Power Corporation ("Florida Power"), a local electric utility, under a power purchase agreement. Under the terms of the power purchase agreement, Florida Power has agreed to purchase all of the electricity generated by Timber Energy. Timber Energy was sold effective July 31, 2001.

(c) Legal Proceedings

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

During fiscal year 2002, the Company settled four lawsuits all of which had been previously provided for, thus having no effect on the Company's financial position.

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

(d) Environmental Liability

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

(e) Employment Contracts

The Company has entered into employment contracts with four of its senior officers. Two contracts are dated December 8, 1999, while the other two are dated June 18, 2001 and July 20, 2001, respectively. Each contract has a three-year term and a two-year covenant not to compete from the date of termination. Total annual commitments for salaries under these contracts are \$1,033. In the

F-26

event of a change in control of the Company, or in the event of involuntary termination without cause, the employment contracts provide for the payment of from one to three years of salary and bonuses.

10. STOCKHOLDERS' EQUITY

(a) Preferred Stock

The Company is authorized to issue up to 1,000,000 shares of preferred stock in one or more series. As of April 30, 2001 and 2002, the Company had 55,750 shares outstanding of Series A Redeemable Convertible Preferred Stock issued at \$1,000 per share. These shares are convertible into Class A common stock, at the option of the Holders, at \$14 per share. Dividends are cumulative at a rate of 5%, compounded quarterly. The Company has the option to redeem the preferred stock for cash at any time after three years at a price giving the holder a defined yield, but must redeem the shares by the seventh anniversary date at liquidation value, which equals original cost, plus accrued but unpaid dividends, if any. Pursuant to the stock agreement, acceleration of the liquidation provisions would occur upon change in control of the Company.

During the fiscal years 2001 and 2002, the Company accrued \$1,970 and \$3,010 of dividends, respectively, which are included in the carrying value of the preferred stock in the accompanying consolidated balance sheet.

(b) Common Stock

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

(c) Stock Warrants

At April 30, 2001 and 2002, the Company had outstanding warrants to purchase 250,880 and 227,530 shares, respectively, of the Company's Class A Common Stock at exercise prices between \$0.01 and \$43.63 per share, based on the fair market value of the underlying common stock at the time of the warrants' issuance. The warrants are exercisable and expire at varying times through November 2008.

(d) Stock Option Plans

During 1993, the Company adopted an incentive stock option plan for officers and other key employees. The 1993 Incentive Stock Option Plan (the "1993 Option Plan") provided for the issuance of a maximum of 300,000 shares of Class A Common Stock. As of April 30, 2001, options to purchase 17,000 shares of Class A common stock were outstanding at a weighted average exercise price of \$4.61. As of April 30, 2002, options to purchase 15,000 shares of Class A common stock were outstanding at a weighted average exercise price of \$4.61. No further options may be granted under this plan.

During 1994, the Company adopted a non-statutory stock option plan for officers and other key employees. The 1994 Stock Option Plan (the "1994 Option Plan") provided for the issuance of a maximum of 150,000 shares of Class A Common Stock. As of April 30, 2001 and 2002, options to purchase 15,000 shares of Class A common stock at a weighted average exercise price of \$0.60 were outstanding under the 1994 Option Plan. No further options may be granted under this plan.

In May 1994, the Company also established a nonqualified stock option pool for certain key employees. The plan, which was not approved by stockholders, established 338,000 stock options to purchase Class A common stock. As of April 30, 2001, options to purchase 302,656 shares of Class A

common stock were outstanding at a weighted average exercise price of \$2.00. As of April 30, 2002, options to purchase 264,000 shares of Class A common stock were outstanding at a weighted average exercise price of \$2.00. No further options may be granted under this plan.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

During 1996, the Company adopted a stock option plan for employees, officers and directors of, and consultants and advisors to the Company. The 1996 Stock Option Plan (the "1996 Option Plan") provided for the issuance of a maximum of 918,135 shares of Class A Common Stock pursuant to the grant of either incentive stock options or non-statutory options. As of April 30, 2001, a total of 363,707 options to purchase Class A Common Stock were outstanding at a weighted average exercise price of \$11.98. As of April 30, 2002, a total of 320,238 options to purchase Class A common Stock were outstanding at an average exercise price of \$11.76. No further options may be granted under this plan.

On July 31, 1997, the Company adopted a stock option plan for employees, officers and directors of, and consultants and advisors to the Company. The Board of Directors has the authority to select the optionees and determine the terms of the options granted. The 1997 Stock Option Plan (the "1997 Option Plan") provides for the issuance of 5,328,135 shares of Class A Common Stock pursuant to the grant of either incentive stock options or non-statutory options, which includes all authorized, but unissued options under previous plans. As of April 30, 2001, options to purchase 4,066,020 shares of Class A Common Stock at an average exercise price of \$11.41 were outstanding under the 1997 Option Plan. As of April 30, 2002, options to purchase 3,404,628 shares of Class A Common Stock at a weighted average exercise price of \$13.81 were outstanding under the 1997 Option Plan. As of April 30, 2002, 2,007,534 options were available for future grant under the 1997 Option Plan.

Additionally, options outstanding under the assumed KTI Stock Option Plan totaled 588,769 and 123,992 at April 30, 2001 and 2002, respectively, at weighted average exercise prices of \$26.31 and \$23.18, respectively. Upon assumption of this plan, entitled optionees under the KTI plan received one option to acquire one share of the Company's stock for every option held. The exercise price of the converted options was increased by 96.1% based on relative fair values of the underlying stock at the date of the KTI acquisition.

On July 31, 1997, the Company adopted a stock option plan for non-employee directors of the Company. The 1997 Non-Employee Director Stock Option Plan provides for the issuance of a maximum of 100,000 shares of Class A Common Stock pursuant to the grant of non-statutory options. As of April 30, 2001 and 2002, options to purchase 56,500 shares of Class A Common Stock at a weighted average exercise price of \$16.00 and 94,000 shares of Class A Common Stock at a weighted average exercise price of \$14.12, respectively, were outstanding under the 1997 Non-Employee Director Stock Option Plan. As of April 30, 2002, 6,000 options were available for future grant under the 1997 Non-Employee Director Stock Option Plan.

On July 2, 2001, the Company offered its employees, other than executive officers, the opportunity to ask the Company to exchange options having an exercise price of \$12.00 or more per share. For every two eligible options surrendered, the participating option holders received one new option on February 4, 2002 at an exercise price of \$12.75, which was equal to the closing price of a common share as quoted by NASDAQ on that day.

Options generally vest over a one to three year period from the date of grant and are granted at prices at least equal to the prevailing fair market value at the issue date. In general, options are issued with a life not to exceed ten years.

F-28

Stock option activity for the fiscal years 2000, 2001 and 2002 is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, April 30, 1999	1,969,559	\$ 17.65
Granted	1,402,000	16.27
Issued in Connection with the Acquisition of KTI	930,417	26.59
Terminated	(216,335)	(20.56)
Exercised	(168,901)	(2.05)
	<hr/>	<hr/>
Outstanding, April 30, 2000	3,916,740	19.78
Granted	1,929,060	9.26
Terminated	(433,148)	(24.62)
Exercised	(3,000)	(8.69)
	<hr/>	<hr/>
Outstanding, April 30, 2001	5,409,652	15.65
Granted	710,565	13.09

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

	Number of Options	Weighted Average Exercise Price
Surrendered under Exchange Program	(666,315)	(27.77)
Terminated	(802,009)	(20.56)
Exercised	(415,035)	(7.87)
Outstanding, April 30, 2002	4,236,858	\$ 13.09
Exercisable, April 30, 2001	4,071,188	\$ 16.44
Exercisable, April 30, 2002	3,811,775	\$ 13.27

Set forth below is a summary of options outstanding and exercisable as of April 30, 2002:

Range of Exercise Price	Options Outstanding			Options Exercisable	
	Number of Outstanding Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Exercisable Options	Weighted Average Exercise Price
\$.60 \$ 2.00	279,000	2.1	\$ 1.92	279,000	\$ 1.92
\$ 4.61 \$ 8.78	1,205,127	6.2	8.29	1,173,794	8.32
\$ 10.00 \$ 18.00	2,110,674	6.9	13.46	1,735,700	13.91
\$ 18.01 \$ 27.00	406,310	6.6	22.60	390,954	22.75
Over \$ 27.00	235,747	2.0	31.13	232,327	31.11
Totals	4,236,858	6.1	\$ 13.09	3,811,775	\$ 13.27

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

The Company has elected to account for its stock-based compensation plans under APB Opinion No. 25. However, the Company has computed, for pro forma disclosure purposes, the value of all options granted during the fiscal years 2000, 2001 and 2002 using the Black-Scholes option pricing

F-29

model as prescribed by SFAS No. 123, using the following weighted average assumptions for grants in the fiscal years ended 2000, 2001 and 2002.

	April 30,					
	2000		2001		2002	
Risk free interest rate	5.81%	6.69%	4.85%	6.76%	4.03%	5.05%

April 30,

Expected dividend yield	N/A	N/A	N/A
Expected life	5 Years	7 Years	5 Years
Expected volatility	67.37%	84.20%	65.00%

The total value of options granted during the years ended April 30, 2000, 2001 and 2002 would be amortized on a pro forma basis over the vesting period of the options. Options generally vest over a one to three year period. If the Company had accounted for these plans in accordance with SFAS No. 123, the Company's net income (loss) and net income (loss) per share would have changed as reflected in the following pro forma amounts:

	Fiscal Year		
	2000	2001	2002
Net income (loss) available to common stockholders			
As reported	\$ 11,050	\$ (103,505)	\$ 4,471
Pro forma	\$ 4,379	\$ (116,594)	\$ 667
Diluted net income (loss) per share of common stock			
As reported	\$ 0.57	\$ (4.46)	\$ 0.19
Pro forma	\$ 0.23	\$ (5.03)	\$ 0.03

The weighted average grant date fair value of options granted during the fiscal years 2000, 2001 and 2002 is \$3.30, \$7.28 and \$7.06, respectively.

11. RESTRUCTURING

In April 2001, the Company's Board of Directors approved a reorganization of certain of the Company's operations. This reorganization consisted of the elimination of various positions and the closure of certain facilities. The following items were charged to earnings during 2001:

Severance	\$ 3,786
Facility closures	365
	<u>\$ 4,151</u>

Severance relates to the termination of 19 employees, primarily in management and administration, as well as three officers of the Company. Facility closures include the costs of closing two transfer stations.

During the fiscal year 2002, \$3,676 was charged against the accrual. At April 30, 2002, the reversal of various prior year unrealized restructuring expenses netted with current year restructuring charges of \$254, amounted to (\$438). The remaining balance included in other accrued liabilities in the accompanying April 30, 2002 balance sheet amounts to \$37.

12. EMPLOYEE BENEFIT PLANS

The Company offers its eligible employees the opportunity to contribute to a 401(k) plan. The Company may contribute up to 500 dollars per individual per calendar year. Participants vest in

F-30

employer contributions ratably over a three-year period. Employer contributions for the fiscal years 2000, 2001 and 2002 amounted to \$387, \$434 and \$406, respectively.

In January 1998, the Company implemented its Employee Stock Purchase Plan. Under this plan, qualified employees may purchase shares of Class A Common Stock by payroll deduction at a 15% discount from the market price. 600,000 shares of Class A Common Stock have been reserved for this purpose. During the fiscal years 2000, 2001 and 2002, 6,616, 29,287 and 30,904 shares, respectively, of Class A Common Stock were issued under this plan.

13. INCOME TAXES

The provision (benefit) for income taxes from continuing operations for the fiscal years 2000, 2001 and 2002 consists of the following:

	April 30,		
	2000	2001	2002
Federal			
Current	\$ 4,912	\$ (1,036)	\$ (1,639)
Deferred	3,079	(2,935)	9,071
Deferred benefit of loss carryforwards		(5,721)	(4,049)
	<u>7,991</u>	<u>(9,692)</u>	<u>3,383</u>
State			
Current	1,791	(829)	565
Deferred	833	(1,068)	2,966
Deferred benefit of loss carryforwards		(1,142)	(1,027)
	<u>2,624</u>	<u>(3,039)</u>	<u>2,504</u>
Total	<u>\$ 10,615</u>	<u>\$ (12,731)</u>	<u>\$ 5,887</u>

The differences in the provision for income taxes and the amounts determined by applying the Federal statutory rate to income before provision for income taxes for the years ended April 30, 2000, 2001 and 2002 are as follows:

	Fiscal Year		
	2000	2001	2002
Federal statutory rate	35%	35%	35%
Tax at statutory rate	\$ 7,632	\$ (32,978)	\$ 6,200
State income taxes, net of federal benefit	1,706	(1,975)	1,628
Non-deductible impairment charge		12,825	
Non-deductible goodwill	205	1,155	1,052
Losses on business dispositions			(2,072)
Equity in loss of unconsolidated entities	295	6,390	(390)
Other, net	777	1,852	(531)
	<u>\$ 10,615</u>	<u>\$ (12,731)</u>	<u>\$ 5,887</u>

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

F-31

Deferred tax assets and liabilities consist of the following at April 30, 2001 and 2002:

	April 30,	
	2001	2002
Deferred tax assets:		

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

	April 30,	
	\$	\$
Accrued expenses and reserves	16,293	14,291
Basis difference in partnership interests	428	5,532
Amortization of intangibles	13,562	8,833
Unrealized loss on securities		3,727
Capital loss carryforward		1,900
Net operating loss carryforwards	35,931	38,672
Alternative minimum tax credit carryforwards	1,442	672
Other tax carryforwards	235	
Other	875	1,534
	<u>68,766</u>	<u>75,161</u>
Less: valuation allowance	(24,134)	(28,512)
	<u>44,632</u>	<u>46,649</u>
Deferred tax liabilities:		
Accelerated depreciation of property and equipment	(28,980)	(35,495)
Other	(2,378)	(1,739)
	<u>(31,358)</u>	<u>(37,234)</u>
Net deferred tax asset (liability)	\$ 13,274	\$ 9,415

At April 30, 2002, the Company has for income tax purposes Federal net operating loss carryforwards of approximately \$90,255 that expire in years 2005 through 2022 and state net operating loss carryforwards of approximately \$88,897 that expire in years 2003 through 2022. Substantial limitations restrict the Company's ability to utilize certain Federal and state loss carryforwards. Due to uncertainty of the utilization of the carryforwards, no tax benefit has been recognized for approximately \$38,386 of the Federal net operating loss carryforwards and \$76,560 of the state net operating loss carryforwards. In addition, the Company has approximately \$672 minimum tax credit carryforward available that is not subject to limitation.

The \$4,378 net increase in the valuation allowance is due to the addition of a valuation allowance for a capital loss carryforward generated in the current year and the increase in the basis difference for the investment in New Heights, less the expiration of certain state loss carryforwards and \$3,156 reduction in Federal losses acquired through acquisitions and recorded as a reduction of goodwill. The Company reduced the valuation allowance for Federal losses due to higher estimates of future taxable income and due to a reduction of the limitation on a portion of the losses upon the sale of certain operations.

The valuation allowance includes \$15,690 related to losses acquired through acquisitions. To the extent that future realization of such carryforwards exceeds the Company's current estimates, additional benefits received will be recorded as a reduction of goodwill. In assessing the realizability of carryforwards and other deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company adjusts the valuation allowance in the period management determines it is more likely than not that deferred tax assets will or will not be realized.

F-32

14. DISCONTINUED OPERATIONS, ASSETS HELD FOR SALE, DIVESTITURES AND EXTRAORDINARY ITEM

Discontinued Operations:

At the end of fiscal year 2001, the Company adopted a formal plan to dispose of its tire processing, commercial recycling and mulch recycling businesses (herein "discontinued businesses"). The Company is accounting for these planned dispositions in accordance with APB

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Opinion No. 30, and accordingly the discontinued businesses are carried at estimated net realizable value less costs to be incurred through date of disposition.

For the fiscal year 2001, the estimated loss on the disposal of the discontinued operations of \$3,846, net of income tax benefit of \$1,085, represents the estimated loss on the disposal of the assets of the discontinued operations and includes costs to sell, estimated loss on sale and a provision for losses during the phase-out period.

The mulch recycling business was sold effective June 30, 2001. The Company's tire processing business was sold in September 2001 for cash consideration of \$13,745. The Company retained a 19.9% interest in the new venture, which was valued at \$3,080. The Company is accounting for its retained investment under the cost method. The commercial recycling center in Newark, New Jersey was sold effective April 18, 2002.

Actual operating results of discontinued businesses for the fiscal year 2002 exceeded the original estimate by \$599 (net of income tax provision of \$408), and the actual loss on the sale of assets exceeded the estimate by \$4,695 (net of income tax benefit of \$565). Accordingly, the accompanying income statement for the year ended April 30, 2002 includes an additional loss on disposal of discontinued operations of \$4,096.

Net assets of discontinued operations at April 30, 2002 represent a commercial recycling facility that the company expects to sell in fiscal year 2003. Net assets of discontinued operations are stated at their expected net realizable values and have been separately classified in the accompanying balance sheets at April 30, 2001 and 2002 and consist of the following:

	April 30,	
	2001	2002
Current assets	\$ 8,407	\$ 243
Non-current assets	18,949	2,204
	\$ 27,356	\$ 2,447
Current liabilities	\$ 9,690	\$ 828
Non-current liabilities	6,132	0
	\$ 15,822	\$ 828
Liabilities of operations held for sale	\$ 15,822	\$ 828
	\$ 11,534	\$ 1,619
Net assets of discontinued operations	\$ 11,534	\$ 1,619

F-33

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

	Fiscal Year	
	2000	2001
Revenues	\$ 23,129	\$ 48,607
(Loss) income before income taxes	3,355	(24,229)
(Benefit) provision for income taxes	1,471	(8,781)
	\$ 1,884	\$ (15,448)
(Loss) income from discontinued operations, net of income taxes	\$ 1,884	\$ (15,448)

The Company has included approximately \$13,957 and \$27,921 of intercompany sales of recyclables from the commercial recycling business to the brokerage business in loss on discontinued operations for the fiscal years 2000, and 2001, respectively. Intercompany sales of recyclables from the commercial recycling business to the brokerage business amounted to \$13,259 for the year ended April 30, 2002.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Net Assets Held for Sale:

The Company had identified for sale certain other businesses which were classified as net assets held for sale as of April 30, 2001. These included its Timber Energy business and its one remaining plastics recycling facility.

On May 17, 2001, the plastics recycling business was sold for approximately \$998 in total consideration. The consideration consisted of \$406 in cash and \$592 in notes.

On July 31, 2001, the Timber Energy business was sold for approximately \$15,000 in total consideration. The consideration comprised the buyer's assumption of debt, reimbursement of restricted cash funds, and a working capital adjustment, resulting in \$10,691 cash.

Consolidated net assets held for sale primarily consisted of cash, accounts receivable, inventories, property, plant and equipment, trade payables and bonds payable. At April 30 2001, assets and liabilities of the assets held for sale consisted of the following:

	April 30, 2001
Current assets	\$ 4,361
Non-current assets	12,508
Assets held for sale	\$ 16,869
Current liabilities	\$ 4,165
Non-current liabilities	4,663
Liabilities of operations held for sale	\$ 8,828
Net assets held for sale	\$ 8,041

Net assets held for sale was \$0 at April 30, 2002.

Other Divestitures:

A portion of the Company's 50% interest in New Heights was sold in September 2001 for consideration of \$250. The Company retained an interest of 9.95% in the tire assets of New Heights, as well as financial obligations related solely to the New Heights power plant. In addition, the Company has an interest in certain notes granted by New Heights collectively valued at approximately \$9,000, payment of which is contingent upon certain events. The Company will record the contingent consideration when the contingency is removed. The Company is accounting for its retained investment under the equity method.

F-34

In October, 2001, the Company sold its Multitrade division for consideration of \$6,893. The transaction resulted in a gain of \$4,156 which is included in other income.

In July, 2001, the Company sold its S&S Commercial division for consideration of \$887. The transaction resulted in a gain of \$692 which is included in other income.

Extraordinary Item:

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

15. EARNINGS PER SHARE

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

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

	Fiscal Year		
	2000	2001	2002
Numerator:			
Net income (loss) from continuing operations	\$ 11,190	\$ (82,241)	\$ 11,827
Less: preferred dividends		(1,970)	(3,010)
	\$ 11,190	\$ (84,211)	\$ 8,817
Denominator:			
Number of shares outstanding, end of period:			
Class A common stock	22,215	22,198	22,667
Class B common stock	988	988	988
Effect of weighted average shares outstanding during period	(4,472)	3	(159)
	18,731	23,189	23,496
Impact of potentially dilutive securities:			
Dilutive effect of options, warrants and contingent stock	541		673
	19,272	23,189	24,169

For the fiscal years 2000, 2001 and 2002, 2,033, 5,389 and 6,653, respectively, of common stock equivalents related to options, convertible debt, warrants and redeemable convertible preferred stock, respectively, were excluded from the calculation of dilutive shares since the inclusion of such shares would be anti-dilutive as the Company had reported a net loss.

16. RELATED PARTY TRANSACTIONS

(a) Services

During fiscal years 2000, 2001 and 2002, the Company retained the services of a related party, a company wholly owned by two of the Company's major stockholders and members of the Board of Directors (one of whom is also an officer), as a contractor in developing or closing certain landfills owned by the Company. Total purchased services charged to operations or capitalized to landfills for

F-35

the fiscal years 2000, 2001 and 2002 were \$5,338, \$3,780 and \$2,559, respectively, of which \$23 and \$0 were outstanding and included in accounts payable at April 30, 2001 and 2002, respectively.

(b) Leases

On August 1, 1993, the Company entered into two leases for operating facilities with a partnership in which two of the Company's major stockholders and members of the Board of Directors (one of whom is also an officer) are the general partners. The leases are classified as capital leases in the accompanying consolidated balance sheets. The leases call for monthly payments of approximately \$18 and expire in April 2003. Total interest and amortization expense charged to operations for fiscal years 2000, 2001 and 2002 under these agreements was \$179, \$236 and \$204, respectively.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

(c) Post-closure Landfill

The Company has agreed to pay the cost of post-closure on a landfill owned by certain principal shareholders. The Company paid the cost of closing this landfill in 1992, and the post-closure maintenance obligations are expected to last until 2012. In the fiscal years 2000, 2001 and 2002, the Company paid \$5, \$7 and \$6 respectively, pursuant to this agreement. As of April 30, 2001 and 2002, the Company has accrued \$89 and \$83 respectively, for costs associated with its post-closure obligations.

(d) Transfer Station Lease

In June 1994, the Company entered into a transfer station lease for a term of 10 years. The transfer station is owned by a current member of the Company's Board of Directors, who became a director upon the execution of the lease. Under the terms of the lease the Company agreed to pay monthly rent for the first five years at a rate of five dollars per ton of waste disposed of at the transfer station, with a minimum rent of \$6.7 per month. Since June 1999, the monthly rent was lowered to a rate of two dollars per ton of waste disposed, with a minimum rent of \$2.5 per month. Total lease payments for the fiscal years 2000, 2001 and 2002 were \$53.8, \$55.4 and \$64.4, respectively.

(e) Employee Loans

As of April 30, 2001 and 2002, the Company has recourse loans to officers and employees outstanding in the amount of \$1,953 and \$1,105, respectively. The interest on these notes is payable upon demand by the company. The notes have no fixed repayment terms. Interest is at the Wall Street Journal Prime Rate (4.75% at April 30, 2002). Notes from officers consisted of \$1,866 and \$1,016 at April 30, 2001 and 2002; respectively, with the remainder being from employees of the Company.

(f) The Company sells recycled paper products to its equity method investee, GreenFiber. Revenue from sales to GreenFiber since the inception of the joint venture in July 2001 amounted to \$2,513 and \$2,303 for fiscal years 2001 and 2002, respectively.

F-36

17. SEGMENT REPORTING

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

The Company classifies its operations into Eastern, Central, Western and FCR Recycling. The Company's revenues in the Eastern, Central and Western segments are derived mainly from one industry segment, which includes the collection, transfer, recycling and disposal of non-hazardous solid waste. The Eastern Region also includes Maine Energy, which generates electricity from non-hazardous solid waste. The Company's revenues in the FCR Recycling and brokerage segment are derived from integrated waste handling services, including processing and recycling of wood, paper, metals, aluminum, plastics and glass and brokerage of recycled materials. Ancillary operations, mainly residue recycling, major customer accounts and earnings from equity method investees, are included in Other.

	<u>Eastern Region</u>	<u>Central Region</u>	<u>Western Region</u>	<u>FCR Recycling</u>	<u>Other</u>	<u>Eliminations</u>	<u>Total</u>
Year Ended April 30, 2000							
Outside revenues	\$ 84,353	\$ 97,807	\$ 60,671	\$ 46,034	\$ 26,148		\$ 315,013
Inter-segment revenues	13,999	32,657	12,776	9,242	4,978	(73,652)	
Net income (loss) from continuing operations before discontinued operations, extraordinary item and cumulative effect of change in accounting principle	1,259	14,793	5,227	3,190	(13,279)		11,190
Depreciation & amortization	11,692	13,992	7,847	1,228	3,584		38,343
Merger-related costs	1,101		389				1,490
Interest expense (net)	4,315	3,491	3,116	1,569	3,182		15,673
Capital expenditures	18,092	15,806	17,422	9,169	8,086		68,575
Total assets	377,724	127,749	112,237	91,870	150,890		860,470
Year Ended April 30, 2001							

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

	Eastern Region	Central Region	Western Region	FCR Recycling	Other	Eliminations	Total
Outside revenues	\$ 158,754	\$ 99,305	\$ 66,473	\$ 108,903	\$ 46,381	\$	\$ 479,816
Inter-segment revenues	38,267	40,498	14,995	18,463	1,273	(113,496)	
Net income (loss) from continuing operations before discontinued operations, extraordinary item and cumulative effect of change in accounting principle	(3,876)	3,706	4,152	(49,780)	(36,443)		(82,241)
Depreciation & amortization	20,349	14,330	9,855	3,955	4,394		52,883
Impairment charge	1,948	7,765	49	49,857			59,619
Interest expense (net)	10,346	3,564	4,321	6,923	13,493		38,647
Capital expenditures	25,843	20,545	16,445	7,750	(9,065)		61,518
Total assets	283,967	126,617	112,882	80,984	106,493		710,943

F-37

Year Ended April 30, 2002							
Outside revenues	\$ 148,726	\$ 95,305	\$ 65,628	\$ 93,703	\$ 17,459	\$	\$ 420,821
Inter-segment revenues	30,494	45,171	14,626	6,402	58	(96,751)	
Net income (loss) from continuing operations before discontinued operations, extraordinary item and cumulative effect of change in accounting principle	1,944	18,744	1,125	(8,501)	(1,485)		11,827
Depreciation & amortization	20,825	13,073	10,192	4,105	2,501		50,696
Interest expense (net)	8,708	3,096	7,434	10,044	1,289		30,571
Capital expenditures	15,850	11,856	6,490	2,573	905		37,674
Total assets	265,388	115,140	104,479	69,788	67,074		621,869

18. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following is a summary of certain items in the Consolidated Statements of Operations by quarter for fiscal years 2001 and 2002.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal Year 2001				
Revenues	\$ 141,080	\$ 126,448	\$ 112,705	\$ 99,583
Operating (loss) income	14,056	14,135	10,788	(67,944)
(Loss) income from continuing operations before income taxes, discontinued operations, extraordinary item and cumulative effect of change in accounting principle	3,630	3,101	(13,419)	(88,284)
Net (loss) income available to common stockholders	3,319	364	(13,620)	(93,568)
Basic net (loss) income per common share	0.14	0.02	(0.58)	(4.04)
Diluted net (loss) income per common share	0.14	0.01	(0.58)	(4.04)
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal Year 2002				
Revenues	\$ 112,341	\$ 109,785	\$ 101,189	\$ 97,506
Operating income	11,517	12,441	8,228	9,566
Income from continuing operations before income taxes, discontinued operations, extraordinary item and cumulative effect of change in accounting principle	4,574	9,261	883	2,996
Net (loss) income available to common stockholders	1,474	3,789	(732)	(60)
Basic net (loss) income per common share	0.06	0.16	(0.03)	
Diluted net (loss) income per common share	0.06	0.16	(0.03)	

F-38

19. SUBSEQUENT EVENT (UNAUDITED)

On January 24, 2003, the Company closed its \$150 million offering of 9.75% unsecured Senior Subordinated Notes ("notes") due 2013. Concurrently, the Company entered into new senior secured credit facilities, which provide for a \$150 million term loan and a \$175 million revolving credit facility, for total aggregate borrowings of up to \$325 million. The Company has the right to increase the amount of the revolver and/or the term loan by an aggregate amount of up to \$50 million at the Company's discretion, provided that the Company is not in default at the time of increase, subject to the receipt of commitments from lenders for such additional amount. The net proceeds from the offering of the notes and initial borrowings under the new senior secured credit facilities were used to repay all outstanding amounts under the old senior secured credit facility, fees and expenses related to the notes and the new senior secured credit facilities, and general corporate purposes.

The notes are guaranteed jointly and severally, fully and unconditionally by the Company and its significant subsidiaries. The Parent has no independent assets or operations and the non guarantor subsidiaries are minor.

F-39

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

	April 30, 2002	October 31, 2002
		(Unaudited)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,298	\$ 10,276
Restricted cash	10,286	10,627
Accounts receivable trade, net of allowance for doubtful accounts of \$786 and \$846	43,130	47,946
Notes receivable officers/employees	1,105	1,104
Prepaid expenses	3,156	4,859
Inventory	2,410	1,810
Investments	62	22
Deferred income taxes	8,767	8,154
Assets held for sale	2,447	2,414
Other current assets	2,267	2,276
Total current assets	77,928	89,488
Property, plant and equipment, net of accumulated depreciation and amortization of \$163,521 and \$180,741	287,115	284,197
Goodwill, net	219,466	158,047
Other intangible assets, net	8,985	6,755
Deferred income taxes	648	
Investments in unconsolidated entities	26,865	28,615
Net assets under contractual obligation		3,915
Other non-current assets	862	2,967

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

	April 30, 2002	October 31, 2002
	543,941	484,496
	\$ 621,869	\$ 573,984

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

F-40

	April 30, 2002	October 31, 2002
		(Unaudited)
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 6,436	\$ 5,056
Current maturities of capital lease obligations	1,816	1,669
Accounts payable	23,690	31,994
Accrued payroll and related expenses	5,813	6,406
Accrued interest	1,481	3,349
Accrued income taxes	3,676	5,655
Accrued closure and post-closure costs, current portion	6,465	3,433
Liabilities of operations held for sale	828	1,261
Other accrued liabilities	23,706	19,463
Total current liabilities	73,911	78,286
Long-term debt, less current maturities	277,545	274,793
Capital lease obligations, less current maturities	3,051	2,301
Accrued closure and post-closure costs, less current maturities	18,307	20,716
Minority interest	523	105
Deferred income taxes		2,914
Other long-term liabilities	11,006	10,765
COMMITMENTS AND CONTINGENCIES		
Series A redeemable, convertible preferred stock, 55,750 shares authorized, issued and outstanding as of April 30, 2002 and October 31, 2002, liquidation preference of \$1,000 per share plus accrued but unpaid dividends	60,730	62,258
STOCKHOLDERS' EQUITY:		
Class A common stock		
Authorized 100,000,000 shares, \$0.01 par value issued and outstanding 22,667,000 and 22,724,000 shares as of April 30, 2002 and October 31, 2002, respectively	227	227
Class B common stock		
Authorized 1,000,000 shares, \$0.01 par value 10 votes per share, issued and outstanding 988,000 shares	10	10
Accumulated other comprehensive loss	(4,250)	(2,527)
Additional paid-in capital	272,697	271,616
Accumulated deficit	(91,888)	(147,480)
Total stockholders' equity	176,796	121,846

April 30, 2002	October 31, 2002
\$ 621,869	\$ 573,984

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

F-41

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands)

(Unaudited)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2001	2002	2001	2002
Revenues	\$ 109,785	\$ 114,497	\$ 222,126	\$ 230,397
Operating expenses:				
Cost of operations	70,941	74,491	145,406	152,425
General and administration	13,468	14,161	27,192	28,554
Depreciation and amortization	12,935	12,221	25,565	24,277
	<u>97,344</u>	<u>100,873</u>	<u>198,163</u>	<u>205,256</u>
Operating income	<u>12,441</u>	<u>13,624</u>	<u>23,963</u>	<u>25,141</u>
Other expense/(income), net:				
Interest income	(411)	(81)	(691)	(156)
Interest expense	8,137	6,933	16,840	14,087
(Income) loss from equity method investments	1,074	(1,550)	508	(1,751)
Minority interest	40		(31)	(152)
Other expense/(income), net:	(5,660)	222	(6,503)	251
Other expense, net	<u>3,180</u>	<u>5,524</u>	<u>10,123</u>	<u>12,279</u>
Income from continuing operations before income taxes, discontinued operations and cumulative effect of change in accounting principle	9,261	8,100	13,840	12,862
Provision for income taxes	3,144	3,470	5,292	5,628
Net income from continuing operations before discontinued operations and cumulative effect of change in accounting principle	6,117	4,630	8,548	7,234
Estimated loss on disposal of discontinued operations (net of income tax benefit of \$574)	(1,625)		(1,625)	(62,825)
			(250)	(62,825)

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

	Three Months Ended October 31,		Six Months Ended October 31,	
Cumulative effect of change in accounting principle (net of income tax benefit of \$170 and \$189)				
Net (loss) income	4,492	4,630	6,673	(55,591)
Preferred stock dividend	703	769	1,405	1,528
Net (loss) income available to common stockholders	\$ 3,789	\$ 3,861	\$ 5,268	\$ (57,119)

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

F-42

	Three Months Ended October 31,		Six Months Ended October 31,	
	2001	2002	2001	2002
Earnings Per Share:				
Basic:				
Net income from continuing operations before discontinued operations and cumulative effect of change in accounting principle	\$ 0.23	\$ 0.16	\$ 0.31	\$ 0.24
Estimated loss on disposal of discontinued operations, net	(0.07)		(0.07)	
Cumulative effect of change in accounting principle, net			(0.01)	(2.65)
Net (loss) income per common share	\$ 0.16	\$ 0.16	\$ 0.23	\$ (2.41)
Basic weighted average common shares outstanding	23,409	23,710	23,338	23,697
Diluted:				
Net income from continuing operations before discontinued operations and cumulative effect of change in accounting principle	\$ 0.23	\$ 0.16	\$ 0.30	\$ 0.24
Estimated loss on disposal of discontinued operations, net	(0.07)		(0.07)	
Cumulative effect of change in accounting principle, net			(0.01)	(2.65)
Net (loss) income per common share	\$ 0.16	\$ 0.16	\$ 0.22	\$ (2.41)
Diluted weighted average common shares outstanding	24,101	23,939	23,996	23,697

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

F-43

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

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

(In thousands)

(Unaudited)

	Six Months Ended October 31,	
	2001	2002
Cash Flows from Operating Activities:		
Net (loss) income	\$ 6,673	\$ (55,591)
Adjustments to reconcile net (loss) income to net cash provided by operating activities		
Depreciation and amortization	25,565	24,277
Estimated loss on disposal of discontinued operations, net	1,625	
Cumulative effect of change in accounting principle, net	250	62,825
(Income) loss from equity method investments	508	(1,751)
Gain on investments, net	(1,654)	
Loss (gain) on sale of equipment	(158)	220
Gain on sale of assets	(4,698)	
Non cash directors compensation	20	20
Minority interest	(31)	(152)
Deferred income taxes	2,311	4,364
Changes in assets and liabilities, net of effects of acquisitions and divestitures		
Accounts receivable	2,960	(10,126)
Accounts payable	3,377	10,776
Other assets and liabilities	777	(3,435)
	<u>30,852</u>	<u>87,018</u>
Net Cash Provided by Operating Activities	<u>37,525</u>	<u>31,427</u>
Cash Flows from Investing Activities:		
Acquisitions, net of cash acquired	(311)	(1,486)
Proceeds from divestitures, net of cash divested	28,646	
Additions to property, plant and equipment	(21,994)	(20,667)
Proceeds from sale of equipment	820	340
Proceeds from sale of investments	3,530	
Distributions from (advances to) unconsolidated entities	(1,476)	500
Other	229	
	<u>9,444</u>	<u>(21,313)</u>
Net Cash (Used In) Provided by Investing Activities	<u>9,444</u>	<u>(21,313)</u>
Cash Flows from Financing Activities:		
Proceeds from long-term borrowings	35,915	54,550
Principal payments on long-term debt	(94,936)	(59,579)
Proceeds from exercise of stock options	1,718	427
	<u>(57,303)</u>	<u>(4,602)</u>
Net Cash Used In Financing Activities	<u>(57,303)</u>	<u>(4,602)</u>
Cash provided by (used in) discontinued operations	(5,295)	466
Net increase (decrease) in cash and cash equivalents	(15,629)	5,978
Cash and cash equivalents, beginning of period	22,001	4,298
	<u>\$ 6,372</u>	<u>\$ 10,276</u>
Cash and cash equivalents, end of period	<u>\$ 6,372</u>	<u>\$ 10,276</u>

Six Months Ended October 31,

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

F-44

	Six Months Ended October 31,	
	2001	2002
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for		
Interest	\$ 18,990	\$ 11,237
Income taxes, net of refunds	\$ 83	\$ 471
Supplemental Disclosures of Non-Cash Investing and Financing Activities:		
Summary of entities acquired in purchase business combinations		
Fair market value of assets acquired	\$ 336	\$ 1,589
Notes receivable exchanged for assets	(25)	
Cash paid, net	(311)	(1,486)
Liabilities assumed	\$	\$ 103

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

F-45

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for per share data)

(Unaudited)

1. ORGANIZATION

The consolidated balance sheets of Casella Waste Systems, Inc. and Subsidiaries (the "Company") as of April 30, 2002 and October 31, 2002, the consolidated statements of operations for the three and six months ended October 31, 2001 and 2002 and the consolidated statements of cash flows for the six months ended October 31, 2001 and 2002 are unaudited. In the opinion of management, such financial statements include all adjustments (which include normal recurring and nonrecurring adjustments) necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. The consolidated financial statements presented herein should be read in connection with the Company's audited consolidated financial statements as of and for the twelve months ended April 30, 2002. These were included as part of the Company's Annual Report on Form 10-K (the "Annual Report"). The results of the six months ended October 31, 2002 may not be indicative of the results that may be expected for the fiscal year ending April 30, 2003.

2. BUSINESS COMBINATIONS

During the six months ended October 31, 2002, the Company acquired three solid waste hauling operations in transactions accounted for as purchases. These transactions were in exchange for consideration of \$1,486 in cash to the sellers. During the six months ended October 31, 2001, the Company acquired two solid waste hauling operations accounted for as purchases. These transactions were in exchange for

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

consideration of \$311 in cash to the sellers. The operating results of these businesses are included in the consolidated statements of operations from the dates of acquisition. The purchase prices have been allocated to the net assets acquired based on their fair values at the dates of acquisition with the residual amounts allocated to goodwill.

The following unaudited pro forma combined information shows the results of the Company's operations as though each of the acquisitions had been completed as of May 1, 2001.

	Six Months Ended October 31, 2001	Six Months Ended October 31, 2002
Revenues	\$ 222,918	\$ 230,755
Operating income	24,178	25,237
Net (loss) income available to common stockholders	5,345	(57,089)
Diluted net (loss) income per common share	\$ 0.22	\$ (2.41)
Diluted weighted average common shares outstanding	23,996	23,697

The pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the actual results of operations had the acquisitions taken place as of May 1, 2001 or the results of future operations of the Company. Furthermore, the pro forma results do not give effect to all cost savings or incremental costs that may occur as a result of the integration and consolidation of the completed acquisitions.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

(a) SFAS No. 142, *Goodwill and Other Intangible Assets*

In July 2001, the FASB issued SFAS No. 141, *Business Combinations* and SFAS No. 142, *Goodwill and Other Intangible Assets*. These new standards significantly modify the current accounting rules

F-46

related to accounting for business acquisitions, amortization of intangible assets and the method of accounting for impairments of existing goodwill. The effective date for SFAS No. 142 is fiscal years beginning after December 15, 2001.

SFAS No. 142, among other things, eliminates the amortization of goodwill and requires an annual assessment of goodwill impairment by applying a fair value based test. SFAS No. 142 requires that any goodwill recorded in connection with an acquisition consummated on or after July 1, 2001 not be amortized. The Company performed an impairment test as of May 1, 2002 and goodwill was determined to be impaired and the amount of \$62,825 (net of tax benefit of \$189) was charged to earnings as a cumulative effect of a change in accounting principle. The goodwill impairment is associated with the assets acquired by the Company in connection with its acquisition of KTI. Remaining goodwill will be tested for impairment on an annual basis and further impairment charges may result. In accordance with the non-amortization provisions of SFAS No. 142, remaining goodwill will not be amortized going forward. The following schedule reflects net income and earnings per share for the three and six months ended October 31, 2001 and 2002 adjusted to exclude goodwill amortization and impairment charges.

	Three Months Ended October 31,		Six Months Ended October 31,	
	2001	2002	2001	2002
Reported net (loss) income available to common stockholders	\$ 3,789	\$ 3,861	\$ 5,268	\$ (57,119)
Goodwill impairment charge, net of taxes				62,825
Goodwill amortization (net of income taxes of \$354, \$0, \$635 and \$0)	1,319		2,370	
Adjusted net income available to common stockholders	\$ 5,108	\$ 3,861	\$ 7,638	\$ 5,706
Basic earnings per common share:				
Reported net (loss) income available to common stockholders	\$ 0.16	\$ 0.16	\$ 0.23	\$ (2.41)

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

	Three Months Ended October 31,		Six Months Ended October 31,	
	_____		_____	
Goodwill impairment charge, net of taxes			2.65	
Goodwill amortization, net of taxes	0.06		0.10	
	_____		_____	
Adjusted basic earnings per share available to common stockholders	\$ 0.22	\$ 0.16	\$ 0.33	\$ 0.24
	_____		_____	
Diluted earnings per common share:				
Reported net (loss) income available to common stockholders	\$ 0.16	\$ 0.16	\$ 0.22	\$ (2.41)
Goodwill impairment charge, net of taxes			2.65	
Goodwill amortization, net of taxes	0.05		0.10	
	_____		_____	
Adjusted diluted earnings per share available to common stockholders	\$ 0.21	\$ 0.16	\$ 0.32	\$ 0.24
	_____		_____	

(b) SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*

On May 1, 2002, the Company adopted SFAS No. 144, *Accounting for the Impairment of Long-Lived Assets*. Among other things, this standard requires that the assets and liabilities of a disposal group held for sale (including those of discontinued operations) be presented separately in the asset and liability sections, respectively, of the balance sheet. The standard also requires reclassification

F-47

of such items if financial statements are reissued. The table below shows the balance sheet as previously reported, and also as reclassified pursuant to SFAS No. 144.

	April 30, 2002	October 31, 2002
	_____	_____
<i>As previously reported:</i>		
Net assets held for sale	\$	\$
Net assets of discontinued operations	1,619	1,153
Other current assets	75,481	87,074

Total current assets	77,100	88,227
Non-current assets	543,941	484,496

Total assets	\$ 621,041	\$ 572,723

Current liabilities	\$ 73,083	\$ 77,025
Non-current liabilities	310,432	311,594

Total liabilities	\$ 383,515	\$ 388,619

<i>Reclassified pursuant to FAS 144:</i>		
Assets held for sale	\$ 2,447	\$ 2,414
Other current assets	75,481	87,074

Total current assets	77,928	89,488
Non-current assets	543,941	484,496

	April 30, 2002	October 31, 2002
	<u> </u>	<u> </u>
Total assets	\$ 621,869	\$ 573,984
	<u> </u>	<u> </u>
Liabilities of operations held for sale	\$ 828	\$ 1,261
Other current liabilities	73,083	77,025
	<u> </u>	<u> </u>
Total current liabilities	73,911	78,286
Other non-current liabilities	310,432	311,594
	<u> </u>	<u> </u>
Total liabilities	\$ 384,343	\$ 389,880
	<u> </u>	<u> </u>

4. LEGAL PROCEEDINGS

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

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

5. ENVIRONMENTAL LIABILITIES

The Company is subject to liability for any environmental damage, including personal injury and property damage, that its solid waste, recycling and power generation facilities may cause to neighboring property owners, particularly as a result of the contamination of drinking water sources or soil, possibly including damage resulting from conditions existing before the Company acquired the facilities. The Company may also be subject to liability for similar claims arising from off-site

F-48

environmental contamination caused by pollutants or hazardous substances if the Company or its predecessors arrange to transport, treat or dispose of those materials. Any substantial liability incurred by the Company arising from environmental damage could have a material adverse effect on the Company's business, financial condition and results of operations. The Company is not presently aware of any situations that it expects would have a material adverse impact.

6. EARNINGS PER SHARE

The following table sets forth the numerator and denominator used in the computation of earnings per share from continuing operations before discontinued operations and cumulative effect of change in accounting principle on a basic and diluted basis for the three and six months ended October 31, 2001 and 2002:

	Three Months Ended October 31,		Six Months Ended October 31,	
	<u>2001</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>
Numerator:				
Net income from continuing operations before discontinued operations and cumulative effect of change in accounting principle	\$ 6,117	\$ 4,630	\$ 8,548	\$ 7,234
Less: Preferred dividends	(703)	(769)	(1,405)	(1,528)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

	Three Months Ended October 31,		Six Months Ended October 31,	
Net income from continuing operations before discontinued operations and cumulative effect of change in accounting principle available to common stockholders	\$ 5,414	\$ 3,861	\$ 7,143	\$ 5,706
Denominator:				
Number of shares outstanding, end of period:				
Class A common stock	22,440	22,724	22,440	22,724
Class B common stock	988	988	988	988
Effect of weighted average shares outstanding during period	(19)	(2)	(90)	(15)
Weighted average number of common shares used in basic EPS	23,409	23,710	23,338	23,697
Impact of potentially dilutive securities:				
Dilutive effect of options, warrants and contingent stock	692	229	658	
Weighted average number of common shares used in diluted EPS	24,101	23,939	23,996	23,697

For the three and six months ended October 31, 2001, 7,381 and 7,371 common stock equivalents related to options, convertible debt, and redeemable convertible preferred stock, respectively, were excluded from the calculation of dilutive shares since the inclusion of such shares would be anti-dilutive.

F-49

For the three and six months ended October 31, 2002, 8,556 and 8,951 common stock equivalents related to options, convertible debt, and redeemable convertible preferred stock, respectively, were excluded from the calculation of dilutive shares since the inclusion of such shares would be anti-dilutive.

7. COMPREHENSIVE (LOSS) INCOME

Comprehensive (loss) income represents the change in the Company's equity from transactions and other events and circumstances from non-owner sources and includes all changes in equity except those resulting from investments by owners and distributions to owners.

Comprehensive (loss) income for the three and six months ended October 31, 2002 is as follows:

	Three Months Ended October 31, 2002	Six Months Ended October 31, 2002
Net (loss) income	\$ 4,630	\$ (55,591)
Other comprehensive income	1,297	1,723
Comprehensive (loss) income	\$ 5,927	\$ (53,868)

The components of other comprehensive income for the three and six months ended October 31, 2002 are shown as follows:

	Three Months Ended October 31, 2002		
	Gross	Tax effect	Net of Tax
Changes in fair value of marketable securities during the period, net	\$ (3)	\$	\$ (3)

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

	Three Months Ended October 31, 2002		
Change in fair value of interest rate swaps and commodity hedges during period, net	2,186	886	1,300
	<u>\$ 2,183</u>	<u>\$ 886</u>	<u>\$ 1,297</u>
	Six Months Ended October 31, 2002		
	Gross	Tax effect	Net of Tax
Changes in fair value of marketable securities during the period, net	\$ (40)	\$	\$ (40)
Change in fair value of interest rate swaps and commodity hedges during period, net	2,965	1,202	1,763
	<u>\$ 2,925</u>	<u>\$ 1,202</u>	<u>\$ 1,723</u>

8. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company's strategy to hedge against fluctuations in variable interest rates involves entering into interest rate swaps that are specifically designated to existing interest payments under the credit facility and accounted for as cash flow hedges pursuant to SFAS No. 133, *Accounting for Derivative Investments and Hedging Activities*. The Company has six interest rate swaps outstanding, expiring at various times between January and April 2003 with an aggregate notional amount of \$250,000. The Company has evaluated these swaps and believes these instruments qualify for hedge accounting pursuant to SFAS No. 133. As of October 31, 2002 the fair value of these swaps was an obligation of \$4,389, with the net amount (net of taxes of \$1,758) recorded as an unrealized loss in accumulated other comprehensive loss. The estimated net amount of the existing losses as of October 31, 2002 included in accumulated other comprehensive loss expected to be reclassified into earnings as payments

F-50

are either made or received under the terms of the interest rate swaps within the next 12 months is approximately \$4,389. The actual amounts reclassified into earnings are dependent on future movements in interest rates.

The Company's strategy to hedge against fluctuations in the commodity prices of recycled paper is to enter into hedges to mitigate the variability in cash flows generated from the sales of recycled paper at floating prices, resulting in a fixed price being received from these sales. The Company has eleven commodity hedge contracts outstanding. These contracts expire between August 2003 and August 2005. The Company has evaluated these hedges and believes that these instruments qualify for hedge accounting pursuant to SFAS No. 133. As of October 31, 2002 the fair value of these hedges was an obligation of \$70, with the net amount (net of taxes of \$28) recorded as an unrealized loss in accumulated other comprehensive loss.

On December 2, 2001, Enron Corporation ("Enron"), filed for Chapter 11 bankruptcy protection. As a result of the filing, the Company executed the early termination provisions provided under the forward contracts for which Enron was the counterparty, and the Company filed a claim with the bankruptcy court. Deferred gains of approximately \$186, net of tax, related to the Company's terminated contracts with Enron were included in accumulated other comprehensive loss, and will be reclassified into earnings as the original hedged transactions settle. Additionally, the Company agreed with its equity method investee, US GreenFiber LLC ("GreenFiber"), to include GreenFiber in its claim (as allowed under the applicable affiliate provisions) in exchange for entering into commodity contracts between GreenFiber and the Company on terms identical to those with Enron. Subsequent changes in the fair value of these commodity contracts (\$245 as of October 31, 2002) will be reflected in earnings until their March 2003 termination.

9. SEGMENT REPORTING

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

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

The Company classifies its operations into Eastern, Central, Western and FCR Recycling. The Company's revenues in the Eastern, Central and Western segments are derived mainly from one industry segment, which includes the collection, transfer, recycling and disposal of non-hazardous solid waste. The Eastern Region also includes Maine Energy, which generates electricity from non-hazardous solid waste. The Company's revenues in the FCR Recycling segment are derived from integrated waste handling services, including processing and recycling of wood, paper, metals, aluminum, plastics and glass and brokerage of recycled materials. Ancillary operations, mainly residue recycling, major customer accounts and investments in unconsolidated entities, are included in Other.

F-51

	<u>Eastern Region</u>	<u>Central Region</u>	<u>Western Region</u>	<u>FCR Recycling</u>	<u>Other</u>	<u>Eliminations</u>	<u>Total</u>
Three Months Ended							
October 31, 2001:							
Outside revenues	\$ 39,512	\$ 25,431	\$ 17,445	\$ 22,836	\$ 4,561	\$	\$ 109,785
Inter-segment revenues	9,021	11,947	3,681	485	308	(25,442)	
Net income (loss) from continuing operations before discontinued operations and cumulative effect of change in accounting principle	1,666	5,108	799	(1,143)	(313)		6,117
Total assets	\$ 269,237	\$ 116,996	\$ 110,094	\$ 71,444	\$ 74,676	\$	\$ 642,447
	<u>Eastern Region</u>	<u>Central Region</u>	<u>Western Region</u>	<u>FCR Recycling</u>	<u>Other</u>	<u>Eliminations</u>	<u>Total</u>
Three Months Ended							
October 31, 2002:							
Outside revenues	\$ 40,905	\$ 25,398	\$ 18,210	\$ 26,375	\$ 3,609	\$	\$ 114,497
Inter-segment revenues	10,726	11,983	3,830	1,926		(28,465)	
Net income (loss) from continuing operations before discontinued operations and cumulative effect of change in accounting principle	15	5,942	1,460	254	(3,041)		4,630
Total assets	\$ 214,062	\$ 113,676	\$ 108,034	\$ 61,437	\$ 76,775	\$	\$ 573,984
	<u>Eastern Region</u>	<u>Central Region</u>	<u>Western Region</u>	<u>FCR Recycling</u>	<u>Other</u>	<u>Eliminations</u>	<u>Total</u>
Six Months Ended							
October 31, 2001:							
Outside revenues	\$ 78,591	\$ 51,177	\$ 35,081	\$ 46,960	\$ 10,317	\$	\$ 222,126
Inter-segment revenues	16,829	24,405	8,187	3,199	1,849	(54,469)	
Net income (loss) from continuing operations before discontinued operations and cumulative effect of change in accounting principle	2,318	10,378	1,778	(3,114)	(2,812)		8,548
Total assets	\$ 269,237	\$ 116,996	\$ 110,094	\$ 71,444	\$ 74,676	\$	\$ 642,447
	<u>Eastern Region</u>	<u>Central Region</u>	<u>Western Region</u>	<u>FCR Recycling</u>	<u>Other</u>	<u>Eliminations</u>	<u>Total</u>
Six Months Ended							
October 31, 2002:							
Outside revenues	\$ 80,033	\$ 50,756	\$ 35,534	\$ 56,722	\$ 7,352	\$	\$ 230,397
Inter-segment revenues	20,451	24,380	7,724	5,711		(58,266)	
Net income (loss) from continuing operations before discontinued	(365)	11,378	2,532	60	(6,371)		7,234

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

	Eastern Region	Central Region	Western Region	FCR Recycling	Other	Eliminations	Total
operations and cumulative effect of change in accounting principle							
Total assets	\$ 214,062	\$ 113,676	\$ 108,034	\$ 61,437	\$ 76,775	\$	\$ 573,984

F-52

10. DISCONTINUED OPERATIONS

At the end of fiscal year 2001, the Company adopted a formal plan to dispose of its Tire Processing, Commercial Recycling and Mulch Recycling businesses (herein "discontinued businesses"). The Company has accounted for planned dispositions in accordance with APB Opinion No. 30, *Reporting the Effects of Disposal of a Segment of a Business*, and accordingly, discontinued businesses are carried at estimated net realizable value less costs to be incurred through the date of disposition.

Net assets of discontinued operations at October 31, 2002 represent a commercial recycling facility that the Company expects to sell in fiscal year 2003. Net assets of discontinued operations are stated at their expected net realizable value and have been separately classified in the accompanying balance sheets.

11. NET ASSETS UNDER CONTRACTUAL OBLIGATION

Effective September 30, 2002, the Company transferred its export brokerage operations to former employees who had been responsible for managing that business. Consideration for the transaction was in the form of two notes receivable amounting to \$5,463. These notes are payable within five years of the anniversary date of the transaction from free cash flow generated from the operations. The Company has not accounted for this transaction as a sale based on an assessment that the risks and other incidents of ownership have not sufficiently transferred to the buyer. The net assets of the operation are disclosed in the balance sheet as "net assets under contractual obligation", and will be reduced as payments are made.

12. NEW ACCOUNTING PRONOUNCEMENTS

In July 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations*. SFAS No. 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes the cost by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the entity either settles the obligation for the amount recorded or incurs a gain or loss. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The Company will adopt SFAS No. 143 beginning May 1, 2003. Management is evaluating the effect of this statement on the Company's results of operations and financial position as well as related disclosures.

In April 2002, the FASB issued SFAS No. 145, *Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections*. SFAS No. 145, among other things, restricts the classification of gains and losses from extinguishment of debt as extraordinary such that most debt extinguishment gains and losses will no longer be classified as extraordinary. SFAS No. 145 is effective for fiscal years beginning after May 15, 2002. Upon adoption, gains and losses on future debt extinguishment, if any, will be recorded in pre-tax income. Management is evaluating the effect of this statement on the Company's results of operations and financial position as well as related disclosures.

F-53

In July 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. SFAS No. 146 addresses costs such as restructuring, involuntary termination of employees and consolidating facilities but excludes from its scope exit and disposal activities that are in connection with a business combination and those activities to which SFAS No. 143 and No. 144 are applicable. SFAS No. 146 is effective for exit and disposal activities that are initiated after December 31, 2002. Management is evaluating the effect of this statement on the Company's results of operations and financial position as well as related disclosures.

F-54

REPORT OF INDEPENDENT AUDITORS

The Board of Directors

KTI, Inc.

We have audited the accompanying consolidated balance sheet of KTI, Inc. as of December 31, 1998, and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of KTI, Inc. at December 31, 1998, and the consolidated results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2, the previously issued financial statements for the year ended December 31, 1998 have been restated to reflect the deferral of revenue related to certain proceeds received in connection with the restructuring of a power purchase agreement and the sale of electric generating capacity with two utilities.

/s/ ERNST & YOUNG LLP

MetroPark, New Jersey
March 30, 1999, except for the
second paragraph of Note 8, as to
which the date is August 27, 1999,
Note 2 as to which the date is
August 30, 1999 and the first
paragraph of Note 20 as to which
the date is September 23, 1999

F-55

KTI, INC.**CONSOLIDATED BALANCE SHEET**

(In thousands, except share and per share amounts)

	December 31, 1998
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 9,426
Restricted funds	19,088
Accounts receivable, net of allowances of \$1,313	29,272
Consumables and spare parts	4,483
Inventory	4,866
Notes receivable officers/shareholders and affiliates	1,858

	December 31, 1998
Other receivables	4,158
Deferred taxes	4,832
Other current assets	3,370
<hr/>	
Total current assets	81,353
Restricted funds	4,350
Notes receivable officers/shareholders and affiliates	1,534
Other receivables	3,025
Other assets	6,167
Deferred taxes	1,407
Deferred costs, net of accumulated amortization of \$1,610	5,268
Goodwill and other intangibles, net of accumulated amortization of \$4,354	119,712
Property, equipment and leasehold improvements, net of accumulated depreciation of \$27,724	213,669
<hr/>	
Total assets	\$ 436,485
<hr/>	
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Accounts payable	\$ 14,940
Accrued expenses	9,313
Debt, current portion	9,775
Other current liabilities	4,499
<hr/>	
Total current liabilities	38,527
Other liabilities	4,227
Debt, less current portion	202,153
Minority interest	12,437
Deferred revenue	61,396
Customer advance	12,788
Convertible subordinated notes	6,770
COMMITMENTS AND CONTINGENCIES	
STOCKHOLDERS' EQUITY	
Preferred Stock: 10,000,000 shares authorized;	
Series A; non-voting; par value \$8 per share; 447,500 shares authorized, issued and outstanding	none
Series B; voting; par value \$25 per share; 8.75%, 880,000 shares authorized, issued and outstanding	none
Common stock; no par value (stated value \$.01 per share); authorized 40,000,000, issued and outstanding	133
13,266,204	115,026
Additional paid-in capital	(16,972)
Accumulated deficit	(16,972)
<hr/>	
Total stockholders' equity	98,187
<hr/>	
Total liabilities and stockholders' equity	\$ 436,485
<hr/>	

See accompanying notes.

CONSOLIDATED STATEMENT OF OPERATIONS

(In thousands, except share and per share amounts)

	Year Ended December 31, 1998
Revenues	\$ 179,007
Cost of operations	156,664
Gross Profit	22,343
Selling, general and administrative	7,947
Income from operations	14,396
Interest expense, net	(10,667)
Income before minority interest, benefit for income taxes and extraordinary item	3,729
Minority interest	3,702
Income before benefit for income taxes and extraordinary item	27
Benefit for income taxes	(3,023)
Income before extraordinary item	3,050
Extraordinary item Loss on early extinguishment of debt, net of minority interest and taxes	351
Net income	2,699
Accretion and accrued and paid dividends on preferred stock	(1,133)
Net income available to common shareholders	\$ 1,566
Net income per common share:	
Basic:	
Income before extraordinary item	\$ 0.18
Extraordinary item	(0.03)
Net income	\$ 0.15
Weighted average number of shares used in computation	10,548,570
Diluted:	
Income before extraordinary item	\$ 0.17
Extraordinary item	(0.03)
Net income	\$ 0.14
Weighted average number of shares used in computation	11,398,151

See accompanying notes.

KTI, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(In thousands of dollars, except share amounts)

	Series A Preferred Stock		Series B Preferred Stock		Common Stock
	Shares	Amount	Shares	Amount	Shares
Balance at December 31, 1997	447,500	3,732	856,000	21,400	8,912,630
Accretion of preferred stock		42			
Issuance of common stock and common stock purchase warrants for:					
Exercise of options					235,682
Exercise of warrants					411,894
Conversion of preferred stock:					
Series A	(447,500)	(3,774)			447,500
Series B			(856,000)	(21,400)	25,531
Conversion of debt					1,283,399
Employee savings plan contribution					4,215
Business combinations					1,945,353
Balance at December 31, 1998					13,266,204
	Amount	Additional Paid-in	Accumulated Deficit	Total	
Balance at December 31, 1997	89	52,762	\$ (18,267)	59,716	
Net income			2,699	2,699	
Accretion of preferred stock			(42)		
Issuance of common stock and common stock purchase warrants for:					
Exercise of options	2	1,894		1,896	
Exercise of warrants	4	1,648		1,652	
Non-employee director's compensation		205		205	
Conversion of preferred stock:					
Series A	4	3,770			
Series B	1	300		(21,099)	
Conversion of debt	13	15,686		15,699	
Employee savings plan contribution			41	41	
Business combinations	20	38,122		38,142	
Tax benefit realized from stock option transactions			738	738	
Dividends paid on Series B Preferred Stock			(1,404)	(1,404)	
Additional costs related to preferred stock issuance			(98)	(98)	
Balance at December 31, 1998	\$ 133	\$ 115,026	\$ (16,972)	\$ 98,187	

See accompanying notes.

F-58

KTI, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands)

	Year Ended December 31, 1998
Operating Activities	
Net income	\$ 2,699
Adjustments to reconcile net income to net cash provided by operating activities:	
Extraordinary loss	351
Depreciation and amortization	13,749
Minority interest, net of distributions	1,114
Deferred revenue and customer advance	(7,807)
Deferred income taxes	(3,913)
Provision for losses on accounts receivable	1,289
Interest accrued and capitalized on debt	1,109
Write-off of deferred project development costs	937
Non-cash directors' compensation	205
Premium for conversion of convertible debt to common stock	1,370
Other non-cash charges	187
Changes in operating assets and liabilities:	
Accounts receivable	1,866
Consumables, spare parts and inventory	(1,104)
Other receivables	1,206
Other assets	(1,172)
Accounts payable and accrued expenses	(9,038)
Other liabilities	(1,867)
Net cash provided by operating activities	1,181
Investing Activities	
Additions to property, equipment and leasehold improvements	(8,581)
Proceeds from sale of assets	460
Net change in restricted funds:	
Cash equivalents	(3,251)
Purchase of additional partnership interests	(2,410)
Purchase of businesses, net of cash acquired	(55,499)
Investment in unconsolidated affiliate	(865)
Notes receivable officers/shareholders and affiliates	(1,400)
Proceeds from sale of business	1,985
Net cash used in investing activities	(69,561)
F-59	
Financing Activities	
Deferred financing costs	(3,901)
Net borrowings on lines of credit	133,573
Proceeds from issuance of debt	44,995
Additional preferred stock issuance costs	(98)
Proceeds from customer advance, net	5,900
Proceeds from sale of common stock	3,548
Dividends paid	(1,404)
Principal payments on debt	(115,988)
Net cash provided by financing activities	66,625

Decrease in cash and cash equivalents	(1,755)
Cash and cash equivalents at beginning of year	11,181
Cash and cash equivalents at end of year	\$ 9,426

Supplemental Disclosure of Cash Flow Information

Interest paid	\$ 8,864
Taxes paid	150

Non Cash Investing and Financing Activities

Capital lease obligations entered into for lease of equipment	1,725
Purchase of businesses and additional partnership interest, net of cash acquired:	
Working capital deficit, net of cash acquired	(1,772)
Property, equipment and leasehold improvements	48,277
Purchase price in excess of net assets acquired	102,866
Other assets	4,466
Non-current liabilities	57,786
Common stock and common stock purchase warrants issued	38,142

See accompanying notes.

F-60

KTI, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of dollars, except share and per share amounts)

1. ORGANIZATION

KTI, Inc. ("KTI") and subsidiaries (collectively, the "Company"), is an integrated waste handling business providing wood, paper, corrugated, metals, plastic and glass processing and recycling, municipal solid waste processing and disposal capabilities, specialty waste disposal services, recycling of ash combustion residue, the generation of electricity and steam and the manufacture of finished products utilizing recyclable materials. The Company also markets recyclable metals, plastic, paper and corrugated processed at its facilities and by third parties. The Company operates 53 facilities in 21 states and Canada in four operating segments: Waste-to-Energy Processing, Finished Products, Commercial Recycling and Residential Recycling.

There are significant restrictions on the ability of certain of the Company's subsidiaries to distribute assets to the Company. These restrictions result from the terms of certain indebtedness and provisions of other agreements with third parties. These subsidiaries include the Company's majority-owned consolidated subsidiaries, Maine Energy Recovery Company ("Maine Energy") and Penobscot Energy Recovery Company ("PERC") and the Company's wholly-owned subsidiary Timber Energy Resources, Inc. ("TERI"). At December 31, 1998, the net assets of these subsidiaries was \$51,551.

Maine Energy, PERC and TERI are subject to the provisions of various federal, state, local and provincial energy laws and regulations, including the Public Utility Regulatory Policy Act of 1978, as amended. In addition, federal, state and local environmental laws establish standards governing certain aspects of the Company's operations. The Company believes it has all permits, licenses and approvals necessary to operate.

2. RESTATEMENT

The Company's balance sheet as of December 31, 1998 and the related statements of operations, stockholders' equity and cash flows for the year then ended have been restated. The restatement is a result of the Securities and Exchange Commission's review of the Company's proxy materials related to the prospective merger with Casella Waste Systems (See note 20). The restatement relates to revenue recognized as a result of the restructuring of a power purchase agreement and the sale of electric generating capacity by two of the Company's majority-owned subsidiaries with its customers, BHE and CMP, which were completed in 1998 and 1996, respectively (See notes 4 and 5). At the time of these

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

transactions, the Company had recognized revenues representing a portion of the cash received in 1996 and the total consideration received in 1998. After discussions with the staff of the Securities and Exchange Commission, the Company agreed to defer these amounts and recognize them over the term of the respective power purchase and capacity purchase agreements to comply with generally accepted accounting principles. In addition, performance credits previously reported as expense have been reclassified as a reduction of revenues. The impact of the restatement on the Company's consolidated financial results as originally reported is summarized as follows:

	As Reported	Restated
	1998	1998
Revenues	\$ 192,977	\$ 179,007
Income before extraordinary item	7,069	3,050
Net income (loss)	6,718	2,699
Net income (loss) available to common shareholders	5,585	1,566
Net income (loss) per share:		
Basic	0.53	0.15
Diluted	0.49	0.14

F-61

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of KTI and its wholly-owned and majority-owned subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation.

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

Cash Equivalents

The Company considers all highly liquid investments with an original maturity of 90 days or less when purchased to be cash equivalents.

Restricted Funds

Restricted funds consist of cash and cash equivalents held in trust, all of which are available, under certain circumstances, for current operating expenses, debt service, capital improvements and repairs and maintenance in accordance with certain contractual obligations and cash deposited in a bank in connection with certain of the Company's debt and standby letter of credit obligations. Restricted funds available for current operating and debt service purposes are classified as current assets.

Significant Customers and Concentrations of Credit Risk

Within the Waste-to-Energy segment, Maine Energy, PERC and TERI each sell electricity to the local electric utility in their respective geographic locations (Central Maine Power Company, ("CMP"), Bangor Hydro Electric Company ("BHE") and Florida Power Company ("FPC"), respectively). Electric power revenue from such utilities during 1998 totaled approximately \$19,326, \$14,676 and \$5,593, respectively. Accounts receivable from CMP, BHE and FPC were \$1,393, \$3,166 and \$472, respectively, at December 31, 1998. In addition, Maine Energy and PERC earn substantial portions of their waste handling revenues from municipalities in their respective geographic regions in the state of Maine. TERI also earns a significant portion of its revenue from a large national paper manufacturer. Such revenues are earned under the terms of long-term agreements. American Ash Recycling of Tennessee, Ltd. ("AART") earns a substantial portion of its revenues as the result of a contract with the City of Nashville, Tennessee.

Although less than 10% of consolidated revenue, a significant portion of sales of recyclables in the Commercial segment is to international (including Pacific Rim countries, South America and Europe) and domestic paper manufacturers. The Company performs periodic credit evaluations of these customers. Although the Company's exposure to credit risk associated with non-payment by paper manufacturers is affected by conditions within the paper industry and the general economic condition of countries within the Pacific Rim, South America and Europe, a significant portion of outstanding receivables are supported through letters of credit either issued, confirmed or discounted by banks located in the United States. No single paper manufacturer or customer exceeded 5% of the Company's total accounts receivable at December 31, 1998.

Although less than 10% of consolidated revenue, a significant portion of sales in the Residential Recycling segment is to two customers. The facilities within the Residential Recycling segment operate under long-term contracts with the local municipalities or contract waste haulers. This segment earns a portion of its revenues from these municipalities and waste haulers within the geographic region surrounding the respective facilities. In addition, the Residential Recycling segment enters into long-term contracts to sell recyclable materials at prices based on market price with a contractual floor. These contracts have terms from one to ten years and expire through 2008. No individual municipality

F-62

or customer under long-term commodity contracts exceeded 5% of the Company's total accounts receivable at December 31, 1998.

Although less than 10% of consolidated revenue, a significant portion of sales in the Finished Products segment is to one customer. This customer is under a contract to purchase a specified quantity of product at rates that approximate market value through August, 2000. In addition, a significant portion of this segment's sales are to manufacturers of manufactured homes and insulation contractors throughout the United States and thus the revenues are impacted by sales of new homes, which are cyclical in nature. No individual customer of this segment exceeded 5% of the Company's total accounts receivable at December 31, 1998.

Other financial instruments which subject the Company to concentrations of credit risk are cash and cash equivalents including restricted funds. The Company restricts its cash investments to financial institutions with high credit standings and securities backed by the United States Government.

Inventories

Inventories, consisting of secondary fibers, recyclables ready for sale and certain finished products, include costs paid to third parties for purchased materials and are stated at the lower of cost (first-in, first-out) or market. Inventories consisted of finished goods of approximately \$4,065 and raw material of approximately \$801 at December 31, 1998.

Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements are stated at cost, less accumulated depreciation and amortization. All costs incurred for additions and improvements, including interest during construction, are capitalized. The Company capitalized net interest costs of \$285 in 1998. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives ranging principally from three to twenty-five years. Assets under capital leases are amortized using the straight-line method over the estimated useful lives ranging from five to ten years. Amortization of assets under capital leases is included in depreciation expense. Leasehold improvements are amortized on a straight-line basis over the shorter of the term of the lease or the estimated useful life of the improvement.

Goodwill

Goodwill represents costs in excess of net assets of businesses acquired in purchase transactions. Goodwill is being amortized on a straight-line basis over periods up to thirty years.

Deferred Financing Costs

Costs incurred in connection with debt and letter of credit financings are deferred and are being amortized over the life of the related debt or letter of credit issues using the interest method. The unamortized portion of such costs related to the previously outstanding PERC bonds in 1998 were included in the determination of the extraordinary loss.

Deferred Project Development Costs

The Company defers certain external costs incurred in the development of new projects including design and costs related to obtaining required permits. Amortization of these costs begins when the project becomes operational. If management concludes that the related project will not be completed, the deferred costs are expensed immediately.

F-63

Revenue Recognition

Revenues from the sale of electricity to local utilities are recorded at the contract rate specified in each entity's power purchase agreement ("PPA") as it is delivered. Revenue includes the portion of the deferred gain on the sale of electric generating capacity at Maine Energy (see Note 5) which is being amortized on a straight-line basis over the term of the capacity agreement (eleven years). Revenue also includes the amortization of the customer advance at PERC (see note 4) which is being amortized on a straight-line basis over the term of the Power Purchase Agreement (nineteen years).

Revenues from waste processing consist principally of fees charged to customers for waste disposal. Substantially all waste processing revenues are earned from customers located in a geographic region proximate to the respective facility. Revenue is generally recorded upon acceptance and in certain cases is based on rates specified in long-term contracts. Certain of these rates are subject to adjustment based on the levels of certain costs and expenses, as defined, of Maine Energy and PERC. The Company periodically reviews the long-term contracts and any anticipated losses are charged to operations in the period the losses are first determinable. The Company's evaluation is based on estimated revenues and direct costs related to the respective contracts.

Revenues from the sale of recycled materials (\$72,130 in 1998) and finished products are recognized upon shipment. Rebates to certain municipalities based on sales of recyclable materials are recorded upon the sale of such recyclables to third parties and are included in cost of operations. Revenues for processing of recyclable materials are recognized upon delivery of recycled materials to the Company and totaled \$7,791 in 1998.

Service and other revenues in connection with transportation and waste management are recognized upon completion of the services.

Income Taxes

Deferred income taxes are determined using the liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Business Combinations

The Company has accounted for all business combinations under the purchase method of accounting. Under this method, the purchase price is allocated to the assets and liabilities of the acquired enterprise as of the acquisition date (to the extent of the Company's ownership interest) based on their estimated respective fair values and are subject to revision for a period not to exceed one year from the date of acquisition. The results of operations of the acquired enterprise are included in the Company's consolidated financial statements for the period subsequent to the acquisition.

Net Income Available for Common Shareholders

Net income available for common shareholders represents net income adjusted for:

	1998
Accretion of preferred stock to redemption value	\$ 42
Preferred stock dividends	1,091
Dividends earned but not paid or accrued	
	\$ 1,133

F-64

Evaluation of Long-lived Assets

The Company assesses long-lived assets for impairment, including goodwill associated with assets acquired in a business combination when events or circumstances exist that indicate the carrying amount of those assets may not be recoverable. The Company performs an evaluation comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write-down to market value or discounted cash flow value is required. No such events or circumstances existed at December 31, 1998.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Recent Accounting Developments

Recent accounting pronouncements which are not required to be adopted at December 31, 1998, include the following Statement of Financial Accounting Standards ("SFAS") and the American Institute of Certified Public Accountants Statements of Position ("SOP"):

SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which will be required to be adopted by the Company as of January 1, 2001, establishes standards for derivative instruments, including those embedded in other contracts and for hedging activities. The new standard requires the Company to recognize all derivatives as either assets or liabilities and measure those instruments at fair value. Management believes that the adoption of SFAS No. 133 will not have a material impact on the Company's financial statements.

SOP 98-1, *Accounting for Costs of Computer Software Developed or Obtained for Internal Use* is required to be adopted by the Company as of January 1, 2000. The Company's current policy falls within the guidelines of SOP 98-1. Also, SOP 98-5, *Reporting on the Costs of Start-up Activities* is required to be adopted by the Company as of January 1, 1999. Management believes that the adoption of SOP 98-5 will not have a material impact on the Company's financial statements.

4. AMENDMENT OF PERC'S POWER PURCHASE AGREEMENT AND WASTE DISPOSAL AGREEMENTS

On June 26, 1998, PERC completed an amendment of its PPA with BHE. At closing, PERC received \$6,000 in cash and BHE agreed to make 16 quarterly payments of \$250 commencing October 1, 1998 (the "BHE Note"). For financial statement purposes, the BHE Note has been discounted using an effective interest rate of 5.45%. The \$6,000 cash payment and the present value of the BHE Note (\$3,572) are being accounted for as a customer advance. Imputed interest on the BHE Note is being amortized over its term and is included in interest income. In addition, BHE issued the Company warrants to purchase 712,857 shares of BHE common stock at an exercise price of \$7.00 per share, exercisable 25% annually with an expiration date of June 26, 2008. The estimated aggregate fair value of these warrants at the date of issuance was approximately \$3,814 (\$5.35 per share) which was also recorded as a customer advance. The customer advance, net of transaction costs, is being amortized over the life of the PPA with BHE (19 years). As of December 31, 1998 the remaining customer advance in connection with this transaction was approximately \$12,788.

In connection with the amendment, PERC's waste disposal agreements with certain municipalities (the "Amending Charter Municipalities") were amended to extend the term of such agreements to 2018. In addition, PERC granted the Amending Charter Municipalities the right to purchase up to a 50% limited partnership interest in PERC for an aggregate purchase price of \$31,000. Such purchases

F-65

may only be made to the extent of their respective share of distributable cash from PERC, as defined, and one-half of the quarterly payments to be made under the BHE Note. Any such amounts paid by the Amending Charter Municipalities must be used to prepay PERC's outstanding bonds payable. The Amending Charter Municipalities were also granted the right to purchase the remaining partnership interests in 2018 at the then fair market value, as defined.

The waste disposal agreements were further amended to provide that the Amending Charter Municipalities, BHE, and partners in PERC would each receive one-third of PERC's cash flows, as defined. Prior to this amendment, the municipalities received one-half PERC's distributable cash, as defined. Based on PERC's cash flow, as defined, distributable cash of approximately \$4,616 was payable for 1998. Approximately \$413 remained unpaid as of December 31, 1998 and was included in accrued expenses.

Under the PPA, PERC is required to deliver at least 105,000,000 kWh to BHE in any Calendar year. In the event PERC fails to deliver this output, PERC is obligated to pay \$4 for each 1,000,000 kWh by which such deliveries fall below 105,000,000 kWh.

5. SALE OF ELECTRIC GENERATION CAPACITY AND RESTRUCTURE OF POWER PURCHASE AGREEMENT

On May 3, 1996, Maine Energy completed a restructuring of its PPA with CMP and the sale of the rights to its electrical generating capacity to CL Power Sales One, L.L.C. ("CL One"). At closing, Maine Energy received a payment from CL One of \$85,000 ("Capacity

Payment") and the PPA was amended to reflect a reduction in CMP's purchase price for electric power. In addition, the term of the PPA was extended from 2007 to 2012. The Company also received reimbursement of certain transaction costs, including interest on the Capacity Payment from November 6, 1995 to closing and certain other payments. The Company recorded the payment from CL One, net of transaction costs, of approximately \$80,691 as deferred revenue in 1996. This amount is being recognized on a straight-line basis as revenue over the life of the capacity agreement with CL One (eleven years). As of December 31, 1998 the remaining deferred revenue was \$61,276.

Under the terms of the agreements, Maine Energy will be liable to CMP for liquidated damages of \$3,750 for any calendar year through the year 2006 and on a pro rata basis for the period from January 1, to May 31, 2007 in which it does not deliver at least 100,000,000 kilowatt hours ("kWh"). Also, if during the same period, Maine Energy fails to deliver at least 15,000,000 kWh in any calendar year through the year 2006 and on a pro rata basis for the period from January 1, to May 31, 2007 it will be liable to CMP for liquidated damages of \$3,750 times the number of years remaining in the term of the agreement. Both the 100,000,000 kWh and the 15,000,000 kWh levels are adjusted in the case of a force majeure event, as defined. Maine Energy produced approximately 166,000,000 and 168,000,000 kWh of electricity in each of 1998 and 1997, respectively. In order to secure CMP's right to liquidated damages, Maine Energy has obtained an irrevocable letter of credit in the initial amount of \$45,000 which will be reduced by \$3,750 for each completed year in which no event requiring the payment of liquidated damages occurs. Under the terms of the letter of credit agreement, Maine Energy is required to maintain certain restricted funds. The letter of credit is collateralized by liens on substantially all of Maine Energy's assets.

Maine Energy used the proceeds from the sale of its capacity to repay the then outstanding Maine Energy Resource Recovery Bonds and to retire the related bank letter of credit.

F-66

6. ACQUISITIONS

1998 Acquisitions

The Company acquired ten companies and an additional partnership interest in one company during 1998. Payment of the aggregate purchase price for these acquisitions consisted of (i) 1,945,353 shares of the Company's common stock at a weighted-average value of \$19.06 per share (based on the closing prices of the common stock on the date of announcement of each acquisition); (ii) \$57,909 in cash (net of cash acquired of \$6,198); (iii) a promissory note in the principal amount of \$1,086; and (iv) warrants to purchase 130,000 shares of common stock valued at approximately \$1,060 as of the date of acquisition. These acquisitions were accounted for as purchases, and accordingly, the assets and liabilities of the acquired entities have been recorded at their estimated fair value at the dates of acquisition. The excess of the purchase price over the fair value of the acquired net assets aggregating \$102,866 has been recorded as goodwill and is being amortized on a straight line basis over 30 years. The more significant 1998 acquisitions are described below.

In August 1998, the Company acquired FCR, Inc. ("FCR") a diversified recycling company that provides residential and commercial recycling, processing and marketing services and primarily manufactures cellulose insulation and plastics using recycled materials. FCR owns or operates eighteen material recovery facilities, six cellulose insulation manufacturing facilities and three plastic processing facilities in twelve states. Payment of the purchase price, including all direct costs, of \$63,581 consisted of (i) 1,714,285 shares of the Company's common stock valued at \$18.96 per share (based on the closing price of the common stock on the date of announcement) and (ii) \$31,074 in cash. An additional payment of up to \$30,000 may have been required based on the earnings of FCR for the period July 1, 1998 through December 31, 1998 (the "Earnout"). Based on FCR's earnings during the period, no payments are due under the Earnout. The cost of the acquisition exceeded the fair value of the acquired net assets by approximately \$70,032.

In August 1998, the Company acquired certain assets and assumed certain liabilities of Atlantic Coast Fibers, Inc. ("Atlantic Coast") and Gaccione Bros. & Co., Inc. and PGC Corporation (collectively, "Gaccione"). Atlantic Coast operates a high-grade paper processing facility. Payment of the purchase price, including all direct costs, for Atlantic Coast of \$9,655 consisted of (i) 123,532 shares of the Company's common stock valued at \$20.29 per share (based on the closing price of the common stock on the date of the announcement), (ii) \$6,995 in cash and (iii) warrants to purchase 20,000 shares of common stock valued at approximately \$153 as of the date of acquisition. Gaccione operated a high-grade paper processing facility. Payment of the purchase price, including all direct costs, for Gaccione of \$6,975 consisted of (i) \$5,889 in cash and (ii) a 7% promissory note in the principal amount of \$1,086. In September 1998, the Company agreed to a payment of an additional purchase price for Atlantic Coast and Gaccione consisting of 150,000 shares of common stock. The Company recorded this additional purchase price as a liability and an addition to goodwill. Subsequent to year-end, the Board of Directors approved the payment of the additional purchase price and the common stock was issued. The cost of these acquisitions exceeded the fair value of the acquired net assets by approximately \$18,104.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

In June 1998, the Company acquired Multitrade Group, Inc. ("Multitrade"). Multitrade operates three waste-to-energy facilities utilizing biomass and coal to produce steam for sale to major industrial users under long-term contracts. Payment of the purchase price, including all direct costs, for Multitrade was \$12,347 in cash. The cost of the acquisition exceeded the fair value of the acquired net assets by approximately \$4,537.

In December 1998, the Company acquired an additional 9.6% limited partnership interest in Maine Energy from one of the existing limited partners. The cost of the acquisition was \$2,410. The transaction has been accounted for under the purchase method of accounting and the cost of the purchase price has been allocated to the assets and liabilities of Maine Energy (to the extent of the

F-67

Company's additional ownership interest) based on their estimated fair values as of the date of acquisition and resulted in an increase in the carrying value of property and equipment of approximately \$1,670.

The following unaudited pro forma summary presents selected operating data as if the significant 1998 acquisitions described above had occurred as of January 1, 1998, and does not purport to be indicative of the results that would have occurred had the transactions been completed as of those dates or of results which may occur in the future.

	1998
Net revenues	\$ 239,541
Loss from continuing operations before extraordinary item	(686)
Net loss	(1,037)
Net loss available for common shareholders	(2,170)
Net loss per share-basic	(0.18)
Net loss per share-diluted	(0.18)

7. PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Property, equipment and leasehold improvements consist of the following at December 31, 1998:

Land	\$ 3,018
Buildings and site improvements	43,772
Machinery and equipment	184,589
Automobiles and trucks	3,694
Furniture and fixtures	2,300
Leasehold improvements	2,917
Construction-in-progress	1,103
	241,393
Less accumulated depreciation	(27,724)
	\$ 213,669

F-68

8. DEBT

The Company's debt consists of the following:

	December 31, 1998
(A) Revolving credit agreement	\$ 138,628
(B) Capital lease obligations	5,466

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

	December 31, 1998
(C) Revolving credit facility	4,000
(D) Promissory note payable	1,086
(E) Bonds Payable	760
(F) Secured term notes payable	555
(G) Term loan payable	460
(H) Secured note payable to bank	50
PERC Bonds Payable	44,995
Revenue Bonds Payable by TERI	11,635
Convertible Subordinated Notes	6,770
Subordinated Notes Payable to Maine Energy Limited Partners	4,293
	<hr/>
	218,698
Less current portion	9,775
	<hr/>
	\$ 208,923
	<hr/>

(A)

During July 1998, the Company entered into a Revolving Line of Credit Agreement with a bank (the "Credit Agreement") which provides for borrowings of up to \$150,000. The Credit Agreement expires in April 2001. The Company may select interest rates on the outstanding borrowings based on the bank's prime rate or LIBOR rates. The interest rates range from the bank's prime rate to the bank's prime rate plus 0.75% or LIBOR rates plus 1.75% to LIBOR rates plus 2.50% depending on the attainment of certain financial covenants, as defined in the Credit Agreement. All borrowings under the Credit Agreement at December 31, 1998 were at LIBOR plus 2.50% (8.05% at December 31, 1998). The Credit Agreement also provides standby letters of credit which reduce the total borrowings available to the Company. At December 31, 1998, approximately \$2,275 in standby letters of credit were outstanding and the Company had approximately \$9,097 in available borrowings under the Credit Agreement. All borrowings under the Credit Agreement are secured by substantially all of the Company's assets which have not been pledged for other borrowings or certain standby letters of credit. Among other things, the Credit Agreement restricts the Company's ability to incur additional indebtedness and requires it to maintain certain financial ratios. At December 31, 1998, the Company was in default of a debt covenant and received a waiver from the bank for this default. Certain borrowings under this Credit Agreement were utilized to repay the revolving and term loan payable discussed below.

On May 12, 1999, the Company executed an amendment to the Credit Agreement (the "Amended Agreement") modifying certain financial covenants and requiring bank approval for all acquisitions. The Amended Agreement requires that the Company and certain subsidiaries, as defined, maintain certain specified financial covenants, including, a minimum interest coverage ratio, a maximum funded debt to EBITDA ratio, a minimum fixed charge coverage ratio, and a maximum debt to capitalization ratio, each as defined in the Amended Agreement. The Company's ability to satisfy these covenants is dependent on its ability to substantially achieve its operating plan. As of June 30, 1999, the Company was in default of certain of these covenants and received a waiver from the bank for this default through January 1, 2000. The Company will continue to select interest rates on the outstanding borrowings based on the bank's prime rate or LIBOR rates, however, the interest rates range from the bank's prime rate to the bank's prime rate plus 1.50% or LIBOR plus 1.88% to LIBOR plus 3.25% depending on the attainment of a financial covenant, as defined, in the Amended Agreement.

F-69

During 1997, the Company had entered into an Amended and Restated Revolving and Term Loan and Security Agreement with the same bank which provided an \$11,000 revolving credit facility and \$7,500 term loan. At December 31, 1997, \$5,000 and \$7,411 were outstanding under the revolving credit facility and term loan, respectively. These obligations were repaid in July 1998.

(B)

The Company leases certain machinery and equipment under capital leases expiring at various times through 2008. These capital lease obligations have a weighted average interest rate of 9.46% at December 31, 1998 and monthly principal and interest payments totaling \$129. These obligations are secured by machinery and equipment with a net carrying value of \$6,702 at December 31, 1998.

(C)

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

A subsidiary of the Company has a \$8,000 revolving line of credit (including \$1,000 available for letters of credit) with a bank (the "Revolving Credit Agreement") which expires in May 2000. Borrowings under the Revolving Credit Agreement are based on eligible collateral which includes specified percentages of certain cash, accounts receivable and inventory, as defined. Interest on borrowings is at LIBOR rate plus 2.25% (weighted average rate of 7.78% at December 31, 1998. Among other things, the Revolving Credit Agreement restricts the subsidiary's ability to incur additional indebtedness and requires it to maintain certain financial ratios, as defined.

(D) Promissory note payable to sellers in a business transaction with interest at 7% and principal due in February 2001.

(E) A subsidiary of the Company financed the construction of a facility by issuing bonds with a maturity date of November 1, 1999. Interest is payable monthly at a variable rate, as defined in the bond agreement (3.2% at December 31, 1998). The bonds contain certain restrictive covenants for the subsidiary including maintenance of certain financial ratios and minimum net worth requirements. The bonds are secured by the facility and the related equipment with an aggregate net carrying value of \$2,138 at December 31, 1998. These bonds were paid in full subsequent to December 31, 1998.

(F) The notes payable to various commercial lenders bear interest at rates between 7.90% and 12.5%, with a weighted average interest rate of 8.17% at December 31, 1998, with monthly payments of principal totaling \$18. The notes mature at various dates through 2002. The notes are secured by equipment with an aggregate net carrying value of \$2,201 at December 31, 1998.

(G) A subsidiary has a term loan payable to a private lender. The principal payments are \$7 per month plus interest at 12.5% through May 2007.

(H) During 1997, a subsidiary of the Company entered into a working capital and term financing agreement (the "Financing Agreement") with a bank. The balance outstanding at December 31, 1998, is under a \$500 working capital loan which carries interest at the bank's prime rate plus 0.75% (8.50% at December 31, 1998), is secured by substantially all of the assets of the subsidiary and expires in April 1999.

F-70

PERC Bonds Payable

On June 26, 1998, the Finance Authority of Maine ("FAME") issued \$44,995 par amount Finance Authority of Maine Electric Rate Stabilization Revenue Refunding Bonds, Series 1998 A and Series B (Penobscot Energy Recovery Company, LP) (the "1998 Bonds"). The proceeds of the 1998 Bonds were used to repay all of the then outstanding balance due on PERC's existing Floating Rate Demand Resource Recovery Revenue Bonds (the "1986 Bonds"), which were called for redemption during July 1998. The redemption resulted in the recognition of an extraordinary loss of \$351 (net of minority interest of \$249 and tax of \$267) which included the unamortized portion of the deferred financing costs associated with the original issuance. The 1998 Bonds are fixed rate bonds with yields ranging from 3.75% to 5.20% with a weighted-average yield of approximately 5.06%.

The 1998 Bonds are subject to mandatory redemption in annual installments of varying amounts through July 1, 2018. Beginning July 1, 2008, the 1998 Bonds are subject to redemption at the option of PERC at a redemption price equal to 102%, through June 30, 2009, 101% for the period July 1, 2009 to June 30, 2010 and 100% thereafter of the principal amount outstanding plus accrued interest.

In conjunction with the refinancing, PERC entered into a loan agreement with FAME, which contains various provisions including the maintenance of certain restricted funds and certain restrictive covenants relating to the 1998 Bonds. The covenants restrict PERC's ability to incur additional indebtedness and restrict the ability of the general partners to sell, assign or transfer their general partner interests. The bonds are collateralized by liens on substantially all of PERC's assets

In connection with the refinancing, the Company issued a \$3,000 limited guaranty of PERC's payment obligation under the Loan Agreement, in the favor of FAME and the 1998 Bond Trustee. In addition, BHE also issued a guaranty to FAME and the 1998 Bond Trustee in the amount equal to the annual payments for principal and interest on the 1998 Bonds. Demands on the above guaranties are to be on a pro-rata basis. If either party shall default under such demand, the other guarantor is liable for the entire demand, up to the limit on such guarantor's guaranty. In addition, the 1998 Bonds are insured by Financial Security Assurance, Inc.

TERI Revenue Bonds Payable

During June 1997, TERI issued two series of 1997 Industrial Development Revenue Bonds: Series A in the amount of \$13,400 and Series B in the amount of \$308. The Series B bonds carried interest at 10% and were paid in full in December 1997. The Series A bonds bear interest at 7.0%. The Series A bonds have an annual sinking fund payment due each December, (\$2,030 due December 1, 1999), with final payment of

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

\$4,620 due December 2002. The bond agreements require, among other things, maintenance of various insurance coverages and restrict the borrowers ability to incur additional indebtedness. The bonds are collateralized by liens on TERI's electric generating facility located in Telogia, Florida. The proceeds from these bonds were utilized to repay certain then outstanding indebtedness.

Convertible Subordinated Notes

During August 1998, the Company issued \$21,099 of Convertible Subordinated Notes (the "Convertible Notes") in exchange for substantially all the outstanding shares of the Series B Preferred Stock. This exchange was made in accordance with the original terms of the Series B Preferred Stock. The Convertible Notes carry interest at 8.75% and are due in August 2004. In accordance with the terms of the Convertible Notes established concurrently with the issuance of the Series B Preferred Stock, the holders of Convertible Notes have the option to convert the principal amount of the Convertible Notes into shares of the Company's Common Stock at \$11.75 per share. During November 1998, \$14,329 of the then outstanding Convertible Notes were converted to common shares (see Note 10).

F-71

Subordinated Notes Payable to Maine Energy Limited Partners

These notes, as amended, bear interest at 12%. Payments of principal and interest are made solely at the discretion of Maine Energy's general partner. However, all principal and interest must be repaid prior to any partner distributions. To the extent interest is not paid, accrued interest is capitalized. As a holder of a portion of the Subordinated Notes Payable, the Company is entitled to receive a proportionate share of such payments. At December 31, 1998, Maine Energy had \$12,880 outstanding under the notes of which the Company held \$8,587.

Excluding any amounts which may be paid on the subordinated notes payable to the Maine Energy Limited Partners, aggregate maturities as of December 31, 1998 of the Company's debt are as follows:

1999	\$	9,775
2000		5,960
2001		143,731
2002		6,742
2003		2,065
Thereafter		46,132

9. PREFERRED STOCK

Series A Preferred Stock

In June 1997 the Company sold 487,500 shares of Series A Preferred Stock (the "Original Series A Preferred") for gross proceeds of \$3,900 and net proceeds of \$3,798, and issued 243,750 common stock purchase warrants with an exercise price of \$9.00 per share, subject to adjustment, (the "\$9.00 Warrants") and 32,500 common stock purchase warrants with an exercise price of \$10.00 per share, subject to adjustment (the "\$10.00 Warrants"). Both the \$9.00 Warrants and the \$10.00 Warrants are exercisable at any time until June 4, 2003. The \$9.00 Warrants and the \$10.00 Warrants had an aggregate fair value of \$524 at the date of issuance which has been accounted for as additional paid-in capital. During 1998, 234,500 of the \$9.00 Warrants and 31,267 of the \$10.00 Warrants were exercised. At December 31, 1998, 9,250 of the \$9.00 Warrants and 1,233 of the \$10.00 Warrants remained outstanding.

In October 1997, 40,000 shares of the Original Series A Preferred were converted into 40,000 shares of common stock. In December 1997, the remaining outstanding shares of Original Series A Preferred were converted into newly issued Series C Preferred Stock. The Series C Preferred Stock was subsequently renamed Series A Preferred ("Series A Preferred"). During the first quarter of 1998, all of the remaining 447,500 shares of the Series A Preferred were converted into 447,500 shares of common stock.

The Company accreted the carrying value of the Series A Preferred by \$42 in 1998, representing periodic accretion to the mandatory redemption value of \$12.00 per share.

Series B Preferred Stock

In August 1997, the Company sold 856,000 shares of Series B Convertible Preferred Stock (the "Series B Preferred") for gross proceeds of \$21,400 and net proceeds to the Company of \$19,984. Dividends at an annual rate of 8.75% were cumulative and were payable quarterly.

Except under certain circumstances, principally resulting from the non-payment of dividends or a change of control of the Company, as defined, the Series B Preferred were non-voting. The Series B Preferred placed certain restrictions on the Company's ability to issue securities in

parity with, or senior to, the Series B Preferred. These restrictions principally involved the Company satisfying certain financial ratios, as defined.

F-72

In June 1998, the Company exercised its option to exchange all of the outstanding shares of the Series B Preferred for the Company's Convertible Subordinated Notes due August 2004. During August 1998, 843,960 shares of Series B Preferred were exchanged for Convertible Subordinated Notes pursuant to their original terms at a conversion price of \$25.00 per share totaling \$21,099. The remaining 12,040 shares were converted at the holder's option into 25,531 shares of common stock at a conversion price of \$11.75 per share and \$1 in exchange for fractional shares.

10. STOCKHOLDERS' EQUITY

In November 1998, \$14,329 of the Convertible Subordinated Notes were exchanged for 1,219,489 shares of common stock at \$11.75 per share. The conversion included a premium equal to 3.0% of the face value of the Subordinated Convertible Notes and nine months forward interest at 8.75%, paid to the Convertible Subordinated noteholders in the form of 63,910 shares of common stock valued at \$21.44 per share. The premium, aggregating \$1,370, was recorded as interest expense.

During 1998, the Company issued warrants to purchase 40,000 shares of its common stock at prices ranging from \$15.31 to \$22.25 per share to certain members of the Board of Directors. These warrants expire ten years from the date of issue with 7,500 of the warrants exercisable immediately and the remaining warrants exercisable beginning one year from the date of issue. These warrants had an aggregate fair value of \$205 at the date of issuance which was recorded as compensation expense during 1998. All such warrants remain outstanding at December 31, 1998.

The Company issued warrants to purchase 130,000 shares of the Company's common stock at prices ranging from \$19.75 to \$21.88 per share in connection with certain business acquisitions during 1998. These warrants have a ten year life, and vest ratably over a 60-month period, beginning one month after the date of issue. All such warrants remain outstanding at December 31, 1998.

During 1997, the Company issued warrants to purchase 149,750 shares of its common stock at prices ranging from \$5.71 to \$10.00 as consideration for services rendered in connection with certain equity issuances. These warrants are exercisable at any time and expire at various dates ranging from April 30, 2001 to August 15, 2002. During 1998, warrants to purchase 30,592 shares of the Company's common stock were exercised and warrants to purchase 119,158 shares of the Company's common stock remain outstanding at December 31, 1998.

In February 1997, the Company issued 10,500 shares of its common stock and warrants to purchase an additional 2,100 shares at a price of \$8.10 in connection with the purchase of certain minority interests in a subsidiary. These warrants were exercised during 1998.

In connection with certain debt obligations issued during 1996, the Company issued warrants to purchase 420,572 shares of common stock at \$5.71 per share. The aggregate original issue discount representing the fair value of the warrants was \$144. These warrants are exercisable at any time and expire at various dates from March 31, 2001 to June 30, 2001. During 1998 warrants to purchase 39,900 shares of common stock were exercised and at December 31, 1998, warrants to purchase 121,657 shares remain outstanding.

During 1996, the Company issued warrants to purchase 210,000 shares of its common stock at a price of \$7.10 per share as consideration for consulting services. During 1998 and 1997 warrants to purchase 50,000 and 160,000 shares of common stock, respectively, were exercised.

In September of 1996, the Company issued warrants to purchase 26,250 shares of common stock to an officer of the Company, at an exercise price of \$8.08. These warrants vested 100% one year from the date of issue and have a 10-year life. All such warrants remain outstanding at December 31, 1998.

In addition, warrants issued prior to 1996 to purchase 87,499 shares of common stock at \$5.71 per share were exercised during 1998.

F-73

As of December 31, 1998, the Company has reserved shares of common stock for issuance as follows:

**Number
of Shares**

Conversion of Convertible Subordinated Notes Payable	588,774
Exercise of common stock purchase warrants	482,473
Exercise of common stock options	2,177,068
Employee savings plan	191,668
	3,439,983

Certain of the Company's outstanding warrants contain provisions which allow for the conversion of such warrants into a lesser number of shares without the payment of cash into the Company (so-called "cashless exercise" provisions). Accordingly, there can be no assurance that, even if all such warrants are exercised, the Company will receive all the aggregate gross proceeds.

11. STOCK OPTION PLANS

The Company has four stock option plans; the 1986 Stock Option Plan of KTI (the "1986 Plan"), the KTI 1994 Long-Term Incentive Award Plan and the DataFocus Long-Term Incentive Plan (collectively, the "1994 Incentive Plans") and the KTI Directors Stock Option Plan (the "Directors Plan"). All plans are administered by the Compensation Committee of the Board of Directors.

The Company has elected to follow Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25") and related Interpretations in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under SFAS No. 123, *Accounting For Stock-Based Compensation*, ("SFAS No. 123") requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Elements of the various plans include the following:

The 1986 Plan. A maximum of 66,190 shares are subject to the 1986 Plan. Options were granted at prices not less than the fair market value at the date of grant. All options granted had 10 year terms and vested immediately. No new options can be granted under this plan.

The 1994 Incentive Plans. A maximum of 1,383,333 shares are subject to grant under the 1994 Incentive Plans. Options may be granted at prices not less than the fair market value at the date of grant. All grants prior to January 1, 1998 primarily vest at 20% per year beginning one year from the date of grant. Grants subsequent to January 1, 1998 vest ratably over a 60-month period beginning one month from the date of grant. Vested options may be exercised at any time until their expiration which may be up to ten years from the date of grant. Unvested options are forfeited upon termination of employment.

The Directors Plan. A maximum of 200,000 shares are subject to the Directors Plan. Under the Directors Plan, non-employee Directors are automatically granted non-statutory options on August 1 of each year. The number of shares granted is equal to the lesser of (i) 7,500 shares or (ii) a number of shares having a maximum market value of \$68. Options granted may not be exercised within one year of grant and have 10 year terms.

In addition to the Plans described above, the Company's Board of Directors from time to time has granted key employees non-plan options. During 1998, the Board of Directors made non-plan option grants. These non-plan options have a ten-year term, and were granted at the then current fair market

F-74

value. The 1998 grants had vesting schedules ranging from immediate vesting to ratably over a 60-month period beginning one month from the date of grant.

Option activities under the plans and for the non-plan options are detailed in the following table:

1986 Plan	1994 Incentive Plans	Director Plan	Non-plan	Weighted Average Exercise Price Per Share
-----------	----------------------------	------------------	----------	----------------------------------------------------

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

	1986 Plan	1994 Incentive Plans	Director Plan	Non-plan	Weighted Average Exercise Price Per Share
Outstanding at January 1, 1998	15,263	512,131	85,800	227,500	8.33
Granted		884,250	30,000	495,000	16.86
Exercised	(15,263)	(80,720)	(21,324)	(118,375)	8.00
Forfeited		(129,815)		(149,000)	15.54
Outstanding at December 31, 1998		1,185,846	94,476	455,125	\$ 14.11
Exercisable at December 31, 1998		254,383	64,476	218,636	\$ 12.11

The weighted-average fair value of options granted was \$8.60 for 1998.

At December 31, 1998, for each of the following classes of options as determined by range of exercise price, information regarding weighted-average exercise prices and weighted-average remaining contractual lives of each class is as follows:

Option Class	Number of Options Outstanding	Weighted-Average Exercise Price of Outstanding Options	Weighted-average Remaining Contractual Life of Outstanding Options (Years)	Number of Options Currently Exercisable	Weighted-Average Exercise Price of Options Currently Exercisable
Price of \$4.70 to \$7.05	207,094	\$ 6.51	6.70	111,121	\$ 6.39
Price of \$7.051 to \$9.40	319,400	\$ 8.64	8.00	157,524	\$ 8.63
Price of \$9.401 to \$11.75	21,620	\$ 10.18	8.50	8,737	\$ 10.18
Price of \$14.01 to \$18.80	934,833	\$ 16.09	9.10	243,955	\$ 16.52
Price of \$18.801 to \$23.50	252,500	\$ 20.27	9.60	16,158	\$ 19.76
Total	1,735,447	\$ 14.11	8.70	537,495	\$ 12.11

Pro forma information regarding net income and earnings per share is required by SFAS No. 123, and has been determined as if the Company had been accounting for its employee stock options under the fair value method of that statement. The fair value of these options was estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions for 1998: weighted average risk-free interest rate of 5.5%; no dividends; volatility factor of the expected market price of the Company's common stock of .517; and weighted-average expected life of 5 years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

F-75

For purposes of pro forma disclosures, the estimated fair value of the options granted subsequent to 1994 is amortized to expense over the options' vesting period. The Company's pro forma information follows:

	1998
Pro forma net loss available for common shareholders	\$ (602)
Pro forma basic loss per share	\$ (0.06)

1998

Pro forma diluted loss per share	\$ (0.06)
----------------------------------	-----------

The pro forma disclosures presented above reflect compensation expense only for options granted subsequent to 1994. These amounts may not necessarily be indicative of the pro forma effect of SFAS No. 123 for future periods in which options may be granted.

12. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	1998
Numerator:	
Income from continuing operations	\$ 3,050
Preferred stock dividends	(1,091)
Accretion of preferred stock	(42)
Numerator for diluted earnings per share-income from continuing operations available to common stockholders after assumed conversions	\$ 1,917
Denominator:	
Denominator for basic earnings per share-weighted average shares	10,548,570
Effect of dilutive securities:	
Employee stock options	517,426
Warrants	332,155
Convertible subordinated notes payable (1)	
Dilutive potential common shares	849,581
Denominator for diluted earnings per share-adjusted weighted-average shares and assumed conversions	11,398,151
Income from continuing operations per share-Basic	\$ 0.18
Income from continuing operations per share-Diluted	\$ 0.17

(1) Preferred shares outstanding during 1998 and the convertible subordinated notes payable in 1998 are anti-dilutive.

For additional disclosures regarding dilutive securities see Notes 8 through 11.

F-76

13. INCOME TAXES

At December 31, 1998 the Company has net operating loss carryforwards of approximately \$52,500 for income tax purposes that expire in years 2002 through 2018 and general business credit carryforwards of approximately \$530 which expire in years 1999 through 2006. All of these carryforwards are subject to limitation as described below. In addition, the Company has \$906 of minimum tax credit carryovers available that are not subject to limitation.

Significant components of the Company's deferred tax assets and liabilities are as follows:

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

	December 31, 1998
Deferred tax assets	
Current:	
Alternative minimum tax credit carryforwards	\$ 906
General business credit carryforwards	204
Net operating loss carryforwards	2,191
Reserve on notes and accounts receivable	525
State taxes, net	7
Other liabilities	999
	<hr/>
Total current deferred tax assets	\$ 4,832
	<hr/>
Non-current:	
Deferred revenues	\$ 20,510
Basis difference in partnership interest	14,127
State taxes, net	2,182
General business credit carryforwards	326
Deferred development fees	104
Net operating loss carryforwards	16,194
	<hr/>
Total non-current deferred tax assets	53,443
Valuation allowance for non-current deferred tax assets	(12,708)
	<hr/>
Net non-current deferred tax assets	40,735
Non-current deferred tax liabilities:	
Goodwill amortization on asset purchases	(107)
Deferred development expenses	(61)
Depreciation	(39,160)
	<hr/>
Net non-current deferred taxes	\$ 1,407
	<hr/>

F-77

Significant components of the benefit for income taxes on continuing operations before extraordinary item are as follows:

	Year Ended December 31, 1998
Current:	
Federal	\$ 746
State	144
	<hr/>
Total current	890
Deferred:	
Federal	(882)
State	1
Valuation allowance	(3,032)
	<hr/>
Total deferred	(3,913)
	<hr/>
	\$ (3,023)

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Year Ended
December 31,
1998

The components of the benefit from deferred income taxes on continuing operations before extraordinary item for 1998 are as follows:

	Year Ended December 31, 1998
Deferred revenues	\$ (3,436)
Net operating loss carryforwards	1,648
General business and minimum tax credit carryforwards	(91)
Basis difference in partnership interests	1,103
State taxes, net	635
Deferred development fees	(2)
Goodwill amortization on asset acquisitions	107
Depreciation	(636)
Change in reserve on receivables	(368)
Accrued and other expenses	159
Change in valuation allowance	(3,032)
	<hr/>
Benefit for deferred income taxes	\$ (3,913)

The reconciliation of income tax computed at the federal statutory tax rates to benefit for income taxes on continuing operations before extraordinary item is:

	Year Ended December 31, 1998
Tax at US statutory rates	\$ 9
State income taxes, net of federal tax benefit	145
Amortization of goodwill	812
Change in valuation allowance	(3,032)
Other	(957)
	<hr/>
	\$ (3,023)

The Tax Reform Act of 1986 enacted a complex set of rules limiting the potential utilization of net operating loss and tax credit carryforwards in periods following a corporate "ownership change". In

F-78

general, for federal income tax purposes, an ownership change is deemed to occur if the percentage of stock of a loss corporation owned (actually, constructively and, in some cases, deemed) by one or more "5% shareholders" has increased by more than 50 percentage points over the lowest percentage of such stock owned during a three-year testing period. During 1994, such a change in ownership occurred. As a result of the change, the Company's ability to utilize certain of its net operating loss carryforwards and general business credits will be limited to approximately \$1,200 of taxable income, or approximately \$375 of equivalent credit per year. This limitation may be increased if the Company recognizes a gain on the disposition of an asset which had a fair market value greater than its tax basis on the date of the ownership change.

The Company recorded net operating loss carryforwards of \$25,580, \$12,525 and \$525 related to the acquisition of TEII, FCR and Total Waste Management, Inc., respectively, which are also subject to a corporate "ownership change". As a result of the change, the Company's ability to utilize the net operating loss carryforwards are limited to approximately \$989, \$3,219 and \$71 per year, respectively.

14. COMMITMENTS

The Company has entered into various facility and equipment operating leases. The facility lease agreements generally require the Company to pay certain expenses including maintenance costs and a percentage of real estate taxes. The leases expire at various times ranging through 2007. Rental expense for all operating leases including facilities, amounted to approximately \$3,747 for the year ended December 31, 1998. Included in the Company's operating leases are leases of certain administrative offices from companies whose principals include certain officers and shareholders of the Company. Rent expense under these leases was \$708 for the year ended December 31, 1998. In addition, the Company leases certain other office and operating facilities from individuals who are shareholders and employees. As of December 31, 1998, future minimum rental commitments on non-cancelable operating leases, are as follows:

	Third-party Leases	Related-party Leases
	<u> </u>	<u> </u>
1999	\$ 3,920	\$ 815
2000	3,252	815
2001	2,685	785
2002	2,127	675
2003	1,565	480
Thereafter	3,826	1,280

The Company has entered into employment agreements with certain of its key employees which provide for fixed compensation and bonuses based on operating results, as defined. These agreements generally continue until terminated by the employee or the Company and, under certain circumstances, provide for salary continuation for a specified period. At December 31, 1998 the Company's maximum aggregate liability under the agreements if all the employees were terminated by the Company is \$13,129.

In connection with their operations, Maine Energy, TERI and PERC have entered into certain contractual agreements with respect to the supply and acceptance of municipal solid waste and the sale of electric power.

In 2007, certain of Maine Energy's municipal customers have the right to obtain a 20% interest in Maine Energy's cash flows, as defined in certain agreements, to be applied against the municipalities' future waste disposal costs.

FCR Plastics, Inc. ("Plastics"), a subsidiary of FCR, has committed to fund a maximum of \$700 towards the construction of certain machinery and equipment on behalf of a customer. The equipment

F-79

will be located within Plastics facility and the customer will repay the total cost of the equipment up to Plastics maximum contribution of \$700. Repayment of the notes will commence as soon as installation of the equipment is complete.

On December 31, 1998 the Company acquired a 35% interest in the Oakhurst Company, Inc. ("Oakhurst") for approximately \$900. Oakhurst is a public holding company which owns two businesses which are distributors in the automotive aftermarket. As part of this transaction, the Company assigned its interest in a joint venture with Grace Brothers, Ltd. and SC Fundamental Investments L.P., the majority bond holders of the Ford Heights, Illinois Waste Tire to Energy Project, to own and operate this facility. Due to amendments to the Illinois Retail Rate Act, which repealed certain incentives to the facility, it was closed during startup testing and the owner sought protection under federal bankruptcy laws. On December 28, 1998 the bankruptcy court in Delaware approved the amended Plan of Reorganization which provided for the Company and the bondholders each to own 50% of the reorganized entity which was renamed New Heights Recovery & Power, LLC ("New Heights"). The bondholders converted \$80.0 million in bonds and other claims into equity and KTI committed to investing up to \$17.0 million in equity for working capital, retrofitting and upgrading of the facility. This commitment to New Heights was transferred to Oakhurst and the Company has agreed to provide financing to Oakhurst. During 1998, the Company advanced \$1,500 to Oakhurst. This amount is included in notes receivable-officers/shareholders and affiliates at December 31, 1998.

During 1997, FCR acquired a company whereby the former shareholder of the Company may receive up to \$2,000 of additional consideration. The amount of the additional consideration will be based on the earnings of the Company for the 12 months ended April 30, 1998 and 1999, as defined in the purchase agreement. Any additional consideration will be recorded as an addition to goodwill. Of the potential additional consideration \$924 was advanced at closing and is recorded as a note receivable from the former shareholder. Upon reaching the earnings targets discussed above, this amount will be reclassified to goodwill.

15. EMPLOYEE BENEFIT PLAN

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

The Company has established defined contribution employee savings and investment retirement plans under Section 401(k) of the Internal Revenue Code which cover substantially all employees after satisfying certain eligibility requirements. The Company contributes on behalf of each participating employee an amount as defined in the plans. The Company's contribution was approximately \$596 for the year ended December 31, 1998. Included in the 1998 Company contributions were 4,215 shares of the Company's common stock. The aggregate fair value of the stock was \$41.

16. RELATED PARTY TRANSACTIONS

During 1998, the Company advanced \$1,500 to New Heights with an interest rate at 14%. The advance is due in 2001 and is recorded as a note receivable-affiliate at December 31, 1998.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. The carrying amount and estimated fair value of financial instruments at December 31, 1998 is summarized as follows:

The following methods and assumptions were used to estimate the fair value of financial instruments:

F-80

Cash, Restricted Cash and Accounts Receivable the carrying amounts reported in the balance sheet for cash, cash equivalents, restricted funds including debt securities, and accounts receivable approximate their fair value.

Notes and Other Receivables the fair value is estimated using discounted cash flow analyses, using appropriate interest rates.

Resource Recovery Revenue Bonds Payable the fair value of bonds payable is estimated using discounted cash flow analyses, using appropriate interest rates.

Other Debt the fair value is estimated based on discounting the estimated future cash flows using the Company's incremental borrowing rate for similar debt instruments.

	December 31, 1998	
	Carrying Amount	Estimated Fair Value
Assets		
Cash and cash equivalents	\$ 9,426	\$ 9,426
Restricted cash	23,438	23,438
Accounts receivable, net	29,272	29,272
Notes receivable, officers/shareholders and affiliates	3,392	3,642
Other receivables	7,183	6,785
Stock purchase warrant included in other assets	3,814	6,459
Liabilities		
Resources Recovery Revenue Bonds Payable	56,630	56,630
Other debt	162,068	162,484

18. SEGMENT REPORTING

Information as to the operations of the Company in different business segments is set forth below based on the nature of the services and products offered. The Company evaluates performance and allocates resources based on profit or loss from operations before interest and income taxes. The accounting policies of the business segments are the same as those described in the summary of significant accounting policies. Intersegment sales are accounted for at fair value as if the sales were to third parties.

During 1998, the Company operated in the business units as indicated below.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

	<u>Waste-to-energy</u>	<u>Commercial Recycling</u>	<u>Finished Products</u>	<u>Residential Recycling</u>
Revenues				
Unaffiliated customers	\$ 76,680	\$ 68,139	\$ 22,346	\$ 11,782
Intersegment revenues	273	5,307	427	770
Segment Profit (Loss)	17,606	(412)	826	1,349
Depreciation and Amortization	8,628	2,303	1,095	1,082
Identifiable Assets	231,767	56,557	54,850	65,662
Capital Expenditures	4,812	1,904	1,786	42
	F-81			

This segment reporting detailed above reconciles to consolidated revenues and income from continuing operations before benefit for income taxes and extraordinary item as follows:

	<u>Year Ended December 31, 1998</u>
Revenues	
Total unaffiliated customers revenue for reportable segments	\$ 178,947
Holding companies revenues	60
Intersegment revenues for reportable segments	6,777
Elimination of intersegment revenues	(6,777)
Total consolidated revenues	\$ 179,007
Profit and Loss	
Total segment profit	\$ 19,369
Holding companies segment loss	(4,973)
Total segment profit	14,396
Unallocated amounts:	
Interest expense, net	10,667
Other income	
Minority interest	3,702
Pre-acquisition earnings	
Income from continuing operations before benefit for income taxes and extraordinary item	\$ 27
Assets	
Total identifiable assets for reportable segments	\$ 408,836
Holding companies assets	27,649
Total consolidated assets	\$ 436,485

19. CONTINGENCIES

The Company is a defendant in a consolidated purported class action, which alleges violations of certain sections of the federal securities laws. The Company believes the allegations are without merit and intends to defend the litigation vigorously.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Two lawsuits have been filed against a subsidiary of the Company and certain of its officers, alleging fraud and tortious interference. The actions are based on two contracts between the plaintiff and the subsidiary, which contracts require all disputes to be resolved by arbitration. Arbitration proceedings have commenced. The Company believes it has meritorious defenses to the allegations.

The former majority shareholder of a company acquired by a subsidiary of the Company instigated arbitration proceedings against the Company and two of its subsidiaries, alleging the subsidiaries acted to frustrate the "earn-out" provisions of the acquisition agreement and thereby precluding him from receiving, or alternatively, reducing the sum to which he was entitled to receive. He also alleges his employment agreement was wrongfully terminated. The claim for arbitration alleges direct charges in excess of \$5,000 and requests punitive damages, treble damages and attorneys fees. The Company and its subsidiaries have responded to the demand, denying liability and filed a counterclaim for \$1,000 for misrepresentations. The Company believes it has meritorious defenses to the claims.

The Company is involved in certain litigation arising from the normal course of its business. In the opinion of management, the outcome of these matters individually and in the aggregate will not have a material effect on the Company's financial position, cash flows or results of operations.

F-82

20. SUBSEQUENT EVENTS

On September 23, 1999, the Company entered into an amended Agreement and Plan of Merger (the "Merger Agreement") with Casella Waste Systems, Inc., ("Casella") a publicly-owned company engaged in the waste services industry. This Merger Agreement was an amendment to the original agreement dated January 12, 1999. The merger will be completed through the exchange of all of shares of the Company's common stock for shares of Casella's Class A common stock based on an exchange ratio specified in the Merger Agreement. In addition, all of the Company's outstanding and unexercised stock options and stock purchase warrants will be converted into similar rights to acquire Casella's Class A common stock under the same terms and conditions and the same exchange ratio. Subsequent to the completion of the merger the current Casella stockholders will own a majority of the combined company. Under the terms of the Merger Agreement, Casella is required to file a registration statement with the Securities and Exchange Commission to register the shares of its Class A common stock to be issued in the Merger. The merger is subject to, among other things, approval of the Company's and Casella's stockholders. No assurances can be given that the remaining conditions of the Merger will be satisfied and that the merger will be consummated. In connection with the merger, Casella has agreed to reimburse the Company for its investment banking fees and other merger related costs and as of December 31, 1998 approximately \$1,160 of such costs have been deferred.

During January 1999, the Company completed the acquisition of AFA Group, Inc. and subsidiaries, an integrated wood waste processing and hauling business. The purchase price was approximately \$9.0 million.

During March 1999, the Company signed a definitive agreement to acquire a company which operates a material recovery facility. The acquisition is expected to close on June 30, 1999 upon the resolution of a contingency, as outlined in the purchase agreement. The purchase price is expected to be approximately \$5,600 of which \$250 was paid at the signing of the definitive agreement.

F-83

KTI, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

	September 30, 1999	December 31, 1998
	<hr/>	<hr/>
	(unaudited)	
ASSETS		
Current Assets		

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

	September 30, 1999	December 31, 1998
Cash and cash equivalents	\$ 9,711	\$ 9,426
Restricted funds	19,813	19,088
Accounts receivable, net of allowances of \$1,860 and \$1,313	37,812	29,272
Consumables and spare parts	5,005	4,483
Inventory	8,381	4,866
Notes receivable officers/shareholders and affiliates	187	1,858
Other receivables	1,940	4,158
Deferred taxes	3,414	4,832
Other current assets	4,028	3,370
Total current assets	90,291	81,353
Restricted funds	4,185	4,350
Notes receivable officers/shareholders and affiliates	8,288	1,534
Other receivables	1,784	3,025
Other assets	6,087	6,167
Deferred taxes	4,804	1,407
Deferred costs, net of accumulated amortization of \$2,001 and \$1,610	5,284	5,268
Goodwill and other intangibles, net of accumulated amortization of \$8,242 and \$4,354	125,731	119,712
Property, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$38,248 and \$27,724	210,300	213,669
Total assets	\$ 456,754	\$ 436,485
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 23,003	\$ 14,940
Accrued expenses	15,081	9,313
Debt, current portion	159,716	9,775
Other current liabilities	912	4,499
Total current liabilities	198,712	38,527
Other liabilities	1,728	4,227
Debt, less current portion	64,054	202,153
Minority interest	15,354	12,437
Deferred revenue	55,820	61,396
Customer advance	12,263	12,788
Convertible subordinated notes	6,770	6,770
Commitments and contingencies		
Stockholders' equity:		
Preferred stock; 10,000,000 shares authorized; none outstanding		
Common stock, no par value (stated value \$.01 per share); authorized 40,000,000 in 1999 and 1998, issued and outstanding: 14,023,838 in 1999, 13,266,204 in 1998		
	140	133
Additional paid-in capital	127,874	115,026
Accumulated deficit	(25,961)	(16,972)
Total stockholders' equity	102,053	98,187

	September 30, 1999	December 31, 1998
Total liabilities and stockholders' equity	\$ 456,754	\$ 436,485

See accompanying notes.

F-84

KTI, INC.**CONSOLIDATED STATEMENTS OF OPERATIONS****(in thousands, except share and per share amounts)****(Unaudited)**

	Nine Months Ended September 30,	
	1999	1998
Revenues	\$ 199,023	\$ 117,653
Cost of operations	168,731	99,623
Gross Profit	30,292	18,030
Selling, general and administrative	17,530	5,745
Restructuring charge	4,299	
Asset impairment charge	3,000	
Income from operations	5,463	12,285
Interest expense, net	13,575	5,790
Loss (gain) on sale of business	77	
Equity loss in subsidiaries	463	
Other charges	131	
Other income, net	(658)	
Income (loss) before minority interest, provision (benefit) for income taxes, extraordinary item and cumulative effect of change in accounting principle	(8,125)	6,495
Minority interest	1,875	2,508
Income (loss) before provision (benefit) for income taxes, extraordinary item and cumulative effect of change in accounting principle	(10,000)	3,987
Provision (benefit) for income taxes	(1,069)	(1,558)
Income (loss) before extraordinary item and cumulative effect of change in accounting principle	(8,931)	5,545
Extraordinary item		(495)
Income (loss) before cumulative effect of change in accounting principle	(8,931)	5,050
Cumulative effect of change in accounting principle	(58)	
Net income (loss)	(8,989)	5,050
Accretion and accrued and paid dividends on preferred stock		1,134

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Nine Months Ended September 30,

Net income (loss) available to common shareholders	\$ (8,989)	\$ 3,916
Earnings per common share:		
Basic:		
Income (loss) before extraordinary item and cumulative effect of change in accounting principle	\$ (0.64)	\$ 0.45
Extraordinary item		(0.05)
Cumulative effect of change in accounting principle	(0.01)	
Net income (loss)	\$ (0.65)	\$ 0.40
Weighted average number of shares used in computation	13,851,716	9,813,101
Diluted:		
Income (loss) before extraordinary item and cumulative effect of change in accounting principle	\$ (0.64)	\$ 0.42
Extraordinary item		(0.05)
Cumulative effect of change in accounting principle	(0.01)	
Net income (loss)	\$ (0.65)	\$ 0.37
Weighted average number of shares used in computation	13,851,716	10,688,513

See accompanying notes.

F-85

KTI, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except share amounts)

	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance at December 31, 1997	447,500	\$ 3,732	856,000	\$ 21,400	8,912,630	\$ 89	\$ 52,762	\$ (18,267)	\$ 59,716
Net income								2,699	2,699
Accretion of preferred stock		42					(42)		
Issuance of common stock and common stock purchase warrants for:									
Exercise of options					235,682	2	1,894		1,896
Exercise of warrants					411,894	4	1,648		1,652
Non-employee director's compensation							205		205
Conversion of preferred stock:									

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

	Series A Preferred Stock	Series B Preferred Stock					
Series A	(447,500)	(3,774)	447,500	4	3,770		
Series B		(21,400)	25,531	1	300		(21,099)
Conversion of debt			1,283,399	13	15,686		15,699
Employee savings plan contribution		(856,000)	4,215		41		41
Business combinations			1,945,353	20	38,122		38,142
Tax benefit realized from stock option transactions					738		738
Dividends paid on Series B Preferred Stock						(1,404)	(1,404)
Additional costs related to preferred stock issuances					(98)		(98)
Balance at December 31, 1998			13,266,204	133	115,026	(16,972)	98,187
Net loss						(8,989)	(8,989)
Issuance of common stock for:							
Exercise of options			20,552		161		161
Exercise of warrants			19,482		193		193
Business combinations			717,600	7	12,494		12,501
Balance at September 30, 1999 (unaudited)			14,023,838	\$ 140	\$ 127,874	\$ (25,961)	\$ 102,053

See accompanying notes.

F-86

KTI, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended September 30,	
	1999	1998
OPERATING ACTIVITIES		
Net income (loss)	\$ (8,989)	\$ 5,050
Adjustments to reconcile net income to net cash provided by operating activities:		
Asset impairment charge	3,000	
Extraordinary item		495
Cumulative effect of change in accounting principle	58	
Depreciation and amortization	16,117	8,937
Minority interest, net of distributions	2,917	(195)
Loss on sale of businesses, net	145	
Equity loss in subsidiaries	463	
Deferred revenue and customer advance	(6,101)	(5,812)
Deferred income taxes	(2,190)	(4,671)

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

	Nine Months Ended September 30,	
Provision for losses on accounts receivable	634	579
Interest accrued and capitalized on debt	413	872
Other non-cash charges	394	(30)
Changes in operating assets and liabilities:		
Accounts receivable	(8,733)	(886)
Consumables, spare parts and inventory	(1,848)	(1,316)
Other receivables	796	(4,220)
Other assets	(1,925)	3,832
Accounts payable and accrued expenses	11,564	439
Other liabilities	(2,596)	2,814
Net cash provided by operating activities	4,119	5,888
INVESTING ACTIVITIES		
Additions to property, equipment and leasehold improvements	(6,995)	(5,088)
Proceeds from sale of assets	86	33
Net change in restricted funds	(560)	(2,714)
Proceeds from sale of businesses	4,283	1,985
Purchase of businesses, net of cash acquired	(151)	(62,154)
Notes receivable officers/shareholders and affiliates	(4,653)	(380)
Net cash used in investing activities	(7,990)	(68,318)
FINANCING ACTIVITIES		
Deferred financing costs		(3,936)
Proceeds from issuance of debt		44,995
Net borrowings on lines of credit	10,532	114,373
Proceeds from other borrowings	1,000	
Proceeds from amendment of power purchase agreement, net of transaction costs		5,900
Proceeds from sale of common stock	354	3,235
Dividends paid		(1,092)
Principal payments on debt	(7,730)	(104,048)
Net cash provided by financing activities	4,156	59,427
Increase (decrease) in cash and cash equivalents	285	(3,003)
Cash and cash equivalents at beginning of period	9,426	11,181
Cash and cash equivalents at end of period	\$ 9,711	\$ 8,178

F-87

**Supplemental Disclosure Of
Cash Flow Information**

Interest paid	\$ 15,239	\$ 4,803
Taxes paid	1,665	

**Non Cash Investing And
Financing Activities**

Capital lease obligation entered into for lease of equipment	241
Purchase of businesses and additional partnership interest, net	

of cash acquired:

Working capital, net of cash acquired	(1,611)	(3,040)
Property, equipment and leasehold improvements	(8,621)	(51,950)
Purchase price in excess of net assets acquired	(7,843)	(91,034)
Other assets		(4,752)
Non-current liabilities	5,423	52,985
Common stock issued	12,501	35,637

See accompanying notes.

F-88

KTI, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars except share and per share amounts)

(Unaudited)

September 30, 1999

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of KTI, Inc. (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. The municipal solid waste ("MSW") market in Maine, which provides material to the waste-to-energy segment, is seasonal, with one-third more MSW generated in the summer months than is generated during the rest of the year. The Residential and Commercial Recycling segments experience increased volumes of newspaper in November and December due to increased newspaper advertising and retail activity during the holiday season. Additionally, the Residential Recycling segment operates facilities in Florida which experience increased volumes of recyclable materials during the winter months followed by decreases in the summer months in connection with seasonal changes in population. Operating results for the nine month periods ended September 30, 1999 and 1998 are not necessarily indicative of the results that may be expected for the full year. For further information, refer to the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1998. Certain 1998 financial information contained herein has been reclassified to conform with the 1999 presentation.

2. RESTATEMENT

The Company's balance sheet as of September 30, 1999, the statements of operations, stockholders' equity and cash flows, for the nine months ended September 30, 1999, have been restated to reflect certain adjusting entries relating to restructurings, valuation allowances and other accruals. As a result of these adjustments, net loss increased approximately \$4.4 million and loss per share increased \$0.32 per share.

3. MERGER AND ACQUISITIONS

On September 23, 1999, the Company entered into an Amended Agreement and Plan of Merger (the "Merger Agreement") with Casella Waste Systems, Inc., ("Casella") a publicly-owned company engaged in the waste services industry. The merger will be completed through the exchange of all of the shares of the Company's common stock for shares of Casella's Class A common stock based on an exchange ratio specified in the Merger Agreement. In addition, all of the Company's outstanding and unexercised stock options and stock purchase warrants will be converted into similar rights to acquire Casella's Class A common stock under the same terms and conditions and the same exchange ratio. Subsequent to the completion of the merger, the current Casella stockholders will own a majority of the combined company. Under the terms of the Merger Agreement, Casella is required to file a registration statement with the Securities and Exchange Commission to register the shares of its Class A common stock to be issued in the merger. The merger is subject to, among other things, approval of the Company's and Casella's stockholders. No assurance can be given that the conditions of the merger will be satisfied or that the merger will be consummated.

In connection with the merger, Casella has agreed to reimburse the Company for its investment banking fees and other merger related costs and as of September 30, 1999 approximately \$1,514 of such costs have been deferred.

On March 31, 1999, May 19, 1999, and September 30, 1999 pursuant to the Second Amended, Restated and Extended Waste Disposal Agreement among Penobscot Energy Recovery Company, Limited Partnership ("PERC") and the municipalities named therein, the municipalities made capital contributions to PERC, which were recorded as additional minority interest, totaling \$730, \$240 and \$1,300 respectively, in exchange for 1.31%, 0.43% and 2.33%, respectively, of limited partnership interest in PERC.

On January 27, 1999 the Company completed its acquisition of AFA Group, Inc. and subsidiaries ("AFA"), an integrated wood waste processing and hauling business located in Newark, New Jersey. Payment of the aggregate purchase price, including all direct costs, of \$9,682 consisted of (i) 460,000 shares of the Company's common stock valued at \$20.70 per share (based on the closing price of the common stock on the date of announcement) and (ii) \$150 in cash. In July 1999, the Company paid AFA an additional 104,038 shares of the Company's common stock as a purchase price adjustment based on the final net worth, as defined, of AFA as of the acquisition date. These shares were valued at \$13.58 per share. This acquisition was accounted for as a purchase, and accordingly, the assets and liabilities have been recorded at their estimated fair value at the date of acquisition. The excess of the purchase price over the fair value of the acquired net assets of \$7,776 has been recorded as goodwill and is being amortized on a straight-line basis over 30 years. The Company's financial statements include the results of operations of AFA since the date of acquisition.

4. SALE OF BUSINESSES

In June 1999, the Company completed the sale of its Commercial Recycling facility located in Franklin Park, Illinois. The proceeds from this sale were approximately \$1,757 and the Company recorded a loss of approximately \$644.

In September 1999, the Company completed the sale of substantially all of the assets of the Waste-to-Energy segment's hauling operation located in Maine to Casella. The proceeds from this sale were approximately \$2,526 and the Company recorded a gain of approximately \$567.

5. EXERCISE OF BHE WARRANTS

In August 1999, the Company exercised its rights under a Warrant Purchase Agreement (the "Warrant Agreement") to purchase 178,214 common shares of BHE. Under the terms of the Warrant Agreement, BHE elected to pay cash in lieu of issuing shares. The Waste-to-Energy segment received approximately \$1,699 in cash and recorded a gain of approximately \$757 which is classified as other income.

6. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	Nine Months Ended September 30,	
	1999	1998
Numerator:		
Net income (loss)	\$ (8,989)	\$ 5,050
Preferred stock dividends		1,092
Accretion of preferred stock		42
Numerator for basic earnings per share-net income (loss) available to common stockholders	(8,989)	3,916

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

	Nine Months Ended September 30,	
	1999	1998
Effective of dilutive securities:		
Numerator for diluted earnings per share-net income (loss) available to common stockholders after assumed conversions	\$ (8,989)	\$ 3,916
Denominator:		
Denominator for basic earnings per share-weighted average shares	13,851,716	9,813,101
Effect of dilutive securities:		
Employee stock options(1)		501,310
Warrants(1)		374,102
Convertible preferred stock(2)		
Convertible subordinated notes(3)		
Dilutive potential common shares		875,412
Denominator for diluted earnings per share-adjusted weighted-average shares and assumed conversions	13,851,716	10,688,513
Net Income (loss) per share Basic	\$ (0.65)	\$ 0.40
Net income (loss) per share Diluted	\$ (0.65)	\$ 0.37

- (1) The employee stock options and warrants outstanding during the nine months ended September 30, 1999 are anti-dilutive.
- (2) The convertible preferred stock is anti-dilutive in 1999 and the nine months ended September 30, 1998.
- (3) The convertible subordinated notes payable are anti-dilutive.

7. CONTINGENCIES

The Company is a defendant in a consolidated purported class action, which alleges violations of certain sections of the federal securities laws. The Company believes the allegations are without merit and intends to defend the litigation vigorously.

F-91

Two lawsuits have been filed against a subsidiary of the Company alleging fraud and tortious interference. The actions are based on two contracts between the plaintiff and the subsidiary, which contracts require all disputes to be resolved by arbitration. The Company settled these lawsuits in October 1999 and paid \$350 in final settlement of these claims, which was accrued at September 30, 1999.

The majority shareholder of a company acquired by a subsidiary of the Company instigated arbitration proceedings against the Company and two of its subsidiaries, alleging the subsidiaries acted to frustrate the "earn-out" provisions of the acquisition agreement and thereby precluding him from receiving, or alternatively, reducing the sum to which he was entitled to receive. He also alleges his employment agreement was wrongfully terminated. The claim for arbitration alleges direct charges in excess of \$5,000 and requests punitive damages, treble damages and attorneys fees. The Company and its subsidiaries have responded to the demand, denying liability and filed a counterclaim for \$1,000 for misrepresentations. The Company believes it has meritorious defenses to the claims.

The Company is a defendant in certain lawsuits alleging various claims incurred in the ordinary course of business. Management of the Company does not believe that the outcome of these matters, individually or in the aggregate, will have a material effect on the Company's financial condition, cash flows or results of operations.

8. IMPAIRMENT OF COMMERCIAL RECYCLING LONG-LIVED ASSETS

As a result of the loss on the sale of the Franklin Park Facility (see Note 4) and the continued poor operating performance of the Commercial Recycling segment, the Company initiated an impairment review of the long-lived assets, including goodwill, in the Commercial Recycling segment in the second quarter. A revised operating plan for each of the remaining facilities in the Commercial Recycling segment was developed. While revenues are stable, the Commercial Recycling segment continues to operate at levels of profitability, which are significantly below the levels anticipated when the acquisitions were completed. In addition, with the continued consolidation of the solid waste industry and the continued focus on the disposal aspects of this industry, the possibility of selling these facilities for amounts approximating their carrying value is remote.

In the second quarter of 1999, the Company determined that the estimated future undiscounted cash flows for the KTI Recycling of New Jersey ("Newark Plant") facility were below the carrying value of the related equipment and leasehold improvements. The Company adjusted the carrying value of the related equipment and leasehold improvements of the Newark Plant by approximately \$3,000 to their estimated fair value of approximately \$1,142. The fair value of the long-lived assets was based on the expected cash flows discounted at a rate commensurate with the risk involved.

9. PLANT CONSOLIDATION, RESTRUCTURING AND OTHER UNUSUAL ITEMS

In April 1999, FCR, Inc. ("FCR"), a subsidiary of the Company, signed a new agreement with a municipality to operate a material recovery facility in Charlotte, North Carolina. As part of this agreement, the Company committed to relocate the cellulose insulation plant located in Ronda, North

F-92

Carolina to the material recovery facility in Charlotte. This secures the supply of raw material for the cellulose insulation plant and provides additional cost savings from the integration of recycling and the manufacturing of cellulose insulation into one facility. As a result, the Company developed an exit plan for the closing of the plant in Ronda, North Carolina and began the construction of the new cellulose insulation plant during the second quarter. In the second quarter of 1999, the Finished Products segment recorded a restructuring charge of approximately \$1,205, which consisted primarily of the write-down of equipment and leasehold improvements and an accrual for the remaining payments under the noncancelable lease of the Ronda facility. Payments against this reserve are expected to begin in the fourth quarter of 1999.

During 1999, the Company reached agreement with an employee to restructure the amounts paid under an employment contract. The Finished Products segment recorded a restructuring charge of approximately \$320 relating to amounts due under the revised contract. Payments against this reserve are expected to begin during the fourth quarter of 1999.

In June 1999, the Company initiated a plan to close the Residential Recycling segment's material recovery facility located in Howes Cave, New York and process the materials from this facility at another Residential Recycling segment facility. In the second quarter of 1999, the Company recorded a restructuring charge of \$644, which consisted primarily of the remaining payments under noncancelable leases of the building and equipment. The Company made payments totaling \$110 against this reserve during 1999.

In September, 1999, the Company initiated a plan to relocate brokerages' corporate offices from Portland, Oregon to Passaic, New Jersey. In the third quarter of 1999, the Company recorded a restructuring charge of \$450, which consisted primarily of existing lease obligations, severance and related taxes.

Included in restructuring charges is \$432 of deferred acquisition costs related to acquisitions that were terminated during the second quarter.

In April 1998, a subsidiary of the Company, FCR, entered into an amended agreement to operate a material recovery facility in Stratford, Connecticut. This agreement requires FCR to add additional processing equipment to this facility within a certain period of time as defined in the amended agreement or pay the municipality \$100 per year over the next five years. In April 1999, FCR determined that this processing equipment was not cost effective due to other alternative methods of processing and, thus, will not install the equipment. As a result, in the second quarter of 1999, the Residential Recycling segment recorded the penalty included in the agreement of \$500 for the payments to be made to the municipality. No payments were made during the third quarter of 1999 and the entire amount is accrued and classified as other liabilities as of September 30, 1999.

During 1999, other charges of \$131 represents an accrual for penalties assessed by the Florida Department of Environmental Protection related to the temperature of the discharge water at the Waste-to-Energy segment's Telogia Facility.

F-93

In the first quarter of 1999, the Company recorded a \$748 restructuring charge. The restructuring initiatives primarily involve the Company's Commercial Recycling segment and represent primarily severance and other costs related to employee reductions. In connection with the restructuring, the Company terminated ten employees. The restructuring charges relate to integration of the brokerage operation acquired as part of the New Jersey Fibers acquisition and elimination of costs as a result of streamlining the operations of acquisitions completed in 1998. The Company made payments totaling \$442 against this reserve during 1999.

10. INCOME TAXES

The income tax benefit was approximately \$1,069 and \$1,558 for the nine months ended September 30, 1999 and 1998, respectively. During 1999, the effective tax rate utilized by the Company of 10.7% represents the estimated annual effective rate based on the total estimated pretax loss of the Company for the year ending December 31, 1999. The income tax benefit in 1998 was due to the reduction of the valuation allowance for deferred tax assets of \$3,160.

11. REVOLVING LINE OF CREDIT AGREEMENT

On May 12, 1999, the Company's Revolving Line of Credit Agreement with a bank (the "Credit Agreement") was amended (the "Amended Agreement") modifying certain financial covenants and requiring bank approval for all acquisitions. The Amended Agreement requires that the Company and certain subsidiaries, as defined, maintain certain specified financial covenants, including, a minimum interest coverage ratio, a maximum funded debt to EBITDA ratio, a minimum fixed charge coverage ratio, and a maximum debt to capitalization ratio, each as defined in the Amended Agreement. The Company recorded a charge of \$835 in connection with the amendment. This charge was recorded in interest expense during the second quarter.

As of September 30, 1999, the Company was in default of the financial covenants of its line of credit. The Company's lender has waived the violation of the financial covenants through January 1, 2000. As a result, the outstanding amount under the line of credit has been classified as a current liability. Upon the consummation of the merger, this line of credit will be replaced by the credit facility of the merged company. However, no assurances can be given that the conditions of the merger will be satisfied or that the merger will be consummated.

The Company will continue to select interest rates on the outstanding borrowings based on the bank's prime rate or LIBOR rates, however, the interest rates range from the bank's prime rate to the bank's prime rate plus 1.50% or LIBOR plus 1.88% to LIBOR plus 3.25% depending on the attainment of a financial covenant, as defined, in the Amended Agreement.

As of September 30, 1999, one of the Company's subsidiaries was in violation of one of the financial covenants of its revolving line of credit. Borrowings under this line of credit are classified as a current liability at September 30, 1999. This violation was cured in October 1999.

F-94

PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 20. Indemnification of Directors and Officers

Section 102 of the Delaware General Corporation Law statute permits a corporation to eliminate the personal liability of directors of a corporation to the corporation or its stockholders for monetary damages for a breach of fiduciary duty as a director, except where the director breached his duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a dividend or approved a stock repurchase in violation of Delaware corporate law or obtained an improper personal benefit.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Section 145 of the Delaware General Corporation Law statute permits a Delaware corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with the action, suit, or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

In the case of an action by or in the right of the corporation, Section 145 permits the corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of the action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation. No indemnification may be made in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which the action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to be indemnified for such expenses which the Court of Chancery or such other court shall deem proper.

To the extent that a present or former director or officer of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in the preceding two paragraphs, Section 145 requires that he be indemnified against expenses, including attorneys' fees, actually and reasonably incurred by him in connection therewith.

Section 145 provides that expenses, including attorneys' fees, incurred by an officer or director in defending any civil, criminal, administrative, or investigative action, suit, or proceeding may be paid by the corporation in advance of the final disposition of the action, suit, or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in Section 145.

Article Sixth of the Registrant's Second Amended and Restated Certificate of Incorporation eliminates the personal liability of the directors of the Registrant to the Registrant or its stockholders for monetary damages for breach of fiduciary duty as directors, except to the extent prohibited by

II-1

Delaware General Corporation Law and Article Seventh requires indemnification of directors and officers of the Registrant, and for advancement of litigation expenses to the fullest extent permitted by Section 145.

Item 21. Exhibits and Financial Statement Schedules

- (a) Exhibits

Exhibit No.	Description of Exhibit
4.1	Indenture, dated January 24, 2003, by and among Casella Waste Systems, Inc., the Guarantors named therein and U.S. Bank National Association, as Trustee, relating to the 9.75% Senior Subordinated Notes due 2013, including the form of 9.75% Senior Subordinated Note (incorporated by reference to Exhibit 4.1 to the current report on Form 8-K of Casella Waste Systems, Inc. as filed January 24, 2003 (file no. 000-23211).
4.2	Exchange and Registration Rights Agreement, dated January 21, 2003, by and among Casella Waste Systems, Inc., the Guarantors listed therein and Purchasers listed therein, relating to the 9.75% Senior Subordinated Notes due 2013.
5.1	Opinion of Hale and Dorr LLP.
12.1	Statement regarding computation of ratio of earnings to fixed charges.
23.1	Consent of PricewaterhouseCoopers LLP.
23.2	Consent of Ernst & Young LLP.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Exhibit No.	Description of Exhibit
23.3	Consent of Hale and Dorr LLP (included in Exhibit 5.1).
24	Powers of Attorney (See pages II-5 through II-75 of this registration statement).
25.1	Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of U.S. Bank National Association, as Trustee, on Form T-1, relating to the 9.75% Senior Subordinated Notes due 2013.
99.1	Form of Letter of Transmittal.
99.2	Form of Notice of Guaranteed Delivery.
99.3	Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
99.4	Form of Letter to Clients.
99.5	Form of Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.

Filed herewith.

(b)

Financial Statement Schedules

Schedule II Valuation and Qualifying Accounts

Item 22. Undertakings

The undersigned Registrant hereby undertakes:

(a)

To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i)

To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii)

To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered

II-2

would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii)

To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that paragraphs a(i) and a(ii) do not apply if the registration statement is on Form S-3, Form S-8 or Form F-3, and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(b) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES AND POWER OF ATTORNEY

We, the undersigned officers and directors of Casella Waste Systems, Inc., hereby severally constitute and appoint John W. Casella and James W. Bohlig and each of them singly, our true and lawful attorneys with full power to any of them, and to each of them singly, to sign for us and in our names in the capacities indicated below the Registration Statement on Form S-4 filed herewith and any and all pre-effective and post-effective amendments to said Registration Statement and generally to do all such things in our name and behalf in our capacities as officers and directors to enable Casella Waste Systems, Inc. to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or any of them, to said Registration Statement and any and all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
<u>/s/ JOHN W. CASELLA</u> John W. Casella	Chairman and Chief Executive Officer (Principal Executive Officer)	February 11, 2003
<u>/s/ JAMES W. BOHLIG</u> James W. Bohlig	President and Chief Operating Officer, Director	February 11, 2003
<u>/s/ RICHARD A. NORRIS</u> Richard A. Norris	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	February 11, 2003
<u>/s/ DOUGLAS R. CASELLA</u> Douglas R. Casella	Director	February 11, 2003
<u>/s/ JOHN F. CHAPPLE III</u> John F. Chapple III	Director	February 11, 2003
<u>/s/ D. RANDOLPH PEELER</u> D. Randolph Peeler	Director	February 11, 2003
<u>/s/ GREGORY B. PETERS</u> Gregory B. Peters	Director	February 11, 2003
<u>/s/ WILBUR L. ROSS, JR.</u> Wilbur L. Ross, Jr.	Director	February 11, 2003

II-5

SIGNATURES

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

John W. Casella
President and Director

SIGNATURES AND POWER OF ATTORNEY

We, the undersigned officers and directors of Alternate Energy, Inc., hereby severally constitute and appoint John W. Casella and James W. Bohlig, and each of them singly, our true and lawful attorneys with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below the Registration Statement on Form S-4 filed herewith and any and all pre-effective and post-effective amendments to said Registration Statement and generally to do all such things in our name and behalf in our capacities as officers and directors to enable Alternate Energy, Inc. to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or either of them, to said Registration Statement and any and all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
<u>/s/ JOHN W. CASELLA</u> John W. Casella	President and Director (Principal Executive Officer)	February 11, 2003
<u>/s/ RICHARD A. NORRIS</u> Richard A. Norris	Vice President and Treasurer (Principal Financial and Accounting Officer)	February 11, 2003
<u>/s/ JAMES W. BOHLIG</u> James W. Bohlig	Vice President and Director	February 11, 2003
<u>/s/ DOUGLAS R. CASELLA</u> Douglas R. Casella	Vice President and Director	February 11, 2003

II-7

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rutland, State of Vermont, on this 11th day of February, 2003.

ATLANTIC COAST FIBERS, INC.

By: /s/ JOHN W. CASELLA

John W. Casella
President and Director

SIGNATURES AND POWER OF ATTORNEY

We, the undersigned officers and directors of Atlantic Coast Fibers, Inc., hereby severally constitute and appoint John W. Casella and James W. Bohlig, and each of them singly, our true and lawful attorneys with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below the Registration Statement on Form S-4 filed herewith and any and all pre-effective and

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

post-effective amendments to said Registration Statement and generally to do all such things in our name and behalf in our capacities as officers and directors to enable Atlantic Coast Fibers, Inc. to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or either of them, to said Registration Statement and any and all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ JOHN W. CASELLA	President and Director (Principal Executive Officer)	February 11, 2003
John W. Casella		
/s/ RICHARD A. NORRIS	Vice President and Treasurer (Principal Financial and Accounting Officer)	February 11, 2003
Richard A. Norris		
/s/ JAMES W. BOHLIG	Vice President and Director	February 11, 2003
James W. Bohlig		
/s/ JAMES W. BOHLIG	Vice President and Director	February 11, 2003
Douglas R. Casella		

II-8

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rutland, State of Vermont, on this 11th day of February, 2003.

B. AND C. SANITATION CORPORATION

By: /s/ JOHN W. CASELLA

John W. Casella
Vice President and Director

SIGNATURES AND POWER OF ATTORNEY

We, the undersigned officers and directors of B. and C. Sanitation Corporation, hereby severally constitute and appoint John W. Casella and James W. Bohlig, and each of them singly, our true and lawful attorneys with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below the Registration Statement on Form S-4 filed herewith and any and all pre-effective and post-effective amendments to said Registration Statement and generally to do all such things in our name and behalf in our capacities as officers and directors to enable B. and C. Sanitation Corporation to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or either of them, to said Registration Statement and any and all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Signatures	Title	Date
<u>/s/ JAMES W. BOHLIG</u> James W. Bohlig	President and Director (Principal Executive Officer)	February 11, 2003
<u>/s/ RICHARD A. NORRIS</u> Richard A. Norris	Vice President and Treasurer (Principal Financial and Accounting Officer)	February 11, 2003
<u>/s/ JOHN W. CASELLA</u> John W. Casella	Vice President and Director	February 11, 2003
<u>/s/ DOUGLAS R. CASELLA</u> Douglas R. Casella	Vice President and Director	February 11, 2003

II-9

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rutland, State of Vermont, on this 11th day of February, 2003.

BLASDELL DEVELOPMENT GROUP, INC.

By: /s/ JOHN W. CASELLA

John W. Casella
Vice President and Director

SIGNATURES AND POWER OF ATTORNEY

We, the undersigned officers and directors of Blasdell Development Group, Inc., hereby severally constitute and appoint John W. Casella and James W. Bohlig, and each of them singly, our true and lawful attorneys with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below the Registration Statement on Form S-4 filed herewith and any and all pre-effective and post-effective amendments to said Registration Statement and generally to do all such things in our name and behalf in our capacities as officers and directors to enable Blasdell Development Group, Inc. to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or either of them, to said Registration Statement and any and all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
<u>/s/ JAMES W. BOHLIG</u> James W. Bohlig	President and Director (Principal Executive Officer)	February 11, 2003

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Signatures	Title	Date
<u>/s/ RICHARD A. NORRIS</u> Richard A. Norris	Vice President and Treasurer (Principal Financial and Accounting Officer)	February 11, 2003
<u>/s/ JOHN W. CASELLA</u> John W. Casella	Vice President and Director	February 11, 2003
<u>/s/ DOUGLAS R. CASELLA</u> Douglas R. Casella	Vice President and Director	February 11, 2003

II-10

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rutland, State of Vermont, on this 11th day of February, 2003.

BRISTOL WASTE MANAGEMENT, INC.

By: /s/ JOHN W. CASELLA

John W. Casella
Vice President and Director

SIGNATURES AND POWER OF ATTORNEY

We, the undersigned officers and directors of Bristol Waste Management, Inc., hereby severally constitute and appoint John W. Casella and James W. Bohlig, and each of them singly, our true and lawful attorneys with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below the Registration Statement on Form S-4 filed herewith and any and all pre-effective and post-effective amendments to said Registration Statement and generally to do all such things in our name and behalf in our capacities as officers and directors to enable Bristol Waste Management, Inc. to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or either of them, to said Registration Statement and any and all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
<u>/s/ JAMES W. BOHLIG</u> James W. Bohlig	President (Principal Executive Officer)	February 11, 2003
<u>/s/ RICHARD A. NORRIS</u> Richard A. Norris	Vice President and Treasurer (Principal Financial and Accounting Officer)	February 11, 2003
<u>/s/ JOHN W. CASELLA</u>	Vice President and Director	February 11, 2003

John W. Casella
President and Director

SIGNATURES AND POWER OF ATTORNEY

We, the undersigned officers and directors of Casella Waste Management of Massachusetts, Inc., hereby severally constitute and appoint John W. Casella and James W. Bohlig, and each of them singly, our true and lawful attorneys with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below the Registration Statement on Form S-4 filed herewith and any and all pre-effective and post-effective amendments to said Registration Statement and generally to do all such things in our name and behalf in our capacities as officers and directors to enable Casella Waste Management of Massachusetts, Inc. to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or either of them, to said Registration Statement and any and all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
<u>/s/ JOHN W. CASELLA</u> John W. Casella	President and Director (Principal Executive Officer)	February 11, 2003
<u>/s/ RICHARD A. NORRIS</u> Richard A. Norris	Vice President and Treasurer (Principal Financial and Accounting Officer)	February 11, 2003
<u>/s/ JAMES W. BOHLIG</u> James W. Bohlig	Vice President and Director	February 11, 2003
<u>/s/ DOUGLAS R. CASELLA</u> Douglas R. Casella	Vice President and Director	February 11, 2003

II-16

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rutland, State of Vermont, on this 11th day of February, 2003.

CASELLA WASTE MANAGEMENT OF N.Y., INC.

By: /s/ JOHN W. CASELLA

John W. Casella
President and Director

SIGNATURES AND POWER OF ATTORNEY

We, the undersigned officers and directors of Casella Waste Management of N.Y., Inc., hereby severally constitute and appoint John W. Casella and James W. Bohlig, and each of them singly, our true and lawful attorneys with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below the Registration Statement on Form S-4 filed herewith and any and all pre-effective and

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Signatures	Title	Date
<u>/s/ RICHARD A. NORRIS</u> Richard A. Norris	Vice President and Treasurer (Principal Financial and Accounting Officer)	February 11, 2003
<u>/s/ JOHN W. CASELLA</u> John W. Casella	Vice President and Director	February 11, 2003
<u>/s/ JAMES W. BOHLIG</u> James W. Bohlig	Vice President and Director	February 11, 2003

II-19

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rutland, State of Vermont, on this 11th day of February, 2003.

DATA DESTRUCTION SERVICES, INC.

By: /s/ JOHN W. CASELLA

John W. Casella
President and Director

SIGNATURES AND POWER OF ATTORNEY

We, the undersigned officers and directors of Data Destruction Services, Inc., hereby severally constitute and appoint John W. Casella and James W. Bohlig, and each of them singly, our true and lawful attorneys with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below the Registration Statement on Form S-4 filed herewith and any and all pre-effective and post-effective amendments to said Registration Statement and generally to do all such things in our name and behalf in our capacities as officers and directors to enable Data Destruction Services, Inc. to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or either of them, to said Registration Statement and any and all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
<u>/s/ JOHN W. CASELLA</u> John W. Casella	President and Director (Principal Executive Officer)	February 11, 2003
<u>/s/ RICHARD A. NORRIS</u> Richard A. Norris	Vice President and Treasurer (Principal Financial and Accounting Officer)	February 11, 2003
<u>/s/ JAMES W. BOHLIG</u>	Vice President and Director	February 11, 2003

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

We, the undersigned officers and directors of FCR Greensboro, Inc., hereby severally constitute and appoint John W. Casella and James W. Bohlig, and each of them singly, our true and lawful attorneys with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below the Registration Statement on Form S-4 filed herewith and any and all pre-effective and post-effective amendments to said Registration Statement and generally to do all such things in our name and behalf in our capacities as officers and directors to enable FCR Greensboro, Inc. to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or either of them, to said Registration Statement and any and all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ JOHN W. CASELLA</u> John W. Casella	President and Director (Principal Executive Officer)	February 11, 2003
<u>/s/ RICHARD A. NORRIS</u> Richard A. Norris	Vice President and Treasurer (Principal Financial and Accounting Officer)	February 11, 2003
<u>/s/ JAMES W. BOHLIG</u> James W. Bohlig	Vice President and Director	February 11, 2003
<u>/s/ DOUGLAS R. CASELLA</u> Douglas R. Casella	Vice President and Director	February 11, 2003

II-24

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rutland, State of Vermont, on this 11th day of February, 2003.

FCR GREENVILLE, INC.

By: /s/ JOHN W. CASELLA

John W. Casella
President and Director

SIGNATURES AND POWER OF ATTORNEY

We, the undersigned officers and directors of FCR Greenville, Inc., hereby severally constitute and appoint John W. Casella and James W. Bohlig, and each of them singly, our true and lawful attorneys with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below the Registration Statement on Form S-4 filed herewith and any and all pre-effective and post-effective amendments to said Registration Statement and generally to do all such things in our name and behalf in our capacities as officers and directors to enable FCR Greenville, Inc. to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or either of them, to said Registration Statement and any and all amendments thereto.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ JOHN W. CASELLA	President and Director (Principal Executive Officer)	February 11, 2003
John W. Casella		
/s/ RICHARD A. NORRIS	Vice President and Treasurer (Principal Financial and Accounting Officer)	February 11, 2003
Richard A. Norris		
/s/ JAMES W. BOHLIG	Vice President and Director	February 11, 2003
James W. Bohlig		
/s/ DOUGLAS R. CASELLA	Vice President and Director	February 11, 2003
Douglas R. Casella		

II-25

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rutland, State of Vermont, on this 11th day of February, 2003.

FCR MORRIS, INC.

By: /s/ JOHN W. CASELLA

John W. Casella
President and Director

SIGNATURES AND POWER OF ATTORNEY

We, the undersigned officers and directors of FCR Morris, Inc., hereby severally constitute and appoint John W. Casella and James W. Bohlig, and each of them singly, our true and lawful attorneys with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below the Registration Statement on Form S-4 filed herewith and any and all pre-effective and post-effective amendments to said Registration Statement and generally to do all such things in our name and behalf in our capacities as officers and directors to enable FCR Morris, Inc. to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or either of them, to said Registration Statement and any and all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ JOHN W. CASELLA		February 11, 2003

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Signatures	Title	Date
<u>/s/ JAMES W. BOHLIG</u> James W. Bohlig	Vice President and Director	February 11, 2003
<u>/s/ DOUGLAS R. CASELLA</u> Douglas R. Casella	Vice President and Director	February 11, 2003

II-27

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rutland, State of Vermont, on this 11th day of February, 2003.

FCR REDEMPTION, INC.

By: /s/ JOHN W. CASELLA

John W. Casella
President and Director

SIGNATURES AND POWER OF ATTORNEY

We, the undersigned officers and directors of FCR Redemption, Inc., hereby severally constitute and appoint John W. Casella and James W. Bohlig, and each of them singly, our true and lawful attorneys with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below the Registration Statement on Form S-4 filed herewith and any and all pre-effective and post-effective amendments to said Registration Statement and generally to do all such things in our name and behalf in our capacities as officers and directors to enable FCR Redemption, Inc. to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or either of them, to said Registration Statement and any and all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
<u>/s/ JOHN W. CASELLA</u> John W. Casella	President and Director (Principal Executive Officer)	February 11, 2003
<u>/s/ RICHARD A. NORRIS</u> Richard A. Norris	Vice President and Treasurer (Principal Financial and Accounting Officer)	February 11, 2003
<u>/s/ JAMES W. BOHLIG</u> James W. Bohlig	Vice President and Director	February 11, 2003
<u>/s/ DOUGLAS R. CASELLA</u>	Vice President and Director	February 11, 2003

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

amendments to said Registration Statement and generally to do all such things in our name and behalf in our capacities as officers and directors to enable Forest Acquisitions, Inc. to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or either of them, to said Registration Statement and any and all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ JAMES W. BOHLIG	President and Director (Principal Executive Officer)	February 11, 2003
James W. Bohlig		
/s/ RICHARD A. NORRIS	Vice President and Treasurer (Principal Financial and Accounting Officer)	February 11, 2003
Richard A. Norris		
/s/ DOUGLAS R. CASELLA	Vice President and Director	February 11, 2003
Douglas R. Casella		
/s/ JOHN W. CASELLA	Director	February 11, 2003
John W. Casella		

II-32

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rutland, State of Vermont, on this 11th day of February, 2003.

GRASSLANDS, INC.

By: /s/ JOHN W. CASELLA

John W. Casella
Vice President and Director

SIGNATURES AND POWER OF ATTORNEY

We, the undersigned officers and directors of Grasslands, Inc., hereby severally constitute and appoint John W. Casella and James W. Bohlig, and each of them singly, our true and lawful attorneys with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below the Registration Statement on Form S-4 filed herewith and any and all pre-effective and post-effective amendments to said Registration Statement and generally to do all such things in our name and behalf in our capacities as officers and directors to enable Grasslands, Inc. to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or either of them, to said Registration Statement and any and all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Signatures	Title	Date
<u>/s/ JAMES W. BOHLIG</u> James W. Bohlig	President and Director (Principal Executive Officer)	February 11, 2003
<u>/s/ RICHARD A. NORRIS</u> Richard A. Norris	Vice President and Treasurer (Principal Financial and Accounting Officer)	February 11, 2003
<u>/s/ JOHN W. CASELLA</u> John W. Casella	Vice President and Director	February 11, 2003
<u>/s/ DOUGLAS R. CASELLA</u> Douglas R. Casella	Vice President and Director	February 11, 2003

II-33

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rutland, State of Vermont, on this 11th day of February, 2003.

HAKES C & D DISPOSAL, INC.

By: /s/ JOHN W. CASELLA

John W. Casella
Vice President and Director

SIGNATURES AND POWER OF ATTORNEY

We, the undersigned officers and directors of Hakes C & D Disposal, Inc., hereby severally constitute and appoint John W. Casella and James W. Bohlig, and each of them singly, our true and lawful attorneys with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below the Registration Statement on Form S-4 filed herewith and any and all pre-effective and post-effective amendments to said Registration Statement and generally to do all such things in our name and behalf in our capacities as officers and directors to enable Hakes C & D Disposal, Inc. to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or either of them, to said Registration Statement and any and all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
<u>/s/ JAMES W. BOHLIG</u> James W. Bohlig	President and Director (Principal Executive Officer)	February 11, 2003

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Signatures	Title	Date
<u>/s/ RICHARD A. NORRIS</u> Richard A. Norris	Vice President and Treasurer (Principal Financial and Accounting Officer)	February 11, 2003
<u>/s/ JOHN W. CASELLA</u> John W. Casella	Vice President and Director	February 11, 2003
<u>/s/ DOUGLAS R. CASELLA</u> Douglas R. Casella	Vice President and Director	February 11, 2003

II-34

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rutland, State of Vermont, on this 11th day of February, 2003.

HIRAM HOLLOW REGENERATION CORP.

By: /s/ JOHN W. CASELLA

John W. Casella
Vice President and Director

SIGNATURES AND POWER OF ATTORNEY

We, the undersigned officers and directors of Hiram Hollow Regeneration Corp., hereby severally constitute and appoint John W. Casella and James W. Bohlig, and each of them singly, our true and lawful attorneys with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below the Registration Statement on Form S-4 filed herewith and any and all pre-effective and post-effective amendments to said Registration Statement and generally to do all such things in our name and behalf in our capacities as officers and directors to enable Hiram Hollow Regeneration Corp. to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or either of them, to said Registration Statement and any and all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
<u>/s/ JAMES W. BOHLIG</u> James W. Bohlig	President and Director (Principal Executive Officer)	February 11, 2003
<u>/s/ RICHARD A. NORRIS</u> Richard A. Norris	Vice President and Treasurer (Principal Financial and Accounting Officer)	February 11, 2003
<u>/s/ JOHN W. CASELLA</u>	Vice President and Director	February 11, 2003

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Signatures	Title	Date
<u>/s/ DOUGLAS R. CASELLA</u>	Vice President and Director	February 11, 2003
Douglas R. Casella		

II-37

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rutland, State of Vermont, on this 11th day of February, 2003.

KTI BIO FUELS, INC.

By: /s/ JOHN W. CASELLA

John W. Casella
President and Director

SIGNATURES AND POWER OF ATTORNEY

We, the undersigned officers and directors of KTI Bio Fuels, Inc., hereby severally constitute and appoint John W. Casella and James W. Bohlig, and each of them singly, our true and lawful attorneys with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below the Registration Statement on Form S-4 filed herewith and any and all pre-effective and post-effective amendments to said Registration Statement and generally to do all such things in our name and behalf in our capacities as officers and directors to enable KTI Bio Fuels, Inc. to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or either of them, to said Registration Statement and any and all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
<u>/s/ JOHN W. CASELLA</u>	President and Director (Principal Executive Officer)	February 11, 2003
John W. Casella		
<u>/s/ RICHARD A. NORRIS</u>	Vice President and Treasurer (Principal Financial and Accounting Officer)	February 11, 2003
Richard A. Norris		
<u>/s/ JAMES W. BOHLIG</u>	Vice President and Director	February 11, 2003
James W. Bohlig		
<u>/s/ DOUGLAS R. CASELLA</u>	Vice President and Director	February 11, 2003
Douglas R. Casella		

II-38

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Signatures	Title	Date
<u>/s/ JAMES W. BOHLIG</u> James W. Bohlig	Vice President and Director	February 11, 2003
<u>/s/ DOUGLAS R. CASELLA</u> Douglas R. Casella	Vice President and Director	February 11, 2003

II-44

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rutland, State of Vermont, on this 11th day of February, 2003.

KTI SPECIALTY WASTE SERVICES, INC.

By: /s/ JOHN W. CASELLA

John W. Casella
President and Director

SIGNATURES AND POWER OF ATTORNEY

We, the undersigned officers and directors of KTI Specialty Waste Services, Inc., hereby severally constitute and appoint John W. Casella and James W. Bohlig, and each of them singly, our true and lawful attorneys with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below the Registration Statement on Form S-4 filed herewith and any and all pre-effective and post-effective amendments to said Registration Statement and generally to do all such things in our name and behalf in our capacities as officers and directors to enable KTI Specialty Waste Services, Inc. to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or either of them, to said Registration Statement and any and all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
<u>/s/ JOHN W. CASELLA</u> John W. Casella	President and Director (Principal Executive Officer)	February 11, 2003
<u>/s/ RICHARD A. NORRIS</u> Richard A. Norris	Vice President and Treasurer (Principal Financial and Accounting Officer)	February 11, 2003
<u>/s/ JAMES W. BOHLIG</u> James W. Bohlig	Vice President and Director	February 11, 2003
<u>/s/ DOUGLAS R. CASELLA</u>	Vice President and Director	February 11, 2003

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rutland, State of Vermont, on this 11th day of February, 2003.

MAINE ENERGY RECOVERY COMPANY, LIMITED
PARTNERSHIP

By: KTI Environmental Group, Inc., its general partner*
By: /s/ JOHN W. CASELLA

John W. Casella
President and Director

SIGNATURES AND POWER OF ATTORNEY

We, KTI Environmental Group, Inc., the general partner of Maine Energy Recovery Company, Limited Partnership, and the undersigned directors of KTI Environmental Group, Inc., hereby severally constitute and appoint John W. Casella and James W. Bohlig, and each of them singly, our true and lawful attorneys with full power to them, and to each of them singly, to sign for us and in our name in the capacities indicated below the Registration Statement on Form S-4 filed herewith and any and all pre-effective and post-effective amendments to said Registration Statement and generally to do all such things in our name and behalf in our capacities as the general partner of Maine Energy Recovery Company, Limited Partnership and directors of KTI Environmental Group, Inc. to enable Maine Energy Recovery Company, Limited Partnership to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or either of them, to said Registration Statement and any and all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
KTI ENVIRONMENTAL GROUP, INC.		
By: /s/ JOHN W. CASELLA _____ John W. Casella President and Director	General Partner*	February 11, 2003
/s/ JOHN W. CASELLA _____ John W. Casella	Director of KTI Environmental Group, Inc.	February 11, 2003
/s/ JAMES W. BOHLIG _____ James W. Bohlig	Director of KTI Environmental Group, Inc.	February 11, 2003
/s/ DOUGLAS R. CASELLA _____ Douglas R. Casella	Director of KTI Environmental Group, Inc.	February 11, 2003

*
Maine Energy Recovery Company, Limited Partnership has no officers or directors.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Signatures	Title	Date
<u>/s/ JOHN W. CASELLA</u> John W. Casella	Vice President and Director	February 11, 2003
<u>/s/ DOUGLAS R. CASELLA</u> Douglas R. Casella	Vice President and Director	February 11, 2003

II-53

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rutland, State of Vermont, on this 11th day of February, 2003.

NEW ENGLAND WASTE SERVICES OF VERMONT, INC.

By: /s/ JOHN W. CASELLA

John W. Casella
Vice President and Director

SIGNATURES AND POWER OF ATTORNEY

We, the undersigned officers and directors of New England Waste Services of Vermont, Inc., hereby severally constitute and appoint John W. Casella and James W. Bohlig, and each of them singly, our true and lawful attorneys with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below the Registration Statement on Form S-4 filed herewith and any and all pre-effective and post-effective amendments to said Registration Statement and generally to do all such things in our name and behalf in our capacities as officers and directors to enable New England Waste Services of Vermont, Inc. to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or either of them, to said Registration Statement and any and all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
<u>/s/ JAMES W. BOHLIG</u> James W. Bohlig	President and Director (Principal Executive Officer)	February 11, 2003
<u>/s/ RICHARD A. NORRIS</u> Richard A. Norris	Vice President and Treasurer (Principal Financial and Accounting Officer)	February 11, 2003
<u>/s/ JOHN W. CASELLA</u> John W. Casella	Vice President and Director	February 11, 2003
<u>/s/ DOUGLAS R. CASELLA</u>	Vice President and Director	February 11, 2003

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

We, the undersigned officers and directors of Northern Properties Corporation of Plattsburgh, hereby severally constitute and appoint John W. Casella and James W. Bohlig, and each of them singly, our true and lawful attorneys with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below the Registration Statement on Form S-4 filed herewith and any and all pre-effective and post-effective amendments to said Registration Statement and generally to do all such things in our name and behalf in our capacities as officers and directors to enable Northern Properties Corporation of Plattsburgh to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or either of them, to said Registration Statement and any and all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ JOHN W. CASELLA	President and Director (Principal Executive Officer)	February 11, 2003
John W. Casella		
/s/ RICHARD A. NORRIS	Vice President and Treasurer (Principal Financial and Accounting Officer)	February 11, 2003
Richard A. Norris		
/s/ JAMES W. BOHLIG	Vice President and Director	February 11, 2003
James W. Bohlig		
/s/ DOUGLAS R. CASELLA	Vice President and Director	February 11, 2003
Douglas R. Casella		

II-58

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rutland, State of Vermont, on this 11th day of February, 2003.

NORTHERN SANITATION, INC.

By: /s/ JOHN W. CASELLA

John W. Casella
President and Director

SIGNATURES AND POWER OF ATTORNEY

We, the undersigned officers and directors of Northern Sanitation, Inc., hereby severally constitute and appoint John W. Casella and James W. Bohlig, and each of them singly, our true and lawful attorneys with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below the Registration Statement on Form S-4 filed herewith and any and all pre-effective and post-effective amendments to said Registration Statement and generally to do all such things in our name and behalf in our capacities as officers and directors to enable Northern Sanitation, Inc. to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or either of them, to said Registration Statement and any and all amendments thereto.

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ JOHN W. CASELLA	President and Director (Principal Executive Officer)	February 11, 2003
John W. Casella		
/s/ RICHARD A. NORRIS	Vice President and Treasurer (Principal Financial and Accounting Officer)	February 11, 2003
Richard A. Norris		
/s/ JAMES W. BOHLIG	Vice President and Director	February 11, 2003
James W. Bohlig		
/s/ DOUGLAS R. CASELLA	Vice President and Director	February 11, 2003
Douglas R. Casella		

II-59

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rutland, State of Vermont, on this 11th day of February, 2003.

PERC, INC.

By: /s/ JOHN W. CASELLA

John W. Casella
President and Director

SIGNATURES AND POWER OF ATTORNEY

We, the undersigned officers and directors of PERC, Inc., hereby severally constitute and appoint John W. Casella and James W. Bohlig, and each of them singly, our true and lawful attorneys with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below the Registration Statement on Form S-4 filed herewith and any and all pre-effective and post-effective amendments to said Registration Statement and generally to do all such things in our name and behalf in our capacities as officers and directors to enable PERC, Inc. to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or either of them, to said Registration Statement and any and all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ JOHN W. CASELLA		February 11, 2003

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Signatures	Title	Date
John W. Casella President and Director		
<u>/s/ JOHN W. CASELLA</u>	Director of PERC, Inc.	February 11, 2003
John W. Casella		
<u>/s/ JAMES W. BOHLIG</u>	Director of PERC, Inc.	February 11, 2003
James W. Bohlig		
<u>/s/ DOUGLAS R. CASELLA</u>	Director of PERC, Inc.	February 11, 2003
Douglas R. Casella		

*

PERC Management Company Limited Partnership has no officers or directors.

II-61

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rutland, State of Vermont, on this 11th day of February, 2003.

PINE TREE WASTE, INC.

By: /s/ JOHN W. CASELLA

John W. Casella
Vice President and Director

SIGNATURES AND POWER OF ATTORNEY

We, the undersigned officers and directors of Pine Tree Waste, Inc., hereby severally constitute and appoint John W. Casella and James W. Bohlig, and each of them singly, our true and lawful attorneys with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below the Registration Statement on Form S-4 filed herewith and any and all pre-effective and post-effective amendments to said Registration Statement and generally to do all such things in our name and behalf in our capacities as officers and directors to enable Pine Tree Waste, Inc. to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or either of them, to said Registration Statement and any and all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
<u>/s/ JAMES W. BOHLIG</u>		February 11, 2003

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Signatures	Title	Date
<u>/s/ JOHN W. CASELLA</u> John W. Casella	Vice President and Director	February 11, 2003
<u>/s/ DOUGLAS R. CASELLA</u> Douglas R. Casella	Vice President and Director	February 11, 2003

II-63

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rutland, State of Vermont, on this 11th day of February, 2003.

RESOURCE RECOVERY OF CAPE COD, INC.

By: /s/ JOHN W. CASELLA

John W. Casella
President and Director

SIGNATURES AND POWER OF ATTORNEY

We, the undersigned officers and directors of ReSource Recovery of Cape Cod, Inc., hereby severally constitute and appoint John W. Casella and James W. Bohlig, and each of them singly, our true and lawful attorneys with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below the Registration Statement on Form S-4 filed herewith and any and all pre-effective and post-effective amendments to said Registration Statement and generally to do all such things in our name and behalf in our capacities as officers and directors to enable ReSource Recovery of Cape Cod, Inc. to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or either of them, to said Registration Statement and any and all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
<u>/s/ JOHN W. CASELLA</u> John W. Casella	President and Director (Principal Executive Officer)	February 11, 2003
<u>/s/ RICHARD A. NORRIS</u> Richard A. Norris	Vice President and Treasurer (Principal Financial and Accounting Officer)	February 11, 2003
<u>/s/ JAMES W. BOHLIG</u> James W. Bohlig	Vice President and Director	February 11, 2003
<u>/s/ DOUGLAS R. CASELLA</u>	Vice President and Director	February 11, 2003

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
<hr/> <p align="center">/s/ JOHN W. CASELLA</p> <hr/> <p align="center">John W. Casella</p>	President (Principal Executive Officer)	February 11, 2003
<hr/> <p align="center">/s/ RICHARD A. NORRIS</p> <hr/> <p align="center">Richard A. Norris CASELLA WASTE SYSTEMS, INC.</p>	Vice President and Treasurer (Principal Financial and Accounting Officer)	February 11, 2003
<p>By: <hr/> /s/ JOHN W. CASELLA</p> <hr/> <p align="center">John W. Casella Chairman and Chief Executive Officer</p>	Manager*	February 11, 2003

*
Rochester Environmental Park, LLC has no directors.

II-69

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rutland, State of Vermont, on this 11th day of February, 2003.

SCHULTZ LANDFILL, INC.

By:

 /s/ JOHN W. CASELLA

John W. Casella
Vice President and Director

SIGNATURES AND POWER OF ATTORNEY

We, the undersigned officers and directors of Schultz Landfill, Inc., hereby severally constitute and appoint John W. Casella and James W. Bohlig, and each of them singly, our true and lawful attorneys with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below the Registration Statement on Form S-4 filed herewith and any and all pre-effective and post-effective amendments to said Registration Statement and generally to do all such things in our name and behalf in our capacities as officers and directors to enable Schultz Landfill, Inc. to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or either of them, to said Registration Statement and any and all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
<hr/>	<hr/>	<hr/>

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

Signatures	Title	Date
<u>/s/ RICHARD A. NORRIS</u> Richard A. Norris	Vice President and Treasurer (Principal Financial and Accounting Officer)	February 11, 2003
<u>/s/ JOHN W. CASELLA</u> John W. Casella	Vice President and Director	February 11, 2003
<u>/s/ DOUGLAS R. CASELLA</u> Douglas R. Casella	Vice President and Director	February 11, 2003

II-71

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rutland, State of Vermont, on this 11th day of February, 2003.

U.S. FIBER, INC.

By: /s/ JOHN W. CASELLA

John W. Casella
President and Director

SIGNATURES AND POWER OF ATTORNEY

We, the undersigned officers and directors of U.S. Fiber, Inc., hereby severally constitute and appoint John W. Casella and James W. Bohlig, and each of them singly, our true and lawful attorneys with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below the Registration Statement on Form S-4 filed herewith and any and all pre-effective and post-effective amendments to said Registration Statement and generally to do all such things in our name and behalf in our capacities as officers and directors to enable U.S. Fiber, Inc. to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or either of them, to said Registration Statement and any and all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
<u>/s/ JOHN W. CASELLA</u> John W. Casella	President and Director (Principal Executive Officer)	February 11, 2003
<u>/s/ RICHARD A. NORRIS</u> Richard A. Norris	Vice President and Treasurer (Principal Financial and Accounting Officer)	February 11, 2003
<u>/s/ JAMES W. BOHLIG</u>	Vice President and Director	February 11, 2003

John W. Casella
Vice President and Director

SIGNATURES AND POWER OF ATTORNEY

We, the undersigned officers and directors of Winters Brothers, Inc., hereby severally constitute and appoint John W. Casella and James W. Bohlig, and each of them singly, our true and lawful attorneys with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below the Registration Statement on Form S-4 filed herewith and any and all pre-effective and post-effective amendments to said Registration Statement and generally to do all such things in our name and behalf in our capacities as officers and directors to enable Winters Brothers, Inc. to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or either of them, to said Registration Statement and any and all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ JAMES W. BOHLIG <hr/> James W. Bohlig	President and Director (Principal Executive Officer)	February 11, 2003
/s/ RICHARD A. NORRIS <hr/> Richard A. Norris	Vice President and Treasurer (Principal Financial and Accounting Officer)	February 11, 2003
/s/ JOHN W. CASELLA <hr/> John W. Casella	Vice President and Director	February 11, 2003
/s/ DOUGLAS R. CASELLA <hr/> Douglas R. Casella	Vice President and Director	February 11, 2003
II-75		

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
4.1	Indenture, dated January 24, 2003, by and among Casella Waste Systems, Inc., the Guarantors named therein and U.S. Bank National Association, as Trustee, relating to the 9.75% Senior Subordinated Notes due 2013, including the form of 9.75% Senior Subordinated Note (incorporated by reference to Exhibit 4.1 to the current report on Form 8-K of Casella Waste Systems, Inc. as filed January 24, 2003 (file no. 000-23211).
4.2	Exchange and Registration Rights Agreement, dated January 21, 2003, by and among Casella Waste Systems, Inc., the Guarantors listed therein and Purchasers listed therein, relating to the 9.75% Senior Subordinated Notes due 2013.
5.1	Opinion of Hale and Dorr LLP.
12.1	Statement regarding computation of ratio of earnings to fixed charges.
23.1	Consent of PricewaterhouseCoopers LLP.
23.2	Consent of Ernst & Young LLP.
23.3	Consent of Hale and Dorr LLP (included in Exhibit 5.1).
24	Powers of Attorney (See pages II-5 through II-75 of this registration statement).
25.1	Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of U.S. Bank National Association, as Trustee, on Form T-1, relating to the 9.75% Senior Subordinated Notes due 2013.

Exhibit No.	Description of Exhibit
99.1	Form of Letter of Transmittal.
99.2	Form of Notice of Guaranteed Delivery.
99.3	Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
99.4	Form of Letter to Clients.
99.5	Form of Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.

Filed herewith.

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors and Stockholders
of Casella Waste Systems, Inc.

Our audit of the consolidated financial statements referred to in our report dated June 29, 2002 appearing in the Registration Statement on Form S-4 of Casella Waste Systems, Inc. (which report and consolidated financial statements are included in this Registration Statement) also included an audit of the financial statement schedule as of and for the year ended April 30, 2002 listed in Item 21(b) of this Form S-4. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. The financial statement schedule of the Company as of and for the years ended April 30, 2001 and 2000 was audited by other independent accountants whose report dated July 19, 2001 stated that the schedule presented fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts
June 29, 2002

FINANCIAL STATEMENT SCHEDULES

Schedule II Valuation Accounts

Allowance for Doubtful Accounts

(in thousands)

	April 30,		
	2000	2001	2002
Balance at beginning of period	\$ 1,430	\$ 5,371	\$ 4,904
Additions Charged to expense	1,790	3,105	(930)
Acquisition related	2,894		
Deductions Bad debts written off, net of recoveries	(743)	(3,572)	(3,188)
Balance at end of period	\$ 5,371	\$ 4,904	\$ 786

Restructuring

(in thousands)

Edgar Filing: CASELLA WASTE SYSTEMS INC - Form S-4

	April 30,		
	2000	2001	2002
Balance at beginning of period	\$	\$	\$ 4,151
Additions Charged to expense		4,151	(438)
Deductions Amounts paid			(3,676)
Balance at end of period	\$	\$ 4,151	\$ 37