

Bamber

AM 18275086.1

March 20, 2013

Her Excellency, Governor Margaret Wood Hassan
and the Honorable Council

Dear Governor and Councilors:

REQUESTED ACTION

The passage of a Resolution entitled: A RESOLUTION UNDER RSA 162-I:9 WITH RESPECT TO THE FINANCING OF COMMERCIAL FACILITIES BY THE BUSINESS FINANCE AUTHORITY FOR CASELLA WASTE SYSTEMS, INC. IN ALLENSTOWN, NEWPORT, BETHLEHEM AND SALEM. (For the text of the requested Resolution see Tab #1 below this letter of transmittal.)

The New Hampshire Business Finance Authority (the "Authority") respectfully requests that you hold a hearing, and, if you consider such action appropriate, make the statutory findings under RSA 162-I:9 with respect to the proposed issuance of up to \$11,000,000 Solid Waste Disposal Revenue Bonds (Casella Waste Systems, Inc. Project), Series 2013 (the "Bonds"), by the Authority and the loan of the proceeds of the Bonds to Casella Waste Systems, Inc. and its affiliates (together, the "Borrower") to finance the Borrower's costs relating to (i) the acquisition of new collection vehicles, trucks, trailers, solid waste disposal containers and related equipment, and computers; (ii) the construction, improvement and equipping of certain solid waste disposal, collection, transfer and recycling facilities, and (iii) certain landfill development costs (including landfill cell development and liners to create additional disposal capacity at the Borrower's current permitted landfill sites) and costs of general improvements (including various upgrades to the leachate collection systems, methane gas collection systems and other infrastructure improvements) located at the Borrower's facilities in the Towns of Allenstown, Newport, Bethlehem and Salem. The Authority recommends your favorable action and submits in support thereof the following materials with item numbers the same as the tab numbers for the attached documents.

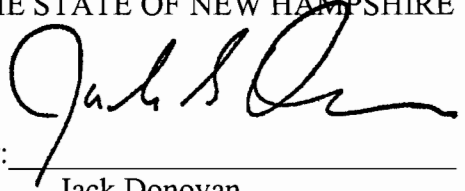
1. A suggested form of resolution for adoption by the Governor and Council.

2. A letter from Edwards Wildman Palmer LLP, bond counsel, explaining this transaction.
3. Materials with respect to the Borrower and the facilities consisting of the Form BFA-1 dated February 14, 2013 submitted by the Borrower.
4. Letter from Merrill Lynch, Pierce, Fenner & Smith Incorporated confirming the underwriting of the Bonds.
5. Information from the New Hampshire Department of Employment Security as to unemployment in the State.
6. The proposed INDENTURE.
7. The proposed FINANCING AGREEMENT.
8. The resolution adopted by the Authority.
9. A summary of required statutory findings of the Governor and Council with reference to materials supporting each finding.

The Authority will be glad to furnish any additional documentation and information which you may request.

Respectfully submitted,

BUSINESS FINANCE AUTHORITY OF
THE STATE OF NEW HAMPSHIRE

By: 

Jack Donovan
Executive Director

A RESOLUTION UNDER RSA 162-I:9 WITH RESPECT TO THE FINANCING OF
COMMERCIAL FACILITIES BY THE BUSINESS FINANCE
AUTHORITY FOR CASELLA WASTE SYSTEMS, INC.

WHEREAS, the Governor and Council have received from the Business Finance Authority (the "Authority") its written recommendation that the Governor and Council make certain findings and a determination pursuant to RSA 162-I:9 with respect to the financing of commercial facilities for Casella Waste Systems, Inc. and its affiliates (together, the "Borrower") in the Towns of Allenstown, Newport, Bethlehem and Salem by the Authority's issue of up to \$11,000,000 Solid Waste Disposal Revenue Bonds (Casella Waste Systems, Inc. Project), Series 2013 (the "Bonds"), under RSA 162-I (the "Act");

WHEREAS, the Governor and Council have received all the documentation and information with respect to the transaction that they have requested; and

WHEREAS, further action by the Authority with respect to the transaction is subject to the passage of this resolution and cannot be taken until after its passage;

IT IS HEREBY RESOLVED THAT:

Section 1. Findings. On the basis of the Authority's recommendation and the documentation and information received by the Governor and Council, and after a public hearing, the Governor and Council find:

(a) Special findings:

(1) The Project (as completed, the "Facility") consists of (i) the acquisition of new collection vehicles, trucks, trailers, solid waste disposal containers and related equipment, and computers; (ii) the construction, improvement and equipping of certain solid waste disposal, collection, transfer and recycling facilities, and (iii) certain landfill development costs (including landfill cell development and liners to create additional disposal capacity at the Borrower's current permitted landfill sites) and costs of general improvements (including various upgrades to the leachate collection systems, methane gas collection systems and other infrastructure improvements) located at the Borrower's facilities at 104 River Road, Allenstown; 264 Stark Highway, Newport; 581 Trudeau Road, Bethlehem; and 53 Pelham Road, Salem. The Project is within the definition of "Commercial Facility" in the Act and may be financed under the Act.

(2) The establishment and operation of the Facility has created or preserved employment opportunities directly or indirectly within the State of New Hampshire and is of a general benefit to the community as a whole.

(b) General findings:

- (1) The Project and the proposed financing of the Project are feasible;
- (2) The Borrower has demonstrated the skills and financial resources necessary to operate the Facility successfully;
- (3) The INDENTURE (which is a combined financing and security document, hereinafter called the "Indenture") contains provisions so that under no circumstances will the Authority be obligated directly or indirectly to pay project costs, debt service or expenses of operation, maintenance and upkeep of the Facility except from Bond proceeds or from funds received under the Indenture, exclusive of funds received thereunder by the Authority for its own use and which will secure the Bonds;
- (4) The FINANCING AGREEMENT (which is a financing document, hereinafter called the "Financing Agreement, and together with the Indenture, the "Agreements") contains provisions so that under no circumstances will the Authority be obligated directly or indirectly to pay project costs, debt service or expenses of operation, maintenance and upkeep of the Facility except from Bond proceeds or from funds received under the Financing Agreement, exclusive of funds received thereunder by the Authority for its own use;
- (5) The Agreements do not purport to create any debt of the State with respect to the Facility, other than a special obligation of the Authority acting on behalf of the State under the Act; and
- (6) The proposed financing of the Project by the Authority and the continued operation and use of the Facility will serve one or more needs and implement one or more purposes set forth in RSA 162-I:1, will preserve or increase the social or economic prosperity of the State and one or more of its political subdivisions, and will promote the general welfare of the State's citizens.

Section 2. Ultimate Finding and Determination. The Governor and Council find that the proposed financing, operation and use of the Commercial Facility serves a public use and provides a public benefit; and the Governor and Council determine that the Authority's financing of the Project will be within the policy of, and the authority conferred by, the Act.

Section 3. Approval. The Governor and Council approve the Authority's taking such further action under the Act with respect to the transaction as may be required.

Section 4. Effective Date. This resolution shall take effect upon its passage.

Passed and Agreed to March 20, 2013

Governor Margaret Wood Hassan

Councilor Raymond S. Burton

Councilor Colin Van Ostern

Councilor Christopher T. Sununu

Councilor Christopher C. Pappas

Councilor Debora B. Pignatelli

March 20, 2013

Her Excellency, Governor Margaret Wood Hassan
and the Honorable Council

Dear Governor and Councilors:

(BFA – Casella Waste Systems, Inc.)

In this transaction the Business Finance Authority of the State of New Hampshire (the “Authority”) will lend up to \$11,000,000 of solid waste disposal revenue bond proceeds (the “Bonds”) to Casella Waste Systems, Inc. and its affiliates (together, the “Borrower”), for the purpose of (i) acquiring new collection vehicles, trucks, trailers, solid waste disposal containers and related equipment, and computers; (ii) constructing, improving and equipping of certain solid waste disposal, collection, transfer and recycling facilities, and (iii) financing certain landfill development costs (including landfill cell development and liners to create additional disposal capacity at the Borrower’s current permitted landfill sites) and the costs of general improvements (including various upgrades to the leachate collection systems, methane gas collection systems and other infrastructure improvements) located at the Borrower’s facilities at 104 River Road, Allenstown; 264 Stark Highway, Newport; 581 Trudeau Road, Bethlehem; and 53 Pelham Road, Salem.

The Bonds will be issued pursuant to an INDENTURE to secure the Bonds and the loan of Bond proceeds will be made pursuant to a FINANCING AGREEMENT (together, the “Agreements”). The Bonds will be underwritten by Merrill Lynch, Pierce, Fenner & Smith Incorporated. Additional security for the Bonds will be provided by a letter of credit issued by Bank of America, N.A. The Bonds will bear interest initially in a Weekly Interest Rate determined by the Remarketing Agent on Wednesday of each week until such time as the interest rate determination method for the Bonds may be subsequently changed from time to time by the Borrower.

The Authority’s obligation to pay the Bonds is actually to be performed by the Borrower, which is unconditionally responsible for that performance. As in all transactions under RSA 162-I, neither the Authority’s money nor other public funds will or can be used to pay the Bonds. Provisions appropriate for achieving this result, as required by RSA 162-I, are contained in the Agreements.

EDWARDS WILDMAN

Her Excellency, Governor Margaret Wood Hassan
and the Honorable Council

March 20, 2013

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In summary, the details of this transaction are essentially the same as in many prior bond issues, and there is nothing new or unusual involved.

Edwards Wildman Palmer LLP

EDWARDS WILDMAN PALMER LLP

APPLICATION FOR PRELIMINARY OFFICIAL ACTION AND RESERVATION OF BOND LIMIT

The purpose of this application is to provide a brief description of the proposed project and financing in order to assist the Business Finance Authority (the "BFA") in determining whether the project appears eligible for financing through an issue of bonds by the BFA and, if so, whether it should be so financed.

Please answer all questions or insert N/A where questions do not apply, and submit this application along with each of the following items, if applicable. We ask that you provide twenty (20) copies of any bound or printed materials.

(1) For all projects:

- a. the applicant's annual report, brochure or other printed material describing the applicant;
- b. the applicant's most recent available annual financial statements, or other financial information about the applicant; and
- c. nonrefundable application fee.

(2) For projects for Small Scale Power Facilities, Water Facilities and Water Powered Electric Generating Facilities, a feasibility study;

(3) For projects for Small Scale Power Facilities and Water Powered Electric Generating Facilities, letters of intent to purchase electricity generated by the facility from the proposed purchasers; and

(4) For waste disposal projects, letters of intent to supply waste material from the proposed suppliers of such material, and if such material is being converted into other products, such as steam or electricity, letters of intent to purchase such other products from the proposed purchasers.

Applications should be submitted to:

Business Finance Authority
2 Pillsbury Street, Suite 201
Concord, New Hampshire 03301
Attn: Executive Director

If you have any questions about this application or the BFA's bond program, please call the BFA's offices at (603) 415-0190. If you need more space for any question, please attach additional sheets. This application shall be accompanied by the nonrefundable application fee.

Name of Applicant: Casella Waste Systems, Inc. ("Casella")
 Address: 25 Greens Hill Lane
 City/Town: Rutland State: VT Zip: 05701
 Contact: Ned Coletta Title: Senior Vice President & Chief Financial Officer
 Phone: (802) 772-2239

Name and address of owner of project (if different)
Same as above.

Names and addresses of lessees of project (if any)
Not applicable.

Amount of bond issue: \$ 11,000,000 (Approximately \$5,500,000 to be initially "drawn down" in March 2013 with the remaining proceeds to be "drawn down" not later than December 31, 2013).

Address of project sites:

Casella intends to finance assets at each of the following addresses:
1) Allenstown Transfer Station, 104 River Road, Allenstown, NH 03275;
2) Gobin Disposal Systems, 264 Stark Highway, Newport, NH 03773;
3) North Country Environmental Services Landfill, 581 Trudeau Road, Bethlehem, NH 03574;
4) Salem Hauling, 53 Pelham Road, Salem, NH 03079

Briefly describe the project:

Bond proceeds will be used to pay certain costs relating to landfill development and construction, vehicle, container and related equipment acquisition for solid waste collection and transportation services, improvements to existing solid waste disposal, hauling, transfer station and other facilities, other infrastructure improvements, and machinery and equipment for solid waste disposal operations owned and operated by the Company, or a related party, all located in the State of New Hampshire (the "Project"). Please see Exhibit A for the indicative, itemized allocation of Project costs.

**Casella Waste Systems, Inc.
 Indicative Project Costs**

	NH Project	Size
Solid waste collection vehicles	671,421	N/A
Solid waste collection containers	787,073	N/A
Landfill construction and engineering	8,740,733	476,600 cubic yds
Buildings, improvements and equipment	266,588	N/A
Machinery and equipment	314,465	N/A
Total Capital Expenditures	\$ 10,780,000	
Transaction costs	220,000	
Total	\$ 11,000,000	

If you are acquiring equipment, do you anticipate acquiring any used equipment? No.

Describe the effect of the project on the environment Casella will direct the majority of Bond proceeds to the development, construction and equipping of its North Country Environmental Services Landfill in Bethlehem to expand the landfill capacity and to permanently cap certain filled areas. As part of this development effort, we plan to use state-of-the art landfill construction design and construction to entomb municipal solid waste with composite liners, leachate collection and monitoring systems, and methane gas collection systems. The Company's goal is to design, build and maintain environmentally sound landfill systems that prevent any water migration and minimize gas emissions.

Bond proceeds slated for transportation equipment consists primarily of solid waste and recycling collection vehicles. With the purchase, Casella will be implementing into its service process fuel-efficient collection vehicles that burn cleaner fuel and produce fewer emissions than previously operated vehicles.

Casella will also direct a portion of Bond proceeds toward the purchase of new containers. With this purchase, Casella will work to improve the efficiency of its waste collection operations through container up-sizing, container conversions, and improve the age of its equipment to reduce maintenance costs and improve equipment safety.

When do you expect the project to begin? The initial portion of Bonds to be "drawn down" in March 2013 represent a reimbursement of qualified solid waste processing and disposal expenditures incurred between the period of September 2011 and February 2013. The second portion of Bonds to be "drawn down" represent qualified solid waste processing and disposal expenditures to be incurred from February 2013 through December 2013.

When do you expect the project to be completed? April 30, 2014

How many jobs will be created or preserved by the facility?

Created N/A Preserved 113

Describe the types of jobs created or preserved, their wage and salary levels and, if applicable, when the jobs will be created:

**Casella Waste Systems, Inc.
New Hampshire employment statistics**

Fiscal 2012	
# of full-time hourly employees	77
Average hourly wage with benefits:	\$ 24.63
# of salaried employees:	36
Average annual salary with benefits:	\$ 84,524

Names and addresses of contractors and subcontractors for the project: See Exhibit B for a list of all contractors and subcontractors used for the Project.

Describe the Applicant (and if applicable the owner and the lessees). Include a brief history of the Applicant, its principal products, and its customers: Casella Waste Systems, Inc.(NASD: "CWST") is a vertically-integrated solid waste, recycling, and resource management services company. Casella provides resource management expertise and services to residential, commercial, municipal, and industrial customers, primarily in the areas of solid waste collection, transfer, disposal, recycling, and organics services. The Company operates in six states – New Hampshire, Vermont, New York, Massachusetts, Maine, and Pennsylvania, with headquarters located in Rutland, Vermont. Casella manages its solid waste operations on a geographic basis through two regional operating segments, the Eastern and Western regions, each of which includes a full range of solid waste services, and recycling operations and commodity brokerage operations through the Recycling segment. Primary facilities include 32 solid waste collection operations, 31 transfer stations, 17 recycling facilities, nine Subtitle D landfills, one landfill permitted to accept construction and demolition ("C&D") waste, and four landfill gas-to-energy facilities.

Related operations include 50% membership interests in US GreenFiber LLC, a joint venture that manufactures, markets and sells cellulose insulation made from recycled fiber, and Tompkins County Recycling LLC, a joint venture that operates a material recovery facility located in Tompkins County, New York and processes and sells commodities delivered to the facility; and a 51% membership interest in Casella-Altela Regional Environmental Services, LLC ("CARES"), a joint venture that develops, owns and operates water treatment projects for the natural gas drilling industry in Pennsylvania and New York and can also be used to treat landfill leachate.

Briefly describe the background of the Applicant's (and if applicable the owner's and lessees') key management personnel: Please see Exhibit C for the biographical overviews of the key management personnel for Casella.

Is the Applicant an equal opportunity employer? Yes, the owner? Yes, the lessee? N/A

Please provide any other information of which you believe the BFA should be aware in considering this application: Bonds will be issued in the Weekly mode and will be credit enhanced by a direct-pay letter-of-credit to be supplied by Bank of America, N.A. Such Bonds will be rated by S&P and publicly offered to Institutional Investors in authorized denominations of \$100K/\$5K.

The Applicant will promptly advise the BFA of any change in the foregoing information, or of any additional information that may become available as plans for the project progress.

Date: February 14, 2013

Edmund R. Coletta

Ned Coletta

SVP + CFO

Coletta Waste Systems, Inc.

Authorized Officer of Applicant

Exhibit "A"

Indicative Project Costs for Series 2013 Bonds

Casella Waste Systems, Inc.
Indicative Project Costs

	NH Project
Solid waste collection vehicles	671,121
Solid waste collection containers	787,073
Landfill construction and engineering	8,740,733
Buildings, improvements and equipment	266,588
Machinery and equipment	314,485
Total Capital Expenditures	\$ 10,780,000
Transaction costs	220,000
Total	\$ 11,000,000

Exhibit "B" **Casella Contractors and Subcontractors**

Casella Waste Systems, Inc.
Contractors and subcontractors
AJ Equipment Repair, Inc.
All Around Carpentry
Anthony Pinto II
Ben Meadows Company - Janesville, WI
Bethlehem Earth Materials, LLC
Camerota Truck Parts
Camp Precast Concrete Products, Inc.
Capitol Alarm
Carroll Concrete Company
Casella Construction, Inc.
CMA Engineers
Crack-X
Cross Machine Inc.
EOS Research
East Coast Compactor
East Coast Container, LLC
Fred Albano dba FJ Albano Sign Co
Gate's Electric Inc.
Gerald Marquis
Git-R-There Auto Transportation, LLC
Grainger, Inc.
G-S Products
Horizons Engineering, Inc.
International Container Co., LLC
ISCO Industries
J&B International Trucks
James E Carr Well & Pump Services, Inc.
Kanawha Scales & Systems
Kelley-MacKenzie Auto Parts Inc.
L & K Equipment, Inc.
LE Weed & Son
MCKenny
Maguire Equipment, Inc.
Mainline Paint Mfg. Co.
Milton CAT
National Auto Mart
Neagley & Chase Construction Co.
Nedland Industries Inc.
New Hampshire, Dept of Environmental Svcs
New Hampshire, State of-Treasurer-29 Haze
North American Transaction Ser
North Country Hydraulics
Nortrax-Northeast
Olson & Gould, P.C.
Palmer Spring Company-Woburn, MA
PC Connection
Pike Industries-Belmont, NH
Plastic Recovery Technologies
QED Environmental Systems Inc
R.J. Poirier Heavy Equipment Repair, Inc.
Recovery Drilling Services, Inc.
Republic Truck Sales
Salyer, D.J. Inc.
Sanborn, Head & Associates
Terra Compactor Wheel Corp
Terrafox Environmental U.S.A. Inc.
Tewksbury Welding
Toter Incorporated
Trans-America Hydro-Seeding Inc
Tri-State Kenworth-Stoughton M
US Construction Fabrics LLC
Wastequip

Exhibit "C"

Casella Management Personnel Biographical Information

Executive Officers

John W. Casella has served as Chairman of our Board 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 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. As our Chief Executive Officer with substantial industry expertise, Mr. Casella serves an important role on our Board.

Edwin D. Johnson has served as our President and Chief Operating Officer since December 2012. From July 2010 through December 2012, Mr. Johnson served as our Senior Vice President & Chief Financial Officer. From March 2007 until he joined us, Mr. Johnson served as the Executive Vice President and Chief Financial Officer for Waste Services, Inc. From 2004 to 2007, Mr. Johnson was Chief Financial Officer of Expert Real Estate Services, Inc., a full service real estate brokerage company. Mr. Johnson has ten years prior experience in the waste industry and is the former Chief Financial Officer of Attwoods plc. Johnson received his MBA from Florida International University, his BS in Accounting and Administration from Washington & Lee University, and earned his CPA in Florida.

Edmond "Ned" Coletta has served as our Senior Vice President, Chief Financial Officer and Treasurer since December 2012. Mr. Coletta joined us in December 2004 and has served most recently as our Vice President of Finance and Investor Relations. From 2002 until he joined us, Mr. Coletta served as the Chief Financial Officer and was a member of the Board of Directors of Avedro, Inc. (FKA ThermalVision, Inc.) an early stage medical device company that he co-founded. From 1997 to 2001, he served as a research and development engineer for Lockheed Martin Michoud Space Systems. Mr. Coletta holds a MBA from the Tuck School of Business at Dartmouth College and a Bachelor of Science from Brown University in Materials Science Engineering.

David L. Schmitt has served as our Vice President and General Counsel since May, 2006. Prior to that, Mr. Schmitt was President of his privately held consulting firm, and further served from 2002 until 2005 as Vice President and General Counsel of BioEnergy International, LLC, a project development firm specializing in the production of ethanol and CO₂, as well as the recovery of methane from solid waste landfills. He further served from 1995 until 2001, as Senior Vice President, General Counsel and Secretary of Bradlees, Inc., a large box retailer in the northeast United States, and from 1986 through 1990, as Vice President and General Counsel of Wheelabrator Technologies Inc., a multi-faceted corporation specializing in the development, ownership and operation of large scale refuse-to-energy waste disposal and power facilities, as well as other alternate fuel facilities. He is admitted to the Bar of Pennsylvania, and earned a Bachelor of Arts degree from Pennsylvania State University, and his Juris Doctor from Duquesne University School of Law.

Board of Directors (Excluding Executive Management Members)

Michael K. Burke has served as a member of our Board since February 2008. Since January 2012, Mr. Burke has served as Senior Vice President and Chief Financial Officer of Landauer, Inc., a publicly traded global provider of devices, consumable medical products and technical/analytical services to determine occupational and environmental radiation exposure. Landauer is a leading domestic provider of outsourced medical physics services and high quality medical accessories and consumable products used in radiology, radiation therapy, and image guided surgery procedures. Mr. Burke served as Senior Vice President and Chief Financial Officer of Albany International Corp., a publicly-traded global advanced textiles and materials processing company, from July 2009 to September

2010. Mr. Burke served as the Executive Vice President and Chief Financial Officer of Intermagnetics General Corporation, a publicly traded medical device company, from December 2001 until its sale to Royal Philips Electronics in November 2006. Before joining Intermagnetics, Mr. Burke served as Executive Vice President and Chief Financial Officer of HbT, Inc., a manufacturer of hydrogen generators and processors. Prior to joining HbT in May 2000, Mr. Burke served as a Managing Director within the U.S. Investment Banking Department of CIBC Oppenheimer Corp. Mr. Burke currently serves on the Board of Directors of the Albany Medical Center. Mr. Burke holds a B.A. in Economics from Lake Forest College and a Graduate Certificate in Mergers and Acquisitions from The Wharton School.

James F. Callahan has served as a member of our Board since March 2003. Mr. Callahan was an audit and business advisory partner of Arthur Andersen LLP, an independent public accounting firm, from 1975 to March 2000. While at Arthur Andersen, Mr. Callahan served clients in a number of industries, including manufacturing and mining businesses, electric and gas utilities and independent power producers. Mr. Callahan has been retired since March 2000. Mr. Callahan has been a member of various community service related boards and currently serves on the Board of Trustees of the Massachusetts Department of Mental Retardation's Hogan Regional Center and is Trustee Emeritus of Bates College. Mr. Callahan is a graduate of Bates College and holds a Masters of Business Administration from the Graduate School of Management of Rutgers University. Mr. Callahan's 25 years of experience at Arthur Andersen, the depth and breadth of his financial expertise and his experience handling complex financial issues position him well to serve as chair and financial expert of our Audit Committee.

Douglas R. Casella has served as Vice Chairman of our Board since 1993. Mr. Casella founded Casella Waste Management, Inc. in 1975 and has served as its President since then. Casella Waste Management, Inc. is our wholly owned subsidiary. 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 and which performs landfill construction related services for us. Mr. Casella is the brother of John W. Casella. Mr. Casella's extensive experience with operational and asset management matters in the waste management industry bring an important perspective to our Board.

John F. Chapple III has served as a member of our Board 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. In addition to his substantial industry expertise through his long tenure on our Board, Mr. Chapple brings extensive landfill operating and industry knowledge to our Board.

Joseph G. Doody has served as a member of our Board since 2004. Mr. Doody has served as President, North American Delivery of Staples, Inc., an office products company, since 1998. From 1974 to 1998, Mr. Doody held several managerial positions with the Eastman Kodak Company, an imaging technology company, most recently serving as General Manager and Vice President, North America, Office Imaging. Mr. Doody earned a Masters of Business Administration from Simon School of Business, University of Rochester, and a Bachelor of Science in Economics from State University of New York at Brockport. Mr. Doody's significant leadership and management of a large operating division enable him to provide our Board with important operational insight and oversight.

Emily N. Green has served as a member of our Board since July 2012. Since January 2012, Ms. Green has served as President and Chief Executive Officer of Smart Lunches LLC, an online delivery service providing fresh meals to children. From November 2005 to June 2011, Ms. Green served as Chief Executive Officer and a member of the Board of Directors of Yankee Group, a technology research firm, and from June 2011 to January 2012, Ms. Green served as Chairman of the Board of Directors of Yankee Group. Prior to joining Yankee Group, Ms. Green served as President and Chief Executive Officer of Cambridge Energy Research, an energy research and consulting firm, from 2003 to 2004. From 1995 to 2003, Ms. Green served in several leadership positions with Forrester Research, a provider of information technology and consulting services. Ms. Green holds a B.S.L.L. from Georgetown University and an M.S. in Engineering and Computer Graphics from the University of Pennsylvania. Ms. Green brings to our Board substantial executive senior management experience as well as over 25 years of experience in identifying and leveraging technology trends.

Gregory B. Peters has served as a member of our Board since 1993. Mr. Peters has served as managing general partner of Lake Champlain Capital Management, LLC, a venture capital firm, since April 2001. From April 1988 until March 2001, Mr. Peters served as managing general partner of Vermont Venture Capital Partners, L.P., which was the general partner of The Vermont Venture Capital Fund, L.P., a venture capital management company. From July 1986 until March 2001, Mr. Peters also served as general partner of North Atlantic Capital Partners, L.P., which was the general partner of North Atlantic Venture Fund, L.P. From July 1986 to March 2001, Mr. Peters also served as Vice President of North Atlantic Capital Corporation, a venture capital management company. Mr. Peters holds a Bachelor of Arts from Harvard College and a Masters of Business Administration from the Harvard Graduate School of Business Administration. As a professional investor, with significant experience in areas of corporate governance, Mr. Peters has focused on building relationships between management and the Board and is well-versed in the current best practices of corporate governance, making him well-suited to serve as the Lead Director of our Board and Chair of our Nominations and Governance Committee.

James P. McManus has served as a member of our Board since August 2005. Since July 2007, Mr. McManus has been President and Chief Executive Officer of The Hinckley Company, a yacht manufacturer. From 2003 through June 2007, Mr. McManus was the chairman and chief executive officer of Zoots Corporation, a privately held operator of dry cleaning stores. From 1994 until 2003 Mr. McManus held several management positions with Aramark Corporation, a professional services firm offering food services and facility management services, most recently serving as President of its Business Services Group. Mr. McManus is a graduate of Yale University and holds a Masters of Business Administration from Harvard University. Mr. McManus's many years of experience as a senior executive and director of publicly-traded and private corporations provides important management, operational and financial qualifications to serve as a member of our Board.

Casella Waste Systems, Inc.

2012 ANNUAL REPORT

To Our Fellow Shareholders:

Our fiscal year 2012 was characterized by continued weakness in the national and regional economy. In that environment, however, we accomplished two things – we moved steadily and progressively closer to our long-term strategic goals, and we delivered solid operating performance.

There were plenty of challenges. Volumes of high margin special waste to our landfills were lower, we endured lower energy prices at our waste-to-energy facility, and we saw higher landfill operating costs primarily as a result of Hurricane Irene and Tropical storm Lee in the Fall of 2011.

We overcame these challenges by sticking close to our long-term strategic objectives, which are to deliver enhanced value to our customers, to leverage our solid waste core assets, improve asset integration, and to mitigate risk from our business platform.

In fiscal year 2012, we focused on several important areas which we believe are key to long-term shareholder value:

Improving Customer Profitability

We believe that effective pricing is essential to the long-term profitability of our business. We have worked over the last 18 months to establish an effective “pricing culture” among our managers and given them customer profitability tools that allow them to efficiently understand profitability at the customer level and intelligently manage their market. This successful initiative resulted in +2.6%, or \$5.1 million, of pricing growth in the collection line of business for fiscal year 2012. In fiscal year 2013, our team remains focused on balancing improved collection pricing and efficient route densities, allowing us to internalize waste to our landfills and recycling facilities in this stagnant economic environment.

Harvesting Value from Our Landfill Investments

Over the past eight years we have invested significant resources to develop our network of 10 landfills in the Northeast. Increasing cash flows is key to our long-term growth and, at our landfills, annual permit increases, increased internalization of collection volumes, and aggressive sales efforts are all crucial to this effort.

In fiscal year 2012, we made excellent progress to harvest additional value from our landfills through the receipt of permits and the resolution of long-standing legal challenges at three sites:

- In November 2011, the New York Department of Environmental Conservation issued a permit to increase the annual limit at our Chemung County Landfill to 200,500 tons per year of municipal solid waste (MSW) and construction and demolition waste (C&D) from the previous annual limit of 140,500 tons per year.
- In January 2012, voters in the Town of Bethlehem, New Hampshire approved a zoning change and settlement of on-going litigation, allowing an expansion of approximately 1,500,000 tons of MSW at our North Country Environmental Services landfill. This expansion capacity nearly doubles the remaining airspace at the facility.
- In February 2012, the Massachusetts Department of Environmental Protection issued a permit to increase the annual limit at our Southbridge Sanitary Landfill

to 300,000 tons per year of MSW from the previous annual limit of 180,960 tons per year. Also in February 2012, the Massachusetts Supreme Judicial Court reissued an opinion dismissing an appeal filed by several 10-citizen groups contesting the 2008 Site Assignment for Southbridge Sanitary Landfill. The Massachusetts Supreme Judicial Court dismissed the appeal on its merits and stated that their decision brings final resolution to the case.

Reducing Our Cost Structure and Improving Our Service Performance

We continue to focus on ways to streamline operations, become more efficient, and reduce overhead. Our goal here is not simply to reduce costs, but to reinvent our organization to improve customer service and to make it easier for our customers to do business with us. Our biggest achievement reducing our cost structure in fiscal year 2012 was the consolidation of back-office functions to our new shared services center. This center now handles all of the customer care, cash management, accounts payable, collections, tax, and information technology services for the company. Looking forward we have set a goal to reduce general and administration costs to below 12.0% of revenues during fiscal year 2013.

Improving Our Asset Mix and Reducing Our Risk Exposure

Our current mix of collection, landfill, Zero-Sort® Recycling and organics assets across the Northeast positions us to grow our market share through the distinctive resource management service offerings customers are increasingly demanding. We continue to seek ways to improve vertical integration and service to our customers in order to maximize cash flows and returns from our current assets and to further manage risk.

In fiscal year 2012, we focused these efforts in two major areas: (1) reducing our exposure to the energy markets and improving our financial performance through the planned divestiture of Maine Energy, our one waste-to-energy facility; and (2) reinvigorating our tuck-in acquisition program to densify existing collection operations and increase internalization to our landfills and recycling facilities.

After much discussion and negotiation, in early August 2012, we signed a purchase and sale agreement with the City of Biddeford, Maine for the sale and ultimate closure of the Maine Energy facility. This is an important step to improve the mix of our assets in our Eastern Region and we are on track to close the transaction in the late fall of 2012.

Our work never stops, of course. As I write this letter we are well on our way to the next milestones in each of these strategic objectives. We do so both in the face of, and in response to, the realities of the economy and our business environment. Overall, we remain committed to increasing shareholder returns and believe that our strategies are on track to significantly improve free cash flow, enhance the returns on our assets, and drive us to profitability.

Sincerely,



John W. Casella

Chairman and Chief Executive Officer

August 20, 2012

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

**FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

(Mark One)

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

For the fiscal year ended April 30, 2012

Or

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

For the transition period from _____ to _____

Commission file number 000-23211

CASELLA WASTE SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

25 Greens Hill Lane, Rutland, VT
(Address of principal executive offices)

03-0338873

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

05701

(Zip Code)

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

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

Title of each class	Name of each exchange on which registered
Class A common stock, \$.01 per share par value	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

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

None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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

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

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Smaller reporting company ☐

(Do not check if a smaller reporting company)

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

The aggregate market value of the common equity held by non-affiliates of the registrant, based on the last reported sale price of the registrant's Class A common stock on the NASDAQ Stock Market at the close of business on October 31, 2011 was \$162,961,956. The Company does not have any non-voting common stock outstanding.

There were 25,996,371 shares of Class A common stock, \$.01 par value per share, of the registrant outstanding at May 31, 2012. There were 988,200 shares of Class B common stock, \$.01 par value per share, of the registrant outstanding at May 31, 2012.

Documents Incorporated by Reference

Items 10, 11, 12, 13 and 14 of Part III (except for information required with respect to executive officers of the Company, which is set forth under Part I—Business—"Executive Officers of the Company" and with respect to certain equity compensation plan information which is set forth under Part III—"Equity Compensation Plan Information") have been omitted from this Annual Report on Form 10-K because the Company expects to file with the Securities and Exchange Commission, not later than 120 days after the close of its fiscal year, a definitive proxy statement pursuant to Regulation 14A. The information required by Items 10, 11, 12, 13 and 14 of Part III of this report, which will appear in the definitive proxy statement, is incorporated by reference into this Annual Report on Form 10-K.

CASELLA WASTE SYSTEMS, INC.

ANNUAL REPORT ON FORM 10-K

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PART I

Forward-Looking Statements

This Annual Report on Form 10-K contains or incorporates a number of forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, as amended (the “Exchange Act”), including statements regarding:

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

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

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

ITEM 1. BUSINESS

Overview

Casella Waste Systems, Inc. is a vertically-integrated solid waste, recycling, and resource management services company. We provide resource management expertise and services to residential, commercial, municipal, and industrial customers, primarily in the areas of solid waste collection, transfer, disposal, recycling, and organics services. We operate in six states - Vermont, New Hampshire, New

York, Massachusetts, Maine, and Pennsylvania, with our headquarters being located in Rutland, Vermont. We manage our solid waste operations on a geographic basis through two regional operating segments, the Eastern and Western regions, each of which includes a full range of solid waste services, and our larger-scale recycling operations and commodity brokerage operations through our Recycling segment. Ancillary operations, major customer accounts, discontinued operations and earnings from equity method investees are included in our Other segment.

As of May 31, 2012, we owned and/or operated 32 solid waste collection operations, 31 transfer stations, 17 recycling facilities, nine Subtitle D landfills, four landfill gas-to-energy facilities, one landfill permitted to accept construction and demolition, or C&D, materials and one waste-to-energy facility. We also hold 50% membership interests in US GreenFiber LLC ("GreenFiber"), a joint venture that manufactures, markets and sells cellulose insulation made from recycled fiber, and Tompkins County Recycling LLC ("Tompkins"), a joint venture that operates a material recovery facility ("MRF") located in Tompkins County, New York and processes and sells commodities delivered to the facility, a 51% membership interest in Casella-Altela Regional Environmental Services, LLC ("CARES"), a joint venture that develops, owns and operates water treatment projects for the natural gas drilling industry in Pennsylvania and New York and can also be used to treat leachate at our landfills, a 19.9% ownership interest in Evergreen National Indemnity Company ("Evergreen"), a surety company which provides surety bonds to secure contractual performance for municipal solid waste, or MSW, collection contracts and landfill closure and post-closure obligations, an 11.9% membership interest in AGreen Energy LLC ("AGreen"), a joint venture that brings advanced nutrient management, renewable energy, and water technologies to small and medium sized farms, a 6.2% ownership interest RecycleRewards, Inc. ("RecycleRewards"), a company that markets an incentive based recycling service, and a 6.3% ownership interest in GreenerU, Inc. ("GreenerU"), a company that delivers energy and sustainability solutions to the college, university and preparatory school markets.

Strategy

Our goal is to build a sustainable and profitable company by transforming traditional solid waste streams into renewable resources. We believe that global competition for limited resources is creating significant business opportunities for companies that can sustain and extract value—in the form of energy and raw materials—from resources previously considered an irretrievable waste stream. Since the opening of our first recycling facility in Vermont in 1977, our business strategy has been firmly tied to creating a sustainable resource management model and we continue to be rooted in these same tenets today. We strive to create long-term value for all stakeholders, which include customers, employees, communities, and shareholders, by helping them manage their resources in a sustainable and financially sound manner.

Our key objective is to maximize long-term shareholder value through a combination of financial performance and strategic asset positioning. Annually, we complete a comprehensive strategic planning process to recalibrate our strategic objectives and current asset mix against our current market environment. This process helps the management team allocate resources to a range of business opportunities to maximize long-term financial returns and competitive positioning. As part of the strategic review, business activities have been classified into four categories: "Core operations", "Catalyst activities", "Complementary activities", or "Strategic Non-fits."

Core operations are the primary drivers of our long-term financial success, and include our collection, landfill, and MSW processing operations. These are operations that we would look to expand. Catalyst activities are businesses or investments that enhance growth in the Core operations, such as sludge processing or water treatment. Complimentary activities are businesses or investments intended to leverage existing assets to improve performance, such as landfill gas-to-energy facilities. We would not look to grow Complimentary activities unless it was to further enhance returns on existing assets or to take advantage of existing assets and infrastructure to support growth in our Core operations. Strategic Non-fits are activities that no longer enhance or complement the Core operations and may be divested at the appropriate time, such as Maine Energy Recovery Company ("Maine Energy") or our investments in GreenFiber and RecycleRewards.

In fiscal year 2013, our strategy will remain similar to that of fiscal year 2012, with a focus on improving performance of base operations and increasing cash flow generation through: (1) profitable revenue growth and pricing initiatives; (2) cost controls and operating efficiencies; (3) landfill development initiatives; and (4) balance sheet management.

Profitable revenue growth and pricing initiatives

In late fiscal year 2011, we reorganized the solid waste sales organization by moving revenue generation and sales force reporting responsibility to the regional and divisional management teams, implementing customer profitability analytical tools and realigning the sales incentive compensation programs.

By placing revenue generation and customer responsibility with local teams, each team is able to more quickly react to local conditions, cross-sell customers with differentiated resource transformation solutions (e.g., Zero-Sort Recycling® and organics offerings), help to steward local marketing programs and retain more existing business. The shared services model discussed below has helped to create additional margin for these managers, so they can focus more of their time on revenue generation.

Our team has developed and implemented a comprehensive customer profitability tool that allows our pricing team, division managers, and sales force to calculate the profitability of all of our collection customers. This tool, combined with our knowledge of local markets, has enabled our team to begin addressing customer pricing at a granular level, implementing larger price increases for customers who do not meet our return metrics and smaller price increases on higher margin customers to cover increased cost inflation.

To implement these pricing programs, we changed the sales incentive compensation structure in late fiscal year 2011. Commissions are now directly tied to the profitability of each sales person's book of business. By making this change, we incentivized our sales people to price customers appropriately, to work to retain existing high margin customers and to work with operating teams to reduce costs.

These pricing and compensation initiatives worked well and we recognized 2.6% price growth in the collection line-of-business for fiscal year 2012.

As part of the restructuring of our sales efforts, we moved price increases from an annual process to a core process that a divisional team examines frequently. We believe that this move to a core process positions us well going forward to continue to yield pricing of 50 basis points above the consumer price index.

Landfill sales and major accounts sales continue to be managed centrally in order to optimize cross-selling and internalization benefits. Over the past two years, we have increased our sales efforts in the major accounts business. While the major accounts business negatively impacts overall company margins, this business generates positive free cash flow because it requires little to no direct capital investment. This business is focused on winning new contracts that can be serviced, either directly by us, or through a contracted third party.

The Recycling operating segment derives revenue from a combination of commodity sales and tipping fees paid for material processing. Fluctuations in commodity pricing are managed by a number of risk mitigation strategies including: financial hedging instruments, floor prices, forward sales contracts, index purchases, floating customer revenue shares and tipping fees. Our goal is to offset the variability in commodity revenues with tipping fees to maintain stable cash flows and returns across a spectrum of commodity pricing. This is achieved by sharing commodity revenues with municipal partners and lowering tipping fees in high commodity price environments, while lowering commodity revenue shares and increasing tipping fees in lower priced environments.

During fiscal year 2012, our Recycling operating segment had strong same store volume increases as residential and commercial customers continued to adopt our Zero-Sort Recycling programs. Zero-Sort Recycling makes it easier for customers to recycle, thereby driving recycling participation and yields. This growth far outpaced the regional economy and further validates our market strategy to differentiate our service offerings through resource renewal options such as Zero-Sort Recycling.

Cost controls and operating efficiencies

We continue to identify and implement best practices throughout the entire organization through standardized continuous improvement programs. The goals of these programs are to enhance customer service, increase safety for employees and reduce operating and administrative costs. We have implemented continuous improvement programs in safety, productivity, maintenance, environmental compliance, procurement, customer care and back-office functions.

In fiscal year 2012, we expanded our cost control efforts from the previous year, with a focus on reducing back-office expenses further through the new shared services center, reducing expenses through the consolidation of two of our solid waste operating regions into the new Western region and through fleet efficiency programs. We plan to continue each of these efforts in fiscal year 2013.

We launched a new shared services center in late fiscal year 2010, with the goals of improving customer care, simplifying customer interactions, improving our sales performance on standardized products such as roll-off containers, implementing new streamlined information technology tools, consolidating decentralized functions into one center and reducing costs. The initial focus on the shared services model was to centralize customer care and improve the service level to our customers. By the end of fiscal year 2012, we had

Integrated 100% of our hauling divisions into the customer care center and had substantially achieved the performance goals that we set for the center. Our customer care, sales/marketing, operating, and information technology teams have worked to introduce a number of customer centric tools to more effectively manage our customer relationships.

In fiscal year 2011, we began the second phase of the shared services center transition by consolidating all of our cash application functions into the center and introducing the necessary systems and technologies to automate the majority of our customer payments. In fiscal year 2012, we successfully consolidated accounts payable, collections and information technology operations into the center.

The fleet efficiency programs focus on dynamic fleet routing, on-board computers, front-load conversions, container upsizing, long-haul optimization and driver incentive pay with the purpose of reducing labor costs and operating hours. In fiscal year 2012, we introduced on-board computer technology to roughly half of our locations and we plan to roll out the system to our remaining sites in fiscal year 2013. The on-board computer systems help us to dynamically route our trucks to continuously improve route structure, while automatically providing critical service time and weight data for our customer profitability analytics.

Landfill Development Initiative

One of our long term goals has been to add disposal capacity to the solid waste franchise both to strengthen market position and to create a sustainable long-term foundation for the business.

We have made great strides in executing the landfill development growth strategy by adding significant total and annual permitted disposal capacity within our solid waste footprint, primarily through operating contracts for publicly-owned landfills. Since 2003, total and annual disposal capacity additions resulted from: (1) the addition of five landfills (Southbridge landfill in Massachusetts, Ontario County landfill in New York, Juniper Ridge landfill in Maine, Chemung County landfill in New York, and, most recently, McKean County landfill in Pennsylvania); and (2) permit expansions at existing landfills.

In fiscal year 2011, we acquired the McKean County, Pennsylvania landfill out of bankruptcy proceedings. This landfill adds important capacity to our Western region and will allow us to better balance annual tonnages against landfill permit levels.

Since April 30, 2003, we have added 88.4 million tons of permitted and permittable total landfill capacity to the solid waste business, bringing the total landfill capacity to 118.0 million tons as of April 30, 2012. During this same period, we also added 1.8 million tons of annual disposal capacity, bringing the total to 3.2 million tons as of April 30, 2012.

In fiscal year 2012, we had important positive outcomes in legal and administrative proceedings at three of our landfills that position us well to improve cash flows and returns:

- In November 2011, we received a minor modification from the New York Department of Environmental Conservation to increase the annual permit at the Chemung County landfill by sixty thousand tons per year to approximately 0.3 million tons per year. This site is well positioned from a transportation standpoint from New York City and also is located close to the Marcellus Shale drilling activity in northern Pennsylvania.
- In January 2012, the Town of Bethlehem, New Hampshire voters approved a zoning change and resultant settlement of ongoing litigation, allowing an expansion of approximately 1.7 million tons at our North Country Environmental Services landfill.
- In February 2012, the Massachusetts Department of Environmental Protection issued a permit to increase the annual limit at the Southbridge Sanitary Landfill by approximately 0.1 million tons per year to 0.3 million tons per year of MSW. Also in February, the Massachusetts Supreme Judicial Court reissued an opinion dismissing an appeal filed by several 10-citizen groups contesting the 2008 Site Assignment for Southbridge Sanitary Landfill. The appeal was dismissed on its merits and the court stated that their decision brings final resolution to the case. The Southbridge landfill is well positioned in the capacity constrained Massachusetts market.

We remain focused on increasing free cash flow and generating an enhanced return on invested capital at the landfill sites by maximizing annual permitted capacity and optimizing flows of waste across the northeast to obtain better integration and asset profitability.

Balance Sheet Management

To further improve our free cash flow and operating performance, we are focused on balance sheet management, including debt refinancing, prudent deployment of capital, selective acquisitions and divestitures.

In fiscal year 2013, we plan to refinance our 11% senior second lien notes due July 15, 2014 (the "Second Lien Notes"). While the success of this refinancing is highly dependent upon the health of the broader capital markets, we believe that we can reduce our interest costs with a new lower cost debt instrument.

Our deployment of capital has evolved with our business strategy over the past five years from an emphasis on growth investments, primarily in long-term landfill capacity, to an approach that focuses on free cash flow generation from base operations with limited investments in high return resource transformation solutions.

From fiscal year 2003 to fiscal year 2007, we invested approximately \$177.5 million of capital to acquire and develop strategically located landfill capacity. Capital spending was elevated during this period as we built-out 25- to 30-year infrastructure and met contractual obligations associated with operating leases at certain of the landfill facilities. The heightened growth capital investment for existing landfill development projects was largely completed by the end of fiscal year 2007 when the focus shifted to extracting appropriate returns from the invested capital. The landfill capacity added to the business is the foundation of today's integrated solid waste strategy, and these sites will serve as a platform for emerging resource transformation programs into the future.

We shifted our capital strategy over the past several years to focus on three main areas: (1) improving the mix of base operations through divestitures and acquisitions; (2) implementing operating programs that improve capital efficiency and asset utilization; and (3) pursuing select strategic investment opportunities in waste transformation and resource optimization. We remain focused on these three goals in fiscal year 2013.

After the divestiture of our non-integrated recycling assets and select intellectual property assets in late fiscal year 2011, we continue to explore divestiture opportunities. As discussed earlier, we have three assets - Maine Energy, our investment in GreenFiber, and our investment in RecycleRewards - that we classify as strategic non-fits that we may divest to improve operating performance and reduce leverage. On March 30, 2012, we entered into a Memorandum of Understanding with the City of Biddeford, pursuant to which we agreed on a tentative sale of Maine Energy to the City of Biddeford, subject to agreement on final terms and documentation, to be negotiated in good faith, satisfaction of conditions precedent and closing.

Over the past several years, we have selectively invested growth capital in high-return opportunities that enhance our ability to support emerging customer and market needs in waste transformation and resource optimization. The investment strategy seeks to leverage core competencies in materials processing, organics, and clean energy to create additional value from the waste stream. We believe that these investments in Zero-Sort Recycling, landfill gas-to-energy, and organic waste solutions position us well for the evolution of the industry from waste management to resource management.

As a key strategy to improve existing asset utilization and to advance our resource transformation strategy, we have invested in five Zero-Sort Recycling facilities. We branded our recycling process to differentiate the high quality end-use commodities produced as the result of our innovative approach. With Zero-Sort Recycling, a customer can commingle all of their recyclables (paper, cardboard, plastics, metals, and glass) into a right sized residential container or commercial dumpster. By making it easier for a customer to recycle, we increase recycling participation and yields, thereby increasing volumes through the Zero-Sort Recycling facilities and increasing asset utilization.

We now have landfill gas-to-energy facilities at six of our landfills, with four of the landfill gas-to-energy facilities owned and operated by us and two owned and operated by partners. As discussed earlier, we consider the landfill gas-to-energy facilities to be complementary to our core landfill assets because they extract additional value from the landfill methane and support our low-emission landfill model.

Our organics team has been working to develop and/or partner with firms that have developed innovative approaches to deriving incremental value from the organic portion of the waste stream. We recently introduced our Earthlife® soils products into the retail market, and we continue to offer a full array of recycled organic fertilizers, composts, and mulches that help our customers close the loop with organic waste streams. We have also recently invested in and partnered with AGreen, an innovative firm that is building small anaerobic digesters in the Northeast to generate electricity from farm and food waste streams.

Solid Waste Operations

Our solid waste operations comprise a full range of non-hazardous solid waste services, including collections, transfer stations, MRFs 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, 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 (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 our various residential and commercial 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 Recovery Facilities. Our MRFs receive, sort, bale and resell recyclable materials originating from the MSW stream, including newsprint, cardboard, office paper, containers and bottles. We operate six MRFs in geographic areas served by our collection divisions. Revenues are received from municipalities and customers in the form of processing fees, tipping fees and commodity sales. Our MRFs, two of which are located in Vermont, two in Massachusetts and two in New York, are large-scale, high-volume facilities that process over 0.4 million tons per year of 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.

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

Landfills. The following table (in thousands) reflects the aggregate landfill capacity and airspace changes, in tons, as of April 30, 2012, 2011 and 2010, for landfills we operated during the fiscal years then ended:

	April 30, 2012			April 30, 2011			April 30, 2010		
	Estimated Remaining Permitted Capacity (1)	Estimated Additional Permittable Capacity (1)(2)	Estimated Total Capacity	Estimated Remaining Permitted Capacity (1)	Estimated Additional Permittable Capacity (1)(2)	Estimated Total Capacity	Estimated Remaining Permitted Capacity (1)	Estimated Additional Permittable Capacity (1)(2)	Estimated Total Capacity
Balance, beginning of year	41,678	79,194	120,872	36,411	66,661	103,072	38,244	59,673	97,917
Acquisitions, divestitures and closures	—	—	—	2,392	—	2,392	—	—	—
New expansions pursued(3)	—	—	—	—	7,255	7,255	—	8,728	8,728
Permits granted(4)	—	—	—	1,124	(1,124)	—	174	(174)	—
Airspace consumed	(3,238)	—	(3,238)	(3,257)	—	(3,257)	(3,074)	—	(3,074)
Changes in engineering estimates(5)	1,153	(779)	374	5,008	6,402	11,410	1,067	(1,566)	(499)
Balance, end of year	39,593	78,415	118,008	41,678	79,194	120,872	36,411	66,661	103,072

- (1) We convert estimated remaining permitted capacity and estimated additional permittable capacity from cubic yards to tons generally 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 place a daily and/or annual limit on capacity.
- (2) 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; and (v) senior management has approved the project.
- (3) The increase in fiscal year 2010 was associated with expansions at our Hyland and Chemung landfills, partially offset by a reduction of expansions pursued at the Ontario landfill site. In our fiscal year 2011, the increase was partially attributable to new expansions pursued at our Waste USA and NCES landfill sites.
- (4) The increase in permitted airspace capacity in fiscal year 2011 was the result of permits received at our NCES landfill site.
- (5) The increase in airspace capacity in fiscal year 2011 was the result of a positive compaction effect due to a change in waste mix inside of the three year average, which is primarily the result of drill-cutting materials received at our Western region landfills.

NCES. The North Country Environmental Services (“NCES”) landfill in Bethlehem, New Hampshire serves the wastesheds of New Hampshire and certain Vermont, Maine and Massachusetts wastesheds. The facility is currently permitted to accept MSW and C&D material. Since the purchase of this landfill in 1994, we had experienced opposition from the Town of Bethlehem (the “Town”) through the enactment of restrictive local zoning and planning ordinances. However, based on a series of agreements reached with the Town during calendar year 2011, which agreements were approved at a Town meeting on January 17, 2012, we have received all approvals from the Town necessary to operate the landfill over an expanded footprint for an extended period of time (estimated at 20 years or more), subject to periodic approval of minor permit modifications from the New Hampshire Department of Environmental Services. All litigation between the Town and us was dismissed with prejudice, upon joint motion of the parties. See Item 3, Legal Proceedings, of this Form 10-K.

Waste USA. The Waste USA landfill in Coventry, Vermont serves the major wastesheds throughout Vermont. The landfill is permitted to accept residential and commercially generated MSW, pre-approved sludges, soils, and C&D material. Since our purchase of this landfill in 1995, we have expanded its capacity, which we expect to last through approximately fiscal year 2050.

Clinton County. The Clinton County landfill is located in Schuyler Falls, New York and serves the wastesheds of Clinton, Essex, Warren, Washington and Saratoga Counties in New York, and certain contiguous Vermont wastesheds. This landfill is permitted to accept residential and commercially generated MSW, C&D material and special waste which is approved by regulatory agencies. In fiscal year 2009, the facility received a permit for a multi-year landfill expansion, which will provide considerable additional volume. The Clinton County site commenced operations of a landfill gas-to-energy facility in fiscal year 2009 and has the capacity to generate 6.4mW/hr of energy.

Juniper Ridge. On February 5, 2004, we completed transactions with the State of Maine and Georgia-Pacific Corporation, pursuant to which the State of Maine took ownership of the landfill located in West Old Town, Maine, formerly owned by Georgia Pacific, and we became the operator of that facility under a 30-year operating and services agreement between us and the State of Maine. The site is located on approximately 780 acres, with 68 acres currently dedicated for waste disposal. The site has sufficient acreage to permit the additional airspace required for the term of the 30-year operating and services agreement. The site is currently permitted to take waste originating from Maine, consisting of C&D material, ash from MSW incinerators and fossil fuel boilers, front end processed residuals and bypass MSW from waste-to-energy facilities, treatment plant sludge and biosolids, sandblast grits, oily waste and oil spill debris, and other approved special wastes from within Maine. There are no annual tonnage limitations at Juniper Ridge landfill.

Southbridge. On November 25, 2003, we acquired Southbridge Recycling and Disposal Park, Inc. (“Southbridge Recycling and Disposal”). Southbridge Recycling and Disposal owns a 13-acre recycling facility and has a contract with the Town of Southbridge, Massachusetts to operate a 146-acre landfill currently permitted to accept residuals from the recycling facility and MSW. In June 2008, the Southbridge, Massachusetts Board of Health modified the landfill site assignment to allow the site to receive MSW from communities other than Southbridge and to increase the annual disposal volume from approximately 0.2 million tons per year to approximately 0.4 million tons per year. In May 2010, we received a permit from the Massachusetts Department of Environmental Protection which allowed the facility to accept approximately 0.2 million tons per year in total of C&D material and MSW without regard to the geographic origin of the waste. The Board of Health decision was appealed by opponents of the landfill and was decided in our favor by the Massachusetts Supreme Judicial Court in February 2012. See Item 3, Legal Proceedings, of this Form 10-K. In February 2012, we received a permit to accept 0.3 million tons of waste per year at the landfill.

Maine Energy Waste-to-Energy Facility. We own a waste-to-energy facility, Maine Energy, which generates electricity by processing non-hazardous solid waste. Maine Energy provides us with important additional disposal capacity and generates power for sale. The facility receives MSW under long-term waste handling agreements and 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 Nextera Energy Power Marketing, LLC, an electric utility, and guarantees 100% of its electricity generating capacity to FPL Energy Power Marketing, Inc., both pursuant to a contract that was amended to extend its term to December 31, 2014 and is based on “day ahead” electricity prices. On March 30, 2012, we entered into a Memorandum of Understanding with the City of Biddeford, pursuant to which we agreed on a tentative sale of Maine Energy to the City of Biddeford, subject to agreement on final terms and documentation, to be negotiated in good faith, satisfaction of conditions precedent and closing.

Hyland. The Hyland landfill, located in Angelica, New York, serves certain wastesheds located throughout western New York. The facility is permitted to accept residential, commercial and MSW, C&D material and special waste. The site consists of approximately 624 acres, which represents considerable additional expansion capabilities. A permit for future expansion was issued in December 2006 for approximately 11 million cubic yards and we are currently seeking an additional 9.9 million cubic yards of permissible capacity. The landfill is currently permitted to accept approximately 0.3 million tons annually and has a minor modification pending with the New York State Department of Environmental Conservation to increase the annual capacity by 49%. In August 2008, the Hyland site commenced operation of a landfill gas-to-energy facility which has the capacity to generate 4.8 mW/hr of energy. The

Hyland landfill benefits from waste in the form of drill cuttings from the Marcellus Shale natural gas extractions, which in fiscal year 2012 made up approximately 26% of the waste accepted at Hyland.

Ontario. We entered into a 25-year operation, management and lease agreement with the Ontario County Board of Supervisors for the Ontario County landfill, which is located in the Town of Seneca, New York. We commenced operations on December 8, 2003. This landfill serves the central New York watershed and is strategically situated to accept long haul volume from both eastern and downstate New York markets. The site consists of approximately 380 total acres with additional potential expansions to allow for acceptance of an estimated total of 12.2 million tons. During fiscal year 2008 we successfully requested and received a minor modification to increase our annual allowance of placed tons over the original permit of 0.6 million tons to 0.9 million tons. The Ontario site also houses a single stream recycling facility and a landfill-gas-to energy plant, which has the capacity to generate 6.4 mW/hr of energy.

Hakes. The Hakes C&D landfill in Campbell, New York is permitted to accept only C&D material. The landfill serves the rural watersheds of western New York. During fiscal year 2008, we successfully requested and received a minor modification to increase our annual allowance of placed tons over the original permit of 0.3 million tons to 0.5 million tons.

Chemung. We entered into a 25-year operation, management and lease agreement with Chemung County for certain facilities located within the county utilized in the collection, management and disposal of solid waste, including the Chemung County landfill, which is located in the Town of Chemung, New York. We commenced operations on September 19, 2005. This landfill serves the central and southern tier New York watersheds and is strategically situated to accept long haul volume from both eastern and downstate markets. The site consists of approximately 38 active acres permitted to accept 0.1 million tons of MSW per year and 12.8 active acres permitted to accept approximately twenty thousand tons of C&D material per year. The landfill has further expansion capabilities of an additional 25 acres and an estimated 6.4 million tons. In addition, in April 2010 we successfully negotiated an amendment to the management and lease agreement allowing the annual tonnage to be increased to 0.4 million tons per year, subject to regulatory approval. In September 2011, we were successful in securing a minor modification to the existing permit to allow for an additional annual increase of sixty-thousand tons of MSW.

McKean. We acquired the McKean landfill, which was subject to bankruptcy reorganization, in February 2011. This facility is located in Mount Jewett, McKean County, Pennsylvania and serves the Pennsylvania northern tier and New York southern tier watersheds. The facility consists of 131 acres, of which 52.1 acres are dedicated to landfilling, and has a daily permitted capacity to receive one thousand tons. The site has more than 3 million cubic yards of remaining airspace with future expansion capacity for an additional 30 million cubic yards. Also, the site has the capability to accept waste delivered by rail, including a daily limit of five thousand tons. We expect this site to benefit from the Marcellus Shale natural gas extractions in the watersheds served by the landfill. Additionally, construction is underway at McKean for a water treatment facility to service natural gas drillers by treating water generated from drilling activities.

Closure Projects

In April 2005, we started closure operations at the Worcester, Massachusetts landfill, a closure project with approximately 0.2 million tons of available capacity as of April 30, 2012. In January 2006, we assumed the closure contract for this landfill. The Worcester landfill is not included in the preceding table of landfill capacity. Additionally, in fiscal year 2009, as part of a planned closure, we ceased operations at the Colebrook facility and began the process of capping and closing the site.

We also own and/or manage six unlined landfills and three lined landfills that are not currently in operation. All of these landfills have been closed and capped to applicable environmental regulatory standards by us.

Operating Segments

We manage our solid waste operations, which include a full range of solid waste services, on a geographic basis through two regional operating segments, which we designate as the Eastern and Western regions. Our third operating segment is Recycling, which comprises our larger-scale recycling operations and our commodity brokerage operations. See Note 19 to our consolidated financial statements included under Item 8 of this Form 10-K for a summary of revenues, certain expenses, profitability, capital expenditures, goodwill, and total assets of our operating segments. Ancillary operations, major customer accounts, discontinued operations and earnings from equity method investees are included in our "Other" reportable segment.

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 operates interdependently with the other divisions within the wasteshed. Each wasteshed generally operates autonomously from adjoining wastesheds.

Through its six MRFs and one commodity brokerage operation, Recycling services four anchor contracts, which have original terms ranging from five to ten years and expire at various times through calendar year end 2028. The terms of each of the contracts vary, but all of the contracts provide that the municipality or a third party delivers materials to our facility. These contracts may include a minimum volume guarantee 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 following table provides information about each operating segment (as of May 31, 2012 except revenue information, which is for the fiscal year ended April 30, 2012).

	Eastern Region	Western Region	Recycling
Revenues (in millions)	\$172.9	\$215.2	\$47.9
Solid waste collection operations	12	20	—
Transfer stations	5	26	—
Recycling facilities	7	4	6
Subtitle D landfills	2	7	—
Other disposal facilities(1)	Maine Energy	Hakes	—

- (1) In addition to the disposal facilities shown above we operate the Worcester, Massachusetts landfill, a closure project with approximately 0.2 million tons of available capacity as of April 30, 2012.

Eastern region

The Eastern region consists of wastesheds located in Maine and the assets located in eastern Massachusetts and in the New Hampshire seacoast area. The Maine 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 ten years, either limited new landfill development or precluded development of additional capacity from existing landfills. Consequently, the Eastern region relies more heavily on non-landfill waste-to-energy disposal capacity than the Western region.

We entered Maine in 1996 with the purchase of the assets comprising New England Waste Services of ME, Inc. in Hampden, Maine. The acquisition of KTI, Inc. in 1999 significantly improved disposal capacity in this region, as the acquisition included Maine Energy, and provided an alternative internalization option for solid waste assets in eastern Massachusetts. In 2004, we obtained the right to operate the Juniper Ridge landfill under a 30-year agreement with the State of Maine.

We entered eastern Massachusetts in fiscal year 2000 with the acquisition of assets that were divested by Allied Waste Industries (prior to its merger with Republic Services, Inc.) and through the acquisition of smaller independent operators. In this market, we rely to a large extent on third party disposal capacity. We believe that there is a greater opportunity to increase internalization rates and operating efficiencies in eastern Massachusetts facilities through the operating contract with the Town of Southbridge to operate the Southbridge landfill, which is currently permitted to accept up to a combined 0.3 million tons per year of C&D and MSW.

Western region

The Western region includes wastesheds located in Vermont, north and south western New Hampshire and eastern New York. The portion of eastern New York served by the Western region includes Clinton (operation of the Clinton County landfill), Franklin, Essex, Warren, Washington, Saratoga, Rennselaer and Albany counties. Our Waste USA landfill in Coventry, Vermont is one of only two operating permitted Subtitle D landfills in Vermont, and our NCES landfill in Bethlehem, New Hampshire is one of only six operating permitted Subtitle D landfills in New Hampshire.

The Western region also consists of wastesheds in upstate New York, which includes Ithaca, Elmira, Oneonta, Lowville, Potsdam, Geneva, Auburn, Dunkirk, Jamestown and Olean. Our entrance into these wastesheds began with our acquisition of Superior Disposal Services, Inc.'s business in 1997 and has expanded largely through tuck-in acquisitions and internal growth. Our collection operations include leadership positions in nearly every rural market outside of the larger metropolitan markets such as Syracuse, Rochester, Buffalo and Albany.

While we have achieved strong market positions in the New York wastesheds, we remain focused on increasing our vertical integration through expansion of annual permitted capacity at existing landfills and densification of hauling businesses that can internalize waste to our landfills. With the ownership of the Hyland, Hakes and McKean County landfills and operation of the Ontario and Chemung County landfills, our strategy is to expand annual landfill permits to drive return on invested capital and cash flows. Future opportunities may exist to replicate our strategic partnerships with county and municipal governments for the operation and/or utilization of their landfills, and, subject to capital allocation, we expect that we would pursue these opportunities if they would enhance our shareholder returns.

Recycling

Our Recycling segment is one of the largest processors and marketers of recycled materials in the eastern United States, comprising 6 MRFs that process and then market recyclable materials that municipalities and commercial customers deliver to them under long-term contracts. Three of the six MRFs are leased, the other three are owned. In fiscal year 2012, the Recycling segment processed and/or marketed approximately 0.5 million tons of recyclable materials including tons marketed through our commodity brokerage operation. Recycling's facilities are located in the states of Vermont, New York, Massachusetts, New Hampshire and Maine.

A significant portion of the material provided to Recycling is delivered pursuant to four anchor contracts. The anchor contracts generally have an original term of five to ten years and expire at various times through calendar year end 2028. The terms of each of the contracts vary, but all of the contracts provide that the municipality or a third party delivers materials to our facility. In approximately one-quarter 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 if certain other conditions are not met. 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.

Our Recycling segment 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, aluminum and 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 2012, 25% of the revenues from the sale of residential recyclable materials 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.

Casella-Altela Regional Environmental Services, LLC

In September 2011, we entered into a joint venture with Altela, Inc. to form CARES, a joint venture that develops, owns and operates water and leachate treatment projects for the natural gas drilling industry in Pennsylvania and New York and can also be used to treat leachate at our landfills. As a part of the joint venture, we acquired a 51% membership interest in CARES in exchange for an initial cash contribution to CARES of \$1.3 million. Altela, Inc. made an initial contribution of equipment valued at \$1.3 million and acquired a 49% membership interest in CARES. In the fiscal year 2012, we and Altela, Inc. made additional cash contributions, proportionate with our membership interests, of \$0.6 million and \$0.5 million, respectively, for the purchase of additional equipment and to fund operations. Income and losses of CARES are to be allocated to members based on membership interest percentage.

In accordance with Accounting Standards Codification ("ASC") 810-10-15, we consolidate the assets, liabilities, noncontrolling interest and results of operations of CARES into our consolidated financial statements due to our controlling financial interest in the joint venture.

GreenFiber Cellulose Insulation Joint Venture

We are a 50% partner in GreenFiber, a joint venture with Louisiana-Pacific Corporation ("LP"). GreenFiber, which we believe is the largest manufacturer 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 eight manufacturing facilities, located in Delphos, Ohio; Elkwood, Virginia; Norfolk, Nebraska; Phoenix, Arizona; Tampa, Florida; Albany, New York; Waco, Texas; and Salt Lake City, Utah. GreenFiber utilizes a hedging strategy to help stabilize its exposure to fluctuating newsprint costs, which generally represent approximately 27% of its raw material costs. We account for our investment in GreenFiber under the equity method of accounting.

In April 2011, we issued a guaranty of up to \$1.5 million in support of GreenFiber's amended and restated loan and security agreement in order to induce the lender to enter into a waiver and amend the agreement. In August 2011, we were required to increase the guaranty to up to \$3.4 million and make an additional investment of \$0.5 million in order to again induce the lender to enter into a waiver and amend the agreement.

On December 1, 2011, GreenFiber entered into a second amendment to its modified and restated loan and security agreement. Concurrent therewith, we made an additional investment of \$3.0 million in GreenFiber and reduced our guaranty associated with the credit facility by \$1.2 million to \$2.2 million. The guaranty can be drawn on upon an event of default and remains in place through December 1, 2014, the extended term of GreenFiber's modified and restated loan and security agreement.

As of December 31, 2011, GreenFiber performed a test for goodwill impairment. The goodwill impairment analysis indicated that the carrying value of its reporting unit exceeded the fair value of its reporting unit, and GreenFiber determined that the entire amount of its goodwill was impaired. Consequently, we recorded our portion of the goodwill impairment charge of \$5.1 million as loss on equity method investment in fiscal year 2012.

Based on the analysis performed, we determined that the current book value of our investment in GreenFiber exceeded its fair value. The analysis calculated GreenFiber's fair value based on the income approach using discounted cash flows taking into account current expectations for asset utilization, housing starts and the remaining useful life of related assets. We recorded a charge of \$10.7 million as impairment on equity method investment in fiscal year 2012.

In April 2012, we made an additional investment of \$0.4 million in GreenFiber so that it could meet its quarterly debt covenants.

In May 2012, we and LP made identical commitments to fund any liquidity shortfalls of GreenFiber related to covenant compliance as defined in GreenFiber's modified loan and security agreement. We have agreed to provide an equity contribution of our pro-rata share of funds, based on ownership percentage, sufficient to cure such shortfall.

Our investment in GreenFiber was \$6.5 million and \$23.1 million at April 30, 2012 and April 30, 2011, respectively.

Tompkins County Recycling, LLC

During fiscal year 2012, we finalized the terms of a joint venture agreement with FCR, LLC ("FCR"), a subsidiary of ReCommunity, LLC to form Tompkins, a joint venture that operates a MRF located in Tompkins County, New York and processes and sells commodities delivered to the MRF. In connection with the formation of Tompkins, we acquired a 50% membership interest in Tompkins in exchange for an initial cash contribution to Tompkins of \$0.3 million. FCR made an initial cash contribution of \$0.3 million and acquired a 50% membership interest in Tompkins. Income and losses are allocated to members based on membership interest percentage. Our investment in Tompkins amounted to \$0.3 million at April 30, 2012. We account for our 50% membership interest in Tompkins using the equity method of accounting.

AGreen Energy, LLC

In fiscal year 2012, we entered into a renewable energy project operating agreement with AGreen. As a part of the agreement, we provide certain operation, maintenance and administrative services to, as well as procure organic materials that would otherwise be disposed of from, small farm-based biogas renewable energy projects that produce renewable energy and other valuable products and services. In the first quarter of fiscal year 2012, we made an initial investment of \$0.2 million in AGreen for a 5.1% membership interest. In the third quarter of fiscal year 2012, we made an additional contribution of \$0.2 million in AGreen, increasing our membership interest to 11.9% and our investment to \$0.4 million as of April 30, 2012. We account for this investment under the cost method of accounting.

RecycleRewards, Inc.

Our investment and ownership interest in RecycleRewards, a company that markets an incentive based recycling service, amounted to \$4.5 million as of April 30, 2012 and 2011, respectively. Our common share interest in RecycleRewards was reduced from 8.2% to the current 6.2% in October 2011 due to an equity offering RecycleRewards made to a third party investor in October 2011 and the issuance of additional warrants by RecycleRewards. We account for this investment under the cost method of accounting.

Evergreen National Indemnity Company

Our investment and ownership interest in Evergreen, a surety company which provides surety bonds to us, amounted to \$10.7 million, or 19.9%, as of April 30, 2012 and 2011, respectively. We account for our investment in Evergreen under the cost method of accounting.

GreenerU, Inc.

In March 2012, we entered into a strategic partnership agreement with GreenerU, a company that delivers an extensive array of energy and sustainability solutions to the college, university and preparatory school market in order to help those institutions reduce their energy costs and carbon emissions through the formulation of programs and policies and the running of renewable energy projects. As a part of the agreement, we will work with GreenerU to co-market our respective services to colleges, universities and preparatory schools in the area of waste, recycling, energy, composting, resource conservation and other appropriate sustainability initiatives. We made a \$1.0 million investment in GreenerU through the purchase of preferred stock in two \$0.5 million tranches, the first of which was closed in April 2012 and the second of which was closed in May 2012. As a result of our investment we had a 4.2% ownership interest and a \$0.5 million investment in GreenerU as of April 30, 2012 and a 6.3% ownership interest and a \$1.0 million investment in GreenerU as of May 31, 2012. We account for this investment under the cost method of accounting.

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 for potential acquisition candidates.

The larger urban markets in which we compete are served by one or more of the large national solid waste companies, including Waste Management, Inc., Republic Services, Inc. and Waste Connections, Inc., that may be able to achieve greater economies of scale than us. 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 fully integrated sales and marketing strategies, originating at the enterprise level with the primary focus of acquiring and retaining commercial, industrial, municipal and residential customers. Our business strategy for over 35 years has focused on creating a highly differentiated sustainable resource management model that meets customers' unique needs and provides value "beyond the curb".

Maintenance of a local presence and identity is an important aspect of our sales and marketing strategy, and many of our divisional 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 of our containers and trucks. We attend and make presentations at municipal and state conferences, and we advertise in various governmental associations' membership publications.

Our sales organization has been completely realigned to incorporate a more robust sales training curriculum, fully revamped marketing collateral, as well as enhanced brand building advertising across our entire operating footprint. The realigned sales program encompasses an updated sales incentive program tied solely to the overall profitability of a territory manager's book of business; and the introduction of a redesigned prospect database management system that allows a territory manager to identify new collection customers, as well as view all existing customer data in one consolidated platform. This prospect database is also augmented by more traditional sales techniques, such as leads developed from new building permits, business licenses and other public records.

Employees

As of May 31, 2012, we employed approximately 1,800 people, including approximately 400 professionals or managers, sales, clerical, information systems or other administrative employees and approximately 1,400 employees involved in collection, transfer, disposal, recycling or other operations. Approximately 100 of our employees are covered by collective bargaining agreements. We believe relations with our employees are good.

Risk Management, Insurance and Performance or Surety Bonds

We actively maintain environmental and other risk management programs that we believe are appropriate for our business. Our environmental risk management program includes evaluating existing facilities, as well as potential acquisitions, for compliance with environmental law requirements. We also maintain a worker safety program, which focuses on safe practices in the workplace. Operating practices at all of our operations are intended to reduce the possibility of environmental contamination enforcement actions 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.

We self insure for automobile and workers' compensation coverage. Our maximum exposure in fiscal year 2012 under the workers' compensation plan was \$1.0 million per individual event, after which reinsurance takes effect. Our maximum exposure under the automobile plan was approximately \$0.8 million per individual event, after which reinsurance takes effect.

MSW collection contracts and landfill closure and post-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 contracts or obtaining or retaining landfill operating permits.

We hold a 19.9% ownership interest in Evergreen, a surety company which provides surety bonds to us to secure our contractual obligations for certain MSW collection contracts and landfill closure and post-closure obligations.

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 (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 Nextera Energy Power Marketing, LLC, an electric utility, and guarantees 100% of its electricity generating capacity to FPL Energy Power Marketing, Inc., both pursuant to a contract that was amended to extend its term to December 31, 2014 and is based on "day ahead" electricity prices.

Our Recycling segment provides recycling services to municipalities, commercial haulers and commercial waste generators within the geographic proximity of the processing facilities.

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

Raw Materials

Maine Energy received approximately 15.6% of its solid waste in fiscal year 2012 from 17 Maine municipalities under long-term waste handling agreements. Maine Energy also receives raw materials from commercial and private waste haulers and municipalities with short-term contracts, as well as from our own collection operations.

Seasonality

Our transfer and disposal revenues historically have 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 C&D activities decreases substantially during the winter months in the northeastern 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 due to the ski industry.

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

Our Recycling segment experiences increased volumes of newspaper in November and December due to increased newspaper advertising and retail activity during the holiday season. GreenFiber experiences lower sales from April through July due to lower retail activity.

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. Our waste-to-energy facility also is subject to federal energy law. 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 in this Form 10-K, we believe that we are currently in substantial compliance with applicable federal, state and local environmental laws, permits, orders and regulations. Other than as disclosed herein, we do not currently anticipate any material costs to bring our operations into environmental compliance, although there can be no assurance in this regard for 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 renew these permits periodically, and the permits may be modified or revoked by the issuing agency.

The principal federal 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 categories, hazardous and non-hazardous. Wastes are generally classified as hazardous if they either (a) are specifically included on a list of hazardous wastes, or (b) exhibit certain characteristics defined as hazardous and 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 businesses which are subject to those requirements. Some state regulations impose different, additional obligations.

We currently do not accept for transportation or disposal of hazardous substances (as defined in CERCLA, discussed below) in concentrations or volumes that would classify those materials as hazardous wastes. However, 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 facility. We typically test ash produced at our waste-to-energy facility 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 law. However, there is no guarantee that leachate generated from our facilities in the future will not be classified 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 siting 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 landfill gas (including methane) 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.

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 facility, 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. Finally, virtually all solid waste management facilities must comply with the EPA’s storm water regulations, which regulate the discharge of impacted storm water to 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 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 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 MSW 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 EPA is focusing on the emissions of greenhouse gases, or GHG, including carbon dioxide and methane. In December, 2009, the EPA issued its “endangerment finding” that carbon dioxide poses a threat to human health and welfare, providing the basis for the EPA to promulgate GHG air quality standards. In December 2009 the EPA’s “Mandatory Reporting of Greenhouse Gases” rule went into effect, requiring facilities that emit 25,000 metric tons or more per year of GHG emissions to submit annual reports to the EPA.

In June 2010, the EPA issued the so-called “GHG Tailoring Rule”, which described how certain sources that emit GHG would be subject to heightened Clean Air Act PSD / Title V regulation. In July 2011, however, the EPA promulgated a rule that, broadly, deferred for three years its development of those regulations with regard to sources emitting carbon dioxide from biomass-fired and other “biogenic” sources. This exemption has been challenged in federal court by a number of environmental groups.

The adoption of other laws and regulations, which may include the imposition of fees or taxes, could adversely affect our collection and disposal operations. Additionally, certain of the states in which we operate are contemplating air pollution control regulations relating to GHG that may be more stringent than regulations the EPA may promulgate. Changing environmental regulations could require us to take any number of actions, including the purchase of emission allowances or installation of additional pollution control technology, and could make some operations less profitable, which could adversely affect our results of operations.

Congress also is considering various options, including a cap and trade system, which could impose a limit on and establish a pricing mechanism for GHG emissions and emission allowances. There also is increasing pressure for the United States to join international efforts to control GHG emissions.

The Clean Air Act regulates emissions of air pollutants from our waste-to-energy facility 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 and enforce 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. A variety 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.

The Public Utility Regulatory Policies Act of 1978, As Amended ("PURPA")

Our waste-to-energy facility has been certified by the Federal Energy Regulatory Commission as a "qualifying small power production facility" under the PURPA. The 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 four landfill gas-to-energy facilities are self-certified as "qualifying facilities" as well.

State and Local Regulations

Each state in which we now operate or may operate in the future has laws and regulations governing (1) water and air pollution, and the generation, storage, treatment, handling, processing, transportation, incineration and disposal of solid waste and hazardous waste; (2) in most cases, the siting, design, operation, maintenance, closure and post-closure maintenance of solid waste management facilities; and (3) in some cases, vehicle emissions limits or fuel types, which impact our collection operations. Such standards typically are as stringent as, and may be more stringent and broader in scope than, federal regulations. 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.

Many municipalities in which we currently operate or may operate in the future 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.

Some states have enacted laws that allow agencies with jurisdiction over waste management facilities to deny or revoke permits based on the applicant's or permit holder's compliance status. Some states also consider the compliance history of the corporate parent, subsidiaries and affiliates.

Certain permits and approvals issued under state or local law may limit the types of waste that may be accepted at a solid waste management facility or the quantity of waste that may be accepted at a solid waste management facility during a given time period. In addition, certain permits and approvals, as well as certain state and local regulations, may limit a solid waste management facility 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 similar legislation is enacted, states in which we operate solid waste management facilities 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 privately-owned facility. However, in 2007, the U.S. Supreme Court upheld a U.S. District Court ruling that the flow control regulations in Oneida and Herkimer Counties in New York requiring trash haulers to use publicly-owned transfer stations are constitutional, and therefore valid. Additionally, certain state and local jurisdictions continue to seek to enforce 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 solid waste management facilities 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 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, including yard wastes and leaves, beverage containers, newspapers, household appliances and electronics such as computers, 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. Vermont, for example, in 2012 enacted House Bill 485, containing among other things, a phased waste ban for recyclables, organics and leaf/yard waste. The bill becomes effective July 1, 2012.

Massachusetts is considering revisions to its regulations governing solid waste management with a particular focus on developing a framework encouraging the re-use of organic waste material and prohibiting such material from disposal.

New York State is considering revisions to its regulations governing solid waste management, 6 NYCRR Part 360.

New York State is in the process of reviewing the tens of thousands of comments received on its proposed regulations governing the practice of hydraulic fracturing in the drilling for oil and gas in the Marcellus and Utica Shale plays.

Executive Officers of the Company

Our executive officers and their respective ages as of May 31, 2012 are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
<i>Executive Officers</i>		
John W. Casella	61	Chairman of the Board of Directors, Chief Executive Officer and Secretary
Paul A. Larkin	47	President and Chief Operating Officer
Edwin D. Johnson	55	Senior Vice President and Chief Financial Officer
David L. Schmitt	61	Senior Vice President and General Counsel

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 served as 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 his brother, Douglas R. Casella, who is a member of our Board of Directors. 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.

Paul A. Larkin has served as our President and Chief Operating Officer since January 2008. From June 1998 until he joined us, Mr. Larkin served in a number of operating capacities for Office Depot, Inc., including, from 2007 through 2008 as Vice President for international strategy, from 2005 to 2007 as Regional Vice President of retail stores responsible for overseeing \$1.0 billion of sales, and from 2000 to 2005 as Vice President of supply chain and inventory management. From 1996 to 1998, Mr. Larkin was the Director of Logistics for AutoNation USA, Inc. From 1987 to 1996, Mr. Larkin served in the United States Army in a number of command and

staff positions culminating as Aide de Camp for the Director of Logistics, United States Atlantic Command. Mr. Larkin received his Bachelor of Arts degree from Clark University.

Edwin D. Johnson has served as our Senior Vice President and Chief Financial Officer since July 2010. From March 2007 to July 2010, Mr. Johnson served as Executive Vice President, Chief Financial Officer and Chief Accounting Officer at Waste Services, Inc. From November 2004 to March 2007, Mr. Johnson served as Chief Financial Officer of Expert Real Estate Services, Inc., a full service real estate brokerage company. Mr. Johnson holds an MBA from Florida International University and a Bachelor of Science in Accounting and Administration from Washington & Lee University.

David L. Schmitt has served as our Vice President and General Counsel since May 2006. Prior to that, Mr. Schmitt was President of his privately held consulting firm, and further served from 2002 until 2005 as Vice President and General Counsel of BioEnergy International, LLC a predecessor company to Myriant Corp. He served from 1995 until 2001, as Senior Vice President, General Counsel and Secretary of Bradlees, Inc., a retailer in the northeastern United States, and from 1986 through 1990, as Vice President and General Counsel of Wheelabrator Technologies Inc. He earned a Bachelor of Arts degree from The Pennsylvania State University, and his Juris Doctor, cum laude, from Duquesne University School of Law.

Available Information

Our internet website is <http://www.casella.com>. We make available, free of charge through our website, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statement on Schedule 14A, and any amendments to those materials filed pursuant to Sections 13(a) and 15(d) of the Exchange Act. We make these reports available through our website as soon as reasonably practicable after we electronically file such materials with or furnish them to the Securities and Exchange Commission, or SEC. The information found on our website is not part of this or any other report we file with or furnish to the SEC.

You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website that contains reports, proxy and information statements, and other information regarding us and other issuers that file electronically with the SEC. The SEC's Internet website address is <http://www.sec.gov>.

ITEM 1A. RISK FACTORS

The following important factors, among others, could cause actual results to differ materially from those indicated by forward-looking statements made in this Annual Report on Form 10-K and presented elsewhere by management from time to time. The risks and uncertainties described below are those that we have identified as material, but are not the only risks and uncertainties facing us. Our business is also subject to general risks and uncertainties that affect many other companies, including overall economic and industry conditions, especially in the northeastern United States, where our operations and customers are principally located, changes in laws or accounting rules or other disruptions of expected economic or business conditions. Additional risks and uncertainties not currently known to us or that we currently believe are not material also may impair our business results of operations and financial condition.

Economic conditions have adversely affected our revenues and our operating margin and may impact our efforts to pay our outstanding indebtedness.

Our business has continued to be affected by the broader economic conditions in the United States that are outside of our control, including reductions in business and consumer activity generally, and of construction spending in particular, which have significantly impacted the demand for our collection and landfill services, and declines in commodity prices, which have materially reduced our recycling revenues. As a result of the economic environment we may also be adversely impacted by our customers' inability to pay us in a timely manner, if at all, due to their financial difficulties, which could include bankruptcies. The continued limited availability of credit has been severely limited, which has negatively affected business and consumer spending generally. If our customers do not have access to capital, we do not expect that our volumes will improve or that we will increase new business.

We face substantial competition in the solid waste services industry.

The solid waste services industry is highly competitive, has undergone a period of consolidation and requires substantial labor and capital resources. Some of the markets in which we compete are served by, or are adjacent to markets served by, one or more of the large national or super regional 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 we do. 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 require us to reduce the pricing of our services and may result in a loss of business.

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

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. We are also increasingly competing with companies which seek to use parts of the waste stream as feedstock for renewable energy supplies. Public entities may have financial advantages because of their ability to charge user fees or similar charges, impose tax revenues, access tax-exempt financing and, in some cases, utilize government subsidies.

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

The waste management industry is undergoing fundamental change as traditional waste streams are increasingly viewed as renewable resources, which may adversely impact volumes and tipping fees at our landfills.

From fiscal year 2003 year through fiscal year 2007, we executed a strategy to grow our landfill capacity, and since that time, we have focused on increasing free cash flow and generating an enhanced return on invested capital at our landfills. As we have continued to develop our landfill capacity, the waste management industry has increasingly recognized the value of the waste stream as a renewable resource, and accordingly, new alternatives to landfilling are being developed that seek to maximize the renewable energy and other resource benefits of waste. These alternatives may impact the demand for landfill space, which may affect our ability to operate our landfills at full capacity, as well as the tipping fees and prices that waste management companies generally, and that we in particular, can charge for utilization of landfill space. As a result, our revenues and operating margins could be adversely affected due to these disposal alternatives.

We incur substantial costs to comply with environmental requirements. Failure to comply with these requirements, as well as enforcement actions and litigation arising from an actual or perceived breach of such requirements, could subject us to fines, penalties, and judgments, and impose limits on our ability to operate and expand.

We are subject to potential liability and restrictions under environmental laws, including those relating to transportation, recycling, treatment, storage and disposal of wastes, discharges of pollutants to air and water, and the remediation of contaminated soil, surface water and groundwater. The waste management industry has been and will continue to be subject to regulation, including permitting and related financial assurance requirements, as well as attempts to further regulate the industry, including efforts to regulate the emission of greenhouse gases. Our waste-to-energy facility is subject to regulations limiting discharges of pollutants 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 the necessary approvals or permits, we could be subject to administrative or civil, and possibly criminal, fines and penalties, and we may be required to spend substantial capital to bring an operation into compliance, to temporarily or permanently discontinue activities, and/or take corrective actions, possibly including removal of landfilled materials. Those costs or actions could be significant to us and impact our results of operations, cash flows, and available capital. We may not have sufficient insurance coverage for our environmental liabilities, such coverage may not cover all of the potential liabilities we may be subject to and/or we may not be able to obtain insurance coverage in the future at reasonable expense, or at all.

Environmental and land use laws 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 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 because of limits imposed under such laws, we may be required to increase our utilization of disposal facilities owned by third parties, which could reduce our revenues and/or operating margins. In addition, we are required to obtain governmental permits to operate our facilities, including all of our landfills. Even if we were to comply with applicable environmental law, there is no guarantee that we would be able to obtain the requisite permits and, even if we could, that any permit (and any existing permits we currently hold) will be renewed or modified as needed to fit our business needs.

We have historically grown through acquisitions and may make additional acquisitions from time to time in the future, and we have tried and will continue to try to evaluate and limit environmental risks and liabilities presented by businesses to be acquired prior to the acquisition. 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 expect, or that we will fail to identify or fully appreciate an existing liability before we become legally responsible for addressing it. Some of the legal sanctions to which we could become subject could cause the suspension or revocation of a needed permit, prevent us from, or delay us in, obtaining or renewing permits to operate or expand our facilities, or harm our reputation. At April 30, 2012, we had recorded \$5.2 million in environmental remediation liabilities for the estimated cost of our share of work associated with a consent order issued by the State of New York to remediate a scrap yard and solid waste transfer station owned by one of our acquired subsidiaries, including the recognition of accretion expense. There can be no assurance that the cost of such cleanup or that our share of the cost will not exceed our estimates.

Our operating program depends on our ability to operate the landfills and transfer stations we own and lease. Localities where we operate generally seek to regulate some or all landfill and transfer station operations, including siting and expansion of operations. The laws adopted by municipalities in which our landfills and transfer stations are located may limit or prohibit the expansion of a landfill or transfer station, as well as the amount of waste that we can accept at the landfill or transfer station on a daily, quarterly or annual basis, and any effort to acquire or expand landfills and transfer stations, which typically involves a significant amount of time and expense. We may not be successful in obtaining new landfill or transfer station sites or expanding the permitted capacity of any of our current landfills and transfer stations. If we are unable to develop additional disposal and transfer station capacity, our ability to achieve economies from the internalization of our waste stream will be limited. If we fail to receive new landfill permits or renew existing permits, we may incur landfill asset impairment and other charges associated with accelerated closure.

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, a defendant in lawsuits brought by parties alleging environmental damage, personal injury, and/or property damage, or which seek to overturn or prevent the issuance of an operating permit or authorization, all of which may result in us incurring significant liabilities.

See also Item 1, Business - Regulation, Item 3, Legal Proceedings and Note 10 to our consolidated financial statements included under Item 8 of this Form 10-K.

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

Our results of operations have been and may continue to be 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 market for recyclable materials, particularly newspaper, corrugated containers, plastic and ferrous and aluminum metals, was affected by unprecedented price decreases in October 2008, resulting in a severe impact on our results of operations. Although we have begun to experience some recovery in commodity pricing, such prices will continue to be volatile due to numerous factors beyond our control. Although we seek to limit our exposure to fluctuating commodity prices through the use of

hedging agreements, floor price contracts and long-term supply contracts with customers and have sought to mitigate commodity price fluctuations by reducing the prices we pay for purchased materials or increasing tip fees at our facilities, these fluctuations have in the past contributed, and may continue to contribute, to significant variability in our period-to-period results of operations.

Our business requires a high level of capital expenditures.

Our business is capital intensive. Capital expenditures related to acquisition activities, which were \$0.5 million in fiscal year 2012, consist of costs for equipment added directly as a result of new business growth related to an acquisition. Capital expenditures related to growth activities, which were \$12.2 million in fiscal year 2012, consist of costs related to development of new airspace, permit expansions and new recycling contracts, along with incremental costs of equipment and infrastructure added to further such activities.

Capital expenditures related to maintenance activities, which were \$47.0 million in fiscal year 2012, consist of landfill cell construction costs not related to airspace expansion, costs of normal permit renewals and replacement costs for equipment due to age or obsolescence. We must use a substantial portion of our cash flows from operating activities toward maintenance capital expenditures, which reduces our flexibility to use such cash flows for other purposes, such as reducing our indebtedness. Our capital expenditures could increase if we make acquisitions or further expand our operations or as a result of factors beyond our control, such as changes in federal, state or local governmental requirements. The amount that we spend on capital expenditures may exceed current expectations, which may require us to obtain additional funding for our operations or impair our ability to grow our business.

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

Our operations and customers are concentrated principally in New England and New York. 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 seek to expand in our existing markets, opportunities for growth within this region will become more limited and the geographic concentration of our business will increase. A substantial portion of the material delivered to our Chemung, Hakes, Hyland and McKean landfills consists of extractions from the Marcellus Shale formations in Western New York and Pennsylvania. These extractions are the subject of political opposition and there can be no assurance that they will not be halted or retried. Drilling activity that produces these extractions is negatively impacted by lower natural gas pricing. In such an event, our revenues from these landfills would be materially adversely affected.

Our results of operations and financial condition may be negatively affected if we inadequately accrue for capping, closure and post-closure costs or by the timing of these costs for our waste disposal facilities.

We have material financial obligations relating to capping, closure and post-closure costs of our existing owned or operated 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 accruals for the estimated costs associated with such capping, closure and post-closure obligations over the anticipated useful life of each landfill on a per ton basis. We have provided and expect that we will in the future provide accruals for financial obligations relating to capping, closure and post-closure costs of our owned or operated landfills, generally for a term of 30 years after final closure of a landfill. Our financial obligations for capping, closure or post-closure costs could exceed the amounts accrued or amounts otherwise receivable pursuant to trust funds established for this purpose. Such a circumstance could result in significant unanticipated charges which would have an adverse impact on our business.

In addition, the timing of any such capping, closure or post-closure costs which exceed established accruals may further negatively impact our business. Since we will be unable to control the timing and amounts of such costs, we may be forced to delay investments or planned improvements in other parts of our business or we may be unable to meet applicable financial assurance requirements. Any of the foregoing would negatively impact our business 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 the Organization of the Petroleum Exporting Countries 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 increase our operating expenses. In fiscal year 2012, we used approximately 5.9 million gallons of diesel fuel in our solid waste operations. We have a fuel surcharge program, based on a fuel index, to help offset increases in the cost of fuel, oil and lubricants arising from price volatility. This fee has been passed on to our customers where their contracts and competition conditions permit.

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

Public solid waste collection, recycling and disposal contracts, obligations associated with landfill closure and the operation and closure of our waste-to-energy facility typically 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 contracts or from obtaining or retaining landfill management contracts or operating permits. Any future difficulty in obtaining insurance could also impair our ability to secure future contracts conditioned upon having adequate insurance coverage. We currently obtain performance and surety bonds from Evergreen, in which we hold a 19.9% equity interest.

We may be required to write-off or impair capitalized costs or intangible assets in the future or we may incur restructuring costs or other charges, each of which could harm our earnings.

In accordance with U.S. generally accepted accounting principles, we capitalize certain expenditures and advances relating to our acquisitions, pending acquisitions, landfills and development projects. In addition, we have considerable unamortized assets. 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 or other asset that is being sold, permanently shut down, impaired 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.

In fiscal year 2012, we entered into negotiations regarding the sale of Maine Energy. Based on the proposed purchase consideration, we recorded a \$40.7 million impairment charge to the asset group within the Eastern region segment. The impairment was measured based on the asset group's highest and best use under the market approach, utilizing the discounted present cash flows associated with the purchase consideration, adjusted for costs to demolish the facility. We used a discount rate of 3.5%, which approximates the buyers borrowing rate.

In response to such charges and costs and other market factors, we may be required to implement restructuring plans in an effort to reduce the size and cost of our operations and to better match our resources with our market opportunities. As a result of such actions, we would expect to incur restructuring expenses and accounting charges which may be material. Several factors could cause a restructuring to adversely affect our business, financial condition and results of operations. These include potential disruption of our operations, the development of our landfill capacity and recycling technologies and other aspects of our business. Employee morale and productivity could also suffer and result in unintended employee attrition. Any restructuring would require substantial management time and attention and may divert management from other important work. Moreover, we could encounter delays in executing any restructuring plans, which could cause further disruption and additional unanticipated expense.

Our revenues and our operating income experience seasonal fluctuations.

Our transfer and disposal revenues historically have 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 C&D activities decreases substantially during the winter months in the northeastern United States; and
- decreased tourism in Vermont, Maine and eastern New York during the winter months tends to lower the volume of waste generated by commercial and restaurant customers, which is partially offset by increased volume from the ski industry.

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

Our Recycling business experiences increased volumes of newspaper in November and December due to increased newspaper advertising and retail activity during the holiday season. GreenFiber experiences lower sales from April through July due to lower retail activity.

We may, in the future, attempt to divest or sell certain parts or components of our business to third parties which may result in lower than expected proceeds or losses or we may be unable to identify potential purchasers.

From time to time in the future, we may sell or divest certain other components of our business. These divestitures may be undertaken for a number of reasons, including to generate proceeds to pay down debt, or as a result of a determination that the specified asset will provide inadequate returns to us, or that the asset no longer serves a strategic purpose in connection with our business or if we determine the asset may be more valuable to a third party. The timing of such sales or divestitures may not be entirely within our control. For example, we may need to quickly divest assets to satisfy immediate cash requirements, or we may be forced to sell certain

assets prior to canvassing the market or at a time when market conditions for valuations or for financing for buyers are unfavorable, which would result in proceeds to us in an amount less than we expect or less than our assessment of the value of those assets. We also may not be able to identify buyers for certain of our assets, particularly given the difficulty that potential acquirers may face in obtaining financing, or we may face opposition from municipalities or communities to a disposition or the proposed buyer. Any sale of our assets could result in a loss on divestiture. Any of the foregoing would have an adverse effect on our business and results of operations.

Please see above discussion regarding our efforts to divest Maine Energy.

We may engage in acquisitions in the future with the goal of complementing or expanding our business, including developing additional disposal capacity. However, we may be unable to complete these transactions and, if executed, these transactions may not improve our business or may pose significant risks and could have a negative effect on our operations.

We have in the past, and we may in the future, make acquisitions in order to acquire or develop additional disposal capacity. These acquisitions may include “tuck-in” acquisitions within our existing markets, assets that are adjacent to or outside of 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 may not be able to identify suitable acquisition candidates. If we identify suitable acquisition candidates, we may be unable to negotiate successfully their acquisition at a price or on terms and conditions acceptable to us, including as a result of the limitations imposed by our debt obligations. Furthermore, we may be unable to obtain the necessary regulatory approval to complete potential acquisitions.

Our ability to achieve the benefits from any potential future 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 resources that would otherwise be available for the ongoing management of our existing operations.

Any properties or facilities that we acquire may be subject to unknown liabilities, such as undisclosed environmental contamination, for which we would have no recourse, or only limited recourse, to the former owners of such properties. As a result, if a liability were asserted against us based upon ownership of an acquired property, we might be required to pay significant sums to settle it, which could adversely affect our financial results and cash flow.

In addition, the process of acquiring, developing and permitting additional disposal capacity is lengthy, expensive and uncertain. Moreover, the disposal capacity at our existing landfills is limited by the remaining available volume at our landfills and annual, quarterly and/or daily disposal limits imposed by the various governmental authorities with jurisdiction over 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 may be required to increase our utilization of disposal facilities owned by third parties, which could reduce our revenues and/or our operating margins.

Efforts by labor unions to organize our employees could divert management attention and increase our operating expenses.

Labor unions regularly make attempts to organize our employees, and these efforts will likely continue in the future. Certain groups of our employees have chosen to be represented by unions, and we have negotiated collective bargaining agreements with these groups. The negotiation of collective bargaining agreements could divert management attention and result in increased operating expenses and lower net income (or increased net loss). If we are unable to negotiate acceptable collective bargaining agreements, we may be subject to union-initiated work stoppages, including strikes. Depending on the type and duration of any labor disruptions, our revenues could decrease and our operating expenses could increase, which could adversely affect our financial condition, results of operations and cash flows. As of May 31, 2012, approximately 6.7% of our employees were represented by unions.

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 December 31, 2011, 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, and his brother, Douglas R. Casella, a member of our Board of Directors. Based on the number of shares of common stock outstanding on May 31, 2012, 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 31.3% 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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

At May 31, 2012, we operated nine subtitle D landfills, four of which we own and five of which we lease, one landfill permitted to accept C&D materials that we own, 31 transfer stations, 22 of which are owned, six of which are leased and three of which are under operating contract, 32 solid waste collection facilities, 20 of which are owned and 12 of which are leased, 17 recycling processing facilities, 10 of which are owned, six of which are leased and one of which is under an operating contract, one waste-to-energy facility that we own, four landfill gas-to-energy facilities that we own, and we utilized 15 corporate office and other administrative facilities, three of which are owned and twelve of which are leased (See Item 1, Business, of this Form 10-K for property information by operating segment).

ITEM 3. LEGAL PROCEEDINGS

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

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

New York State Tax Litigation Matter

On January 18, 2011, certain of our subsidiaries doing business in New York State received a Notice of Deficiency from the New York State Department of Taxation and Finance asserting liability for corporation franchise tax for one or more of the tax years ended April 30, 2004 through April 30, 2006. The Notices, in the aggregate, assert liability of \$3.9 million, comprising \$2.2 million of tax and \$1.7 million of penalties and interest. New York State has alleged that we are not permitted to file a single combined corporation franchise tax return with our subsidiaries for each of the years audited.

We filed Petitions for Redetermination with the State of New York Division of Tax Appeals on April 13-14, 2011, and an administrative hearing before a single tax tribunal administrative law judge on all Petitions is scheduled for December 12, 2012. We expect to aggressively defend against this claim through the administrative adjudication and appeals process and the courts if necessary. Under ASC 740, we believe our position will more likely than not be successful in contesting the deficiencies and consequently, we have not established any reserve.

North Country Landfill Expansion

Our subsidiary, NCES is located in Bethlehem, New Hampshire, and is currently permitted to accept municipal solid waste and C&D material from a wide geographic region.

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

On April 29, 2010, NCES filed an application with the New Hampshire Department of Environmental Services (“NHDES”) to modify its Stage IV permit to develop nearly all of the remaining undeveloped capacity under that permit. On August 27, 2010, NHDES granted the permit modification, thereby authorizing NCES to develop Stage IV, Phase 2, of the landfill, comprising approximately one million cubic yards of disposal capacity. An administrative appeal of this approval was filed with the New Hampshire Waste Management Council by a group of local citizens that sought to invalidate the approval. NCES sought and obtained dismissal of this appeal on the grounds that the appellants lack standing. On February 14, 2011, NHDES issued construction approval for Stage IV, Phase 2-A, of the landfill, and construction commenced shortly thereafter. The group of local citizens who had appealed the August 27, 2010, permit modification also appealed the construction approval to the Waste Management Council. NCES sought and obtained dismissal of this appeal on the grounds it was untimely filed. The local citizens sought rehearing of the dismissal of both of their appeals, and both motions for rehearing were denied in January 2012. It is our legal judgment that the deadline for timely appealing the decision of the Waste Management Council has passed, and that the decisions of the Waste Management Council are final and non-appealable.

Southbridge Landfill Site Assignment Appeal

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

On or about July 14, 2008, the Sturbridge Board of Health (“Sturbridge BOH”), an abutting municipality to Southbridge, together with several 10-citizen groups, filed a complaint in Worcester County Superior Court contesting the 2008 Site Assignment (the “Appeal”). The Appeal named as defendants the Southbridge BOH, its individual members and Southbridge Recycling and Disposal Park. On August 21, 2008, Southbridge Recycling and Disposal Park reached a settlement with the Sturbridge BOH, pursuant to which Southbridge Recycling and Disposal Park has funded an escrow account to be controlled by the Sturbridge BOH in the amount of fifty thousand dollars (\$50,000). The Sturbridge BOH withdrew as a party to the Appeal on August 22, 2008.

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

Town of Seneca Matter

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

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

Vermont Attorney General Matter

We entered into an Assurance of Discontinuance (“AOD”) with the Vermont Attorney General’s Office (“AG”) in May 2002, concerning, among other matters, the conduct of our business in Vermont as related to certain contract terms applicable to our small commercial container customers. On March 23, 2010, we received a Civil Investigative Subpoena from the AG requesting information and documents regarding our compliance with the AOD. In the course of responding to the AG’s requests, we discovered that some of our small commercial container customers were mistakenly issued contracts which did not strictly comply with the terms of the AOD.

This error occurred during a one year period starting in 2009 and ending in 2010, and only a portion of our small commercial container customers in Vermont were affected. We terminated the use of these noncompliant contracts, and issued revised contracts to those affected customers. We had not sought to enforce the terms of any of these contracts.

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

Penobscot Energy Recovery Company Matter

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

Environmental Liability

We are subject to liability for environmental damage, including personal injury and property damage, that our solid waste, recycling and power generation facilities may cause to neighboring property owners, particularly as a result of the contamination of drinking water sources or soil, possibly including damage resulting from conditions existing before we acquired the facilities. We may also be subject to liability for similar claims arising from off-site environmental contamination caused by pollutants or hazardous substances if we or our predecessors arrange or arranged to transport, treat or dispose of those materials.

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

WSI is jointly and severally liable for the total cost to remediate and we initially expected to be responsible for approximately 30% upon implementation of a cost-sharing agreement with NiMo and GM. Based on these estimates, we recorded an environmental remediation charge of \$2.8 million in third quarter of fiscal year 2009. In fiscal year 2009, we recognized an additional charge of \$1.5 million, representing an additional 15% of the estimated costs, in recognition of the deteriorating financial condition and eventual bankruptcy filing of GM. In fiscal year 2010, we recognized an additional charge of \$0.3 million based on changes in the expected timing of cash outflows. Based on the estimated costs in the ROD, and changes in the estimated timing of cash flows, we recorded an environmental remediation charge of \$0.5 million in fiscal year 2011. Such charges could be significantly higher if costs exceed estimates. We inflate these estimated costs in current dollars until the expected time of payment and discount the cost to present value using a risk free interest rate (2.7%). At April 30, 2012 and April 30, 2011, we have recorded liabilities of \$5.2 million and \$5.1 million, respectively, including the recognition of \$0.1 million and \$0.1 million of accretion expense in the fiscal years ended April 30, 2012 and 2011, respectively.

In September 2011, DEC settled its environmental claim against the estate of the former GM (known as the "Motors Liquidation Trust") for future remediation costs relating to the WSI site for face value of \$3.0 million. In addition, in November 2011 we settled our own claim against the Motors Liquidation Trust for face value of \$0.1 million. These claims will be paid by GM in stocks and

warrants of the reorganized GM. We expect the warrants to be issued within the first or second quarter of fiscal year 2013. We have not assumed that the payment of these claims will reduce our exposure.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Class A common stock trades on the Nasdaq Global Select Market (the "NASDAQ Stock Market") under the symbol "CWST". The following table sets forth the high and low sale prices of our Class A common stock for the periods indicated as quoted on the NASDAQ Stock Market.

Period	High		Low	
Fiscal Year Ending April 30, 2011				
First quarter	\$	5.39	\$	3.20
Second quarter	\$	5.00	\$	3.70
Third quarter	\$	8.18	\$	4.30
Fourth quarter	\$	8.29	\$	6.20
Fiscal Year Ending April 30, 2012				
First quarter	\$	6.99	\$	5.00
Second quarter	\$	6.90	\$	4.50
Third quarter	\$	7.10	\$	5.50
Fourth quarter	\$	7.15	\$	5.73

On May 31, 2012, the high and low sale prices per share of our Class A common stock as quoted on the NASDAQ Stock Market were \$5.20 and \$5.03, respectively. As of May 31, 2012 there were approximately 500 holders of record of our Class A common stock and two holders of record of our Class B common stock. There is no established trading market for our Class B common stock.

For purposes of calculating the aggregate market value of the shares of common stock held by non-affiliates, as shown on the cover page of this Annual Report on Form 10-K, we have assumed that all the outstanding shares of Class A common stock were held by non-affiliates except for the shares beneficially held by directors and executive officers and funds represented by them.

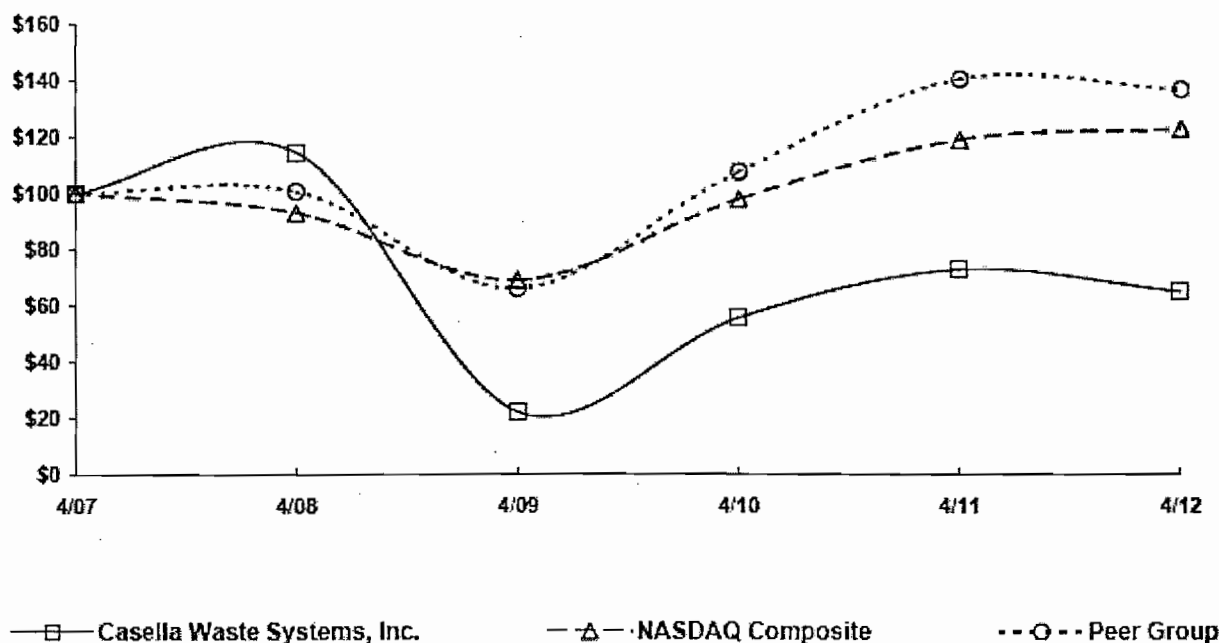
No dividends have ever been declared or paid on our common stock and we do not anticipate paying any cash dividends on our common stock in the foreseeable future. Our credit facility and indentures restrict the payment of dividends on common stock. The information required by Item 201(d) of Regulation S-K is included in Part III of this Form 10-K.

Stock Performance Graph

The following performance graph and related information shall not be deemed "soliciting material" or "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate it by reference into such filing.

The stock performance graph below compares the percentage change in cumulative stockholder return on Class A common stock for the period from April 30, 2007 through April 30, 2012, with the cumulative total return on The NASDAQ Stock Market (U.S. & Foreign) Index and our Industry Peer Group on The NASDAQ Stock Market. The stock performance graph assumes the investment on April 30, 2007 of \$100.00 in our Class A common stock at the closing price on such date, in The NASDAQ Stock Market (U.S. & Foreign) Index and our Industry Peer Group, and that dividends are reinvested. No dividends have been declared or paid on the Class A common stock.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Casella Waste Systems, Inc., the NASDAQ Composite Index, and a Peer Group



*\$100 invested on 4/30/07 in stock or index, including reinvestment of dividends.
Fiscal year ending April 30.

	April 30, 2007	April 30, 2008	April 30, 2009	April 30, 2010	April 30, 2011	April 30, 2012
Casella Waste Systems, Inc.	\$ 100.00	\$ 114.62	\$ 22.15	\$ 55.48	\$ 72.69	\$ 64.84
NASDAQ Composite	\$ 100.00	\$ 92.99	\$ 68.86	\$ 97.61	\$ 118.78	\$ 122.43
Peer Group (1)	\$ 100.00	\$ 100.64	\$ 65.90	\$ 107.40	\$ 140.21	\$ 136.39

- (1) The peer group is comprised of securities of Waste Connections, Inc. and Progressive Waste Solutions. Progressive Waste Solutions was added to the peer group in fiscal year 2012 to replace WCA Waste Corp., which was acquired by a leading infrastructure investment fund and is no longer traded on the NASDAQ Stock Market.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial and operating data set forth below with respect to our consolidated statements of operations and cash flows for the fiscal years ended April 30, 2012, 2011 and 2010, and the consolidated balance sheets as of April 30, 2012 and 2011 are derived from the consolidated financial statements included elsewhere in this Form 10-K. The consolidated statements of operations and cash flows data for the fiscal years ended April 30, 2009 and 2008, and the consolidated balance sheet data as of April 30, 2010, 2009 and 2008 are derived from previously filed consolidated financial statements after giving effect to discontinued operations. The data set forth below should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes thereto included elsewhere in this Form 10-K.

	Fiscal Year Ended April 30, (in thousands, except per share data)				
	2012	2011	2010	2009	2008
Statement of Operations Data:					
Revenues	\$ 480,815	\$ 466,064	\$ 457,642	\$ 482,851	\$ 503,925
Cost of operations	330,754	317,504	303,399	322,605	338,167
General and administration	60,775	64,010	57,476	63,202	69,638
Depreciation and amortization	58,576	58,261	63,619	68,432	73,479
Asset impairment charge	40,746	—	—	355	534
Legal settlement	1,359	3,654	—	—	—
Development project charge	131	—	—	—	—
Environmental remediation charge	—	549	335	4,356	—
Bargain purchase gain	—	(2,975)	—	—	—
Gain on sale of assets	—	(3,502)	—	—	—
Goodwill impairment charge	—	—	—	55,286	—
Hardwick impairment and closing charges	—	—	—	—	1,400
Operating (loss) income	(11,526)	28,563	32,813	(31,385)	20,707
Interest expense, net	45,499	45,858	44,265	33,120	31,952
Other expense, net	20,111	10,626	2,355	1,366	3,410
Loss from continuing operations before income taxes and discontinued operations	(77,136)	(27,921)	(13,807)	(65,871)	(14,655)
Provision (benefit) for income taxes	1,181	(24,217)	2,242	6,247	(3,555)
Loss from continuing operations before discontinued operations	(78,317)	(3,704)	(16,049)	(72,118)	(11,100)
(Loss) income from discontinued operations, net	—	(1,458)	1,011	4,030	4,410
Gain (loss) on disposal of discontinued operations, net	725	43,590	1,180	63	(1,145)
Net (loss) income	(77,592)	38,428	(13,858)	(68,025)	(7,835)
Less: Net loss attributable to noncontrolling interest	(6)	—	—	—	—
Net (loss) income attributable to common stockholders	\$ (77,586)	\$ 38,428	\$ (13,858)	\$ (68,025)	\$ (7,835)
Basic and diluted net (loss) income per common share (1)					
	\$ (2.90)	\$ 1.47	\$ (0.54)	\$ (2.66)	\$ (0.31)
Basic and diluted weighted average common shares outstanding					
	26,749	26,105	25,731	25,584	25,382

Fiscal Year Ended April 30,
(in thousands)

	2012	2011	2010	2009	2008
Other Operating Data:					
Capital expenditures	\$ 59,741	\$ 55,249	\$ 52,834	\$ 54,330	\$ 68,370
Other Data:					
Cash flows provided by operating activities	\$ 63,775	\$ 47,091	\$ 64,086	\$ 69,145	\$ 60,981
Cash flows used in investing activities	\$ (72,012)	\$ (55,764)	\$ (63,050)	\$ (62,877)	\$ (84,933)
Cash flows provided by (used in) financing activities	\$ 10,229	\$ (117,895)	\$ (7,281)	\$ (16,408)	\$ 4,842
Balance Sheet Data:					
Cash and cash equivalents	\$ 4,534	\$ 1,817	\$ 2,035	\$ 1,838	\$ 2,814
Working capital deficit, net (2)	\$ (25,513)	\$ (13,333)	\$ (10,190)	\$ (2,138)	\$ (20,153)
Property, plant and equipment, net	\$ 416,717	\$ 453,361	\$ 457,670	\$ 461,027	\$ 468,278
Goodwill	\$ 101,706	\$ 101,204	\$ 100,526	\$ 100,443	\$ 156,829
Total assets	\$ 633,743	\$ 690,581	\$ 754,814	\$ 750,962	\$ 836,087
Long-term debt, capital, and financing lease obligations, less current maturities	\$ 475,199	\$ 463,574	\$ 564,032	\$ 562,665	\$ 562,326
Total stockholders' equity	\$ 18,231	\$ 93,987	\$ 50,296	\$ 66,310	\$ 124,682

- (1) Computed on the basis described in Note 1 to the consolidated financial statements included in Item 8 of this Form 10-K.
(2) Working capital deficit, net is defined as current assets, excluding cash and cash equivalents, minus current liabilities.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and notes thereto, and other financial information, included elsewhere in this Form 10-K. This discussion contains forward-looking statements and involves numerous risks and uncertainties. Our actual results may differ materially from those contained in any forward-looking statements.

Company Overview

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

As of May 31, 2012, we owned and/or operated 32 solid waste collection operations, 31 transfer stations, 17 recycling facilities, nine Subtitle D landfills, four landfill gas-to-energy facilities, one landfill permitted to accept C&D materials, and one waste-to-energy facility. We also hold 50% membership interests in GreenFiber, a joint venture that manufactures markets and sells cellulose insulation made from recycled fiber, and Tompkins, a joint venture that operates a MRF in Tompkins County, New York and processes and sells commodities delivered to the facility, a 51% membership interest in CARES, a joint venture that develops, owns and operates water and leachate treatment projects for the natural gas drilling industry in Pennsylvania and New York, a 19.9% ownership interest in Evergreen, a surety company which provides surety bonds to secure contractual performance for municipal solid waste collection contracts and landfill closure and post-closure obligations, an 11.9% membership interest in AGreen, a joint venture that brings advanced nutrient management, renewable energy and water technologies to small and medium sized farms, a 6.2% ownership interest RecycleRewards, a company that markets an incentive based recycling service, and a 6.3% ownership interest in GreenerU, a company that delivers energy and sustainability solutions to the college, university and preparatory school market in order to reduce their energy costs and carbon emissions through the formulation of programs and policies and the running of renewable energy projects.

Acquisitions and Divestitures

Acquisitions

There are more than 250 potential acquisition targets within our core service footprint. Beginning in fiscal year 2012, we put in place a dedicated business development team that identifies acquisition candidates, categorizes the opportunity by strategic fit and perceived level of financial accretion, establishes contact with the appropriate decision maker and gathers further information on the acquisition candidate.

We have in the past, and we may in the future, make acquisitions in order to acquire or develop additional disposal capacity. These acquisitions may include “tuck-in” acquisitions within our existing markets, assets that are adjacent to or outside of 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 have had some success in closing smaller tuck-in acquisitions, but face considerable competition for the larger and more meaningful targets. Our limited access to and weighted average cost of capital puts us at a disadvantage, but our strong relationships and reputation in the New England area help to offset these factors.

In fiscal year 2012, we acquired five solid waste hauling operations. We also completed the acquisition of the McKean County landfill business in Pennsylvania by acquiring additional equipment not included in the original transaction. These entities and assets were acquired for total consideration of \$2.2 million, including \$2.1 million in cash and \$0.1 million in holdbacks to sellers.

In fiscal year 2011, we acquired two solid waste hauling operations for \$1.1 million in cash and \$0.3 million in notes payable and the McKean County landfill business in Pennsylvania in exchange for \$0.7 million in cash and the assumption of \$1.4 million in liabilities. We acquired the McKean County landfill business out of bankruptcy proceedings and recognized a bargain purchase gain of \$3.0 million based on the amount by which the fair value of assets acquired exceeded the purchase price consideration.

In fiscal year 2010, we acquired two solid waste hauling operations for total consideration of \$1.6 million, including \$0.9 million in cash and \$0.6 million in notes payable to the seller and liabilities assumed.

Divestitures

From time to time in the future, we may sell or divest certain other components of our business. These divestitures may be undertaken for a number of reasons, including to generate proceeds to pay down debt, or as a result of a determination that the specified asset will provide inadequate returns to us, or that the asset no longer serves a strategic purpose in connection with our business or if we determine the asset may be more valuable to a third party. We will continue to look to divest certain activities that do not fit into our long term strategy that no longer enhance or complement our core business if the right opportunity presents itself.

In fiscal year 2012, we entered into negotiations regarding the sale of Maine Energy. Based on proposed purchase consideration, we recorded a \$40.7 million impairment charge to the asset group within the Eastern region segment. The impairment was measured based on the asset group's highest and best use under the market approach, utilizing the discounted cash flows associated with the purchase consideration, adjusted for costs to demolish the facility. We used a discount rate of 3.5%, which approximates the buyers borrowing rate.

In fiscal year 2011, we completed the divestiture of our non-integrated recycling assets and select intellectual property assets for \$134.2 million in gross proceeds and the sale of the assets of our Trilogy Glass business for cash proceeds of \$1.8 million. These transactions resulted in gain (loss) on disposal of discontinued operations (net of tax) of \$43.7 million and (\$0.1) million, respectively.

The divestiture of our non-integrated recycling assets and select intellectual property assets, included an estimated \$3.8 million working capital and other purchase price adjustment, which was subject to further adjustment, as defined in the purchase and sale agreement. The final working capital adjustment, along with additional legal expenses related to the transaction, of \$0.6 million, and an additional working capital adjustment of \$0.1 million, which related to our subsequent collection of receivable balances that were released to us for collection by the purchaser, were recorded as gain on disposal of discontinued operations (net of tax) in fiscal year 2012.

In fiscal year 2010, we completed the divestiture of our Great Northern Recycling Canadian operation for a settlement amount of \$0.4 million in cash and our domestic brokerage operations for a settlement amount of \$1.4 million in cash. This resulted in a gain on disposal of discontinued operations (net of tax) of \$1.1 million in fiscal year 2010.

In addition, in the third quarter of fiscal year 2010, the contract with our Cape May, New Jersey recycling facility operation expired. The operating results of these operations, including those related to prior years, have been reclassified from continuing to discontinued operations in the accompanying consolidated financial statements. Revenues and (loss) income before income taxes attributable to discontinued operations for fiscal years 2011 and 2010 are as follows (in millions):

	Fiscal Year Ended	
	April 30,	
	2011	2010
Revenues	\$ 62.5	\$ 66.2
(Loss) income before income taxes	\$ (2.3)	\$ 1.9

In fiscal year 2011, we also completed the sale of certain assets in Southeastern Massachusetts for a total consideration of \$7.8 million, with cash proceeds of \$7.5 million. We recorded a gain on sale of assets of \$3.5 million.

Results of Operations

The following table summarizes our revenues and cost and expenses from continuing operations for the fiscal years ended April 30, 2012, 2011 and 2010 (in millions and as a percentage of revenue):

	Fiscal Year Ended April 30,					
	2012	% of Revenue	2011	% of Revenue	2010	% of Revenue
Revenues	\$ 480.8	100.0%	\$ 466.1	100.0%	\$ 457.6	100.0%
Operating expenses:						
Cost of operations	330.7	68.8%	317.5	68.1%	303.4	66.3%
Operating income	150.1	31.2%	148.6	31.9%	154.2	33.7%



	Fiscal Year Ended April 30,					
	2012		2011		2010	
Collection	\$ 205.3	42.7%	\$ 199.9	42.9%	\$ 204.2	44.6%
Disposal	123.6	25.7%	118.8	25.5%	119.6	26.1%
Power generation	11.9	2.4%	12.9	2.7%	15.6	3.5%
Organics and processing	53.8	11.2%	50.5	10.9%	44.0	9.6%
Solid waste operations	394.6	82.0%	382.1	82.0%	383.4	83.8%
Major accounts	38.3	8.0%	40.4	8.7%	38.7	8.5%
Recycling	47.9	10.0%	43.6	9.3%	35.5	7.7%
Total revenues	<u>\$ 480.8</u>	<u>100.0%</u>	<u>\$ 466.1</u>	<u>100.0%</u>	<u>\$ 457.6</u>	<u>100.0%</u>

Our revenues increased \$14.7 million, or 3.2%, and \$8.5 million, or 1.9%, for the fiscal years ended April 30, 2012 and 2011, respectively. The following table provides details associated with the period-to-period change in revenues (dollars in millions) attributable to services provided:

	Period-to-Period Change Fiscal Year 2012 vs. 2011		Period-to-Period Change Fiscal Year 2011 vs. 2010	
	Amount	% of Growth	Amount	% of Growth
Solid Waste Operations:				
Price	\$ 5.1	1.0%	\$ 0.4	0.1%
Volume	3.0	0.7%	11.6	2.5%
Commodity price & volume	1.2	0.3%	—	0.0%
Acquisitions & divestitures	3.2	0.7%	(4.5)	-1.0%
Closed landfills	—	0.0%	(8.8)	-1.9%
Total Solid Waste	<u>12.5</u>	<u>2.7%</u>	<u>(1.3)</u>	<u>-0.3%</u>
Major Accounts	(2.1)	-0.4%	1.7	0.4%
Recycling Operations:				
Commodity price	4.3	0.9%	7.9	1.7%
Commodity volume	—	0.0%	0.2	0.1%
Total Recycling	<u>4.3</u>	<u>0.9%</u>	<u>8.1</u>	<u>1.8%</u>
Total Revenue Growth	<u>\$ 14.7</u>	<u>3.2%</u>	<u>\$ 8.5</u>	<u>1.9%</u>

Solid waste revenues

- The price change component in total solid waste revenues growth for the fiscal year ended April 30, 2012 is primarily the result of \$5.1 million from favorable collection pricing, \$0.1 million from favorable organics and processing pricing and (\$0.1) million from unfavorable disposal pricing. The price change component in total solid waste revenues growth for the fiscal year ended April 30, 2011 is primarily the result of \$1.4 million from favorable collection pricing, \$0.1 million from favorable organics and processing pricing and (\$1.1) million from unfavorable disposal pricing.
- The volume change component in total solid waste revenues growth for the fiscal year ended April 30, 2012 is primarily the result of \$3.2 million from disposal volume increases, \$0.9 million from organics and processing volume increases and (\$1.1) million from collection volume decreases. The volume change component in total solid waste revenues growth for the fiscal year ended April 30, 2011 is primarily the result of \$13.3 million from disposal volume increases, \$3.6 million from organics and processing volume increases and (\$5.3) million from collection volume decreases.
- The commodity price and volume change component in total solid waste revenues growth for the fiscal year ended April 30, 2012 is primarily the result of \$2.1 million from favorable commodity pricing and (\$0.9) million from commodity volume decreases. The commodity price and volume change component in total solid waste revenues growth for the fiscal year ended April 30, 2011 showed no growth as a result of (\$1.1) million from unfavorable commodity pricing and \$1.1 million from commodity volume increases.

- The acquisitions and divestitures change component in total solid waste revenues growth for the fiscal year ended April 30, 2012 is primarily the result of \$4.5 million from acquisitions and (\$1.3) million from divestitures. The acquisitions and divestitures change component in total solid waste revenues growth for the fiscal year ended April 30, 2011 is primarily the result of \$1.9 million from acquisitions and (\$6.4) million from divestitures.

Major accounts and recycling revenues

- The change in major accounts revenues growth for the fiscal year ended April 30, 2012 is primarily the result of (\$2.1) million from volume declines. The change in major accounts revenues for the fiscal year ended April 30, 2011 is the result of \$1.8 million from volume increases offset slightly by unfavorable pricing.
- The change in recycling revenues for the fiscal year ended April 30, 2012 and 2011 is primarily the result of favorable commodity prices in the marketplace.

Operating Expenses

Cost of Operations

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

Our cost of operations expense increased \$13.2 million, or 4.2%, and \$14.1 million, or 4.6%, for the fiscal years ended April 30, 2012 and 2011, respectively. In the fiscal years ended April 30, 2012 and 2011, cost of operations expense increased as a percentage of revenues when compared to the comparable prior fiscal years from 68.1% to 68.8% and from 66.3% to 68.1%.

The change in our cost of operations during the fiscal year ended April 30, 2012 can largely be attributed to the following:

- *Direct operational costs.* Direct operational costs increased \$2.5 million for the fiscal year ended April 30, 2012. The increase in fiscal year ended April 30, 2012 is primarily the result of \$1.2 million in increased leachate disposal costs due to higher rainfall amounts at our landfills, \$1.0 million in increased other operating costs associated primarily with a commodities marketing agreement, \$0.6 million in increased depletion of landfill operating lease obligations and \$0.7 million in increased landfill operating costs related primarily to engineering and grounds maintenance costs, offset by a \$0.8 million decrease in host and royalty fees.
- *Hauling costs.* Hauling costs increased \$5.6 million for the fiscal year ended April 30, 2012. The increase in fiscal year ended April 30, 2012 is primarily the result of \$2.7 million in increased transportation costs associated with higher organics and processing volumes and \$3.0 million in increased transportation costs associated with higher disposal volumes related to landfill brokerage services, transfer station activity and transportation services to third-party customers.
- *Fuel costs.* Fuel costs increased \$3.7 million for the fiscal year ended April 30, 2012 due primarily to higher average fuel prices for the fiscal year ended April 30, 2012.
- *Purchased materials.* Direct costs related to purchased materials increased \$1.5 million for the fiscal year ended April 30, 2012. The increase in fiscal year ended April 30, 2012 is primarily the result of higher recycling commodity prices for much of fiscal year 2012 and increased costs of purchased scrap metals.

The change in our cost of operations during the fiscal year ended April 30, 2011 can largely be attributed to the following:

- *Purchased materials.* Direct costs related to purchased materials increased \$4.5 million for the fiscal year ended April 30, 2011, primarily the result of higher recycling commodity prices.
- *Direct operational costs.* Direct operational costs increased \$4.2 million for the fiscal year ended April 30, 2011. The increase in fiscal year ended April 30, 2011 is primarily the result of \$0.8 million in increased leachate disposal costs, \$1.0 million in increased depletion of landfill operating lease obligations, \$0.4 million in increased landfill operating costs, \$0.5 million in host and royalty fees, as well as a \$0.9 million lower gain on sale of equipment. Cost increases were partially offset by \$0.2 million in decreased auto insurance costs and \$0.2 million in decreased registration and permitting costs.

- *Fuel costs.* Fuel costs increased \$3.0 million for the fiscal year ended April 30, 2011. Average fuel prices for the fiscal year ended April 30, 2011 continued to increase compared to the prior fiscal year.
- *Hauling costs.* Hauling costs increased \$1.4 million for the fiscal years ended April 30, 2011. The increase in fiscal year ended April 30, 2011 is primarily the result of increased transportation costs associated with higher solid waste volumes.
- *Vehicle maintenance costs.* Vehicle maintenance costs increased \$1.0 million for the fiscal year ended April 30, 2011. The increase in fiscal year ended April 30, 2011 is primarily the result of fleet maintenance associated with higher volumes and higher costs for maintenance parts.

General and Administration

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

Our general and administration expense decreased \$3.2 million, or 5.0%, and increased \$6.5 million, or 11.3%, for the fiscal years ended April 30, 2012 and 2011, respectively. In the fiscal years ended April 30, 2012 and 2011, general and administration expenses fluctuated as a percentage of revenues when compared to the comparable prior fiscal years from 13.7% to 12.6% and from 12.6% to 13.7%.

The change in our general and administration expense during the fiscal year ended April 30, 2012 can largely be attributed to the following:

- *Labor and related benefits.* Labor and related benefit costs decreased \$3.0 million for the fiscal year ended April 31, 2012. The decrease in fiscal year ended April 30, 2012 is primarily the result of the \$3.5 million one-time discretionary bonus in the fourth quarter of fiscal year 2011.

The change in our general and administration expense during the fiscal year ended April 30, 2011 can largely be attributed to the following:

- *Labor and related benefits.* Labor and related benefit costs increased \$4.4 million for the fiscal year ended April 31, 2011. The increase in fiscal year ended April 30, 2011 is primarily the result of \$1.1 million in higher salaries and the granting of a \$3.5 million discretionary bonus in the fourth quarter of fiscal year 2011. Cost increases were partially offset by \$0.4 million in reduced equity compensation costs associated primarily with a reduction to our expected performance attainment levels related to certain performance based restricted stock units in fiscal year 2011.
- *Legal and consulting costs.* Legal and consulting costs increased \$0.9 million for the fiscal year ended April 30, 2011 due to various ongoing legal matters.
- *Advertising costs.* Advertising costs increased \$0.7 million for the fiscal year ended April 30, 2011 associated with new business development.
- *Bad debt expense.* Bad debt expense decreased \$0.8 million for the fiscal year ended April 30, 2011. The fluctuation in bad debt expense is due to improved collection efforts.

Depreciation and Amortization

Depreciation and amortization expense includes depreciation of fixed assets over the estimated useful life of the assets using the straight-line method, amortization of landfill airspace assets under the units-of-consumption method, and the amortization of intangible assets (other than goodwill) with a definite useful life using the straight-line method over the definitive terms of the related agreements. We amortize landfill retirement assets through a charge to cost of operations using a straight-line rate per ton as landfill airspace is utilized. The amount of landfill amortization expense related to airspace consumption can vary materially from landfill to landfill depending upon the purchase price and landfill site and cell development costs. We amortize or depreciate all fixed and intangible assets, other than goodwill, to a zero net book value, and do not apply a salvage value to any fixed assets.

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

We have material financial obligations relating to capping, closure and post-closure costs of our existing landfills and disposal facilities. We have provided accruals for these future financial obligations based on engineering estimates of consumption of permitted

landfill airspace over the useful life of any such landfill. There can be no assurance that our financial obligations for capping, closure or post-closure costs will not exceed the amount accrued and reserved or amounts otherwise receivable pursuant to trust funds.

Our depreciation and amortization expense increased \$0.3 million, or 0.5%, and decreased \$5.3 million, or 8.3%, for the fiscal years ended April 30, 2012 and 2011, respectively. In the fiscal year ended April 30, 2012, depreciation and amortization expense decreased as a percentage of revenues when compared to the prior fiscal years from 12.5% to 12.2%. In the fiscal year ended April 30, 2012, depreciation expense increased by \$1.9 million due to timing and increased capital expenditures. Landfill amortization expense decreased by \$1.4 million primarily due to rate changes and waste mix, which more than offset increased volumes. In the fiscal year ended April 30, 2011, depreciation and amortization expense decreased as a percentage of revenue when compared to the prior fiscal year period from 13.9% to 12.5%. In the fiscal year ended April 30, 2011, landfill amortization expense decreased by \$3.6 million primarily due to lower volumes and the closure of the Pinetree facility. Depreciation expense decreased by \$1.9 million due to timing, fixed asset sales and divestiture activity.

Asset Impairment Charge

In fiscal year 2012, we entered into negotiations regarding the sale of Maine Energy. Based on the proposed purchase consideration, we recorded a \$40.7 million impairment charge to the asset group within the Eastern region segment. The impairment was measured based on the asset group's highest and best use under the market approach, utilizing the discounted present cash flows associated with the purchase consideration, adjusted for costs to demolish the facility. We used a discount rate of 3.5%, which approximates the buyers borrowing rate.

In fiscal year 2011, we recorded an impairment charge of \$3.7 million related to a recycling processing facility as the fair value of the asset group was determined to be less than the carrying amount of the asset group. The fair value of the asset group was determined using a discounted cash flow analysis and estimates about the future cash flows of the asset group. The analysis included a determination of an appropriate discount rate, the amount and timing of expected future cash flows and growth rates. The cash flows employed in our discounted cash flow analysis are based on financial forecasts developed internally by management. The discount rate used was commensurate with the risks involved.

Legal Settlement

In the fiscal year ended April 30, 2012, our legal settlement expense increased \$1.4 million due to legal settlements with Town of Seneca, New York and the Vermont Attorney General's Office. In fiscal year 2012, we reached settlements with the Town of Seneca, New York for \$0.4 million and the Vermont Attorney General's Office for \$1.0 million. See Note 10 for additional disclosure.

Development Project Charge

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

Environmental Remediation Charge

In fiscal year 2011, we recorded an environmental remediation charge of \$0.5 million associated with changes in expected cash flows for our share of the work associated with a consent order issued by the State of New York to remediate the scrap yard and solid waste transfer station owned by Waste-Stream, Inc., a subsidiary of ours in the Western region. In fiscal year 2010, we had recorded a \$0.3 million charge for this remediation work based on changes in expected cash flows for our share of the work. See Note 10 for disclosure over the Environmental Liability.

Bargain Purchase Gain

In fiscal year 2011, we acquired the McKean County landfill business in Pennsylvania in exchange for \$0.7 million in cash and the assumption of \$1.4 million in liabilities. We acquired the McKean County landfill business out of bankruptcy proceedings and recognized a bargain purchase gain of \$3.0 million based on the amount by which the fair value of assets acquired exceeded the purchase price consideration.

Gain on Sale of Assets

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

Other Expenses

Interest Expense, net

Our interest expense, net decreased \$0.4 million, or 0.9%, and increased \$1.6 million, or 3.6%, for the fiscal years ended April 30, 2012 and 2011, respectively. In the fiscal years ended April 30, 2012 and 2011, interest expense, net fluctuated from 9.8% to 9.5% and from 9.7% to 9.8% as a percentage of revenues when compared to the comparable prior fiscal year period.

The change in interest expense, net during the fiscal year ended April 30, 2012 can largely be attributed to lower interest rates related to the refinancing of our amended and restated senior secured credit facility (the "2011 Revolver") in March 2011 and the offering of our 7.75% senior subordinated notes due 2019 (the "2019 Notes") in February 2011. Interest expense reductions related to lower interest rates in the fiscal year ended April 30, 2012 were partially offset by increased interest expense associated with higher average debt balances in the current fiscal year.

The change in interest expense, net during the fiscal year ended April 30, 2011 can largely be attributed to higher average interest rates associated with our Second Lien Notes, which were issued in July 2009, partially offset by lower rates associated with the refinancing of the 2011 Revolver in March 2011 and the offering of the 2019 Notes in February 2011.

Loss from Equity Method Investments

Our loss from equity method investments increased \$5.9 million and \$1.4 million for the fiscal years ended April 30, 2012 and 2011, respectively. Our equity method investments consist of the following investments:

- *GreenFiber.* The increase in fiscal year ended April 30, 2012 is largely due to GreenFiber impairing the entire amount of their goodwill. We recorded our portion of the goodwill impairment charge of \$5.1 million as part of the loss on equity method investment in fiscal year 2012. The remainder of the change and the increase in fiscal year 2011 relates to the operational performance of GreenFiber, which continues to be negatively affected by a depressed housing market and the lack of new home construction.
- *Tompkins County.* We account for our 50% membership interest in Tompkins, which was formed and began operations in fiscal year 2012, using the equity method of accounting. Our portion of the reported income from Tompkins for fiscal year 2012 was immaterial.

Impairment of Equity Method Investment

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

Loss on Debt Extinguishment

In fiscal year 2012, we recorded a charge of \$0.3 million as a loss on debt extinguishment related to the non-cash write off of unamortized deferred financing costs associated with the original issuance by the Finance Authority of Maine of \$25.0 million aggregate principal amount of its Solid Waste Disposal Revenue Bonds Series 2005 (the "Bonds"). On February 1, 2012, we converted the interest rate to a fixed rate through January 31, 2017 using a conversion option, and remarketed, \$21.4 million aggregate principal of the Bonds.

In fiscal year 2011, we recorded a charge of \$7.4 million as a loss on debt extinguishment associated with fiscal year 2011 refinancing efforts, which include the write off of \$1.4 million and \$1.8 million in deferred financing costs associated with the senior secured term B loan due April 9, 2014 (the "2009 Term Loan") and the 9.75% senior subordinated notes due February 1, 2013 (the "2013 Notes"), the write-off of the \$5.0 million discount and \$1.7 million premium associated with the 2009 Term Loan and 2013 Notes, a \$1.0 million gain associated with the discount on the tender of the 2013 Notes and a \$1.8 million loss associated with the consent payment on the 2013 Notes. Also included in this loss is a change attributable to the \$0.1 million non-cash write-off of unamortized financing costs associated with the repayment of financing lease obligations and other costs.

In fiscal year 2010, we recorded a charge of \$0.5 million as a loss on debt extinguishment related to the non-cash write off of unamortized deferred financing costs associated with the refinancing of our previous senior credit facility.

Provision (Benefit) for Income Taxes

Provision (benefit) for income taxes from continuing operations increased \$25.4 million in fiscal year 2012 to \$1.2 million from (\$24.2) million in fiscal year 2011, and decreased \$26.4 million in fiscal year 2011 to (\$24.2) million from \$2.2 million in fiscal year 2010. The variance between the years primarily results from recognizing in 2011 the tax benefit for utilization of net operating loss carryforwards and other deferred tax assets against the gain on the disposal of discontinued operations. The 2012 tax provision includes a \$1.4 million deferred tax provision, due mainly to the increase in the deferred tax liability for indefinite lived assets. Since we cannot determine when this deferred tax liability will reverse, this amount cannot be used as a future source of taxable income against which to benefit deferred tax assets.

Discontinued Operations

(Loss) Income from Discontinued Operations, net

Discontinued operations in the fiscal years ended April 30, 2011 and 2010 was the result of two separate transactions completed in fiscal year 2011; the sale of non-integrated recycling assets and select intellectual property assets and the sale of the Trilogy Glass business. The fiscal year ended April 30, 2010 also includes the results of operations associated with the Cape May, New Jersey recycling operation due to the expiration of our contract.

The operating results of the operations discussed above have been included in discontinued operations in the accompanying consolidated financial statements.

Gain on Disposal of Discontinued Operations, net

Our gain on disposal of discontinued operations in the fiscal year ended April 30, 2011 was the result of two separate transactions in fiscal year 2011; the sale of non-integrated recycling assets and select intellectual property assets to ReCommunity, the company formed by Pegasus Capital Advisors, L.P. and Intersection LLC as a part of the divestiture, and the sale of the Trilogy Glass business. We completed the divestiture of our non-integrated recycling assets and select intellectual property assets in the fourth quarter of fiscal year 2011 for \$134.2 million in gross proceeds. This resulted in a gain on disposal of discontinued operations of \$43.7 million (net of tax) in fiscal year 2011. We completed the sale of the assets of the Trilogy Glass business for cash proceeds of \$1.8 million. This resulted in a loss of \$0.1 million (net of tax) was recorded to gain on disposal of discontinued operations in fiscal year 2011.

Our gain on disposal of discontinued operations in the fiscal year ended April 30, 2012 was the result of the following fiscal year 2011 transactions; an additional working capital adjustment of \$0.1 million (net of tax), which related to our subsequent collection of receivable balances that were released to us for collection by ReCommunity, and a working capital adjustment combined with other legal expenses totaling \$0.6 million (net of tax) related to the sale to ReCommunity.

Our gain on disposal of discontinued operations in the fiscal year ended April 30, 2010 was the result of a nominal true-up of certain liabilities associated with the MTS Environmental site, a soils processing operation in the Eastern region whose operations were terminated in fiscal year 2008, the divestiture of our Great Northern Recycling Canadian operation in the third quarter of fiscal year 2010 for a settlement amount of \$0.4 million in cash, and the divestiture of our domestic brokerage operations for a settlement amount of \$1.4 million in cash. We had previously accounted for these transactions as assets under contractual obligation. This resulted in a gain on disposal of discontinued operations of \$1.1 million (net of tax) for fiscal year 2010.

Segment Reporting

The following table provides revenues and operating (loss) income (in millions) based on our segments for the fiscal years ended April 30, 2012, 2011 and 2010:

Segment	Revenues			Operating (Loss) Income		
	Fiscal Year Ended April 30,					
	2012	2011	2010	2012	2011	2010
Eastern	\$ 173.0	\$ 167.3	\$ 177.3	\$ (42.8)	\$ (5.0)	\$ (0.1)
Western	215.2	210.3	201.8	29.6	32.2	33.5
Recycling	47.9	43.6	35.5	5.4	4.1	1.9
Other	44.7	44.9	43.0	(3.7)	(2.7)	(2.5)
Total	<u>\$ 480.8</u>	<u>\$ 466.1</u>	<u>\$ 457.6</u>	<u>\$ (11.5)</u>	<u>\$ 28.6</u>	<u>\$ 32.8</u>

Eastern Region

Our Eastern region revenues increased \$5.7 million, or 3.4%, and decreased \$10.0 million, or 5.6%, for the fiscal years ended April 30, 2012 and 2011, respectively. The following table provides details associated with the period-to-period change in revenues (dollars in millions) attributable to services provided:

	Period-to-Period Change Fiscal Year 2012 vs. 2011		Period-to-Period Change Fiscal Year 2011 vs. 2010	
	Amount	% of Growth	Amount	% of Growth
Eastern Region				
Price	\$ 2.3	1.4%	\$ 0.7	0.4%
Volume	4.9	2.9%	5.6	3.2%
Commodity price & volume	(0.2)	-0.1%	(2.0)	-1.1%
Acquisitions & divestitures	(1.3)	-0.8%	(5.5)	-3.1%
Closed landfills	—	0.0%	(8.8)	-5.0%
Total Solid Waste	<u>\$ 5.7</u>	<u>3.4%</u>	<u>\$ (10.0)</u>	<u>-5.6%</u>

- The price change component in Eastern region solid waste revenue growth for the fiscal year ended April 30, 2012 is primarily the result of \$1.8 million from favorable collection pricing, \$0.3 million from favorable disposal pricing and \$0.1 million from favorable organics and processing pricing. The price change component in Eastern region solid waste revenue growth for the fiscal year ended April 30, 2011 is primarily the result of \$0.7 million from favorable collection pricing, \$0.1 million from favorable organics and processing pricing and (\$0.1) million from unfavorable disposal pricing.
- The volume change component in Eastern region solid waste revenue growth for the fiscal year ended April 30, 2012 is primarily the result of \$3.9 million from disposal volume increases, \$0.8 million from organics and processing volume increases and \$0.2 million from collection volume increases. The volume change component in Eastern region solid waste revenue growth for the fiscal year ended April 30, 2011 is primarily the result of \$3.3 million from organics and processing volume increases, \$2.9 million from disposal volume increases and (\$0.7) million from collection volume decreases.
- The commodity price and volume change component in Eastern region solid waste revenue growth for the fiscal year ended April 30, 2012 is primarily the result of (\$1.3) million from commodity volume decreases and \$1.1 million from favorable commodity pricing. The commodity price and volume change component in Eastern region solid waste revenue growth for the fiscal year ended April 30, 2011 is primarily the result of (\$2.4) million from unfavorable commodity pricing and \$0.4 million from commodity volume increases.
- The acquisitions and divestitures change component in Eastern region solid waste revenue growth for the fiscal year ended April 30, 2012 is the result of (\$1.3) million from divestitures. The acquisitions and divestitures change component in Eastern region solid waste revenue growth for the fiscal year ended April 30, 2011 is primarily the result of (\$6.4) million from divestitures and \$0.9 million from acquisitions.

Eastern region operating income for the fiscal year ended April 30, 2012 decreased \$37.8 million due primarily to a \$40.7 million impairment charge to the Maine Energy asset group in fiscal year 2012. The remaining operating income improvement is due primarily to a \$2.6 million decrease in general and administration costs, offset partially by increased cost of operations primarily as a result of a \$1.3 million increase in fuel costs. The \$2.6 million decrease in general and administration expenses is primarily associated with a decrease in labor, benefits and personnel costs of \$1.2 million, legal fees of \$0.3 million and an aggregate decrease in other general and administration costs.

Eastern region operating income for the fiscal year ended April 30, 2011 decreased \$4.9 due primarily to a \$10.0 million decrease in revenues combined with a \$3.7 million impairment of long lived assets along with increased maintenance and fuel costs. This was offset by lower landfill amortization due to the closure of our Pinetree landfill and lower hauling costs.

Western Region

Our Western region revenues increased \$4.9 million, or 2.3%, and \$8.5 million, or 4.2%, for the fiscal years ended April 30, 2012 and 2011, respectively. The following table provides details associated with the period-to-period change in revenues (dollars in millions) attributable to services provided:

	Period-to-Period Change Fiscal Year 2012 vs. 2011		Period-to-Period Change Fiscal Year 2011 vs. 2010	
	Amount	% of Growth	Amount	% of Growth
Western Region				
Price	\$ 2.8	1.3%	\$ (0.3)	-0.2%
Volume	(3.8)	-1.8%	5.8	2.9%
Commodity price & volume	1.4	0.7%	2.0	1.0%
Acquisitions & divestitures	4.5	2.1%	1.0	0.5%
Total Solid Waste	\$ 4.9	2.3%	\$ 8.5	4.2%

- The price change component in Western region solid waste revenue growth for the fiscal year ended April 30, 2012 is primarily the result of \$3.3 million from favorable collection pricing and (\$0.4) million from unfavorable disposal pricing. The price change component in Western region solid waste revenue growth for the fiscal year ended April 30, 2011 is primarily the result of \$0.6 million from favorable collection pricing and (\$0.9) million from unfavorable disposal pricing.
- The volume change component in Western region solid waste revenue growth for the fiscal year ended April 30, 2012 is primarily the result of (\$2.5) million from disposal volume decreases, (\$1.3) million from collection volume decreases and \$0.1 million from processing and volume increases. The volume change component in Western region solid waste revenue growth for the fiscal year ended April 30, 2011 is primarily the result of \$10.1 million from disposal volume increases, \$0.3 million from processing volume increases and (\$4.6) million from collection volume decreases.
- The commodity price and volume change component in Western region solid waste revenue growth for the fiscal year ended April 30, 2012 is primarily the result of \$0.9 million from favorable commodity pricing and \$0.4 million from commodity volume increases. The commodity price and volume change component in Western region solid waste revenue growth for the fiscal year ended April 30, 2011 is primarily the result of \$1.3 million from favorable commodity pricing and \$0.7 million from commodity volume increases.
- The acquisitions and divestitures change component in Western region solid waste revenue growth for the fiscal year ended April 30, 2012 is primarily the result of \$4.5 million from acquisitions. The acquisitions and divestitures change component in Western region solid waste revenue growth for the fiscal year ended April 30, 2011 is the result of \$1.0 million from acquisitions.

Western region operating income for the fiscal year ended April 30, 2012 decreased by \$2.6 million. The reduction of operating income for the fiscal year ended April 30, 2012 is primarily due to a \$3.0 million gain on a bargain purchase related to the McKean landfill business and a \$0.5 million environmental remediation charge recorded in fiscal year 2011. The increased revenues, the \$1.6 million in decreased general and administration expense related primarily to decreased labor, personnel and benefit costs, the \$1.3 million in decreased depreciation and amortization expense related primarily to decreased landfill amortization expense, were offset by increased cost of operations related primarily to \$2.2 million in increased fuel costs, \$2.1 million in increased hauling and transportation costs, \$1.5 million in increased leachate disposal costs, \$0.9 million in increased landfill operating costs, \$1.0 million in increased facility costs and \$0.7 million in increased vehicle maintenance costs.

Western region operating income for the fiscal year ended April 30, 2011 decreased \$1.3 million despite the fact that revenues increased \$8.5 million and we recorded a \$3.0 million gain on bargain purchase related to the McKean landfill business in fiscal year 2011. Cost of operations went up as a result of a \$2.1 million increase in fuel costs, a \$1.4 million increase in transportation costs, a \$1.3 million increase in leachate disposal costs and a \$0.8 million increase in host and royalty fees. General and administration expense increased \$5.1 million associated primarily with legal fees, incentive compensation costs and other overhead costs.

Recycling

Recycling revenues increased \$4.3 million, or 9.9%, and \$8.1 million, or 22.8%, for the fiscal years ended April 30, 2012 and 2011, respectively. Recycling revenue growth for the fiscal year ended April 30, 2012 and 2011 is the result of favorable commodity pricing due to higher commodity prices in the marketplace during fiscal year 2012 and 2011.

Recycling operating income for the fiscal year ended April 30, 2012 increased by \$1.3 million due primarily to \$4.3 million in revenue growth associated with favorable commodity prices offset partially by \$2.7 million in increased cost of operations related to increased recycled material costs of \$1.0 million, increased commodities marketing agreement costs of \$0.7 million and increased facility costs of \$0.6 million and increased depreciation expense of \$0.4 million.

Recycling operating income for the fiscal year ended April 30, 2011 increased by \$2.2 million due primarily to an \$8.1 million increase in revenues associated with favorable commodity prices, which exceeded the correlated increase in purchased material costs.

Other

Other revenues decreased \$0.2 million, or 0.0%, and \$1.9 million, or 4.4%, in the fiscal years ended April 30, 2012 and 2011, respectively. The reduction in Other revenues for the fiscal year ended April 30, 2012 was driven by volume declines from major accounts customers, substantially offset by increased transportation volumes. The growth in Other revenues for the fiscal year ended April 30, 2011 is primarily the result of \$1.8 million from major accounts volume increases offset slightly by unfavorable pricing and \$0.2 million from transportation volume increases.

Other operating income for the fiscal year ended April 30, 2012 decreased \$1.0 million due to the \$1.0 million legal settlement associated with the Vermont Attorney General Matter in fiscal year 2012 and increased general and administration costs, offset partially by decreased cost of operations. The increased general and administration costs are related primarily to a \$1.6 million increase in personnel costs, a \$0.5 million increase in professional fees due to increased consulting costs, a \$0.4 million increase in benefits and taxes, offset partially by a \$2.1 million decrease in incentive compensation costs. The decreased cost of operations are related primarily to a \$0.7 increase in direct costs, which relate primarily to a decrease in hauling and transportation costs.

Other operating income for the fiscal year ended April 30, 2011 decreased \$0.2 million due primarily to \$1.9 million in favorable revenue growth related to improved major accounts revenue volumes being exceeded by the increase in cost of operations related primarily to a \$2.8 million increase in transportation costs.

Liquidity and Capital Resources

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

We had a net working capital deficit of \$25.5 million at April 30, 2012 compared to a deficit of \$13.3 million at April 30, 2011. Net working capital comprises current assets, excluding cash and cash equivalents, minus current liabilities. The \$12.2 million decrease in net working capital at April 30, 2012 related largely to a \$7.4 million decrease in accounts receivable, a \$1.9 million decrease in the current portion of deferred income taxes, a \$4.2 million increase in accounts payable and a \$3.2 million increase in the current portion of accrued capping, closure and post closure costs, offset partially by a \$1.3 million increase in refundable income taxes and a \$3.8 million decrease in income taxes payable.

Fiscal Year 2012 Financing Activities

On April 27, 2012, we entered into the first amendment to our 2011 Revolver. As a part of the amendment, we modified the financial covenants that the 2011 Revolver is subject to; we amended the agreement to use proceeds of a Term Loan B or other subordinated financings which we may obtain to refinance our outstanding Second Lien Notes; and we provided for adjustments to the financial covenants in the event that we undertake future financing activities.

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

Fiscal Year 2011 Financing Activities

On May 27, 2010, we amended our then outstanding senior secured first lien credit facility, consisting of a \$177.5 million revolving credit facility and a \$130.0 million aggregate principal term loan B, to create additional capital structure flexibility. As amended, the senior secured first lien credit facility permitted us to use net proceeds of up to \$150.0 million from equity offerings to repurchase our outstanding Second Lien Notes. We were also permitted to use up to \$50.0 million of borrowings under the senior secured first lien credit facility to repurchase the 2013 Notes.

On February 7, 2011, we completed an offering of \$200.0 million of our 2019 Notes, the terms of which are described below. We used the net proceeds from the 2019 Notes, together with other available funds, to repurchase the 2013 Notes and to pay related transaction costs. On February 7, 2011, we repurchased \$166.8 million of our then outstanding \$200.0 million aggregate principal amount of 2013 Notes through a cash tender offer and consent solicitation. Holders who tendered the 2013 Notes received \$1,003.75 for each \$1,000 in principal amount of the 2013 Notes repurchased (which included a consent payment of \$10 per \$1,000 in principal amount of the 2013 Notes), plus accrued and unpaid interest up to, but not including, the tender offer settlement date.

On March 9, 2011, we redeemed all of the remaining 2013 Notes at a price of \$1,000 per \$1,000 in principal amount of the 2013 Notes, plus accrued and unpaid interest to, but not including, the redemption date.

On March 18, 2011, we refinanced and replaced the senior secured first lien credit facility, consisting of a \$177.5 million revolving credit facility and a \$130.0 million aggregate principal senior secured term B loan due April 9, 2014, with the 2011 Revolver, consisting of a \$227.5 million revolving credit and letter of credit facility, the terms of which are described below.

Outstanding Long-Term Debt

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

On April 27, 2012, we entered into the first amendment to our 2011 Revolver. As a part of the amendment, we modified the financial covenants that the 2011 Revolver is subject to; we amended the agreement to use proceeds of a Term Loan B or other subordinated financings which we may obtain to refinance our outstanding Second Lien Notes; and we provided for adjustments to the financial covenants in the event that we undertake future financing activities.

The 2011 Revolver is subject to customary affirmative, negative, and financial covenants. As of April 30, 2012, we were in compliance with all financial covenants contained in the 2011 Revolver as follows:

<u>Senior Secured Credit Facility Covenant</u>	<u>Twelve Months Ended April 30, 2012</u>	<u>Covenant Requirements at April 30, 2012</u>
Total funded debt / Bank-defined cash flow metric (1)	4.62	5.25 Max.
Senior funded debt / Bank-defined cash flow metric (1)	2.70	3.25 Max.
Interest coverage	2.49	2.15 Min.
Capital expenditures	\$ 59.7	\$99.6 Million Max.

(1) Bank-defined cash flow metric is based on operating results for the twelve months preceding the measurement date, April 30, 2012. A reconciliation of net cash provided by operating activities to bank-defined cash flow metric is as follows (in millions):

	<u>Twelve Months Ended April 30, 2012</u>
Net cash provided by operating activities	\$ 63.8
Changes in assets and liabilities, net of effects of acquisitions and divestitures	(6.2)
Gain on sale of equipment and assets	1.0
Stock based compensation, net of excess tax benefit on exercise of options	(1.6)
Deferred project charge	(0.1)
Asset impairment charge	(40.7)
Interest expense less discount on Second Lien Notes	44.6
Loss on debt extinguishment	(0.3)
Provision for income taxes, net of deferred taxes	(0.7)
Adjustments as allowed by Senior Secured Credit Facility Agreement	44.5
Bank - defined cash flow metric	<u>\$ 104.3</u>

In addition to the financial covenants described above, the 2011 Revolver also contains a number of important negative covenants which restrict, among other things, our ability to sell assets, pay dividends, repurchase stock, incur debt, grant liens and issue preferred stock. As of April 30, 2012, we were in compliance with all covenants under the indenture governing the 2011 Revolver and we do not believe that these restrictions impact our ability to meet future liquidity needs.

Further advances were available under the 2011 Revolver in the amount of \$128.2 million as of April 30, 2012. The available amount is net of outstanding irrevocable letters of credit totaling \$29.7 million as of April 30, 2012, at which date no amount had been drawn.

Second Lien Notes. As of April 30, 2012, we had \$180.0 million aggregate principal amount of Second Lien Notes outstanding. The Second Lien Notes will mature on July 15, 2014, and interest accrues at the rate of 11% per annum. Interest is payable semiannually in arrears on January 15, and July 15 of each year. The Second Lien Notes are guaranteed jointly and severally, fully and unconditionally by all of the subsidiaries that guarantee the 2011 Revolver.

The Second Lien Notes were sold in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and to non-U.S. persons outside the United States under Regulation S under the Securities Act. The Second Lien Notes have not been registered under the Securities Act, and unless so registered, may not be offered or sold in the United States absent registration or an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and other applicable securities laws.

Although the Second Lien Notes do not contain financial ratio covenants, they do contain certain negative covenants which restrict, among other things, our ability to sell assets, make investments in joint ventures, pay dividends, repurchase stock, incur debt, grant liens and issue preferred stock. As of April 30, 2012, we were in compliance with all covenants under the indenture governing the Second Lien Notes and we do not believe that these restrictions impact our ability to meet future liquidity needs except that they may impact our ability to increase our investments in third parties, including the joint ventures to which we are parties.

2019 Notes. On February 7, 2011, we completed the offering of \$200.0 million of 2019 Notes. The net proceeds from the 2019 Notes, together with other available funds, were used to repurchase the 2013 Notes and to pay related transaction costs. The 2019 Notes will mature on February 15, 2019, and interest accrues at the rate of 7.75% per annum. Interest is payable semiannually in arrears on February 15 and August 15 of each year. The 2019 Notes are fully and unconditionally guaranteed on a senior subordinated basis by substantially all of our existing and future domestic restricted subsidiaries that guarantee our 2011 Revolver and Second Lien Notes.

The indenture governing the 2019 Notes contains certain negative covenants which restrict, among other things, our ability to sell assets, make investments in joint ventures, pay dividends, repurchase stock, incur debt, grant liens and issue preferred stock. As of April 30, 2012, we were in compliance with all covenants under the indenture governing the 2019 Notes and we do not believe that these restrictions impact our ability to meet future liquidity needs except that they may impact our ability to increase our investments in third parties, including the joint ventures to which we are parties.

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

As of April 30, 2012, we had \$200.0 million aggregate principal amount of 2019 Notes outstanding.

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

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

Summary of Cash Flow Activity

The following table summarizes our cash flows for the fiscal year ended April 30, 2012, 2011 and 2010, respectively (in millions):

	Fiscal Year Ended April 30,		
	2012	2011	2010
Net cash provided by operating activities	\$ 63.8	\$ 47.1	\$ 64.1
Net cash used in investing activities	\$ (72.0)	\$ (55.8)	\$ (63.1)
Net cash provided by (used in) financing activities	\$ 10.2	\$ (117.9)	\$ (7.3)
Net cash provided by discontinued operations	\$ 0.7	\$ 126.4	\$ 6.4

Net cash flows provided by operating activities. Cash flows provided by operating activities increased by \$16.7 million and decreased by \$17.0 million for the fiscal years ended April 30, 2012 and 2011, respectively.

The most significant items affecting the change in our operating cash flows for the fiscal years ended April 30, 2012 and 2011 are summarized below:

- *Loss from continuing operations.* Our loss from continuing operations increased \$74.6 million to (\$78.3) million for the fiscal year ended April 30, 2012 from (\$3.7) million for the fiscal year ended April 30, 2011. During the fiscal year ended April 30, 2012, we recorded a \$40.7 million non-cash impairment charge related to our Maine Energy asset group, a \$10.7 million non-cash impairment charge related to our investment in GreenFiber and a \$10.0 million loss from equity method investment, \$5.1 million of which related to GreenFiber's goodwill impairment charge. These charges combined with a \$7.4 million loss on debt extinguishment, a \$3.5 million non-cash gain on sale of assets, a \$3.0 million bargain purchase gain, a \$3.7 million asset impairment charge and a \$24.2 million income tax benefit in the fiscal year ended April 30, 2011 largely make up the unfavorable change in loss from continuing operations period-over-period.
- *Cash interest payments.* Cash interest payments decreased \$3.0 million for the fiscal year ended April 30, 2012 due to the effect of the timing and lower average interest rates associated with our capital structure.
- *Changes in assets and liabilities, net of effects from business acquisitions and divestitures.* Our cash flow from operations was favorably impacted \$6.2 million in the fiscal year ended April 30, 2012 by changes in our assets and liabilities. This change is driven by favorable impacts related to our accounts receivable, which is affected by both revenue changes and timing of payments received, accounts payable, which are affected by both cost changes and timing of payments, and prepaid expenses, inventories and other assets, which is affected primarily by the timing of payments, expense recognition, as well as cost changes. This favorable change was offset by the unfavorable impact related to accrued expenses and other liabilities, which are affected primarily by cost changes such as interest, the timing of payments, and changes related to accrued capping, closure, and post closure costs. This is compared to the fiscal year ended April 30, 2011, when our cash flow from operations was unfavorably impacted \$5.5 million by changes in our assets and liabilities. The favorable \$11.7 million change is due to the \$10.7 million impact associated with the change in accounts receivable and the \$7.7 million impact associated with the change in accrued expenses and other liabilities, offset by the (\$3.2) million change in accounts payable and the (\$3.5) million change in prepaid expenses, inventories and other assets.

The most significant items affecting the change in our operating cash flows for the fiscal years ended April 30, 2011 and 2010 are summarized below:

- *Loss from continuing operations.* Our loss from continuing operations decreased \$12.3 million to (\$3.7) million for the fiscal year ended April 30, 2011 from (\$16.0) million for the fiscal year ended April 30, 2010. During the fiscal year ended April 30, 2011, we recorded a \$3.5 million non-cash gain on sale of assets, a \$3.0 million bargain purchase gain and a \$3.7 million asset impairment charge, a \$4.1 million loss from equity method investment, a \$7.4 million loss on debt extinguishment and a \$24.2 million income tax benefit. These charges largely make up the favorable change in loss from continuing operations period-over-period.
- *Cash interest payments.* Cash interest payments increased \$8.7 million for the fiscal year ended April 30, 2011 due to the effect of the timing and higher average interest rates associated with our capital structure.
- *Changes in assets and liabilities, net of effects from business acquisitions and divestitures.* Our cash flow from operations was unfavorably impacted \$5.5 million in the fiscal year ended April 30, 2011 by changes in our assets and liabilities. This change is driven by unfavorable impacts related to our accounts receivable, which is affected by both revenue changes and

timing of payments received, and our accrued expenses and other liabilities, which are affected primarily by cost changes such as interest, the timing of payments, and changes related to accrued capping, closure, and post closure costs. These unfavorable impacts were partially offset by the favorable impacts related to accounts payable, which is affected by both cost changes and timing of payments, and prepaid expenses, inventories and other assets, which are affected primarily by the timing of payments, expense recognition, as well as cost changes. This is compared to the fiscal year ended April 30, 2010, when our cash flow from operations was unfavorably impacted \$1.0 million by changes in our assets and liabilities. The unfavorable \$4.5 million change is due to the unfavorable \$12.8 million impact associated with the change in accrued expenses and other liabilities, offset by the \$4.9 million favorable impact related to the change in accounts receivable, the \$2.4 million favorable impact related to the change in accounts payable, and the \$1.1 million favorable impact related to the change in prepaid expenses, inventories and other assets.

Net cash used in investing activities. Cash flows used in investing activities increased by \$16.2 million and decreased by \$7.3 million for the fiscal years ended April 30, 2012 and 2011, respectively.

The most significant items affecting the change in our investing cash flows for the fiscal year ended April 30, 2012 are summarized below:

- *Capital expenditures.* Higher capital expenditures of \$4.5 million in the fiscal year ended April 30, 2012 related primarily to recycling facility upgrades, a landfill gas-to-energy project and fleet replacement.
- *Payments on landfill operating lease contracts.* Higher payments of \$1.0 million for landfill operating lease contracts in the fiscal year ended April 30, 2012 due to the timing of payments.
- *Investments in unconsolidated entities.* Cash payments of \$5.0 million in the fiscal year ended April 30, 2012 related to our contributions totaling \$0.6 million for interests in Tompkins and AGreen, an additional \$3.9 million in contributions to GreenFiber and our initial \$0.5 million contribution for an interest in GreenerU.
- *Proceeds from the sale of assets.* A decrease of \$7.5 million in cash proceeds, of which the entire amount relates to the sale of certain assets in Southeastern Massachusetts in the fiscal year ended April 30, 2011.
- *Acquisitions, net of cash acquired.* During the fiscal year ended April 30, 2012, we acquired five solid waste hauling operations and completed the acquisition of the McKean County landfill business in Pennsylvania by acquiring additional equipment not included in the original transaction for total consideration of \$2.3 million, including \$2.1 million in cash and \$0.2 million in holdbacks to sellers. During the fiscal year ended April 30, 2011, acquisitions were completed for \$1.7 million in cash.

The most significant items affecting the change in our investing cash flows for the fiscal year ended April 30, 2011 are summarized below:

- *Proceeds from the sale of assets.* An increase of \$7.5 million in cash proceeds related to the sale of certain assets in Southeastern Massachusetts in the first quarter of the fiscal year ended April 30, 2011.
- *Payments on landfill operating lease contracts.* Lower payments of \$8.1 million for landfill operating lease contracts in the fiscal year ended April 30, 2011. This was due to the timing of certain payments along with additional payments made to amend the operating agreement for the Chemung landfill in fiscal year 2010.
- *Proceeds from the sale of property and equipment.* A \$3.5 million decrease in cash proceeds from the sale of property and equipment.
- *Capital expenditures.* Higher capital expenditures of \$2.4 million in the fiscal year ended April 30, 2011 related primarily to recycling facility upgrades and a landfill gas-to-energy project.
- *Purchase of gas operating rights.* Cash payments of \$1.6 million in the fiscal year ended April 30, 2011 associated with the purchase of gas rights.

Net cash used in financing activities. Cash flows provided by (used in) financing activities increased \$128.1 million and decreased by \$110.6 million for the fiscal years ended April 30, 2012 and 2011, respectively.

The most significant items affecting the change in our financing cash flows for the fiscal year ended April 30, 2012 are summarized below:

- *Debt activity.* Decreased debt borrowings of \$220.3 million more than offset by decreased debt payments of \$338.9 million in the fiscal year ended April 30, 2012. The decrease in long term borrowings is primarily the result of the offering of the 2019 Notes in fiscal year 2011. The decrease in principal payments is primarily the result of the pay down of the senior secured term B loan due April 9, 2014 and the redemption of the 2013 Notes in fiscal year 2011.

The most significant items affecting the change in our financing cash flows for the fiscal year ended April 30, 2011 are summarized below:

- *Debt activity.* The increase in cash used relates primarily to the \$128.1 million pay down of the senior secured term B loan due April 9, 2014 in the fourth quarter of fiscal year 2011 offset by additional borrowings including the 2019 Notes.

Net cash provided by discontinued operations. Cash flows provided by discontinued operations decreased \$125.7 million and increased \$120.0 million for the fiscal years ended April 30, 2012 and 2011, respectively. These fluctuations in net cash flows provided by discontinued operations is primarily the result of two separate transactions in fiscal year 2011; the sale of non-integrated recycling assets and select intellectual property assets for \$134.2 million in gross proceeds and the sale of the Trilogy Glass business for \$1.8 million in cash proceeds.

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

Our strategy to hedge against fluctuations in variable interest rates involves entering into interest rate derivative agreements to hedge against adverse movements in interest rates. In fiscal year 2012, we entered into two forward starting interest rate derivative agreements to hedge the interest rate risk associated with a forecasted transaction effective January 15, 2013. The proceeds associated with the forecasted transaction would be used to redeem our outstanding \$180.0 million Second Lien Notes due 2014. The Second Lien Notes become callable on July 15, 2012. The total notional amount of these agreements is \$150.0 million and requires us to receive interest based on changes in the London Interbank Offered Rate ("LIBOR") index and pay interest at a rate of approximately 1.40%. The agreements mature in March of 2016, which is when the 2011 Revolver becomes due.

We use a variety of strategies to mitigate the impact of fluctuations in commodity prices including entering into fixed price contracts and entering into hedges which mitigate the variability in cash flows generated from the sales of recycled paper at floating prices, resulting in a fixed price being received from these sales. As of April 30, 2012, we were not party to any commodity hedging agreements. For further discussion on commodity price volatility, see "Item 3 — Quantitative and Qualitative Disclosures about Market Risk — Commodity Price Volatility" below.

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

Contractual Obligations

The following table summarizes our significant contractual obligations and commitments as of April 30, 2012 (in millions) and the anticipated effect of these obligations on our liquidity in future years:

	Fiscal Year(s) ending April 30,				Total
	2013	2014-2015	2016-2017	Thereafter	
Long-term debt	\$ 1,228	\$ 181,171	\$ 69,783	\$ 225,000	\$ 477,182
Financing lease obligations	338	748	1,070	—	2,156
Interest obligations (1)	41,131	74,173	42,021	42,816	200,141
Operating leases (2)	10,715	37,484	16,488	119,714	184,401
Capping / closure / post-closure	4,954	11,233	6,918	97,355	120,460
Total contractual cash obligations (3)	<u>\$ 58,366</u>	<u>\$ 304,809</u>	<u>\$ 136,280</u>	<u>\$ 484,885</u>	<u>\$ 984,340</u>

- (1) Interest obligations based on debt and capital lease balances as of April 30, 2012. Interest obligations related to variable rate debt were calculated using variable rates in effect at April 30, 2012.
- (2) Includes obligations related to landfill operating lease contracts.
- (3) Contractual cash obligations do not include accounts payable or accrued liabilities, which will be paid in fiscal year 2013.

In addition to the above obligations, we have unrecognized tax benefits at April 30, 2012 of approximately \$0.6 million. Due to the uncertainty with respect to the timing of future cash flows associated with the unrecognized tax benefits at April 30, 2012, we are unable to make reasonably reliable estimates as to the timing of cash settlements.

Inflation and Prevailing Economic Conditions

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

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

Limitations on Ownership of Notes

Pursuant to the first paragraph of Section 2.17 of the indentures governing the Second Lien Notes, Section 2.19 of the 2019 Notes and the provisions of the Converted Bonds, no beneficial holder of the Second Lien Notes, 2019 Notes and/or Converted Bonds is permitted to knowingly acquire Second Lien Notes, 2019 Notes and/or Converted Bonds if such person would own 10% or more of the consolidated debt for which relevant subsidiaries of ours are obligated (and must dispose of Second Lien Notes, 2019 Notes and Converted Bonds or other debt of ours to the extent such person becomes aware of exceeding such threshold), if such ownership would require consent of any regulatory authority under applicable law or regulation governing solid waste operators and such consent has not been obtained. We will furnish to the holders of the Second Lien Notes, 2019 Notes and Converted Bonds, in each quarterly and annual report, the dollar amount of our debt that would serve as the threshold for evaluating a beneficial holder's compliance with these ownership restrictions. As of April 30, 2012, that dollar amount was \$47.1 million.

Critical Accounting Estimates and Assumptions

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, as applicable, 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 Note 1 of our consolidated financial statements included in Item 8 of this Form 10-K.

Landfills

The cost estimates for capping, closure and post-closure activities at landfills for which we have responsibility are estimated based on our interpretations of current requirements and proposed or anticipated regulatory changes. We also estimate additional costs based on the amount a third party would charge us to perform such activities even when we expect to perform these activities internally. We estimate the airspace to be consumed related to each capping event and the timing of construction related to each capping event and of closure and post-closure activities. Because landfill capping, closure and post-closure obligations are measured at estimated fair value using present value techniques, changes in the estimated timing of construction of future landfill capping and closure and post-closure activities would have an effect on these liabilities, related assets and results of operations.

Landfill Development Costs

We estimate the total cost to develop each of our landfill sites to its remaining permitted and expansion capacity. This estimate includes such costs as landfill liner material and installation, excavation for airspace, landfill leachate collection systems, landfill gas collection systems, environmental monitoring equipment for groundwater and landfill gas, directly related engineering, capitalized

interest, on-site road construction and other capital infrastructure costs. Additionally, landfill development includes all land purchases for landfill footprint and required landfill buffer property. The projection of these landfill costs is dependent, in part, on future events. The remaining amortizable basis of each landfill includes costs to develop a site to its remaining permitted and expansion capacity and includes amounts previously expended and capitalized, net of accumulated airspace amortization, and projections of future purchase and development costs.

Under life-cycle accounting, all costs related to acquisition and construction of landfill sites are capitalized and charged to expense based on tonnage placed into each site. Landfill permitting, acquisition and preparation costs are amortized on the units-of-consumption 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 expansion capacity.

Landfill Capping Costs

Capping includes installation of liners, drainage, compacted soil layers and topsoil over areas of a landfill where total airspace has been consumed and waste is no longer being received. Capping activities occur throughout the life of the landfill. Our engineering personnel estimate the cost for each capping event based on the acreage to be capped and the capping materials and activities required. The estimates also consider when these costs would actually be paid and factor in inflation and discount rates. The engineers then quantify the landfill capacity associated with each capping event and the costs for each event are amortized over that capacity as waste is received at the landfill.

Landfill Closure and Post-Closure

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, lawyers, 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. 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. In determining estimated future closure and post-closure costs, we consider costs associated with permitted and expansion airspace.

Remaining Permitted Airspace

Our engineers, in consultation with third-party engineering consultants and surveyors, are responsible for determining remaining permitted airspace at our landfills. The remaining permitted airspace is determined by an annual survey, which is then used to compare the existing landfill topography to the expected final landfill topography.

Expansion Airspace

We include currently unpermitted expansion airspace in our estimate of remaining permitted and expansion airspace in certain circumstances. To be considered expansion airspace all of the following criteria must be met:

- 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;
- 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; and
- senior management has approved the project.

For unpermitted airspace to be initially included in our estimate of remaining permitted and expansion airspace, the expansion effort must meet all of the criteria listed above. These criteria are annually evaluated by our engineers, accountants, lawyers, managers and others to identify potential obstacles to obtaining the permits. Once the remaining permitted and expansion airspace is determined in cubic yards, an airspace utilization factor, or AUF, is established to calculate the remaining permitted and expansion capacity in tons. The AUF is established using the measured density obtained from previous annual surveys. When we include the expansion airspace in our calculations of remaining permitted and expansion airspace, we also include the projected costs for development, as well as the projected asset retirement costs related to capping, and closure and post-closure of the expansion airspace in the amortization basis of the landfill.

After determining the costs and the remaining permitted and expansion capacity at each of our landfills, we determine the per ton rates that will be expensed as waste is received and deposited at the landfill by dividing the costs by the corresponding number of tons. We calculate per ton amortization rates for each landfill for assets associated with each capping event, for assets related to closure and post-closure activities and for all other costs capitalized or to be capitalized in the future. These rates per ton are updated annually, or more often, as significant facts change.

It is possible that actual results, including the amount of costs incurred, the timing of capping, closure and post-closure activities, our airspace utilization or the success of our expansion efforts could ultimately turn out to be significantly different from our estimates and assumptions. To the extent that such estimates, or related assumptions, prove to be significantly different than actual results, lower profitability may be experienced due to higher amortization rates, higher capping, closure or post-closure rates, or higher expenses; or higher profitability may result if the opposite occurs. Most significantly, if it is determined that the expansion capacity should no longer be considered in calculating the recoverability of the landfill asset, we may be required to recognize an asset impairment. If it is determined that the likelihood of receiving an expansion permit has become remote, the capitalized costs related to the expansion effort are expensed immediately.

Environmental Remediation Liabilities

Recorded environmental liabilities represent our estimate of the most likely outcome of the matters for which we have determined liability is probable. These liabilities include potentially responsible party, or PRP, investigations, settlements, certain legal and consultant fees, as well as costs directly associated with site investigation and clean up, such as materials and incremental internal costs directly related to the remedy. We provide for expenses associated with environmental remediation obligations when such amounts are probable and can be reasonably estimated. We estimate costs required to remediate sites where it is probable that a liability has been incurred based on site-specific facts and circumstances. Estimates of the cost for the likely remedy are developed using third-party environmental engineers or other service providers.

Goodwill and Other Intangibles

We do not amortize goodwill. We annually assess goodwill impairment at the end of the fourth quarter of our fiscal year, or more frequently if events or circumstances indicate that impairment may exist.

We assess whether a goodwill impairment exists using both qualitative and quantitative assessments. Our qualitative assessment involves determining whether events or circumstances exist that indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If based on this qualitative assessment we determine it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, we will not perform a quantitative assessment.

If the qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount or if we elect not to perform a qualitative assessment, we perform a quantitative assessment or two-step impairment test to determine whether a goodwill impairment exists at the reporting unit.

In the first step of testing for goodwill impairment, we estimate the fair value of each reporting unit, which we have determined to be our geographic operating segments and Recycling, and compare the fair value with the carrying value of the net assets assigned to each reporting unit. We test goodwill at this reporting unit level because the business is managed and reported at this level. If the fair value is less than its carrying value, then we would perform a second step and determine the fair value of the goodwill. In this second step, the fair value of goodwill is determined by deducting the fair value of a reporting unit's identifiable assets and liabilities from the fair value of the reporting unit as a whole, as if that reporting unit had just been acquired and the purchase price were being initially allocated. If the fair value of the goodwill is less than its carrying value for a reporting unit, an impairment charge would be recorded to earnings.

To determine the fair value of each of our reporting units as a whole we use discounted cash flow analyses, which require significant assumptions and estimates about the future operations of each reporting unit. Significant judgments inherent in this analysis include the determination of appropriate discount rates, the amount and timing of expected future cash flows and growth rates. The cash flows employed in our discounted cash flow analyses are based on financial forecasts developed internally by management. Our discount rate assumptions are based on an assessment of our risk adjusted discount rate, applicable for each reporting unit. In assessing the reasonableness of our determined fair values of our reporting units, we evaluate our results against our current market capitalization.

In addition, we would evaluate a reporting unit for impairment if events or circumstances change between annual tests indicating a possible impairment. Examples of such events or circumstances include the following:

- a significant adverse change in legal status or in the business climate,
- an adverse action or assessment by a regulator,
- a more likely than not expectation that a segment or a significant portion thereof will be sold, or
- the testing for recoverability of a significant asset group within the segment.

We incurred no impairment of goodwill as a result of our annual fourth quarter goodwill impairment tests in fiscal years 2012, 2011 or 2010. However, there can be no assurance that goodwill will not be impaired at any time in the future. As of April 30, 2012, the qualitative assessment performed for the Western reporting unit indicated that it is more likely than not that the fair value of the reporting unit exceeded its carrying amount, including goodwill, and, therefore, no step one was performed. The Step 1 test indicated that fair value of the Recycling reporting unit exceeded its carrying value by 24.4%. The carrying value of the Eastern reporting unit goodwill is de minimus and its impact to our operating results would be immaterial. See Note 1 and Note 6 to our consolidated financial statements included under Item 8 of this Form 10-K for further disclosure.

Recovery of Long-Lived Assets

We continually consider whether events or changes in circumstances have occurred that may warrant revision of the estimated useful lives of our long-lived assets (other than goodwill) or whether the remaining balances of those assets should be evaluated for possible impairment. Long-lived assets include, for example, capitalized landfill costs, other property and equipment, and identifiable intangible assets. Events or changes in circumstances that may indicate that an asset may be impaired include the following:

- a significant decrease in the market price of an asset or asset group,
- a significant adverse change in the extent or manner in which an asset or asset group is being used or in its physical condition,
- a significant adverse change in legal factors or in the business climate that could affect the value of an asset or asset group, including an adverse action or assessment by a regulator,
- an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset,
- a current period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or asset group,
- a current expectation that, more likely than not, a long-lived asset or asset group will be sold or otherwise disposed of significantly before the end of its previously estimated useful life, or
- an impairment of goodwill at a reporting unit.

There are certain indicators listed above that require significant judgment and understanding of the waste industry when applied to landfill development or expansion. For example, a regulator may initially deny a landfill expansion permit application although the expansion permit is ultimately granted. In addition, management may periodically divert waste from one landfill to another to conserve remaining permitted landfill airspace. Therefore, certain events could occur in the ordinary course of business and not necessarily be considered indicators of impairment due to the unique nature of the waste industry.

If an impairment indicator occurs, we perform a test of recoverability by comparing the carrying value of the asset or asset group to its undiscounted expected future cash flows. We group our long-lived assets for this purpose at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets or asset groups. If the carrying values are in excess of undiscounted expected future cash flows, we measure any impairment by comparing the fair value of the asset or asset group to its carrying value.

To determine fair value we use discounted cash flow analyses and estimates about the future cash flows of the asset or asset group. This analysis includes a determination of an appropriate discount rate, the amount and timing of expected future cash flows and growth rates. The cash flows employed in our discounted cash flow analyses are typically based on financial forecasts developed

internally by management. The discount rate used is commensurate with the risks involved. We may also rely on third party valuations and or information available regarding the market value for similar assets.

If the fair value of an asset or asset group is determined to be less than the carrying amount of the asset or asset group, impairment in the amount of the difference is recorded in the period that the impairment occurs. Estimating future cash flows requires significant judgment and projections may vary from the cash flows eventually realized.

In the fiscal year 2012, we entered into negotiations regarding the sale of Maine Energy. Based on the proposed purchase consideration, we recorded a \$40.7 million impairment charge to the asset group within the Eastern region segment. The impairment was measured based on the asset group's highest and best use under the market approach, utilizing the discounted present cash flows associated with the purchase consideration, adjusted for costs to demolish the facility. We used a discount rate of 3.5%, which approximates the buyers borrowing rate.

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 management with the assistance of a third party actuary and reflected in our consolidated balance sheet as an accrued liability. Our estimated accruals for these liabilities could be significantly different than our ultimate obligations if variables such as the frequency or severity of future events differ significantly from our assumptions.

New Accounting Standards

For a description of the new accounting standards that may affect us, see Note 2 to our consolidated financial statements included in Item 8 of this Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest Rate Volatility

We had interest rate risk relating to approximately \$73.2 million of long-term debt at April 30, 2012. The weighted average interest rate on the variable rate portion of long-term debt was approximately 4.3% at April 30, 2012. Should the average interest rate on the variable rate portion of long-term debt change by 100 basis points, our annual interest expense would increase or decrease by \$0.2 million.

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

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

Commodity Price Volatility

Through our Recycling operation, we market a variety of materials, including fibers such as old corrugated cardboard and old newsprint, plastics, glass, ferrous and aluminum metals. We use a number of strategies to mitigate impacts from commodity price fluctuations, such as indexed purchases, floor prices, fixed price agreements, and revenue share arrangements. As of April 30, 2012, we were not party to any commodity hedge contracts. We do not use financial instruments for trading purposes and are not a party to any leveraged derivatives.

If commodity prices were to have changed by 10% in the year ended April 30, 2012, management's estimate of the impact on our operating income is estimated to have been between \$0.2 million and \$0.3 million based on the observed impact of commodity price changes on operating income margin during the years ended April 30, 2012 and 2011. Our sensitivity to changes in commodity prices is complex because each customer contract is unique relative to revenue sharing, tipping or processing fees and other arrangements. The above estimated ranges of operating income impact may not be indicative of future operating results and actual results may vary materially.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Our management assessed the effectiveness of our internal control over financial reporting as of April 30, 2012. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework. Based on its assessment, management concluded that, as of April 30, 2012, our internal control over financial reporting is effective based on those criteria. The effectiveness of our internal control over financial reporting as of April 30, 2012 has been audited by McGladrey LLP, an independent registered public accounting firm. McGladrey LLP has issued an attestation report on our internal control over financial reporting, which is included herein.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
of Casella Waste Systems, Inc.:

We have audited the accompanying consolidated balance sheets of Casella Waste Systems, Inc. and subsidiaries (the Company) as of April 30, 2012 and 2011, and the related consolidated statements of operations, stockholders' equity and comprehensive (loss) income, and cash flows for each of the two years in the period ended April 30, 2012, and the financial statement schedules of Casella Waste Systems, Inc. and subsidiaries listed in Item 15(a) for the years ended April 30, 2012 and 2011. We also have audited the Company's internal control over financial reporting as of April 30, 2012, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements and financial statement schedules, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We also audited the adjustments described in Note 16 that were applied retrospectively to the 2010 consolidated financial statements and financial statement schedule. In our opinion, such adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review, or apply any procedures to the 2010 consolidated financial statements of the Company other than with respect to such adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2010 consolidated financial statements taken as a whole.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Casella Waste Systems, Inc. and subsidiaries as of April 30, 2012, and the results of its operations and its cash flows for each of the years in the two-year period ended April 30, 2012, in conformity with accounting principles generally accepted in the United States of America, and in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein. Also in our opinion, Casella Waste Systems, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of April 30, 2012, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ McGladrey LLP

Boston, Massachusetts
June 28, 2012

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
of Casella Waste Systems, Inc.:

We have audited, before the effects of the adjustments related to the discontinued operations described in Note 16, the accompanying consolidated statements of operations and stockholders' equity and comprehensive loss for Casella Waste Systems, Inc. and subsidiaries (the Company) for the year ended April 30, 2010. We have also audited, before the effects of the adjustments related to the discontinued operations described in Note 16, the financial statement schedule for the year ended April 30, 2010 listed in Item 15(a)(2) of this Form 10-K. The Company's management is responsible for these financial statements and the financial statement schedule. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (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. Our audit of the financial statements included 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. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, before the effects of the adjustments related to the discontinued operations described in Note 16, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated results of their operations for the year ended April 30, 2010 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, before the effects of the adjustments related to the discontinued operations described in Note 16, the financial statement schedule listed in Item 15(a)(2) of this Form 10-K presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

We were not engaged to audit, review, or apply any procedures to the adjustments related to the discontinued operations described in Note 16 and, accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by McGladrey LLP, as stated in their report appearing herein.

/s/ Caturano and Company, P.C.

Boston, Massachusetts
June 10, 2010

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

ASSETS	April 30, 2012	April 30, 2011
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,534	\$ 1,817
Restricted cash	76	76
Accounts receivable - trade, net of allowance for doubtful accounts of \$740 and \$920	47,472	54,914
Refundable income taxes	1,281	—
Prepaid expenses	6,077	5,856
Inventory	3,595	3,461
Deferred income taxes	3,712	5,600
Other current assets	609	681
Total current assets	67,356	72,405
Property, plant and equipment, net of accumulated depreciation and amortization of \$593,206 and \$624,044	416,717	453,361
Goodwill	101,706	101,204
Intangible assets, net	2,970	2,455
Restricted assets	424	334
Notes receivable - related party/employee	722	1,297
Investments in unconsolidated entities	22,781	38,263
Other non-current assets	21,067	21,262
	566,387	618,176
	<u>\$ 633,743</u>	<u>\$ 690,581</u>

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

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

	April 30, 2012	April 30, 2011
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt and capital leases	\$ 1,228	\$ 1,217
Current maturities of financing lease obligations	338	316
Accounts payable	46,709	42,499
Accrued payroll and related expenses	4,142	3,702
Accrued interest	9,803	9,776
Current accrued capping, closure and post-closure costs	4,907	1,702
Income taxes payable	—	3,786
Other accrued liabilities	21,208	20,923
Total current liabilities	88,335	83,921
Long-term debt and capital leases, less current maturities	473,381	461,418
Financing lease obligations, less current maturities	1,818	2,156
Accrued capping, closure and post-closure costs, less current portion	34,722	34,705
Deferred income taxes	5,336	5,578
Other long-term liabilities	11,920	8,816
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Casella Waste Systems, Inc. stockholders' equity:		
Class A common stock -		
Authorized - 100,000,000 shares, \$0.01 par value per share, issued and outstanding - 25,991,000 and 25,589,000 shares as of April 30, 2012 and April 30, 2011, respectively	260	256
Class B convertible common stock -		
Authorized - 1,000,000 shares, \$0.01 par value per share, 10 votes per share, issued and outstanding - 988,000 shares as of April 30, 2012 and April 30, 2011, respectively	10	10
Additional paid-in capital	288,348	285,992
Accumulated deficit	(270,235)	(192,649)
Accumulated other comprehensive (loss) income	(1,952)	378
Total Casella Waste Systems, Inc. stockholders' equity	16,431	93,987
Noncontrolling interest	1,800	—
Total stockholders' equity	18,231	93,987
	<u>\$ 633,743</u>	<u>\$ 690,581</u>

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

CASELLA WASTESYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands)

	Fiscal Year Ended April 30,		
	2012	2011	2010
Revenues	\$ 480,815	\$ 466,064	\$ 457,642
Operating expenses:			
Cost of operations	330,754	317,504	303,399
General and administration	60,775	64,010	57,476
Depreciation and amortization	58,576	58,261	63,619
Asset impairment charge	40,746	3,654	—
Legal settlement	1,359	—	—
Development project charge	131	—	—
Environmental remediation charge	—	549	335
Bargain purchase gain	—	(2,975)	—
Gain on sale of assets	—	(3,502)	—
	<u>492,341</u>	<u>437,501</u>	<u>424,829</u>
Operating (loss) income	(11,526)	28,563	32,813
Other expense/(income), net:			
Interest income	(42)	(54)	(110)
Interest expense	45,541	45,912	44,375
Loss from equity method investments	9,994	4,096	2,691
Impairment of equity method investment	10,680	—	—
Loss on debt extinguishment	300	7,390	511
Other income	(863)	(860)	(847)
Other expense, net	<u>65,610</u>	<u>56,484</u>	<u>46,620</u>
Loss from continuing operations before income taxes and discontinued operations	(77,136)	(27,921)	(13,807)
Provision (benefit) for income taxes	<u>1,181</u>	<u>(24,217)</u>	<u>2,242</u>
Loss from continuing operations before discontinued operations	(78,317)	(3,704)	(16,049)
Discontinued operations:			
(Loss) income from discontinued operations (net of income tax (benefit) provision of \$0, (\$800) and \$920)	—	(1,458)	1,011
Gain on disposal of discontinued operations (net of income tax provision of \$489, \$31,714 and \$795)	<u>725</u>	<u>43,590</u>	<u>1,180</u>
Net (loss) income	<u>\$ (77,592)</u>	<u>\$ 38,428</u>	<u>\$ (13,858)</u>
Less: Net loss attributable to noncontrolling interest	<u>(6)</u>	<u>—</u>	<u>—</u>
Net (loss) income attributable to common stockholders	<u>\$ (77,586)</u>	<u>\$ 38,428</u>	<u>\$ (13,858)</u>

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

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

	Fiscal Year Ended April 30,		
	2012	2011	2010
Basic and diluted earnings per share:			
Loss from continuing operations before discontinued operations	\$ (2.93)	\$ (0.14)	\$ (0.62)
(Loss) income from discontinued operations, net	—	(0.06)	0.03
Gain on disposal of discontinued operations, net	0.03	1.67	0.05
Net (loss) income per common share	<u>\$ (2.90)</u>	<u>\$ 1.47</u>	<u>\$ (0.54)</u>
Average common shares outstanding:			
Basic and diluted	<u>26,749</u>	<u>26,105</u>	<u>25,731</u>
Amounts attributable to common stockholders:			
Loss from continuing operations, net of tax	\$ (78,311)	\$ (3,704)	\$ (16,049)
Discontinued operations, net of tax	725	42,132	2,191
Net (loss) income	<u>\$ (77,586)</u>	<u>\$ 38,428</u>	<u>\$ (13,858)</u>

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF
STOCKHOLDERS' EQUITY AND COMPREHENSIVE (LOSS) INCOME
(In thousands)

Casella Waste Systems, Inc. Stockholders' Equity

	Comprehensive		Class A		Class B		Additional	Accumulated	Accumulated	Other	Noncontrolling
	Total	(Loss) Income	Shares	Amount	Shares	Amount	Paid-In Capital	Deficit	Income (Loss)	Comprehensive	Interest
Balance, April 30, 2009	\$ 66,310		24,679	\$ 247	988	\$ 10	\$ 279,444	\$ (217,219)	\$ 3,828		
Comprehensive loss:											
Net loss	(13,858)	\$ (13,858)	—	—	—	—	—	(13,858)	—		
Other comprehensive income (loss), net of taxes:											
Unrealized loss resulting from changes in fair value of derivative instruments, net of tax benefit of (\$523)	(3,250)	(3,250)	—	—	—	—	—	—	(3,250)		
Realized loss on derivative instruments reclassified into earnings, net of tax benefit of (\$940)	(1,395)	(1,395)	—	—	—	—	—	—	(1,395)		
Unrealized gain resulting from changes in fair value of marketable securities, net of taxes of \$0	32	32	—	—	—	—	—	—	32		
Other comprehensive loss	(4,613)	(4,613)									
Comprehensive loss:	(18,471)	\$ (18,471)									
Issuances of Class A common stock	243		265	2	—	—	241	—	—		
Stock-based compensation	2,242		—	—	—	—	2,242	—	—		
Other	(28)		—	—	—	—	(28)	—	—		
Balance, April 30, 2010	\$ 50,296		24,944	\$ 249	988	\$ 10	\$ 281,899	\$ (231,077)	\$ (785)		
Comprehensive income:											
Net income	38,428	\$ 38,428	—	—	—	—	—	38,428	—		
Other comprehensive income (loss), net of taxes:											
Unrealized gain resulting from changes in fair value of derivative instruments, net of tax benefit of (\$1,269)	1,886	1,886	—	—	—	—	—	—	1,886		
Realized loss on derivative instruments reclassified into earnings, net of taxes of \$398	(707)	(707)	—	—	—	—	—	—	(707)		
Unrealized loss resulting from changes in fair value of marketable securities, net of taxes of \$10	(16)	(16)	—	—	—	—	—	—	(16)		
Other comprehensive income	1,163	1,163									
Comprehensive income:	39,591	\$ 39,591									
Issuances of Class A common stock	596		645	7	—	—	589	—	—		
Stock-based compensation	3,504		—	—	—	—	3,504	—	—		
Balance, April 30, 2011	\$ 93,987		25,589	\$ 256	988	\$ 10	\$ 285,992	\$ (192,649)	\$ 378		
Comprehensive loss:											
Net loss	(77,592)	\$ (77,592)	—	—	—	—	—	(77,586)	—		(6)
Other comprehensive income (loss), net of taxes:											
Unrealized loss resulting from changes in fair value of derivative instruments, net of taxes of \$99	(1,749)	(1,749)	—	—	—	—	—	—	(1,749)		
Realized loss on derivative instruments reclassified into earnings, net of tax benefit of (\$99)	(578)	(578)	—	—	—	—	—	—	(578)		
Unrealized loss resulting from changes in fair value of marketable securities, net of taxes of \$0	(3)	(3)	—	—	—	—	—	—	(3)		
Other comprehensive loss	(2,330)	(2,330)									
Comprehensive loss:	(79,922)	\$ (79,922)									
Issuances of Class A common stock	239		402	4	—	—	235	—	—		
Stock-based compensation	1,855		—	—	—	—	1,855	—	—		
Contribution from noncontrolling interest holder	1,806		—	—	—	—	—	—	—	1,806	
Other	266		—	—	—	—	266	—	—		
Balance, April 30, 2012	\$ 18,231		25,991	\$ 260	988	\$ 10	\$ 288,348	\$ (270,235)	\$ (1,952)	\$ 1,800	

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

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

	Fiscal Year Ended April 30,		
	2012	2011	2010
Cash Flows from Operating Activities:			
Net (loss) income	\$ (77,592)	\$ 38,428	\$ (13,858)
Adjustments to reconcile net loss to net cash provided by operating activities -			
Loss (income) from discontinued operations, net	—	1,458	(1,011)
Gain on disposal of discontinued operations, net	(725)	(43,590)	(1,180)
Gain on sale of assets	—	(3,502)	—
Gain on sale of property and equipment	(1,004)	(470)	(1,343)
Depreciation and amortization	58,576	58,261	63,619
Depletion of landfill operating lease obligations	8,482	7,878	6,867
Interest accretion on landfill and environmental remediation liabilities	3,479	3,331	3,506
Environmental remediation charge	—	549	335
Asset impairment charge	40,746	3,654	—
Bargain purchase gain	—	(2,975)	—
Development project charge	131	—	—
Amortization of premium on senior subordinated notes	—	(611)	(727)
Amortization of discount on term loan and second lien notes	964	801	685
Loss from equity method investments	9,994	4,096	2,691
Impairment of equity method investment	10,680	—	—
Loss on debt extinguishment	300	7,390	511
Stock-based compensation	1,855	1,592	1,987
Excess tax benefit on the vesting of share based awards	(254)	(129)	—
Deferred income taxes	1,899	(23,615)	3,031
Changes in assets and liabilities, net of effects of acquisitions and divestitures -			
Accounts receivable	7,442	(3,273)	(8,179)
Accounts payable	4,210	7,443	5,092
Prepaid expenses, inventories and other assets	318	3,834	2,755
Accrued expenses and other liabilities	(5,726)	(13,459)	(695)
Net Cash Provided By Operating Activities	63,775	47,091	64,086
Cash Flows from Investing Activities:			
Acquisitions, net of cash acquired	(2,102)	(1,744)	(864)
Additions to property, plant and equipment attributable to acquisitions	(529)	(5)	—
Additions to property, plant and equipment - growth	(12,211)	(2,803)	(4,187)
- maintenance	(47,001)	(52,441)	(48,647)
Payments on landfill operating lease contracts	(6,616)	(5,655)	(13,737)
Purchase of gas rights	—	(1,608)	—
Proceeds from sale of assets	—	7,533	—
Proceeds from sale of property and equipment	1,492	959	4,434
Investments in unconsolidated entities	(5,045)	—	(49)
Net Cash Used In Investing Activities	(72,012)	(55,764)	(63,050)
Cash Flows from Financing Activities:			
Proceeds from long-term borrowings	163,500	383,757	492,344
Principal payments on long-term debt	(152,806)	(491,669)	(485,796)
Payments of financing costs	(1,592)	(10,588)	(14,089)
Proceeds from exercise of share based awards	337	476	260
Excess tax benefit on the vesting of share based awards	254	129	—
Contributions from noncontrolling interest holder	536	—	—
Net Cash Provided By (Used In) Financing Activities	10,229	(117,895)	(7,281)
Discontinued Operations:			
Net cash (used in) provided by operating activities	—	(359)	5,651
Net cash provided by investing activities	725	130,114	1,317
Net cash used in financing activities	—	(3,405)	(526)
Net Cash Provided By Discontinued Operations	725	126,350	6,442
Net increase (decrease) in cash and cash equivalents	2,717	(218)	197
Cash and cash equivalents, beginning of period	1,817	2,035	1,838
Cash and cash equivalents, end of period	\$ 4,534	\$ 1,817	\$ 2,035

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

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

	Fiscal Year Ended April 30,		
	2012	2011	2010
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the period for -			
Interest	\$ 41,243	\$ 44,291	\$ 35,583
Income taxes, net of refunds	\$ 5,048	\$ 1,480	\$ 234
Supplemental Disclosures of Non-Cash Investing and Financing Activities:			
Summary of entities acquired in purchase business combinations -			
Fair value of net assets acquired	\$ 2,217	\$ 6,456	\$ 1,512
Bargain purchase gain	\$ —	\$ 2,975	\$ —
Cash paid, net	\$ 2,102	\$ 1,744	\$ 864
Notes payable, liabilities assumed and holdbacks to sellers	\$ 115	\$ 1,737	\$ 648
Property, plant and equipment acquired through lease obligations	\$ —	\$ —	\$ 404
Equipment contributed by noncontrolling interest	\$ 1,270	\$ —	\$ —

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

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

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

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

A summary of our significant accounting policies follows:

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Parent, its wholly-owned subsidiaries and an entity in which it has a controlling financial interest. All significant intercompany accounts and transactions are eliminated in consolidation. Investments in entities in which we do not have a controlling financial interest are accounted for under either the equity method or cost method of accounting, as appropriate. Assets and liabilities of discontinued operations and assets held for sale are segregated from those of continuing operations and reported in separate captions in the balance sheet, as applicable. The results of operations that have been disposed of or classified as held for sale are reported in discontinued operations, as applicable. See Note 16 for disclosure over discontinued operations.

Use of Estimates and Assumptions

Preparation of our consolidated 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, as applicable, at the date of the consolidated financial statements. The estimates and assumptions will also affect the reported amounts of revenues and expenses during the reporting period. Summarized below are the estimates and assumptions that we consider to be significant in the preparation of our consolidated financial statements.

Landfill Development Costs

We estimate the total cost to develop each of our landfill sites to its remaining permitted and expansion capacity. This estimate includes such costs as landfill liner material and installation, excavation for airspace, landfill leachate collection systems, landfill gas collection systems, environmental monitoring equipment for groundwater and landfill gas, directly related engineering, capitalized interest, on-site road construction and other capital infrastructure costs. Additionally, landfill development includes all land purchases for landfill footprint and required landfill buffer property. The projection of these landfill costs is dependent, in part, on future events. The remaining amortizable basis of each landfill includes costs to develop a site to its remaining permitted and expansion capacity and includes amounts previously expended and capitalized, net of accumulated airspace amortization, and projections of future purchase and development costs. The interest capitalization rate is based on our weighted average interest rate incurred on borrowings outstanding during the period. Interest capitalized for the fiscal years ended April 30, 2012, 2011 and 2010 was \$407, \$1,078 and \$349, respectively.

Under life-cycle accounting, all costs related to acquisition and construction of landfill sites are capitalized and charged to expense based on tonnage placed into each site. Landfill permitting, acquisition and preparation costs are amortized on the units-of-

consumption 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 expansion capacity.

We apply the following guidelines in determining a landfill's remaining permitted and expansion airspace:

Remaining Permitted Airspace. Our engineers, in consultation with third-party engineering consultants and surveyors, are responsible for determining remaining permitted airspace at our landfills. The remaining permitted airspace is determined by an annual survey, which is then used to compare the existing landfill topography to the expected final landfill topography.

Expansion Airspace. We currently include unpermitted expansion airspace in our estimate of remaining permitted and expansion airspace in certain circumstances. To be considered expansion airspace all of the following criteria must be met:

- 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;
- 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; and
- senior management has approved the project.

For unpermitted airspace to be initially included in our estimate of remaining permitted and expansion airspace, the expansion effort must meet all of the criteria listed above. These criteria are annually evaluated by our engineers, accountants, lawyers, managers and others to identify potential obstacles to obtaining the permits. Once the remaining permitted and expansion airspace is determined in cubic yards, an airspace utilization factor, or AUF, is established to calculate the remaining permitted and expansion capacity in tons. The AUF is established using the measured density obtained from previous annual surveys. When we include the expansion airspace in our calculation of remaining permitted and expansion airspace, we include the projected costs for development, as well as the projected asset retirement costs related to capping, closure and post-closure of the expansion airspace in the amortization basis of the landfill.

After determining the costs and the remaining permitted and expansion capacity at each of our landfills, we determine the per ton rates that will be expensed as waste is received and deposited at the landfill by dividing the costs by the corresponding number of tons. We calculate per ton amortization rates for assets associated with each capping event, for assets related to closure and post-closure activities and for all other costs capitalized or to be capitalized in the future for each landfill. These rates per ton are updated annually, or more often, as significant facts change.

Landfill Capping, Closure and Post-Closure Costs

The following is a description of our asset retirement activities:

Capping Costs. Capping activities include the installation of liners, drainage, compacted soil layers and topsoil over areas of a landfill where total airspace has been consumed and waste is no longer being received. Capping activities occur throughout the life of the landfill. Our engineering personnel estimate the cost for each capping event based on the acreage to be capped and the capping materials and activities required. The estimates also consider when these costs would actually be paid and factor in inflation and discount rates. The engineers then quantify the landfill capacity associated with each capping event and the costs for each event are amortized over that capacity as waste is received at the landfill.

Closure and Post-Closure Costs. 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, lawyers, 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 of 1970, as amended, as they are being applied on a state-by-state basis. Closure and post-closure accruals for the cost of monitoring and maintenance include site inspection, groundwater monitoring, leachate management, methane gas control and recovery, and operation and maintenance costs to be incurred for a period which is generally for a term of 30 years after final closure of a landfill. In determining estimated future closure and post-closure costs, we consider costs associated with permitted and permissible airspace.

Our estimate of costs to discharge capping, closure and post-closure asset retirement obligations for landfills are developed in today's dollars. These costs are then inflated to the period of performance using an estimate of inflation which is updated annually (2.7% for

fiscal years 2012 and 2011, respectively). Capping, closure and post-closure liabilities are discounted using the credit adjusted risk-free rate in effect at the time the obligation is incurred. The weighted average rate applicable to our asset retirement obligations at April 30, 2012 is between 9.2% and 10.4%, the range of the credit adjusted risk free rates effective since the adoption of guidance associated with asset retirement obligations in fiscal year 2004. Accretion expense is necessary to increase the accrued capping, closure and post-closure liabilities to the future anticipated obligation. To accomplish this, we accrete our capping, closure and post-closure accrual balances using the same credit-adjusted risk-free rate that was used to calculate the recorded liability. Accretion expense on recorded landfill liabilities is recorded to cost of operations from the time the liability is recognized until the costs are paid. Accretion expense on recorded landfill liabilities amounted to \$3,341, \$3,193 and \$3,281 in fiscal years 2012, 2011 and 2010, respectively.

We provide for the accrual and amortization of estimated future obligations for closure and post-closure based on tonnage placed into each site. With regards to capping, the liability is recognized and these costs are amortized based on the airspace related to the specific capping event.

We operate in states which require a certain portion of landfill capping, closure and post-closure obligations to be secured by financial assurance, which may take the form of surety bonds, letters of credit and restricted cash. Surety bonds securing closure and post-closure obligations at April 30, 2012 and 2011 totaled \$124,600 and \$120,291, respectively. Letters of credit securing closure and post-closure obligations at April 30, 2012 and 2011 totaled \$1,752, respectively. Restricted cash securing closure and post-closure obligations is disclosed in Note 4.

Landfill Accounting-Landfill Operating Lease Contracts

We entered into three landfill operation and management agreements in fiscal year 2004 and one landfill operation and management agreement in fiscal year 2006. These agreements are long-term landfill operating contracts with government bodies whereby we receive tipping revenue, pay normal operating expenses and assume future capping, closure and post-closure liabilities. The government body retains ownership of the landfill. There is no bargain purchase option and title to the property does not pass to us at the end of the lease term. We allocate the consideration paid to the landfill airspace rights and underlying land lease based on the relative fair values.

In addition to up-front or one-time payments, the landfill operating agreements require us to make future minimum rental payments, including success/expansion fees, other direct costs and capping, closure and post closure costs. The value of all future minimum lease payments is amortized and charged to cost of operations over the life of the contract. We amortize the consideration allocated to airspace rights as airspace is utilized on a units-of-consumption basis and such amortization is charged to cost of operations as airspace is consumed (e.g., as tons are placed into the landfill). The underlying value of the land lease is amortized to cost of operations on a straight-line basis over the estimated life of the operating agreement.

Environmental Remediation Liabilities

We have recorded environmental liabilities representing our estimate of the most likely outcome of the matters for which we have determined that a liability is probable. These liabilities include potentially responsible party, or PRP, investigations, settlements, certain legal and consultant fees, as well as costs directly associated with site investigation and clean up, such as materials and incremental internal costs directly related to the remedy. We provide for expenses associated with environmental remediation obligations when such amounts are probable and can be reasonably estimated. We estimate costs required to remediate sites where it is probable that a liability has been incurred based on site-specific facts and circumstances. Estimates of the cost for the likely remedy are developed using third-party environmental engineers or other service providers. Where we believe that both the amount of a particular environmental remediation liability and timing of payments are reliably determinable, we inflate the cost in current dollars until the expected time of payment and discount the cost to present value. See Note 10 for disclosure over environmental remediation liabilities.

Goodwill and Other Intangibles

We do not amortize goodwill. We annually assess goodwill impairment at the end of the fourth quarter of our fiscal year, or more frequently if events or circumstances indicate that impairment may exist.

We assess whether a goodwill impairment exists using both qualitative and quantitative assessments. Our qualitative assessment involves determining whether events or circumstances exist that indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If based on this qualitative assessment we determine it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, we will not perform a quantitative assessment.

If the qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount or if we elect not to perform a qualitative assessment, we perform a quantitative assessment, or two-step impairment test, to determine whether a goodwill impairment exists at the reporting unit.

In the first step of testing for goodwill impairment, we estimate the fair value of each reporting unit, which we have determined to be our geographic operating segments and our Recycling segment, and compare the fair value with the carrying value of the net assets assigned to each reporting unit. We test goodwill at this reporting unit level because the business is managed and reported at this level. If the fair value is less than its carrying value, then we would perform a second step and determine the fair value of the goodwill. In this second step, the fair value of goodwill is determined by deducting the fair value of a reporting unit's identifiable assets and liabilities from the fair value of the reporting unit as a whole, as if that reporting unit had just been acquired and the purchase price were being initially allocated. If the fair value of the goodwill is less than its carrying value for a reporting unit, an impairment charge would be recorded to earnings.

To determine the fair value of each of our reporting units as a whole we use discounted cash flow analyses, which require significant assumptions and estimates about the future operations of each reporting unit. Significant judgments inherent in this analysis include the determination of appropriate discount rates, the amount and timing of expected future cash flows and growth rates. The cash flows employed in our discounted cash flow analyses are based on financial forecasts developed internally by management. Our discount rate assumptions are based on an assessment of our risk adjusted discount rate, applicable for each reporting unit. In assessing the reasonableness of our determined fair values of our reporting units, we evaluate our results against our current market capitalization.

In addition, we would evaluate a reporting unit for impairment if events or circumstances change between annual tests indicating a possible impairment. Examples of such events or circumstances include the following:

- a significant adverse change in legal status or in the business climate;
- an adverse action or assessment by a regulator;
- a more likely than not expectation that a segment or a significant portion thereof will be sold; or
- the testing for recoverability of a significant asset group within the segment.

We incurred no impairment of goodwill as a result of our annual fourth quarter goodwill impairment tests in fiscal years 2012, 2011 or 2010. However, there can be no assurance that goodwill will not be impaired at any time in the future. See Note 6 for disclosure over goodwill.

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. See Note 6 for disclosure over intangible assets.

Recovery of Long-Lived Assets

We continually assess whether events or changes in circumstances have occurred that may warrant revision of the estimated useful lives of our long-lived assets (other than goodwill) or whether the remaining balances of those assets should be evaluated for possible impairment. Long-lived assets include, for example, capitalized landfill costs, other property and equipment, and identifiable intangible assets. Events or changes in circumstances that may indicate that an asset may be impaired include the following:

- a significant decrease in the market price of an asset or asset group;
- a significant adverse change in the extent or manner in which an asset or asset group is being used or in its physical condition;
- a significant adverse change in legal factors or in the business climate that could affect the value of an asset or asset group, including an adverse action or assessment by a regulator;
- an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset;

- a current period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or asset group;
- a current expectation that, more likely than not, a long-lived asset or asset group will be sold or otherwise disposed of significantly before the end of its previously estimated useful life; or
- an impairment of goodwill at a reporting unit.

There are certain indicators listed above that require significant judgment and understanding of the waste industry when applied to landfill development or expansion. For example, a regulator may initially deny a landfill expansion permit application although the expansion permit is ultimately granted. In addition, management may periodically divert waste from one landfill to another to conserve remaining permitted landfill airspace. Therefore, certain events could occur in the ordinary course of business and not necessarily be considered indicators of impairment due to the unique nature of the waste industry.

If an impairment indicator occurs, we perform a test of recoverability by comparing the carrying value of the asset or asset group to its undiscounted expected future cash flows. We group our long-lived assets for this purpose at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets or asset groups. If the carrying values are in excess of undiscounted expected future cash flows, we measure any impairment by comparing the fair value of the asset or asset group to its carrying value.

To determine fair value, we use discounted cash flow analyses and estimates about the future cash flows of the asset or asset group. This analysis includes a determination of an appropriate discount rate, the amount and timing of expected future cash flows and growth rates. The cash flows employed in our discounted cash flow analyses are typically based on financial forecasts developed internally by management. The discount rate used is commensurate with the risks involved. We may also rely on third party valuations and or information available regarding the market value for similar assets.

If the fair value of an asset or asset group is determined to be less than the carrying amount of the asset or asset group, impairment in the amount of the difference is recorded in the period that the impairment occurs. Estimating future cash flows requires significant judgment and projections may vary from the cash flows eventually realized.

In the fourth quarter of fiscal year 2012, we entered into negotiations regarding the sale of Maine Energy. Based on the proposed purchase consideration, we reviewed the asset group for impairment and recorded a \$40,746 impairment charge to the asset group within the Eastern region segment. The impairment was measured based on the asset group's highest and best use under the market approach, utilizing the discounted present cash flows associated with the purchase consideration of the facility, adjusted for costs to demolish the facility. We used a discount rate of 3.5%, which approximates the buyers borrowing rate.

In the fourth quarter of fiscal year 2011, we recorded an impairment charge of \$3,654 related to a recycling processing facility.

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. Our maximum exposure in fiscal year 2012 under the workers' compensation plan is \$1,000 per individual event, after which reinsurance takes effect. Our maximum exposure under the automobile plan is \$750 per individual event, after which reinsurance takes effect. The liability for unpaid claims and associated expenses, including incurred but not reported losses, is determined by management with the assistance of 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 based on historical data, which considers both the frequency and settlement amount of claims. Our self insurance reserves totaled \$12,024 and \$13,102 at April 30, 2012 and 2011, respectively. Our estimated accruals for these liabilities could be significantly different than our ultimate obligations if variables such as the frequency or severity of future events differ significantly from our assumptions.

Income Tax Accruals

We use estimates to determine our provision for income taxes and related assets 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. 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. We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making this determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In the event we determine that we would be able to realize our deferred income tax assets in the future in excess of their net recorded amount, we will make an adjustment to the valuation allowance which would reduce the provision for income taxes.

We account for income tax uncertainties according to guidance on the recognition, de-recognition and measurement of potential tax benefits associated with tax positions. We recognize interest and penalties relating to income tax matters as a component of income tax expense. See Note 14 for disclosure related to income taxes.

Loss Contingencies

We are subject to various legal proceedings, claims and regulatory matters, the outcomes of which are subject to significant uncertainty. We determine whether to disclose or accrue for loss contingencies based on an assessment of whether the risk of loss is remote, reasonably possible or probable, and whether it can be reasonably estimated. We analyze our litigation and regulatory matters based on available information to assess the potential liabilities. Management's assessment is developed based on an analysis of possible outcomes under various strategies. We accrue for loss contingencies when such amounts are probable and reasonably estimable. If a contingent liability is only reasonably possible, we will disclose the potential range of the loss, if estimable. We record losses related to contingencies in cost of operations or selling, general and administrative expenses, depending on the nature of the underlying transaction leading to the loss contingency. See Note 10 for disclosure over loss contingencies.

Stock-Based Compensation

All share-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the employee's requisite service period. Stock-based compensation expense is based on the number of awards ultimately expected to vest and is therefore reduced for an estimate of the awards that are expected to be forfeited prior to vesting.

The fair value of each stock option is estimated using a Black-Scholes option pricing model, which requires extensive use of accounting judgment and financial estimation, including estimates of the expected term option holders will retain their vested stock options before exercising them and the estimated volatility of our common stock price over the expected term.

Revenue Recognition

We recognize 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 utilities by our waste-to-energy facility are recorded at the contract rate specified by our power purchase agreement as the electricity is delivered. Contractual rental payments associated with power purchase agreements accounted for as embedded operating leases are recognized on a straight-line basis over the life of the power purchase agreement.

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 of revenues. Revenues for processing of recyclable materials are recognized when the related service is provided. Revenues from the brokerage of recycled materials are recognized on a net basis at the time of shipment.

Fair Value of Financial Instruments

Our financial instruments include cash and cash equivalents, trade receivables, restricted trust and escrow accounts, commodity and interest rate derivatives, trade payables and long-term debt. Accounting standards include disclosure requirements around fair values used for certain financial instruments and establish a fair value hierarchy. The three-tier hierarchy prioritizes valuation inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of three levels: Level 1, defined as quoted market prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or

liabilities; and Level 3, defined as unobservable inputs that are not corroborated by market data. See Note 9 and Note 12 for fair value disclosure over long-term debt and financial instruments, respectively.

Cash and Cash Equivalents

We consider all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

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 totaling \$3,595 and \$3,461 at April 30, 2012 and 2011, respectively.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost, less accumulated depreciation and amortization. We provide 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:

<u>Asset Classification</u>	<u>Estimated Useful Life</u>
Buildings	25-30 years
Machinery and equipment	5-10 years
Rolling stock	5-10 years
Containers	5-12 years
Furniture and Fixtures	3-8 years

Building improvements are amortized over a ten year period or the remaining life of the building, whichever is shorter. Machinery and equipment includes landfill equipment, balers and shredders with useful lives ranging from eight to ten years and maintenance equipment with useful lives ranging from five to ten years. Rolling stock includes collection vehicles, trailers and automobiles with useful lives ranging from five to ten years. Containers include steel containers in a variety of sizes generally ranging from two to 40 cubic yards with estimated useful lives of ten to 12 years. Containers also include residential carts and recycling bins with useful lives of five to ten years. Except at Maine Energy, where we capitalized certain major maintenance and repair costs and amortized them over their useful lives, the cost of maintenance and repairs is charged to operations as incurred. See Note 5 for disclosure over property, plant and equipment.

Investments in Unconsolidated Entities

Investments in unconsolidated entities over which we have significant influence over the investees' operating and financing activities are accounted for under the equity method of accounting. Investments in affiliates in which we do not have the ability to exert significant influence over the investees' operating and financing activities are accounted for under the cost method of accounting.

Equity Method Investments

GreenFiber. We entered into a joint venture agreement in July 2000 with Louisiana-Pacific Corporation ("LP") to combine our respective cellulose insulation businesses into a single operating entity, US GreenFiber LLC ("GreenFiber"). We account for our 50% membership interest in GreenFiber using the equity method of accounting.

In April 2011, we issued a guaranty of up to \$1,500 in support of GreenFiber's amended and restated loan and security agreement in order to induce the lender to enter into a waiver and amend the agreement. In August 2011, we were required to increase the guaranty to up to \$3,400 and make an additional investment of \$500 in order to again induce the lender to enter into a waiver and amend the agreement.

On December 1, 2011, GreenFiber entered into a second amendment to its modified and restated loan and security agreement. Concurrent therewith, we made an additional investment of \$3,000 in GreenFiber and reduced our guaranty associated with the credit facility by \$1,200 to \$2,200. The guaranty can be drawn on upon an event of default and remains in place through December 1, 2014,

the extended term of GreenFiber's modified and restated loan and security agreement. See Note 12 for disclosure over the fair value of the guaranty.

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

Based on the analysis performed, we determined that the current book value of our investment in GreenFiber exceeded its fair value. The analysis calculated GreenFiber's fair value based on the income approach using discounted cash flows taking into account current expectations for asset utilization, housing starts and the remaining useful life of related assets. We recorded a charge of \$10,680, as an impairment on equity method investment in the third quarter of fiscal year 2012.

In April 2012, we made an additional investment of \$400 in GreenFiber so that it could meet its quarterly debt covenants.

In May 2012, we and LP made identical commitments to fund any liquidity shortfalls of GreenFiber related to covenant compliance as defined in GreenFiber's modified and restated loan and security agreement. We have agreed to provide an equity contribution of our pro-rata share of funds, based on ownership percentage, sufficient to cure such shortfall.

Our investment in GreenFiber amounted to \$6,502 and \$23,137 at April 30, 2012 and April 30, 2011, respectively. Summarized financial information for GreenFiber is as follows:

	April 30, 2012	April 30, 2011
Current assets	\$ 17,513	\$ 20,077
Noncurrent assets	\$ 34,597	\$ 49,618
Current liabilities	\$ 12,815	\$ 10,756
Noncurrent liabilities	\$ 5,382	\$ 12,863

	Fiscal Years Ended April 30,		
	2012	2011	2010
Revenue	\$ 77,544	\$ 84,903	\$ 102,785
Gross profit	\$ 10,521	\$ 14,025	\$ 23,010
Net loss	\$ (20,003)	\$ (8,192)	\$ (5,380)

Tompkins. In May 2011, we finalized the terms of a joint venture agreement with FCR, LLC ("FCR") to form Tompkins County Recycling LLC ("Tompkins"), a joint venture that operates a material recovery facility ("MRF") located in Tompkins County, NY and processes and sells commodities delivered to the Tompkins MRF. In connection with the formation of the joint venture, we acquired a 50% membership interest in Tompkins in exchange for an initial cash contribution to Tompkins of \$285. FCR made an initial cash contribution of \$285 as well, and acquired a 50% membership interest in Tompkins. Income and losses are allocated to members based on membership interest percentage. Our investment in Tompkins amounted to \$292 at April 30, 2012. We account for our 50% membership interest in Tompkins using the equity method of accounting.

Cost Method Investments

Evergreen. Our investment and ownership interest in Evergreen National Indemnity Company ("Evergreen"), a surety company which provides surety bonds to us, amounted to \$10,657, or 19.9%, as of April 30, 2012 and 2011, respectively. We account for our investment in Evergreen under the cost method of accounting.

RecycleRewards. Our investment and ownership interest in RecycleRewards, Inc. ("RecycleRewards"), a company that markets an incentive based recycling service, amounted to \$4,479 and 6.2%, and \$4,467 and 8.2% as of April 30, 2012 and 2011, respectively. Our common share interest in RecycleRewards was reduced from 8.2% to the current 6.2% due to an equity offering RecycleRewards made to a third party investor in October 2011 and the issuance of additional warrants by RecycleRewards. We account for our investment in RecycleRewards under the cost method of accounting.

AGreen. In May 2011, we entered into a renewable energy project operating agreement with AGreen Energy LLC ("AGreen"). As a part of the agreement, we provide certain operation, maintenance and administrative services, as well as procure organic materials that would otherwise be disposed of to small farm-based biogas renewable energy projects that produce renewable energy and other valuable products and services. In the first quarter of fiscal year 2012, we made an initial investment of \$150 in AGreen giving us a

5.1% membership interest. In the third quarter of fiscal year 2012, we made an additional contribution of \$200 in AGreen giving us an investment and membership interest of \$350, or 11.9%, as of April 30, 2012. We account for our investment in AGreen under the cost method of accounting.

GreenerU. In March 2012, we entered into a strategic partnership agreement with GreenerU, Inc. ("GreenerU"), a company that delivers energy and sustainability solutions to the college, university and preparatory school markets in order to reduce their energy costs and carbon emissions through the formulation of programs and policies and the running of renewable energy projects. As a part of the agreement, we will work with GreenerU to formulate compelling offers and approaches for colleges, universities and preparatory schools in the area of waste, recycling, energy, composting, resource conservation and other appropriate sustainability initiatives. We agreed to make a \$1,000 capital contribution to GreenerU through the purchase of preferred stock in two \$500 tranches, the first of which was completed in April 2012. As a result of our initial capital contribution we had a 4.2% ownership interest and a \$500 investment in GreenerU as of April 30, 2012. In May 2012, we made the remaining \$500 capital contribution bringing our current ownership interest to 6.3%. We account for our investment in GreenerU under the cost method of accounting.

Comprehensive Loss

Comprehensive loss is defined as the change in net assets of a business enterprise during a period from transactions generated from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. Accumulated other comprehensive (loss) income included in the accompanying consolidated balance sheets consists of changes in the fair value of our marketable securities, our interest rate and commodity hedges, as well as our portion of the changes in the fair value of GreenFiber's commodity hedges.

The components of accumulated other comprehensive (loss) income for the fiscal years ended April 30, 2012 and 2011 are shown as follows:

	April 30, 2012			April 30, 2011		
	Gross	Tax	Net	Gross	Tax	Net
Marketable securities	\$ 11	\$ (6)	\$ 5	\$ 14	\$ (6)	\$ 8
Commodity hedges	661	(249)	412	620	(250)	370
Interest rate hedges	(2,369)	—	(2,369)	—	—	—
Accumulated other comprehensive (loss) income	<u>\$ (1,697)</u>	<u>\$ (255)</u>	<u>\$ (1,952)</u>	<u>\$ 634</u>	<u>\$ (256)</u>	<u>\$ 378</u>

Earnings per Share

Basic earnings per share is computed by dividing the net (loss) income from continuing operations attributable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated based on the combined weighted average number of common shares and potentially dilutive shares, which include, where appropriate, the assumed exercise of employee stock options, unvested restricted stock awards, unvested restricted stock units and unvested performance stock units. In computing diluted earnings per share, we utilize the treasury stock method.

Derivatives and Hedging

We account for derivatives and hedging activities in accordance with derivatives and hedging accounting guidance that 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. The guidance also requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Our objective for utilizing derivative instruments is to reduce our exposure to fluctuations in cash flows due to changes in the commodity prices of recycled paper and adverse movements in interest rates.

Our strategy to hedge against fluctuations in the commodity prices of recycled paper is to enter into hedges to mitigate the variability in cash flows generated from the sales of recycled paper at floating prices, resulting in a fixed price being received from these sales. We evaluate the hedges and ensure that these instruments qualify for hedge accounting pursuant to derivative and hedging guidance. Designated as effective cash flow hedges, the changes in the fair value of these derivatives are recognized in other comprehensive (loss) income until the hedged item is settled and recognized as part of commodity revenue.

If the price per short ton of the underlying commodity, as reported on the Official Board Market, is less than the contract price per short ton, we receive the difference between the average price and the contract price (multiplied by the notional tons) from the

respective counter-party. If the price of the commodity exceeds the contract price per short ton, we pay the calculated difference to the counter-party.

The fair values of the commodity hedges are obtained or derived from third-party counter-parties and are determined using valuation models with assumptions about market prices for commodities being based on those in underlying active markets. We are not party to any commodity hedge contracts as of April 30, 2012.

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

For each interest rate derivative deemed to be an effective cash flow hedge, the change in fair value is recorded in our stockholders' equity as a component of accumulated other comprehensive (loss) income and included in interest expense at the same time as interest expense is affected by the hedged transaction. Differences paid or received over the life of the agreements are recorded as additions to or reductions of interest expense of the underlying debt.

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

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

Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and accounts receivable. We maintain cash and cash equivalents with banks that at times exceed applicable insurance limits. We reduce our exposure to credit risk by maintaining such deposits with high quality financial institutions. Concentration of credit risk with respect to accounts receivable is limited because a large number of geographically diverse customers comprise our customer base, thus spreading the trade credit risk. For the years ended April 30, 2012 and 2011, no single group or customer represents greater than 1.85% of total accounts receivable. We control credit risk through credit evaluations, credit limits and monitoring procedures. We may also use credit insurance from time to time. We perform credit evaluations for commercial and industrial customers and perform ongoing credit evaluations of its customers, but generally do not require collateral to support accounts receivable. Credit risk related to derivative instruments results from the fact we enter into interest rate derivative and commodity price hedge agreements with various counterparties. However, we monitor our derivative positions by regularly evaluating positions and the creditworthiness of the counterparties.

Business Combinations

We acquire businesses in the waste industry, including non-hazardous waste collection, transfer station, material recovery facilities and disposal operations, as part of our growth strategy. Businesses are included in the consolidated financial statements from the date of acquisition.

We recognize, separately from goodwill, the identifiable assets acquired and liabilities assumed at their estimated acquisition-date fair values. We measure and recognize goodwill as of the acquisition date as the excess of: (a) the aggregate of the fair value of consideration transferred, the fair value of any noncontrolling interest in the acquiree (if any) and the acquisition-date fair value of our previously held equity interest in the acquiree (if any), over (b) the fair value of net assets acquired and liabilities assumed. If information about facts and circumstances existing as of the acquisition date is incomplete by the end of the reporting period in which a business combination occurs, we will report provisional amounts for the items for which the accounting is incomplete. The measurement period ends once we receive the information we were seeking; however, this period will not extend beyond one year from the acquisition date. Any material adjustments recognized during the measurement period will be recognized retrospectively in the consolidated financial statements of the then current period. All acquisition-related transaction and restructuring costs are to be expensed as incurred. See Note 3 for disclosure over business acquisitions.

Discontinued Operations

We analyze our operations that have been divested or classified as held-for-sale to determine if they qualify for discontinued operations accounting. Only operations that qualify as a component of an entity under generally accepted accounting principles in the United States ("U.S. GAAP") can be included in discontinued operations. In addition, only components where the cash flows of the

component have been or will be eliminated from ongoing operations by the end of the assessment period and where we do not have a significant continuing involvement with the divested operations would qualify for discontinued operations accounting. See Note 16 for disclosure over discontinued operations.

Subsequent Events

No material subsequent events have occurred since April 30, 2012 through the date of this filing that required recognition or disclosure in our current period consolidated financial statements, except as disclosed.

2. NEW ACCOUNTING STANDARDS

Adoption of New Accounting Pronouncements

Goodwill Impairment Test

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

In September 2011, the FASB issued an accounting standards update on goodwill impairment testing. This guidance permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. If after assessing the totality of events or circumstances, we determine that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. This guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 with early adoption permitted. We adopted this guidance effective February 1, 2012 with no effect on our consolidated financial position or results of operations.

Fair Value Measurements and Disclosures

In May 2011, the FASB issued an accounting standards update on fair value disclosures. This guidance is intended to establish common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and International Financial Reporting Standards ("IFRS"). This guidance is effective for the first interim or annual reporting period beginning after December 15, 2011. We adopted this guidance effective February 1, 2012 with no effect on our consolidated financial position or results of operations. See Note 1 and Note 12 for the updated fair value disclosures.

Other Comprehensive Income

In June 2011, the FASB issued an accounting standards update for the presentation of comprehensive income. This guidance requires the presentation of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The updated standard also requires presentation of adjustments for items that are reclassified from other comprehensive income to net income in the statement where the components of net income and the components of other comprehensive income are presented. The FASB deferred certain portions of the accounting standard update related to presentation of reclassification adjustments from other comprehensive income to net income. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 with early adoption permitted. We adopted this guidance effective February 1, 2012 with no effect on our consolidated financial position or results of operations.

New Accounting Pronouncements Pending Adoption

Disclosures About Offsetting Assets and Liabilities

In December 2011, the FASB issued an accounting standards update regarding the disclosure of offsetting assets and liabilities in financial statements. This guidance requires an entity to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The objective of this disclosure is to facilitate comparison between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis of IFRS. This guidance is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual

periods, and will only impact the presentation of our financial statements and will not impact our consolidated financial position or results of operations.

3. BUSINESS ACQUISITIONS

During the fiscal year ended April 30, 2012, we acquired five solid waste hauling operations and completed the acquisition of the McKean County landfill business in Pennsylvania by acquiring additional equipment not included in the original transaction for total consideration of \$2,217, including \$2,102 in cash and \$115 in holdbacks to sellers. In fiscal year 2011 we acquired two solid waste hauling operations in exchange for \$1,073 in cash and \$300 in notes payable. Also in fiscal year 2011, we acquired the McKean County landfill business in Pennsylvania in exchange for \$671 in cash and the assumption of \$1,437 in liabilities. We acquired the McKean County landfill business out of bankruptcy proceedings and recognized a bargain purchase gain of \$2,975 based on the amount by which the fair value of assets acquired exceeded the purchase price consideration. The operating results of these businesses are included in the accompanying consolidated statements of operations from the dates of acquisition, and the purchase prices have been allocated to the net assets acquired based on fair values at the dates of acquisition, with the residual amounts allocated to goodwill. Acquired intangible assets other than goodwill that are subject to amortization include client lists and non-compete covenants. These are amortized over a five to ten year period from the date of acquisition. All amounts allocated to goodwill are expected to be deductible for tax purposes. The purchase price allocated to net assets acquired during the fiscal years ended April 30, 2012 and 2011 is as follows:

	April 30,	
	2012	2011
Equipment	\$ 606	\$ 5,095
Goodwill	502	678
Intangible assets	1,135	441
Current assets	—	277
Current liabilities	(26)	(35)
Total	<u>\$ 2,217</u>	<u>\$ 6,456</u>

The following unaudited pro forma combined information shows the results of our continuing operations for the fiscal years ended April 30, 2012 and 2011 as though each of the acquisitions completed in the fiscal years ended April 30, 2012 and 2011 had occurred as of May 1, 2010.

	Fiscal Years Ended April 30,	
	2012	2011
Revenue	\$ 481,887	\$ 472,833
Operating income	\$ (11,535)	\$ 29,237
Net (loss) income attributable to common stockholders	\$ (77,626)	\$ 38,665
Basic and diluted net (loss) income per common share attributable to common stockholders	\$ (2.90)	\$ 1.48
Basic and diluted weighted average shares outstanding	26,749	26,105

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 our future operations. Furthermore, the pro forma results do not give effect to all cost savings or incremental costs that may occur as a result of the integration and consolidation of the completed acquisitions.

In May 2012, we acquired a solid waste hauling operation in exchange for \$3,150 in cash and \$350 in holdbacks to the seller. The purchase price will be allocated to real and personal property along with amortizable intangibles with the residual amount allocated to goodwill.

4. RESTRICTED CASH / RESTRICTED ASSETS

Restricted cash / restricted assets consists of cash and investments held in trust on deposit with various banks as collateral for our obligations relative to our landfill capping, closure and post-closure costs and other facilities' closure costs. Cash is also restricted by specific agreements for facilities' maintenance and other purposes. A summary of restricted cash / restricted assets is as follows:

	April 30,	
	2012	2011
Current:		
Landfill closure	\$ 76	\$ 76
Total	<u>\$ 76</u>	<u>\$ 76</u>
Non Current:		
Landfill closure	\$ 424	\$ 334
Total	<u>\$ 424</u>	<u>\$ 334</u>

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at April 30, 2012 and 2011 consists of the following:

	April 30,	
	2012	2011
Land	\$ 21,100	\$ 20,691
Landfills	445,812	420,875
Landfill operating lease contracts	103,103	96,487
Buildings and improvements	123,104	119,191
Machinery and equipment	118,278	227,556
Rolling stock	125,100	123,444
Containers	73,426	69,161
	<u>1,009,923</u>	<u>1,077,405</u>
Less: accumulated depreciation and amortization	593,206	624,044
	<u>\$ 416,717</u>	<u>\$ 453,361</u>

Depreciation expense for the fiscal years ended April 30, 2012, 2011 and 2010 was \$37,990, \$36,079 and \$37,959, respectively. Landfill amortization expense for the fiscal years ended April 30, 2012, 2011 and 2010 was \$19,957, \$21,342 and \$24,906, respectively. Depletion expense on landfill operating lease contracts for the fiscal years ended April 30, 2012, 2011 and 2010 was \$8,482, \$7,878 and \$6,867, respectively, and was recorded in cost of operations.

6. INTANGIBLE ASSETS AND GOODWILL

Intangible assets at April 30, 2012 and 2011 consist of the following:

	Covenants Not to Compete	Client Lists	Total
Balance, April 30, 2012			
Intangible assets	\$ 15,601	\$ 3,093	\$ 18,694
Less accumulated amortization	(14,324)	(1,400)	(15,724)
	<u>\$ 1,277</u>	<u>\$ 1,693</u>	<u>\$ 2,970</u>
Balance, April 30, 2011			
Intangible assets	\$ 15,076	\$ 2,474	\$ 17,550
Less accumulated amortization	(13,966)	(1,129)	(15,095)
	<u>\$ 1,110</u>	<u>\$ 1,345</u>	<u>\$ 2,455</u>

Intangible amortization expense for the fiscal years ended April 30, 2012, 2011 and 2010 was \$629, \$840 and \$754, respectively. The intangible amortization expense estimated as of April 30, 2012 for the five fiscal years following fiscal year 2012 and thereafter is as follows:

2013	2014	2015	2016	2017	Thereafter
\$ 640	\$ 592	\$ 542	\$ 361	\$ 257	\$ 578

The following table shows the activity and balances related to goodwill from April 30, 2010 through April 30, 2012:

	April 30, 2011	Acquisitions	April 30, 2012
Eastern region	\$ 38	\$ 20	\$ 58
Western region	88,976	482	89,458
Recycling	12,190	—	12,190
Total	<u>\$ 101,204</u>	<u>\$ 502</u>	<u>\$ 101,706</u>

	April 30, 2010	Acquisitions	April 30, 2011
Eastern region	\$ 38	\$ —	\$ 38
Western region	88,298	678	88,976
Recycling	12,190	—	12,190
Total	<u>\$ 100,526</u>	<u>\$ 678</u>	<u>\$ 101,204</u>

We perform our annual assessment of goodwill impairment at the end of the fourth quarter of the fiscal year, or more frequently if events or circumstances indicate that impairment may exist.

We assess whether a goodwill impairment exists using both qualitative and quantitative assessments. Our qualitative assessment involves determining whether events or circumstances exist that indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If based on this qualitative assessment we determine it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, we will not perform a quantitative assessment.

If the qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount or if we elect not to perform a qualitative assessment, we perform a quantitative assessment or two-step impairment test to determine whether a goodwill impairment exists at the reporting unit.

The first step (defined as "Step 1") of the goodwill impairment test, used to identify potential impairment, compares the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired, thus the second step (defined as "Step 2") of the impairment test is unnecessary. If the carrying amount of a reporting unit exceeds its fair value, Step 2 of the goodwill impairment test must be performed to measure the amount of impairment loss, if any.

As a part of the Step 1 testing for goodwill impairment, we estimate the fair value of each reporting unit, which we determined to be our three operating regions (Eastern, Western, and Recycling). The estimated fair value of each reporting unit is compared with the carrying value of the net assets assigned to each reporting unit. The sum of the fair values of the reporting units is reconciled to our current market capitalization (based on our stock price) plus an estimated control premium. The discounted cash flow method is used to measure the fair value of our equity under the income approach for each reporting unit. Determining the fair value using a discounted cash flow method requires us to make significant estimates and assumptions, including market conditions, discount rates, and long-term projections of cash flows. Our estimates are based upon historical experience, current market trends, projected future volumes and other information. We believe that the estimates and assumptions underlying the valuation methodology are reasonable; however, different estimates and assumptions could result in a different estimate of fair value. In estimating future cash flows, we rely on internally generated projections for a defined time period for revenue and operating profits, including capital expenditures, changes in net working capital, and adjustments for non-cash items to arrive at the free cash flow available to invested capital. A terminal value utilizing a constant growth rate of cash flows is used to calculate a terminal value after the explicit projection period. The future projected cash flows for the discrete projection period and the terminal value are discounted at a risk adjusted discount rate to determine the fair value of the reporting unit.

Step 2 of the goodwill impairment test, used to measure the amount of impairment loss, compares the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of our goodwill exceeds the implied fair value of that goodwill, an impairment loss shall be recognized in an amount equal to that excess. The loss recognized cannot exceed the carrying amount of goodwill. After a goodwill impairment loss is recognized, the adjusted carrying amount of goodwill becomes its new accounting basis. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination is determined. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied amount of goodwill. We estimate the fair value of several tangible and intangible assets during the process that are valued during this process. Intangible assets included landfill air rights, customer relationships and trade names. For intangible assets, we select an income approach to value the air rights, customer relationships, and trade names. The landfill air rights and customer relationships are valued using the multi-period excess earnings method under the income approach, which estimates the fair value of the asset by discounting the future projected earnings of the asset to present value as of the valuation date. The trade names were valued using a relief from royalty method.

We incurred no impairment of goodwill as a result of our annual fourth quarter goodwill impairment tests in fiscal years 2012, 2011 or 2010. As of April 30, 2012, the qualitative assessment performed for the Western reporting unit indicated that it is more likely than not that the fair value of the reporting unit exceeded its carrying amount, including goodwill, and, therefore, no Step 1 was performed. The Step 1 test indicated that fair value of the Recycling reporting unit exceeded its carrying value by 24.4%. The carrying value of the Eastern reporting unit goodwill is de minimus and its impact to our operating results would be immaterial.

7. ACCRUED CAPPING, CLOSURE AND POST CLOSURE

Accrued capping, closure and post-closure costs include the current and non-current portion of costs associated with obligations for closure and post-closure of our landfills. We estimate our future capping, closure and post-closure costs in order to determine the capping, closure and post-closure expense per ton of waste placed into each landfill as further described in Note 1 to these consolidated financial statements. The anticipated timeframe for paying these costs varies based on the remaining useful life of each landfill, as well as the duration of the post-closure monitoring period. The changes to accrued capping, closure and post-closure liabilities are as follows:

	Fiscal Years Ended April 30,	
	2012	2011
Beginning balance	\$ 36,407	\$ 40,002
Obligations incurred	3,123	2,769
Revisions in estimates (1)	(1,682)	(4,273)
Accretion expense	3,341	3,193
Payments	(1,560)	(6,647)
Acquisitions	—	1,363
Ending balance	<u>\$ 39,629</u>	<u>\$ 36,407</u>

- (1) The revision in estimates for capping, closure and post-closure for the years ended April 30, 2012 and 2011 consist of changes in cost estimates and timing of capping and closure events as well as changes to expansion airspace and tonnage placement assumptions.

8. OTHER ACCRUED LIABILITIES

Other accrued liabilities, classified as current liabilities, at April 30, 2012 and 2011 consist of the following:

	April 30, 2012	April 30, 2011
Self insurance reserve - current portion	\$ 10,436	\$ 11,514
Other accrued liabilities	10,772	9,409
Total other accrued liabilities	<u>\$ 21,208</u>	<u>\$ 20,923</u>

9. LONG-TERM DEBT AND CAPITAL LEASES

Long-term debt and capital leases as of April 30, 2012 and 2011 consist of the following:

	April 30, 2012	April 30, 2011
Senior subordinated notes due February 15, 2019, 7.75%, interest payable semiannually, unsecured and unconditionally guaranteed (the "2019 Notes")	\$ 200,000	\$ 200,000
Senior second lien notes, due July 15, 2014, 11.00%, interest payable semiannually, secured by second priority lien on substantially all of our assets (including unamortized discount of \$2,572 and \$3,536) (the "Second Lien Notes")	177,428	176,464
Senior secured revolving credit facility, which provides for advances or letters of credit of up to \$227,500, due March 18, 2016, bearing interest at LIBOR plus 3.75%, (approximately 3.99% at April 30, 2012 based on one month LIBOR), secured by substantially all of our assets (the "2011 Revolver")	69,600	57,357
Finance Authority of Maine Solid Waste Disposal Revenue Bonds Series 2005R-1 due January 1, 2025, dated December 1, 2005, bearing interest at BMA Index (approximately 0.34% at April 30, 2012) enhanced by an irrevocable, transferable direct-pay letter of credit (3.875% at April 30, 2012) (the "Bonds")	3,600	25,000
Finance authority of Maine Solid Waste Disposal Revenue Bonds Series 2005R-2 due January 1, 2025, dated February 1, 2012, bearing interest at 6.25% through January 31, 2017, unsecured and guaranteed by our significant wholly-owned subsidiaries (the "Converted Bonds")	21,400	—
Notes payable in connection with businesses acquired, bearing interest at rates of 2.49% - 6.50%, due in monthly or annual installments varying to \$575, maturing May 2013 through April 2016	2,033	2,936
Capital leases for facilities and equipment, bearing interest rates of 4.50% - 4.72%, due in monthly installments varying to \$78, expiring April 2013 through January 2015	548	878
	<u>474,609</u>	<u>462,635</u>
Less—current maturities	<u>1,228</u>	<u>1,217</u>
	<u>\$ 473,381</u>	<u>\$ 461,418</u>

Senior Subordinated Notes

On February 7, 2011, we completed the offering of \$200,000 of 2019 Notes. The net proceeds from the 2019 Notes, together with other available funds, were used to refinance our then outstanding senior subordinated notes due February 1, 2013 (the "2013 Notes") and to pay related transaction costs. The 2019 Notes will mature on February 15, 2019, and accrue interest at a rate of 7.75% per annum. Interest is payable semiannually in arrears on February 15 and August 15 of each year. The 2019 Notes are fully and unconditionally guaranteed on a senior subordinated basis by substantially all of our existing and future domestic restricted subsidiaries that guarantee our 2011 Revolver and Second Lien Notes.

The indenture governing the 2019 Notes contains certain negative covenants which restrict, among other things, our ability to sell assets, make investments in joint ventures, pay dividends, repurchase stock, incur debt, grant liens and issue preferred stock. As of April 30, 2012, we were in compliance with all covenants under the indenture governing the 2019 Notes and we do not believe that these restrictions impact our ability to meet future liquidity needs except that they may impact our ability to increase our investments in third parties, including the joint ventures to which we are parties.

Senior Second Lien Notes

On July 9, 2009, we completed the offering of \$180,000 aggregate principal amount of Second Lien Notes. The Second Lien Notes were issued at an original issue price of 97.2% of the principal amount. The Second Lien Notes will mature on July 15, 2014 and accrue interest at a rate of 11% per annum. Interest is payable semiannually in arrears on January 15 and July 15 of each year. The Second Lien Notes are guaranteed jointly and severally, fully and unconditionally by all of the subsidiaries that guarantee the 2011 Revolver.

The Second Lien Notes were sold in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and to non-U.S. persons outside the United States under Regulation S under the Securities Act. The Second Lien Notes have not been registered under the Securities Act, and unless so registered, may not be offered or sold in the United States absent registration or an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and other applicable securities laws.

Although the Second Lien Notes do not contain financial ratio covenants, they do contain certain negative covenants which restrict, among other things, our ability to sell assets, make investments in joint ventures, pay dividends, repurchase stock, incur debt, grant liens and issue preferred stock. As of April 30, 2012, we were in compliance with all covenants under the indenture governing the Second Lien Notes and we do not believe that these restrictions impact our ability to meet future liquidity needs except that they may impact our ability to increase our investments in third parties, including the joint ventures to which we are parties.

Senior Secured Revolving Credit Facility

The 2011 Revolver is a \$227,500 revolving credit and letter of credit facility due March 18, 2016. If we fail to refinance the Second Lien Notes by March 1, 2014, the maturity date for the 2011 Revolver shall be March 31, 2014. We have the right to request, at our discretion, an increase in the amount of the 2011 Revolver by an aggregate amount of \$182,500 subject to certain conditions set forth in the 2011 Revolver agreement. The 2011 Revolver is guaranteed jointly and severally, fully and unconditionally by all of our significant wholly-owned subsidiaries.

On April 27, 2012, we entered into the first amendment to our 2011 Revolver. As a part of the amendment, we modified the financial covenants that the 2011 Revolver is subject to; we amended the agreement to use proceeds of a Term Loan B or other subordinated financings, which we may obtain, to refinance our outstanding Second Lien Notes; and we provided for adjustments to the financial covenants in the event that we undertake future financing activities.

The 2011 Revolver is subject to customary affirmative, negative, and financial covenants. As of April 30, 2012, these covenants restricted capital expenditures to 1.5 times our consolidated depreciation expenses, depletion expenses and landfill amortization expenses, set a minimum interest coverage ratio of 2.15, a maximum consolidated total funded debt to consolidated EBITDA ratio of 5.25 and a maximum senior funded debt to consolidated EBITDA ratio of 3.25. In addition to the financial covenants described above, the 2011 Revolver, as amended, also contains a number of important negative covenants which restrict, among other things, our ability to sell assets, pay dividends, repurchase stock, incur debt, grant liens and issue preferred stock.

Further advances were available under the 2011 Revolver in the amount of \$128,209 as of April 30, 2012. The available amount is net of outstanding irrevocable letters of credit totaling \$29,691 as of April 30, 2012, at which date no amount had been drawn.

Maine Bonds

On December 28, 2005, we completed a financing transaction involving the issuance, by the Finance Authority of Maine (the "Authority"), of \$25,000 aggregate principal amount of the Bonds. The Bonds were issued pursuant to an indenture, dated as of December 1, 2005 and were enhanced by an irrevocable, transferable direct-pay letter of credit issued by Bank of America, N.A. Pursuant to a Financing Agreement, dated as of December 1, 2005, by and between us and the Authority, we have borrowed the proceeds of the Bonds to pay for certain costs relating to landfill development and construction, vehicle, container and related equipment acquisition for solid waste collection and transportation services, improvements to existing solid waste disposal, hauling, transfer station and other facilities, other infrastructure improvements, and machinery and equipment for solid waste disposal operations owned and operated by us, or a related party, all located in Maine.

On February 1, 2012, we converted the interest rate period on, and remarketed, \$21,400 aggregate principal amount of the \$25,000 Bonds. The mandatorily tendered Converted Bonds were converted from a variable rate to a five year fixed term interest rate of 6.25% per annum and included additional covenants and credit support for the benefit of the holders of those Converted Bonds, including guarantees by certain of our subsidiaries. The Converted Bonds are no longer secured by a letter of credit issued by a bank. The

remaining \$3,600 of outstanding Bonds will remain as variable rate bonds secured by a letter of credit issued by a bank. The Bonds mature on January 1, 2025.

Loss on Debt Refinancing

In the fourth quarter of fiscal year 2012, we recorded a charge of \$300 as a loss on debt extinguishment related to the non-cash write off of unamortized deferred financing costs associated with the original issuance of the Bonds.

In fiscal year 2011, we recorded a charge of \$7,390 as a loss on debt extinguishment associated with fiscal year 2011 refinancing efforts, which include the write off of \$1,415 and \$1,812 in deferred financing costs associated with the senior secured term B loan due April 9, 2014 (the "2009 Term Loan") and the 2013 Notes, the write-off of the \$4,976 discount and \$1,706 premium associated with the 2009 Term Loan and 2013 Notes, a \$1,043 gain associated with the discount on the tender of the 2013 Notes and a \$1,821 loss associated with the consent payment on the 2013 Notes. Also included in this loss is a charge attributable to the \$115 non-cash write-off of unamortized financing costs associated with the repayment of financing lease obligations and other costs.

In fiscal year 2010, we recorded a charge of \$511 as a loss on debt extinguishment related to the non-cash write off of unamortized deferred financing costs associated with the refinancing of our previous senior credit facility.

Interest Expense

The components of interest expense for the fiscal years ended April 30, 2012, 2011 and 2010 are as follows:

	Fiscal Year Ended April 30,		
	2012	2011	2010
Interest expense on debt and capital lease and financing lease obligations	\$ 40,689	\$ 42,390	\$ 40,468
Amortization of debt financing costs	3,307	3,424	3,472
Amortization of debt discounts	964	801	685
Amortization of debt premium	—	(611)	(727)
Letter of credit fees	988	986	825
Less: capitalized interest	(407)	(1,078)	(348)
Total interest expense	<u>\$ 45,541</u>	<u>\$ 45,912</u>	<u>\$ 44,375</u>

Fair Value of Debt

As of April 30, 2012, the fair value of our fixed rate debt, including the Second Lien Notes, the 2019 Notes and the Converted Bonds was approximately \$409,237 and the carrying value was \$398,828. The fair value of these debt instruments is considered to be Level 1 within the fair value hierarchy as their fair values are based off of quoted market prices in active markets. As of April 30, 2012, the fair value of the 2011 Revolver approximated its carrying value of \$69,600 based on current borrowing rates for similar types of borrowing arrangements.

Future Maturities of Debt

As of April 30, 2012, debt and capital leases mature as follows:

2013	\$ 1,228
2014	867
2015 (1)	177,731
2016	69,783
2017	—
Thereafter	225,000
	<u>\$ 474,609</u>

(1) Includes unamortized discount of \$2,572.

10. COMMITMENTS AND CONTINGENCIES

(a) Leases

The following is a schedule of future minimum operating lease and finance lease obligation payments, together with the present value of the net minimum lease payments under finance lease obligations, as of April 30, 2012:

	Operating Leases	Financing Lease Obligations
2013	\$ 10,715	\$ 472
2014	10,557	472
2015	26,927	472
2016	7,610	1,098
2017	8,878	—
Thereafter	119,714	—
Total minimum lease payments	\$ 184,401	2,514
Less—amount representing interest		358
		2,156
Less—current maturities of finance lease obligations		338
Present value of long term finance lease obligations		\$ 1,818

We lease real estate and equipment under leases that qualify for treatment as capital leases. On July 31, 2008, we completed a financing transaction engines for a landfill gas to energy project with a third-party leasing company. The financing lease obligation has a seven year term at a fixed rate of interest (approximately 6.7%). The assets related to the obligation in the amount of \$3,213 have been capitalized and are included in property, plant and equipment at April 30, 2012 and 2011, respectively. Depreciation expense associated with these assets amounted to \$293 for fiscal years ended April 30, 2012 and 2011, respectively.

We lease operating facilities and equipment under operating leases with monthly payments varying up to \$26. Future minimum lease payments under these operating leases include the effect of escalation clauses, lease concessions and capital project funding, as applicable. Future minimum lease payments are recognized on a straight-line basis over the minimum lease term. Total rent expense under operating leases charged to operations was \$5,213, \$5,109 and \$5,111 in fiscal years ended April 30, 2012, 2011 and 2010, respectively.

We entered into three landfill operation and management agreements in fiscal year 2004 and one landfill operation and management agreement in fiscal year 2006. These agreements are long-term landfill operating contracts with government bodies whereby we receive tipping revenue, pay normal operating expenses and assume future capping, closure and post-closure liabilities. The government body retains ownership of the landfill. There is no bargain purchase option and title to the property does not pass to us at the end of the lease term. We allocate the consideration paid to the landfill airspace rights and underlying land lease based on the relative fair values.

In addition to up-front or one-time payments, the landfill operating agreements require us to make future minimum rental payments, including success/expansion fees, other direct costs and capping, closure, and post closure costs. The value of all future probable lease payments is amortized and charged to cost of operations over the life of the contract. We amortize the consideration allocated to airspace rights as airspace is utilized on a units-of-consumption basis and such depletion is charged to cost of operations as airspace is consumed (e.g., as tons are placed into the landfill). The underlying value of the land lease is amortized to cost of operations on a straight-line basis over the estimated life of the operating agreement. Depletion expense on landfill operating lease contracts charged to operations was \$8,482, \$7,878 and \$6,867 in fiscal years ended April 30, 2012, 2011 and 2010, respectively.

(b) Legal Proceedings

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

In accordance with Accounting Standard Codification (“ASC”) 450-20, we accrue for legal proceedings when losses become probable and reasonably estimable. As of the end of each applicable reporting period, we review each of our legal proceedings to determine whether it is probable, reasonably possible or remote that a liability has been incurred and, if it is at least reasonably possible, whether a range of loss can be reasonably estimated under the provisions of ASC 450-20-25-2. In instances where we determine that a loss is

probable and we can reasonably estimate a range of losses we may incur with respect to such a matter, we record an accrual for the amount within the range that constitutes our best estimate of the possible loss. If we are able to reasonably estimate a range but no amount within the range appears to be a better estimate than any other, we record an accrual in the amount that is the low end of such range. When a loss is reasonably possible, but not probable, we will not record an accrual but we will disclose our estimate of the possible range of loss where such estimate can be made in accordance with ASC 450-20-25-3. As of April 30, 2012, there were no accruals established related to our outstanding legal proceedings.

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

Town of Seneca Matter

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

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

Vermont Attorney General Matter

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

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

Penobscot Energy Recovery Company Matter

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

New York State Tax Litigation Matter

On January 18, 2011, certain of our subsidiaries doing business in New York State received a Notice of Deficiency from the New York State Department of Taxation and Finance asserting liability for corporation franchise tax for one or more of the tax years ended April 30, 2004 through April 30, 2006. The Notices, in the aggregate, assert liability of \$3,852, comprising \$2,220 of tax and \$1,632 of penalties and interest. New York State has alleged that we are not permitted to file a single combined corporation franchise tax return with our subsidiaries for each of the years audited.

We filed Petitions for Redetermination with the State of New York Division of Tax Appeals on April 13-14, 2011, and an administrative hearing before a single tax tribunal administrative law judge on all Petitions is scheduled for December 12, 2012. We expect to aggressively defend against this claim through the administrative adjudication and appeals process and the courts if necessary. Under ASC 740 we believe our position will more likely than not be successful in contesting the deficiencies and consequently, we have not established any reserve.

(c) Environmental Liability

We are subject to liability for environmental damage, including personal injury and property damage, that our solid waste, recycling and power generation facilities may cause to neighboring property owners, particularly as a result of the contamination of drinking water sources or soil, possibly including damage resulting from conditions existing before we acquired the facilities. We may also be subject to liability for similar claims arising from off-site environmental contamination caused by pollutants or hazardous substances if we or our predecessors arrange or arranged to transport, treat or dispose of those materials.

On December 20, 2000, the State of New York Department of Environmental Conservation ("DEC") issued an Order on Consent ("Order") which named Waste-Stream, Inc. ("WSI"), our subsidiary, General Motors Corporation ("GM") and Niagara Mohawk Power Corporation ("NiMo") as Respondents. The Order required that the Respondents undertake certain work on a 25-acre scrap yard and solid waste transfer station owned by WSI, including the preparation of a Remedial Investigation and Feasibility Study (the "Study"). A draft of the Study was submitted to DEC in January 2009 (followed by a final report in May 2009). The Study estimated that the undiscounted costs associated with implementing the preferred remedies will be approximately \$10,219 and it is unlikely that any costs relating to onsite remediation will be incurred until fiscal year 2013. On February 28, 2011, the DEC issued a Proposal Remedial Action Plan (the "PRAP") for the site and accepted public comments on the proposed remedy through March 29, 2011. We submitted comments to the DEC on this matter. In April 2011, the DEC issued the final Record of Decision ("ROD") for the site. The ROD was subsequently rescinded by the DEC for failure to respond to all submitted comments. The preliminary ROD, however, estimated that the present cost associated with implementing the preferred remedies would be approximately \$12,130. The DEC issued the final ROD in June 2011 with proposed remedies consistent with its earlier ROD.

WSI is jointly and severally liable for the total cost to remediate and we initially expected to be responsible for approximately 30% upon implementation of a cost-sharing agreement with NiMo and GM. Based on these estimates, we recorded an environmental remediation charge of \$2,823 in third quarter of fiscal year 2009. In the fourth quarter of fiscal year 2009, we recognized an additional charge of \$1,532, representing an additional 15% of the estimated costs, in recognition of the deteriorating financial condition and eventual bankruptcy filing of GM. In the fourth quarter of fiscal year 2010, we recognized an additional charge of \$335 based on changes in the expected timing of cash outflows. Based on the estimated costs in the ROD, and changes in the estimated timing of cash flows, we recorded an environmental remediation charge of \$549 in the fourth quarter of fiscal year 2011. Such charges could be significantly higher if costs exceed estimates. We inflate these estimated costs in current dollars until the expected time of payment and discount the cost to present value using a risk free interest rate (2.70%). At April 30, 2012 and April 30, 2011, we have recorded liabilities of \$5,210 and \$5,147, respectively, including the recognition of \$138 and \$138 of accretion expense in the fiscal years ended April 30, 2012 and 2011, respectively.

In September 2011, the DEC settled its environmental claim against the estate of the former GM (known as the "Motors Liquidation Trust") for future remediation costs relating to the WSI site for face value of \$3,000. In addition, in November 2011 we settled our own claim against the Motors Liquidation Trust for face value of \$100. These claims will be paid by GM in stocks and warrants of the reorganized GM. We expect the warrants to be issued within the first or second quarter of fiscal year 2013. We have not assumed that the payment of these claims will reduce our exposure.

The payments we expect to make, in today's dollars, for each of the five succeeding fiscal years and the aggregate amount thereafter are as follows:

2013	\$	225
2014		2,019
2015		2,011
2016		27
2017		42
Thereafter		750
Total	\$	<u>5,074</u>

A reconciliation of the expected aggregate undiscounted amount to the amount recognized in the statements of financial position is as follows:

Undiscounted liability	\$	5,074
Plus inflation / discount, net		136
Liability balance - April 30, 2012	\$	<u>5,210</u>

Any substantial liability incurred by us arising from environmental damage could have a material adverse effect on our business, financial condition and results of operations. We are not presently aware of any other situations that it expects would have a material adverse impact on its business, financial condition, results of operations or cash flows.

(d) Employment Contracts

We have entered into employment contracts with three of our executive officers. Contracts are dated June 18, 2001, January 9, 2008, and July 6, 2010. Each contract has an initial three year term and a covenant not to compete ranging from one to two years from the date of termination. These contracts automatically extend for a one year period at the end of the initial term and any renewal period. Total annual commitments for salaries under these contracts are \$941. In the event of a change in control of us, or in the event of involuntary termination without cause, the employment contracts provide for a payment ranging from one to three years of salary and bonuses. We also have other employment contracts or arrangements with employees who are not senior officers.

11. STOCKHOLDERS' EQUITY

(a) 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.

(b) Preferred Stock

We are authorized to issue up to 944 shares of preferred stock in one or more series. As of April 30, 2012 and 2011, we had zero shares issued.

(c) Stock Incentive Plans

On July 31, 1997, we adopted the 1997 Stock Option Plan (the "1997 Plan") a stock option plan for employees, officers and directors of, and consultants and advisors to us. As of April 30, 2012, options to purchase 1,081 shares of Class A Common Stock at a weighted average exercise price of \$11.82 were outstanding under the 1997 Plan. As of April 30, 2011, options to purchase 1,667 shares of Class A Common Stock at a weighted average exercise price of \$11.81 were outstanding under the 1997 Plan. The 1997 Plan terminated as of July 31, 2007 and as a result no additional awards may be made pursuant to the 1997 Plan.

On July 31, 1997, we adopted a stock option plan for our non-employee directors. The 1997 Non-Employee Director Stock Option Plan (the "Non-Employee Director Plan") provided for the issuance of a maximum of 200 shares of Class A Common Stock pursuant to the grant of non-statutory options. As of April 30, 2012 options to purchase 95 shares of Class A Common Stock at a weighted average exercise price of \$11.04 were outstanding. As of April 30, 2011 options to purchase 110 shares of Class A Common Stock at a weighted average exercise price of \$11.07 were outstanding. The Non-Employee Director Plan terminated as of July 31, 2007.

On October 10, 2006, we adopted the 2006 Stock Incentive Plan (the “2006 Plan”). The 2006 Plan was amended on October 13, 2009. Up to an aggregate amount equal to the sum of: (i) 2,475 shares of Class A Common Stock (subject to adjustment in the event of stock splits and other similar events), plus (ii) such additional number of shares of Class A Common Stock as are currently subject to options granted under our 1993 Incentive Stock Option Plan, 1994 Non-statutory Stock Option Plan, 1996 Option Plan, and 1997 Plan (the “Prior Plans”) which are not actually issued under the Prior Plans because such options expire or otherwise result in shares not being issued, may be issued pursuant to awards granted under the 2006 Plan. As of April 30, 2012, options to purchase 485 shares of Class A Common Stock at a weighted average exercise price of \$7.64 were outstanding under the 2006 Plan. As of April 30, 2011, options to purchase 478 shares of Class A Common Stock at a weighted average exercise price of \$7.66 were outstanding under the 2006 plan.

During fiscal year 2010, we granted an equal number of restricted stock units and performance stock units under the 2006 Plan to certain employees. The vesting of the performance stock units was based on our attainment of targeted annual returns on net assets in fiscal year 2012 and the vesting of the restricted stock units is based on continued employment over a three year period beginning on the grant date. The initial grant date of these awards was June 11, 2009. Subsequent to the initial grant, we determined that due to a clerical error, the number of awards made on June 11, 2009 exceeded the number of shares that were available for issuance under the 2006 Plan. As a result, we asked officers and certain employees who received a restricted stock and performance stock unit award on June 11, 2009 and a performance stock unit award on July 28, 2008 to agree to termination of the agreements evidencing such awards. Upon stockholder approval to increase the number of shares authorized for issuance under the 2006 Plan on October 13, 2009, we granted restricted stock units and performance stock units under the 2006 Plan for the same number of shares and subject to the same terms as those awards that had been terminated. The performance and restricted stock units were granted at an average grant date fair value of \$2.69 per share. As of April 30, 2012, the restricted stock units could result in the issuance of an aggregate of up to 134 shares of Class A Common Stock based on continued employment over the remainder of the three year service period. The performance stock units could have resulted in the issuance of shares of Class A Common Stock based on the attainment of a targeted average return on net assets over a three year period ending April 30, 2012. We did not record equity compensation expense or issue any shares of Class A Common stock as we did not attain the performance metrics associated with this grant. These performance stock units expired on April 30, 2012.

As a result of the sale of non-integrated recycling assets and select intellectual property assets on March 1, 2011, we modified certain awards associated with this grant to allow employees who left us as a result of the transaction to become immediately vested in full with respect to their performance stock units and partially vested with respect to their restricted stock units based on their continued employment through the transaction date. This modification resulted in 106 and 25 shares of Class A Common Stock to be issued and \$702 in total compensation expense being recognized related to discontinued operations in the fourth quarter of fiscal year 2011.

In fiscal year 2011, we granted a combination of restricted stock units and performance stock units under the 2006 Plan to certain employees. The vesting of the performance stock units is based on our attainment of targeted annual returns on net assets in fiscal year 2013 and the vesting of the restricted stock units is based on continued employment over a three year period beginning on the grant date. As of April 30, 2012, the performance stock units included in the June, 2010 grant for could result in the issuance of up to 441 shares of Class A Common Stock based on the attainment of a targeted annual return on net assets in fiscal year 2013 and the restricted stock units could result in the issuance of up to 235 shares of Class A Common Stock based on continued employment over the remainder of the three year service period. The performance stock units were granted at a grant date fair value of \$4.20 per share and the restricted stock units were granted at a grant date fair value of \$3.46 per share.

As a result of the sale of non-integrated recycling assets and select intellectual property assets on March 1, 2011, we modified certain awards to allow employees who left us as a result of the transaction to become immediately vested with respect to their performance stock units and partially vested with respect to their restricted stock units based on their continued employment through the transaction date. This modification resulted in 107 and 21 shares of Class A Common Stock to be issued and \$736 in total compensation expense being recognized related to discontinued operations in the fourth quarter of fiscal year 2011.

In fiscal year 2012, we granted an equal number of restricted stock units and performance stock units under the 2006 Plan to certain employees. The vesting of the performance stock units is based on our attainment of targeted annual returns on net assets in fiscal year 2014 and the vesting of the restricted stock units is based on continued employment over a three year period beginning on the grant date. As of April 30, 2012, the performance stock units included in the June 2011 grant could result in the issuance of up to 365 shares of Class A Common Stock based on the attainment of a targeted maximum annual return on net assets in fiscal year 2014 and the restricted stock units could result in the issuance of an aggregate of up to 243 shares of Class A Common Stock based on continued employment over the remainder of the three year service period. The performance stock units and the restricted stock units were granted at a grant date fair value of \$6.06 per share.

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

As a result of the sale of non-integrated recycling assets and select intellectual property assets on March 1, 2011, employees who left as a result of the transaction that held stock options, subject to certain limitations, had the exercise period of their stock options extended 18 months from the date of termination.

Set forth below is a summary of options outstanding and exercisable as of April 30, 2012:

	Options Outstanding			Options Exercisable	
	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Exercisable Options	Weighted Average Exercise Price
\$ 0.00 - \$3.99	250	8.2	\$ 3.81	83	\$ 3.81
\$ 4.00 - \$6.91	52	4.6	5.41	45	5.31
\$ 6.92 - \$10.38	248	1.5	9.10	248	9.10
\$ 10.39 - \$12.60	457	3.1	11.65	457	11.65
\$ 12.61 - \$15.58	639	2.9	13.28	639	13.28
Over \$15.59	15	4.1	15.60	15	15.60
Totals	1,661	3.6	\$ 10.55	1,487	\$ 11.33

As of April 30, 2012 there were 1,751 Class A Common Stock equivalents available for future grant under the 2006 Plan inclusive of additional Class A Common Stock equivalents which were previously issued under our terminated plans, and which have become available for grant because such awards expired or otherwise resulted in shares not being issued.

A summary of stock options, restricted stock and restricted / performance stock units outstanding as of April 30, 2012 and 2011, and changes during the fiscal year ended April 30, 2012, is presented below:

	Unvested Options	Vested Options	Total Options	Weighted Average Exercise Price	Aggregate Intrinsic Value of Vested Options	Weighted Average Remaining Term (Years)	Restricted Stock Units, Restricted Stock and Performance Stock Units Unvested (1)
Outstanding, April 30, 2011	257	1,998	2,255	\$ 10.89	\$ 803	3.8	1,630
Granted	7	—	7	6.03			612
Vested (options only)	(90)	90	—	3.88			—
Forfeited	—	(601)	(601)	11.77			(500)
Exercised/Issued	—	—	—	—			(362)
Outstanding, April 30, 2012	174	1,487	1,661		\$ 592	3.6	1,380
Exercisable, April 30, 2010		2,466	2,466	\$ 11.25	\$ 3	3.4	
Exercisable, April 30, 2011		1,998	1,998	\$ 11.80	\$ 52	3.1	
Exercisable, April 30, 2012		1,487	1,487	\$ 11.33	\$ 222	3.1	
Expected to vest at April 30, 2012	174						1,157

(1) Performance stock units are included at the 100% attainment level. Attainment of performance metrics at maximum levels could result in the issuance of an additional 210 shares of Class A Common Stock.

The weighted average grant date fair value per share for the stock options granted during the fiscal years ended April 30, 2012, 2011 and 2010 was \$4.36, \$2.85 and \$3.48, respectively. The total fair value of the 90 stock options vested during the fiscal year and outstanding as of April 30, 2012 was approximately \$261.

Stock options exercisable as of April 30, 2012 have an aggregate intrinsic value of \$222 based on the market value of our Class A common stock as of April 30, 2012.

(d) Stock-Based Compensation

We recognized stock-based compensation expense of \$1,855, \$1,592 and \$1,987 for the fiscal years ended April 30, 2012, 2011 and 2010, respectively. Of these amounts, expense recorded with respect to stock options was \$258, \$387 and \$925, expense recorded with respect to our employee stock purchase plan was \$113, \$122 and \$188, and expense recorded with respect to restricted stock, restricted stock units and performance stock units was \$1,485, \$1,083 and \$875 for the fiscal years ended April 30, 2012, 2011 and 2010, respectively. The tax benefit in the provision for income taxes associated with stock-based compensation expense for the fiscal years ended April 30, 2012, 2011 and 2010 was \$0, \$97, and \$0, respectively.

The unrecognized stock-based compensation expense at April 30, 2012 related to unvested stock options, restricted stock and restricted stock units was \$2,217, to be recognized over a weighted average period of 1.24 years. Maximum unrecognized stock-based compensation expense at April 30, 2012 related to outstanding performance stock units, and subject to the attainment of targeted maximum annual returns on net assets, was \$3,486, to be recognized over a weighted average period of 1.45 years. As of April 30, 2012, we do not expect to recognize any expense related to outstanding performance stock units over the weighted average period based on our expectation that we will not meet our attainment levels.

We recorded a tax benefit of \$254, \$129 and \$0 to additional paid in capital related to the exercise of various share based awards in the fiscal years ended April 30, 2012, 2011 and 2010, respectively. Prior to the adoption of guidance on equity based compensation, we presented all tax benefits net of deductions resulting from the exercise of share based awards as an operating cash flow, in accordance with appropriate guidance. Current guidance on equity based compensation requires us to reflect the tax savings resulting from tax deductions in excess of expense as a financing cash flow in its financial statements.

Our calculations of stock-based compensation expense associated with stock options and our Employee Stock Purchase Plan for the fiscal years ended April 30, 2012, 2011 and 2010 were made using the Black-Scholes valuation model. The fair values of our stock option grants and stock options related to shares issued under our Employee Stock Purchase Plan were estimated assuming no expected dividend yield using the following weighted average assumptions for the fiscal years ended April 30, 2012, 2011 and 2010:

	Fiscal Year Ended April 30,		
	2012	2011	2010
Stock Options:			
Expected life	5.5 years	6.5 years	6 years
Risk-free interest rate	0.82%	1.80%	2.28%
Expected volatility	91.54%	85.59%	84.98%
Stock Purchase Plan:			
Expected life	0.5 years	0.5 years	0.5 years
Risk-free interest rate	0.10%	0.20%	0.19%
Expected volatility	49.05%	46.53%	210.97%

The fair value of the stock option modification related to the sale of non-integrated recycling assets and select intellectual property assets was calculated as of the agreement date using the following assumptions: expected life 1.5 years, risk-free interest rate of 0.46%, and expected volatility rate of 52.19%.

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

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

(e) Noncontrolling interest

In September 2011, we entered into a joint venture with Altela, Inc. to form Casella-Altela Regional Environmental Services, LLC ("CARES"), a joint venture that develops, owns and operates water treatment projects for the natural gas drilling industry in Pennsylvania and New York and can also be used to treat leachate at our landfills. As a part of the joint venture, we retained a 51% membership interest in CARES in exchange for an initial cash contribution to CARES of \$1,322. Altela, Inc. made an initial

contribution of equipment valued at \$1,270 and retained a 49% membership interest in CARES. In the fiscal year 2012, we and Altela, Inc. made additional cash contributions, in line with our membership interests, of \$557 and \$535, respectively, for the purchase of additional equipment and to fund operations. Income and losses are to be allocated to members based on membership interest percentage.

In accordance with ASC 810-10-15, we consolidate the assets, liabilities, noncontrolling interest, and results of operations of CARES into our consolidated financial statements due to our controlling financial interest in the joint venture.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

Our financial instruments include cash and cash equivalents, trade receivables, restricted trust and escrow accounts, commodity and interest rate derivatives, trade payables and long-term debt. The carrying values of cash and cash equivalents, trade receivables and trade payables approximate their respective fair values. We use a three-tier fair value hierarchy to classify and disclose all assets and liabilities measured at fair value on a recurring basis, as well as assets and liabilities measured at fair value on a non-recurring basis, in periods subsequent to their initial measurement. These tiers include: Level 1, defined as quoted market prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, and Level 3, defined as unobservable inputs that are not corroborated by market data.

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

Our financial assets and liabilities recorded at fair value on a recurring basis include restricted assets and derivative instruments. Our derivative instruments at April 30, 2012 include two forward starting interest rate derivatives. We use interest rate derivatives to hedge against adverse movements in interest rates. The fair value of our interest rate derivatives is based primarily on the LIBOR index.

As of April 30, 2012, our financial assets and liabilities that are measured at fair value on a recurring basis and whose carrying values do not approximate their respective fair values include the following:

Fair Value Measurement at April 30, 2012 Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Restricted assets	\$ 424	\$ —	\$ —
Liabilities:			
Interest rate derivatives	\$ —	\$ 2,369	\$ —

Our derivative instruments at April 30, 2011 include commodity hedges. We use commodity hedges to hedge against fluctuations in commodity pricing and the fair value of these hedges is based on futures pricing in the underlying commodities.

As of April 30, 2011, our financial assets and liabilities that are measured at fair value on a recurring basis and whose carrying values do not approximate their respective fair values include the following:

Fair Value Measurement at April 30, 2011 Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Restricted assets	\$ 334	\$ —	\$ —
Liabilities:			
Commodity derivatives	\$ —	\$ 230	\$ —

In fiscal year 2012, our financial assets and liabilities recorded at fair value on a non-recurring basis include our investment in GreenFiber, our guaranty of GreenFiber's modified and restated loan and security agreement and our long-lived asset group related to Maine Energy. The fair value of our investment in GreenFiber was based on a third party valuation that calculated the fair value

relying on the income approach using discounted cash flows taking into account current expectations for asset utilization, housing starts and the remaining useful life of related assets. The fair value of our guaranty was determined using the cost approach based primarily on an estimated bond rate that would be incurred to collateralize a bond of similar nature to the guaranty. The fair value of our Maine Energy asset group was measured based on the asset group's highest and best use under the market approach, utilizing the discounted present cash flows associated with the purchase consideration of the facility, adjusted for costs to demolish the facility.

As of April 30, 2012, our assets and liabilities that are measured at fair value on a non-recurring basis include the following:

Fair Value Measurement at April 30, 2012 Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Investment in unconsolidated entity - GreenFiber	\$ —	\$ —	\$ 6,502
Long lived asset group - Maine Energy	—	—	1,551
Total assets	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8,053</u>
Liabilities:			
Guaranty	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 264</u>

In fiscal year 2011, our financial assets and liabilities recorded at fair value on a non-recurring basis include our guaranty of GreenFiber's modified and restated loan and security agreement and our long-lived asset group related to Southbridge Recycling Processing facility. The fair value of our guaranty was determined using the cost approach based primarily on an estimated bond rate that would be incurred to collateralize a bond of similar nature to the guaranty. The fair value of our Southbridge Recycling Facility asset group was measured by a third party who performed a fair value analysis of the related personal property and real property using an "in-exchange" valuation premise based on the cost, market and income approaches.

As of April 30, 2011, our assets that are measured at fair value on a non-recurring basis include the following:

Fair Value Measurement at April 30, 2011 Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Long-lived asset group - Southbridge Recycling Facility	\$ —	\$ —	\$ 4,325
Liabilities:			
Guaranty	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 95</u>

13. EMPLOYEE BENEFIT PLANS

We offer our eligible employees the opportunity to contribute to a 401(k) plan. Effective May 1, 2008, we contributed fifty cents for every dollar an employee invests in the 401(k) plan up to our maximum match of one thousand dollars per calendar year. Previously this amount had been seven hundred fifty dollars per calendar year. Effective January 1, 2009, we suspended our matching provision of the 401(k) plan. Effective July 1, 2010, we reinstated our matching provision of the 401(k) and contribute fifty cents for every dollar an employee invests in the 401(k) plan up to our maximum match of five hundred dollars per calendar year. Effective January 1, 2011, the maximum match was revised to one thousand dollars per calendar year. Participants vest in employer contributions ratably over a three year period. Employer contributions for the fiscal years ended April 30, 2012, 2011, and 2010 amounted to \$603, \$600 and \$0, respectively.

In January 1998, we implemented our 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. 900 shares of Class A Common Stock had been reserved for this purpose. During the fiscal years ended April 30, 2012, 2011 and 2010, 65, 105 and 146 shares, respectively, of Class A Common Stock were issued under this plan. As of April 30, 2012, 260 shares of Class A Common Stock were available for distribution under this plan.

14. INCOME TAXES

The provision (benefit) for income taxes from continuing operations for the fiscal years ended April 30, 2012, 2011 and 2010 consists of the following:

	Fiscal Year Ended April 30,		
	2012	2011	2010
Federal—			
Current	\$ 121	\$ —	\$ 51
Deferred	1,139	(9,047)	1,601
Deferred benefit of loss carryforwards	—	(15,748)	—
	<u>1,260</u>	<u>(24,795)</u>	<u>1,652</u>
State—			
Current	(352)	(599)	46
Deferred	289	2,253	737
Deferred benefit of loss carryforwards	(16)	(1,076)	(193)
	<u>(79)</u>	<u>578</u>	<u>590</u>
	<u>\$ 1,181</u>	<u>\$ (24,217)</u>	<u>\$ 2,242</u>

The differences in the provision (benefit) for income taxes and the amounts determined by applying the Federal statutory rate to income before provision (benefit) for income taxes for the years ended April 30, 2012, 2011 and 2010 are as follows:

	Fiscal Year Ended April 30,		
	2012	2011	2010
Federal statutory rate	35%	35%	35%
Tax at statutory rate	\$ (26,997)	\$ (9,772)	\$ (4,832)
State income taxes, net of federal benefit	(3,104)	217	677
Increase (decrease) in valuation allowance	27,247	(14,454)	6,367
Non-deductible impairment of investment in GreenFiber	3,738	—	—
Non-deductible GreenFiber goodwill impairment and equity income in subsidiaries	1,182	—	—
Tax credits	(650)	(637)	(701)
Non-deductible expenses	824	409	446
Non-deductible stock option charges	73	107	381
Other, net	(1,132)	(87)	(96)
	<u>\$ 1,181</u>	<u>\$ (24,217)</u>	<u>\$ 2,242</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. Deferred tax assets and liabilities consist of the following at April 30, 2012 and 2011:

	April 30,	
	2012	2011
Deferred tax assets:		
Accrued expenses and reserves	\$ 28,383	\$ 24,914
Book over tax depreciation of property and equipment	24,899	3,360
Net operating loss carryforwards	9,724	3,883
Alternative minimum tax credit carryforwards	3,330	3,303
General business tax credit carryforwards	1,438	711
Stock awards	1,140	1,052
Unrealized loss on commodity hedges	688	—
Deferred revenue	218	315
Other	370	383
Total deferred tax assets	70,190	37,921
Less: valuation allowance	(50,700)	(20,618)
Total deferred tax assets after valuation allowance	19,490	17,303
Deferred tax liabilities:		
Amortization of intangibles	(21,114)	(16,485)
Basis difference in equity interests	—	(545)
Unrealized gain on commodity hedges	—	(250)
Total deferred tax liabilities	(21,114)	(17,280)
Net deferred tax (liability) asset	\$ (1,624)	\$ 23

At April 30, 2012 we have, for federal income tax purposes, net operating loss carryforwards of approximately \$12,644 that expire in fiscal years 2024 through 2032 and state net operating loss carryforwards of approximately \$35,101 that expire in fiscal years 2013 through 2032. The net operating loss carryforwards include approximately \$383 for which a benefit will be recorded in additional paid-in capital when realized. In addition, we have \$3,330 minimum tax credit carryforwards available that are not subject to a time limitation and \$1,438 general business credit carryforwards which expire in fiscal years 2023 through 2032.

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. We adjust the valuation allowance in the period management determines it is more likely than not that deferred tax assets will or will not be realized.

For the fiscal year ended April 30, 2012, the net increase in the valuation allowance was \$30,082. In determining the need for a valuation allowance, we have assessed the available means of recovering deferred tax assets, including the ability to carryback net operating losses, the existence of reversing temporary differences, the availability of tax planning strategies, and available sources of future taxable income. We have also considered the ability to implement certain strategies, such as a potential sale of assets that would, if necessary, be implemented to accelerate taxable income and use expiring deferred tax assets. We believe we are able to support the deferred tax assets recognized as of the end of the year based on all of the available evidence. The net deferred tax liability as of April 30, 2012 includes deferred tax liabilities related to amortizable goodwill, which are anticipated to reverse in an indefinite future period and which are not currently available as a source of taxable income.

The provisions of ASC 740-10-25-5 prescribe the minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. Additionally, ASC 740-10-25-5 provides guidance on de-recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. Under ASC 740-10-25-5, an entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits for the fiscal years ended April 30, 2012 and 2011 are as follows:

	Fiscal Year Ended April 30,	
	2012	2011
Unrecognized tax benefits at beginning of period	\$ 4,932	\$ 5,859
Gross increases for tax positions related to the current year	—	1
Gross increases for tax positions of prior years	42	34
Gross decreases for tax positions of prior years	(45)	(305)
Reductions resulting from lapse of statute of limitations	(482)	(657)
Settlements	—	—
Unrecognized tax benefits at end of period	<u>\$ 4,447</u>	<u>\$ 4,932</u>

Included in the balances at April 30, 2012 and 2011 are approximately \$0 and \$16, respectively, of unrecognized tax benefits (net of the federal benefit on state issues) that, if recognized, would favorably affect the effective income tax rate in future periods. We anticipate that approximately \$425 of unrecognized tax benefits, all related to deferred tax assets which are subject to a full valuation allowance, may be reversed within the next 12 months due to the expiration of the applicable statute of limitations.

Our continuing practice is to recognize interest and penalties related to income tax matters in income tax expense. Related to uncertain tax positions, we have accrued interest of \$34 and penalties of \$9 during 2012, including (\$95) accrued in income tax expense during the year ended April 30, 2012. We accrued interest of \$129 and penalties of \$9 related to uncertain tax positions during 2011, including (\$440) accrued in income tax expense during the year ended April 30, 2011. To the extent interest and penalties are not assessed with respect to uncertain tax positions, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision.

We are subject to U.S. federal income tax, as well as income tax of multiple state jurisdictions. Due to Federal and state net operating loss carryforwards, income tax returns from fiscal years 1998 through 2012 remain open for examination, with limited exceptions.

15. DEVELOPMENT PROJECT CHARGES

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

16. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets held for sale:

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

Discontinued operations:

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

We completed the transaction on March 1, 2011 for \$134,195 in gross cash proceeds. This included an estimated \$3,795 working capital and other purchase price adjustment, which was subject to further adjustment, as defined in the purchase and sale agreement. After netting transaction costs and cash taxes payable in conjunction with the divestiture, net cash proceeds amounted to approximately \$122,953. We used cash proceeds from the divestiture and borrowings under our subsequently refinanced senior secured revolving credit facility to repay the aggregate balance of our 2009 Term Loan in full upon completion of the disposition. This resulted in a gain on disposal of discontinued operations (net of tax) of \$43,718 in the fourth quarter of fiscal year 2011. The final working capital adjustment, along with additional legal expenses related to the transaction, of \$646 was recorded to gain on disposal of discontinued operations (net of tax) in the first quarter of fiscal year 2012. In the second quarter of fiscal year 2012, we recorded an

additional working capital adjustment of \$79 to gain on disposal of discontinued operations (net of tax), which related to our subsequent collection of receivable balances that were released to us for collection by the Purchaser.

During the third quarter of fiscal year 2011, we also completed the sale of the assets of the Trilogy Glass business for cash proceeds of \$1,840. A loss of to \$128 (net of tax) was recorded to gain on disposal of discontinued operations in fiscal year 2011. In fiscal year 2010 we completed divestitures and closed operations resulting in a gain on disposal of discontinued operations (net of tax) of \$1,135 for the fiscal year ended April 30, 2010. We received cash proceeds of \$1,750 related to these divestiture transactions in fiscal year 2010.

The operating results of these operations, including those related to prior years, have been reclassified from continuing to discontinued operations in the accompanying consolidated financial statements. Revenues and (loss) income before income taxes attributable to discontinued operations for the fiscal years ended April 30, 2011 and 2010, respectively, are as follows:

	Fiscal Year Ended April 30,	
	2011	2010
Revenues	\$ 62,510	\$ 66,242
(Loss) income before income taxes	\$ (2,258)	\$ 1,931

We have recorded contingent liabilities associated with these divestitures of approximately \$325 and \$332 at April 30, 2012 and 2011, respectively.

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

17. EARNINGS PER SHARE

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

	Fiscal Year Ended April 30,		
	2012	2011	2010
Numerator:			
Loss from continuing operations before discontinued operations attributable to common stockholders	\$ (78,317)	\$ (3,704)	\$ (16,049)
Denominator:			
Number of shares outstanding, end of period:			
Class A common stock	25,991	25,589	24,944
Class B common stock	988	988	988
Unvested restricted stock	(127)	(141)	(122)
Effect of weighted average shares outstanding during period	(103)	(331)	(79)
Weighted average number of common shares used in basic and diluted EPS	26,749	26,105	25,731

For the fiscal years ended April 30, 2012, 2011 and 2010, 2,445, 3,264 and 3,901 shares of potential common stock related to restricted stock, restricted stock units, performance stock units, and stock options were excluded from the calculation of dilutive shares since we experienced a loss from continuing operations in each fiscal year period and the inclusion of potential shares would be anti-dilutive.

18. RELATED PARTY TRANSACTIONS

(a) Services

During fiscal years ended April 30, 2012, 2011 and 2010, we retained the services of a related party, a company wholly owned by John Casella, our Chairman and Chief Executive Officer, and Douglas Casella, a member of our Board of Directors, as a contractor in developing or closing certain landfills owned by us. Total purchased services charged to operations or capitalized to landfills for the fiscal years ended April 30, 2012, 2011 and 2010 were \$2,612, \$6,067 and \$9,303, respectively, of which \$45 and \$209 were outstanding and included in either accounts payable or other current liabilities at April 30, 2012 and 2011, respectively.

(b) Leases

On August 1, 1993, we initially entered into two leases for operating facilities with a partnership of which John Casella, our Chairman and Chief Executive Officer, and Douglas Casella, a member of our Board of Directors are the general partners. The leases have been extended according to the terms of the agreements and are classified as capital leases in the accompanying consolidated balance sheets. The leases call for monthly payments of approximately \$25 and expire in April 2013. Total expense charged to operations for fiscal years ended April 30, 2012, 2011 and 2010 under these agreements was \$300, \$311 and \$321, respectively.

(c) Landfill Post-closure

We have agreed to pay the cost of post-closure on a landfill owned by two of our major stockholders and members of the Board of Directors (one of whom is also an officer). We paid the cost of closing this landfill in 1992, and the post-closure maintenance obligations are expected to last until 2024. In the fiscal years ended April 30, 2012, 2011 and 2010, we paid \$8, \$8 and \$9 respectively, pursuant to this agreement. As of April 30, 2012 and 2011, we have accrued \$84 and \$94 respectively, for costs associated with its post-closure obligations.

(d) Employee Loans

As of April 30, 2012 and 2011, we have recourse loans to a related party and employee outstanding in the amount of \$722 and \$1,297, respectively. The principal and interest on these notes is payable upon demand by us. Interest which has been fully accrued for as of April 30, 2012 is at the Wall Street Journal Prime Rate (3.25% at April 30, 2012). Noncurrent assets include a note from a former officer and director of ours who ceased serving for us in this capacity when he left us in connection with the sale of non-integrated recycling assets and select intellectual property assets discussed in Note 16. Following the termination of his employment, he agreed to surrender to us as payment against his outstanding loan with us stock awards that vested in connection with his resignation and the discretionary bonus that was awarded to him in June 2011. Such amounts, net of income taxes withheld, totaling \$583, were applied against his loan with us in the first quarter of fiscal year 2012. As of April 30, 2012 and 2011, an aggregate of \$577 and \$1,155 of principal and interest was outstanding under this loan. Receivables associated with a loan to an employee of ours of \$145 and \$142 at April 30, 2012 and 2011, respectively, are included in Notes receivable - related party/employee in the accompanying consolidated balance sheets.

19. SEGMENT REPORTING

We report selected information about operating segments in a manner consistent with that used for internal management reporting. We classify our solid waste operations on a geographic basis through regional operating segments. Revenues are derived mainly from collection, transfer, disposal, landfill, landfill-gas-to energy, recycling and organic services in the northeastern United States. The Eastern region also includes Maine Energy, which generates electricity from non-hazardous solid waste. Our revenues in the Recycling segment are derived from municipalities and customers in the form of processing fees, tipping fees and commodity sales. During fiscal year 2011, we consolidated the Central and Western regions into a single segment as the Western region. Furthermore, the four remaining MRFs that were previously included in the FCR Recycling operating segment, along with the two MRFs from the Central region and our commodity brokerage operations, were brought together to form the newly created Recycling operating segment. Therefore, segment data for fiscal year 2010 has been revised to reflect these changes in our segment classifications. Ancillary operations, major customer accounts, discontinued operations, and earnings from equity method investees are included in our "Other" reportable segment.

Fiscal Year Ended April 30, 2012

Segment	Outside revenues	Inter-company revenue (1)	Depreciation and amortization	Operating income (loss)	Interest expense (net)	Capital expenditures	Goodwill	Total assets
Eastern	\$ 172,942	\$ 34,298	\$ 24,547	\$ (42,797)	\$ 35,992	\$ 20,731	\$ 58	\$ 171,818
Western	215,213	70,264	27,775	29,564	(4,533)	30,321	89,458	342,132
Recycling	47,934	(248)	4,016	5,375	6,794	5,485	12,190	55,249
Other	44,726	2,714	2,238	(3,668)	7,246	3,204	—	64,544
Eliminations	—	(107,028)	—	—	—	—	—	—
Total	<u>\$ 480,815</u>	<u>\$ —</u>	<u>\$ 58,576</u>	<u>\$ (11,526)</u>	<u>\$ 45,499</u>	<u>\$ 59,741</u>	<u>\$ 101,706</u>	<u>\$ 633,743</u>

Fiscal Year Ended April 30, 2011

Segment	Outside revenues	Inter-company revenue (1)	Depreciation and amortization	Operating income (loss)	Interest expense (net)	Capital expenditures	Goodwill	Total assets
Eastern	\$ 167,314	\$ 36,990	\$ 23,066	\$ (5,035)	\$ 28,009	\$ 20,085	\$ 38	\$ 217,774
Western	210,266	66,126	29,052	32,179	(1,961)	30,797	88,975	342,832
Recycling	43,557	(402)	3,573	4,116	4,550	1,764	12,191	52,047
Other	44,927	2,788	2,570	(2,697)	15,260	2,603	—	77,928
Eliminations	—	(105,502)	—	—	—	—	—	—
Total	<u>\$ 466,064</u>	<u>\$ —</u>	<u>\$ 58,261</u>	<u>\$ 28,563</u>	<u>\$ 45,858</u>	<u>\$ 55,249</u>	<u>\$ 101,204</u>	<u>\$ 690,581</u>

Fiscal Year Ended April 30, 2010

Segment	Outside revenues	Inter-company revenue (1)	Depreciation and amortization	Operating income (loss)	Interest expense (net)	Capital expenditures	Goodwill	Total assets
Eastern	\$ 177,349	\$ 41,462	\$ 28,951	\$ (93)	\$ 25,122	\$ 17,227	\$ 38	\$ 226,620
Western	201,816	65,474	28,465	33,500	1,947	28,685	88,297	334,976
Recycling	35,467	39	3,423	1,854	4,076	3,647	12,191	40,029
Other	43,010	2,473	2,780	(2,448)	13,120	3,275	—	153,189
Eliminations	—	(109,448)	—	—	—	—	—	—
Total	<u>\$ 457,642</u>	<u>\$ —</u>	<u>\$ 63,619</u>	<u>\$ 32,813</u>	<u>\$ 44,265</u>	<u>\$ 52,834</u>	<u>\$ 100,526</u>	<u>\$ 754,814</u>

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

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

	Fiscal Year Ended April 30,					
	2012		2011		2010	
Collection	\$ 205,325	42.7%	\$ 199,892	42.9%	\$ 204,241	44.6%
Disposal	123,620	25.7%	118,831	25.5%	119,564	26.1%
Power generation	11,894	2.4%	12,831	2.7%	15,612	3.5%
Organics and processing	53,740	11.2%	50,590	10.9%	44,081	9.6%
Solid waste operations	394,579	82.0%	382,144	82.0%	383,498	83.8%
Major accounts	38,302	8.0%	40,363	8.7%	38,677	8.5%
Recycling	47,934	10.0%	43,557	9.3%	35,467	7.7%
Total revenues	<u>\$ 480,815</u>	<u>100.0%</u>	<u>\$ 466,064</u>	<u>100.0%</u>	<u>\$ 457,642</u>	<u>100.0%</u>

We have revised our table of revenue by source to more closely align the types of revenue generated by our operating segments. Amounts for fiscal years ended April 30, 2011 and 2010 have been revised to conform to this presentation.

20. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following is a summary of certain items in the consolidated statements of operations by quarter for fiscal years ended April 30, 2012 and 2011. The impact of the discontinued operations described in Note 16 is included in all periods in the table below.

Fiscal Year 2012	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	\$ 127,193	\$ 129,866	\$ 114,578	\$ 109,178
Operating income (loss)	10,256	11,626	4,420	(37,828)
Loss from continuing operations before discontinued operations	(3,708)	(844)	(24,635)	(49,131)
Net loss attributable to common stockholders	\$ (3,062)	\$ (765)	\$ (24,635)	\$ (49,125)
Loss per common share:				
Basic and diluted:				
Loss from continuing operations before discontinued operations	\$ (0.14)	\$ (0.03)	\$ (0.92)	\$ (1.83)
Net loss attributable to common stockholders	\$ (0.12)	\$ (0.03)	\$ (0.92)	\$ (1.83)
Diluted:				
Loss from continuing operations before discontinued operations	\$ (0.14)	\$ (0.03)	\$ (0.92)	\$ (1.83)
Net loss attributable to common stockholders	\$ (0.12)	\$ (0.03)	\$ (0.92)	\$ (1.83)
Fiscal Year 2011	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	\$ 121,992	\$ 122,896	\$ 111,627	\$ 109,549
Operating income (loss)	12,656	12,266	6,289	(2,648)
(Loss) income from continuing operations before discontinued operations	(1,926)	177	(6,373)	4,417
Net (loss) income applicable to common stockholders	\$ (2,902)	\$ (1,154)	\$ (6,365)	\$ 48,849
Loss per common share:				
Basic:				
(Loss) income from continuing operations before discontinued operations	\$ (0.07)	\$ 0.01	\$ (0.24)	\$ 0.17
Net (loss) income attributable to common stockholders	\$ (0.11)	\$ (0.04)	\$ (0.24)	\$ 1.85
Diluted:				
(Loss) income from continuing operations before discontinued operations	\$ (0.07)	\$ 0.01	\$ (0.24)	\$ 0.17
Net (loss) income attributable to common stockholders	\$ (0.11)	\$ (0.04)	\$ (0.24)	\$ 1.85
Fiscal Year 2010	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	\$ 117,028	\$ 118,035	\$ 109,884	\$ 112,695
	6,702	10,968	7,410	7,733
Loss from continuing operations before discontinued operations	(3,398)	(1,575)	(5,120)	(5,956)
	\$ (2,778)	\$ (1,550)	\$ (4,377)	\$ (5,153)
Loss per common share:				
Basic and diluted:				
Loss from continuing operations before discontinued operations	\$ (0.13)	\$ (0.06)	\$ (0.20)	\$ (0.23)
Net loss applicable to common stockholders	\$ (0.11)	\$ (0.06)	\$ (0.17)	\$ (0.20)
Diluted:				
Loss from continuing operations before discontinued operations	\$ (0.13)	\$ (0.06)	\$ (0.20)	\$ (0.23)
Net loss available to common stockholders	\$ (0.11)	\$ (0.06)	\$ (0.17)	\$ (0.20)

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

Our recycling business experiences increased volumes of newspaper in November and December due to increased newspaper advertising and retail activity during the holiday season. GreenFiber experiences lower sales from April through July due to lower retail activity.

21. SUBSIDIARY GUARANTORS

Our 2019 Notes and Second Lien Notes are guaranteed jointly and severally, fully and unconditionally, by our significant wholly-owned subsidiaries. The Parent is the issuer and a non-guarantor of the 2019 Notes and Second Lien Notes and the Parent has no independent assets or operations. The information which follows presents the condensed consolidating financial position as of April 30, 2012 and April 30, 2011, the condensed consolidating results of operations for the fiscal years ended April 30, 2012, 2011 and 2010, and the condensed consolidating statements of cash flows for the fiscal years ended April 30, 2012, 2011 and 2010 of (a) the Parent company only, (b) the combined guarantors (the "Guarantors"), each of which is 100% wholly-owned by the Parent, (c) the combined non-guarantors (the "Non-Guarantors"), (d) eliminating entries and (e) the consolidated total.

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET
AS OF APRIL 30, 2012
(in thousands, except for share and per share data)

ASSETS	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
CURRENT ASSETS:					
Cash and cash equivalents	\$ 3,799	\$ 368	\$ 367	\$ —	\$ 4,534
Accounts receivable - trade, net of allowance for doubtful accounts	652	46,820	—	—	47,472
Refundable income taxes	1,281	—	—	—	1,281
Deferred income taxes	3,712	—	—	—	3,712
Other current assets	1,903	8,454	—	—	10,357
Total current assets	11,347	55,642	367	—	67,356
Property, plant and equipment, net of accumulated depreciation and amortization	3,486	409,383	3,848	—	416,717
Goodwill	—	101,706	—	—	101,706
Intangible assets	340	2,630	—	—	2,970
Restricted assets	—	424	—	—	424
Notes receivable - related party/employee	722	—	—	—	722
Investments in unconsolidated entities	17,865	6,848	—	(1,932)	22,781
Investments in subsidiaries	(10,406)	—	—	10,406	—
Other non-current assets	15,056	6,011	—	—	21,067
	27,063	527,002	3,848	8,474	566,387
Intercompany receivable	501,406	(487,916)	(15,422)	1,932	—
	<u>\$ 539,816</u>	<u>\$ 94,728</u>	<u>\$ (11,207)</u>	<u>\$ 10,406</u>	<u>\$ 633,743</u>

LIABILITIES AND STOCKHOLDERS' EQUITY	Parent	Guarantors	Non - Guarantors	Elimination	Consolidated
CURRENT LIABILITIES:					
Current maturities of long-term debt and capital leases	\$ 142	\$ 1,086	\$ —	\$ —	\$ 1,228
Current maturities of financing lease obligations	—	338	—	—	338
Accounts payable	21,952	24,757	—	—	46,709
Current accrued capping, closure and post-closure costs	—	4,907	—	—	4,907
Other current liabilities	18,110	16,500	543	—	35,153
Total current liabilities	40,204	47,588	543	—	88,335
Long-term debt and capital leases, less current maturities	472,028	1,353	—	—	473,381
Financing lease obligations, less current maturities	—	1,818	—	—	1,818
Accrued capping, closure and post-closure costs, less current portion	—	34,681	41	—	34,722
Deferred income taxes	5,336	—	—	—	5,336
Other long-term liabilities	5,817	6,103	—	—	11,920
STOCKHOLDERS' EQUITY:					
Casella Waste Systems, Inc. stockholders' equity:					
Class A common stock -					
Authorized - 100,000,000 shares, \$0.01 par value per share, issued and outstanding - 25,991,000 shares	260	100	—	(100)	260
Class B common stock -					
Authorized - 1,000,000 shares, \$0.01 par value per share, 10 votes per share, issued and outstanding - 988,000 shares	10	—	—	—	10
Accumulated other comprehensive (loss) income	(1,952)	417	—	(417)	(1,952)
Additional paid-in capital	288,348	46,200	2,004	(48,204)	288,348
Accumulated deficit	(270,235)	(43,532)	(15,595)	59,127	(270,235)
Total Casella Waste Systems, Inc. stockholders' equity	16,431	3,185	(13,591)	10,406	16,431
Noncontrolling interest	—	—	1,800	—	1,800
Total stockholders' equity	16,431	3,185	(11,791)	10,406	18,231
	<u>\$ 539,816</u>	<u>\$ 94,728</u>	<u>\$ (11,207)</u>	<u>\$ 10,406</u>	<u>\$ 633,743</u>

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

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
FISCAL YEAR ENDED APRIL 30, 2012
(in thousands)

	<u>Parent</u>	<u>Guarantors</u>	<u>Non - Guarantors</u>	<u>Elimination</u>	<u>Consolidated</u>
Revenues	\$ —	\$ 480,815	\$ —	\$ —	\$ 480,815
Operating expenses:					
Cost of operations	16	330,733	5	—	330,754
General and administration	1,008	59,756	11	—	60,775
Depreciation and amortization	1,568	57,011	(3)	—	58,576
Asset impairment	—	40,746	—	—	40,746
Legal settlement	1,000	359	—	—	1,359
Development project cost	—	131	—	—	131
	<u>3,592</u>	<u>488,736</u>	<u>13</u>	<u>—</u>	<u>492,341</u>
Operating loss	(3,592)	(7,921)	(13)	—	(11,526)
Other expense/(income), net:					
Interest income	(39,871)	(34)	—	39,863	(42)
Interest expense	45,551	39,853	—	(39,863)	45,541
Loss from equity method investments	67,325	9,994	—	(67,325)	9,994
Impairment of equity method investment	—	10,680	—	—	10,680
Loss on debt extinguishment	300	—	—	—	300
Other income	(486)	(377)	—	—	(863)
Other expense, net	<u>72,819</u>	<u>60,116</u>	<u>—</u>	<u>(67,325)</u>	<u>65,610</u>
Loss from continuing operations before income taxes	(76,411)	(68,037)	(13)	67,325	(77,136)
Provision for income taxes	<u>1,181</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,181</u>
Loss from continuing operations	<u>(77,592)</u>	<u>(68,037)</u>	<u>(13)</u>	<u>67,325</u>	<u>(78,317)</u>
Discontinued operations:					
Gain on disposal of discontinued operations, net	—	725	—	—	725
Net loss	<u>(77,592)</u>	<u>(67,312)</u>	<u>(13)</u>	<u>67,325</u>	<u>(77,592)</u>
Less: Net loss attributable to noncontrolling interest	(6)	—	—	—	(6)
Net loss attributable to common stockholders	<u>\$ (77,586)</u>	<u>\$ (67,312)</u>	<u>\$ (13)</u>	<u>\$ 67,325</u>	<u>\$ (77,586)</u>

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
FISCAL YEAR ENDED APRIL 30, 2011
(in thousands)

	<u>Parent</u>	<u>Guarantors</u>	<u>Non - Guarantors</u>	<u>Elimination</u>	<u>Consolidated</u>
Revenues	\$ —	\$ 466,064	\$ —	\$ —	\$ 466,064
Operating expenses:					
Cost of operations	73	317,428	3	—	317,504
General and administration	(3,300)	67,306	4	—	64,010
Depreciation and amortization	1,590	56,666	5	—	58,261
Asset impairment charge	—	3,654	—	—	3,654
Environmental remediation charge	—	549	—	—	549
Bargain purchase gain	—	(2,975)	—	—	(2,975)
Development project cost	—	(3,502)	—	—	(3,502)
	<u>(1,637)</u>	<u>439,126</u>	<u>12</u>	<u>—</u>	<u>437,501</u>
Operating income (loss)	1,637	26,938	(12)	—	28,563
Other expense/(income), net:					
Interest income	(31,749)	(26)	—	31,721	(54)
Interest expense	64,526	13,107	—	(31,721)	45,912
Income from equity method investments	(52,140)	4,096	—	52,140	4,096
Loss on debt extinguishment	7,275	115	—	—	7,390
Other expense, net	(486)	(374)	—	—	(860)
Other (income) expense, net	<u>(12,574)</u>	<u>16,918</u>	<u>—</u>	<u>52,140</u>	<u>56,484</u>
Income (loss) from continuing operations before income taxes	14,211	10,020	(12)	(52,140)	(27,921)
Provision for income taxes	<u>(24,217)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(24,217)</u>
Income (loss) from continuing operations	<u>38,428</u>	<u>10,020</u>	<u>(12)</u>	<u>(52,140)</u>	<u>(3,704)</u>
Discontinued operations:					
Loss from discontinued operations, net	—	(1,458)	—	—	(1,458)
Gain on disposal of discontinued operations, net	—	43,590	—	—	43,590
Net income (loss) attributable to common stockholders	<u>\$ 38,428</u>	<u>\$ 52,152</u>	<u>\$ (12)</u>	<u>\$ (52,140)</u>	<u>\$ 38,428</u>

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
FISCAL YEAR ENDED APRIL 30, 2010
(in thousands)

	<u>Parent</u>	<u>Guarantors</u>	<u>Non - Guarantors</u>	<u>Elimination</u>	<u>Consolidated</u>
Revenues	\$ —	\$ 457,642	\$ —	\$ —	\$ 457,642
Operating expenses:					
Cost of operations	209	303,215	(25)	—	303,399
General and administration	116	57,336	24	—	57,476
Depreciation and amortization	1,262	62,237	120	—	63,619
Environmental remediation charge	—	335	—	—	335
	<u>1,587</u>	<u>423,123</u>	<u>119</u>	<u>—</u>	<u>424,829</u>
Operating (loss) income	(1,587)	34,519	(119)	—	32,813
Other expense/(income), net:					
Interest income	(31,474)	(86)	—	31,450	(110)
Interest expense	61,659	14,166	—	(31,450)	44,375
Loss from equity method investments	(20,195)	2,691	—	20,195	2,691
Loss on debt extinguishment	511	—	—	—	511
Other income, net	(472)	(375)	—	—	(847)
Other expense, net	<u>10,029</u>	<u>16,396</u>	<u>—</u>	<u>20,195</u>	<u>46,620</u>
(Loss) income from continuing operations before income taxes	(11,616)	18,123	(119)	(20,195)	(13,807)
Provision for income taxes	<u>2,242</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,242</u>
(Loss) income from continuing operations	<u>(13,858)</u>	<u>18,123</u>	<u>(119)</u>	<u>(20,195)</u>	<u>(16,049)</u>
Discontinued operations:					
Income from discontinued operations, net	—	1,011	—	—	1,011
Gain on disposal of discontinued operations, net	<u>—</u>	<u>1,180</u>	<u>—</u>	<u>—</u>	<u>1,180</u>
Net (loss) income attributable to common stockholders	<u>\$ (13,858)</u>	<u>\$ 20,314</u>	<u>\$ (119)</u>	<u>\$ (20,195)</u>	<u>\$ (13,858)</u>

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
FISCAL YEAR ENDED APRIL 30, 2012
(in thousands)

	<u>Parent</u>	<u>Guarantors</u>	<u>Non- Guarantors</u>	<u>Elimination</u>	<u>Consolidated</u>
Net Cash Provided by Operating Activities	\$ 1,252	\$ 61,992	\$ 531	\$ —	\$ 63,775
Cash Flows from Investing Activities:					
Acquisitions, net of cash acquired	—	(2,102)	—	—	(2,102)
Additions to property, plant and equipment attributable to acquisitions	—	(529)	—	—	(529)
Additions to property, plant and equipment					
— growth	—	(9,632)	(2,579)	—	(12,211)
— maintenance	(574)	(46,427)	—	—	(47,001)
Payments on landfill operating lease contracts	—	(6,616)	—	—	(6,616)
Proceeds from sale of property and equipment	—	1,492	—	—	1,492
Other	(4,619)	(2,305)	1,879	—	(5,045)
Net Cash Used In Investing Activities	(5,193)	(66,119)	(700)	—	(72,012)
Cash Flows from Financing Activities:					
Proceeds from long-term borrowings	163,500	—	—	—	163,500
Principal payments on long-term debt	(151,391)	(1,415)	—	—	(152,806)
Other	(1,001)	—	536	—	(465)
Intercompany borrowings	(4,899)	4,899	—	—	—
Net Cash Provided by Financing Activities	6,209	3,484	536	—	10,229
Net Cash Provided by Discontinued Operations	—	725	—	—	725
Net increase in cash and cash equivalents	2,268	82	367	—	2,717
Cash and cash equivalents, beginning of period	1,531	286	—	—	1,817
Cash and cash equivalents, end of period	<u>\$ 3,799</u>	<u>\$ 368</u>	<u>\$ 367</u>	<u>\$ —</u>	<u>\$ 4,534</u>

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
FISCAL YEAR ENDED APRIL 30, 2011
(in thousands)

	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
Net Cash (Used in) Provided by Operating Activities	\$ (25,307)	\$ 72,398	\$ —	\$ —	\$ 47,091
Cash Flows from Investing Activities:					
Acquisitions, net of cash acquired	—	(1,744)	—	—	(1,744)
Additions to property, plant and equipment					
— growth	—	(2,803)	—	—	(2,803)
— maintenance	(2,328)	(50,118)	—	—	(52,446)
Payments on landfill operating lease contracts	—	(5,655)	—	—	(5,655)
Purchase of gas rights	—	(1,608)	—	—	(1,608)
Proceeds from sale of property and equipment	—	959	—	—	959
Proceeds from sale of assets	—	7,533	—	—	7,533
Other	(1)	1	—	—	—
Net Cash Used In Investing Activities	(2,329)	(53,435)	—	—	(55,764)
Cash Flows from Financing Activities:					
Proceeds from long-term borrowings	382,899	858	—	—	383,757
Principal payments on long-term debt	(490,253)	(1,416)	—	—	(491,669)
Other	(9,983)	—	—	—	(9,983)
Intercompany borrowings	145,270	(145,270)	—	—	—
Net Cash Provided by (Used in) Financing Activities	27,933	(145,828)	—	—	(117,895)
Net Cash Provided by Discontinued Operations	—	126,350	—	—	126,350
Net increase (decrease) in cash and cash equivalents	297	(515)	—	—	(218)
Cash and cash equivalents, beginning of period	1,234	801	—	—	2,035
Cash and cash equivalents, end of period	\$ 1,531	\$ 286	\$ —	\$ —	\$ 1,817

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
FISCAL YEAR ENDED APRIL 30, 2010
(in thousands)

	<u>Parent</u>	<u>Guarantors</u>	<u>Non- Guarantors</u>	<u>Elimination</u>	<u>Consolidated</u>
Net Cash (Used in) Provided by Operating Activities	\$ (10,152)	\$ 74,248	\$ (10)	\$ —	\$ 64,086
Cash Flows from Investing Activities:					
Acquisitions, net of cash acquired	—	(864)	—	—	(864)
Additions to property, plant and equipment					
— growth	—	(4,187)	—	—	(4,187)
— maintenance	(3,091)	(45,556)	—	—	(48,647)
Payments on landfill operating lease contracts	—	(13,737)	—	—	(13,737)
Other	(49)	4,434	—	—	4,385
Net Cash Used In Investing Activities	(3,140)	(59,910)	—	—	(63,050)
Cash Flows from Financing Activities:					
Proceeds from long-term borrowings	492,344	—	—	—	492,344
Principal payments on long-term debt	(484,419)	(1,377)	—	—	(485,796)
Deferred financing costs	(14,089)	—	—	—	(14,089)
Other	260	—	—	—	260
Intercompany borrowings	19,557	(19,567)	10	—	—
Net Cash Provided by (Used in) Financing Activities	13,653	(20,944)	10	—	(7,281)
Discontinued Operations:					
Net Cash Provided By Discontinued Operations	—	6,442	—	—	6,442
Net increase (decrease) in cash and cash equivalents	361	(164)	—	—	197
Cash and cash equivalents, beginning of period	873	965	—	—	1,838
Cash and cash equivalents, end of period	<u>\$ 1,234</u>	<u>\$ 801</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,035</u>

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of April 30, 2012. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of April 30, 2012, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Management's report on our internal control over financial reporting (as defined in Rules 13(a)-15(f) and 15(d)-15(f) under the Exchange Act) and the independent registered public accounting firm's related audit report are included in Item 8 of this Form 10-K and are incorporated herein by reference.

No change in our internal control over financial reporting occurred during the fiscal quarter ended April 30, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Item 10 of Part III (except for information required with respect to our executive officers which is set forth under “Executive Officers of the Company” in Item 1 of Part I of this Annual Report on Form 10-K and with respect to equity compensation plan information which is set forth under “Equity Compensation Plan Information” below) has been omitted from this Annual Report on Form 10-K, since we expect to file with the Securities and Exchange Commission, not later than 120 days after the close of its fiscal year, a definitive proxy statement (the “Proxy Statement”). The information required by Item 10 this Annual Report on Form 10-K, which will appear in the Proxy Statement, is incorporated by reference into Part III of this Annual Report on Form 10-K.

Equity Compensation Plan Information

The following table shows information about the securities authorized for issuance under our equity compensation plans as of April 30, 2012:

Plan Category	(a)	(b)	(c)
	Number of securities to be issued upon exercise of outstanding options(1)	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a) (2))
Equity compensation plans approved by security holders	1,660,958	\$ 10.55	2,010,979
Equity compensation plans not approved by security holders	—	—	—

(1) In addition to being available for future issuance in the form of options, 1,751,384 shares of our Class A common stock under our 2006 Stock Incentive Plan may instead be issued in the form of restricted stock or other equity-based awards.

(2) Includes 259,595 shares of our Class A common stock issuable under our 1997 Employee Stock Purchase Plan.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference from the Proxy Statement under the sections captioned “Executive Compensation” and “Compensation of Directors.”

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference from the Proxy Statement under the section captioned “Beneficial Ownership of Voting Stock.”

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference from the Proxy Statement under the sections captioned “Certain Relationships and Related Party Transactions” and “Board Determination of Independence.”

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated by reference from the Proxy Statement under “Audit Fees and Other Matters” and “Pre-Approval Policies and Procedures.”

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a)(1) Consolidated Financial Statements included under Item 8.
Report of Independent Registered Public Accounting Firm — Caturano and Company, Inc.
Report of Independent Registered Public Accounting Firm — McGladrey LLP
Consolidated Balance Sheets as of April 30, 2012 and 2011.
Consolidated Statements of Operations for the fiscal years ended April 30, 2012, 2011, and 2010.
Consolidated Statements of Stockholders' Equity for the fiscal years ended April 30, 2012, 2011, and 2010.
Consolidated Statements of Cash Flows for the fiscal years ended April 30, 2012, 2011, and 2010.
Notes to Consolidated Financial Statements.
- (a)(2) Financial Statement Schedules:
Schedule II—Valuation and Qualifying Accounts.
- All other schedules have been omitted because the required information is not significant or is included in the consolidated financial statements or notes thereto, or is not applicable.
- (a)(3) Exhibits:
The Exhibits that are filed as part of this Annual Report on Form 10-K or that are incorporated by reference herein are set forth in the Exhibit Index hereto.

SIGNATURES

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

Dated: June 28, 2012

CASELLA WASTE SYSTEMS, INC.

By: /s/ JOHN W. CASELLA

John W. Casella

*Chairman of the Board of Directors and Chief
Executive Officer (Principal Executive Officer)*

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

Signature	Title	Date
<u>/s/ John W. Casella</u> John W. Casella	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	June 28, 2012
<u>/s/ Edwin D. Johnson</u> Edwin D. Johnson	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	June 28, 2012
<u>/s/ Douglas R. Casella</u> Douglas R. Casella	Director	June 28, 2012
<u>/s/ John F. Chapple III</u> John F. Chapple III	Director	June 28, 2012
<u>/s/ Gregory B. Peters</u> Gregory B. Peters	Director	June 28, 2012
<u>/s/ James F. Callahan, Jr.</u> James F. Callahan, Jr.	Director	June 28, 2012
<u>/s/ Joseph G. Doody</u> Joseph G. Doody	Director	June 28, 2012
<u>/s/ James P. McManus</u> James P. McManus	Director	June 28, 2012
<u>/s/ Michael K. Burke</u> Michael K. Burke	Director	June 28, 2012

FINANCIAL STATEMENT SCHEDULES

Schedule II Valuation Accounts

Allowance for Doubtful Accounts
(in thousands)

	Fiscal Year Ended April 30,		
	2012	2011	2010
Balance at beginning of period	\$ 920	\$ 1,602	\$ 1,711
Additions—Charged to expense	730	363	1,204
Deductions—Bad debts written off, net of recoveries	(911)	(1,045)	(1,313)
Balance at end of period	<u>\$ 740</u>	<u>\$ 920</u>	<u>\$ 1,602</u>

EXHIBIT INDEX

Exhibit No.	Description
2.1	Agreement and Plan of Merger dated as of January 12, 1999 and as amended by Amendments No. 1, 2 and 3 thereto, among Casella Waste Systems, Inc. ("Casella"), KTI, Inc. ("KTI") and Rutland Acquisition Sub, Inc. (incorporated herein by reference to Annex A to the registration statement on Form S-4 as filed November 12, 1999 (file no. 333-90913)).
3.1	Second Amended and Restated Certificate of Incorporation of Casella Waste Systems, Inc., as amended (incorporated herein by reference to Exhibit 3.1 to the quarterly report on Form 10-Q of Casella Waste Systems Inc. as filed December 7, 2007 (file no. 000-23211)).
3.3	Third Amended and Restated By-Laws of Casella Waste Systems, Inc., (incorporated herein by reference to Exhibit 3.1 to the quarterly report on Form 10-Q of Casella Waste Systems Inc. as filed February 27, 2009 (file no. 000-23211)).
4.1	Form of stock certificate of Casella Class A common stock (incorporated herein by reference to Exhibit 4 to Amendment No. 2 to the registration statement on Form S-1 of Casella as filed October 9, 1997 (file no. 333-33135)).
4.2	Certificate of Designation creating Series A Convertible Preferred Stock (incorporated herein by reference to Exhibit 4.1 to the current report on Form 8-K of Casella as filed August 18, 2000 (file no. 000-23211)).
4.3	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 as filed January 24, 2003 (file no. 000-23211)).
4.4	Indenture, dated July 9, 2009, by and among Casella Waste Systems, Inc., the Guarantors named therein and Wilmington Trust Company, as Trustee, governing the 11% Senior Second Lien Notes due 2014 (incorporated by reference herein by reference to Exhibit 4.1 to the current report on Form 8-K of Casella as filed on July 9, 2009 (file no. 000-23211)).
4.5	Indenture, dated February 7, 2011, by and among Casella Waste Systems, Inc., the Guarantors named therein and U.S. Bank National Association, as Trustee, governing the 7.75% Senior Subordinated Notes due 2019 (incorporated by reference herein by reference to Exhibit 10.1 to the current report on Form 8-K of Casella Waste Systems, Inc. as filed on February 8, 2011 (file no. 000-23211)).
4.6	Registration Rights Agreement, dated July 9, 2009, by and among Casella Waste Systems, Inc., the Guarantors listed therein and Purchasers listed therein, relating to the 11% Senior Second Lien Notes due 2014 (incorporated by reference herein by reference to Exhibit 4.5 to the annual report on Form 10-K of Casella as filed on June 10, 2010 (file no. 000-23211)).
4.7	Registration Rights Agreement, dated as of February 7, 2011, by and among Casella Waste Systems, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC and Credit Agricole Securities (USA) Inc. (incorporated by reference herein by reference to Exhibit 99.1 to the current report on Form 8-K of Casella Waste Systems, Inc. as filed on February 8, 2011 (file no. 000-23211)).
10.1	1993 Incentive Stock Option Plan (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
10.2	1994 Nonstatutory Stock Option Plan (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
10.3	1996 Stock Option Plan (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
10.4	1997 Non-Employee Director Stock Option Plan (incorporated herein by reference to Exhibit 10.5 to Amendment No. 1 to the registration statement on Form S-1 of Casella as filed September 24, 1997 (file no. 333-33135)).
10.5	Amended and Restated 1997 Stock Incentive Plan (incorporated herein by reference to the Definitive Proxy Statement on Schedule 14A of Casella as filed September 21, 1998).
10.6	1995 Registration Rights Agreement between Casella and the stockholders who are a party thereto, dated as of December 22, 1995 (incorporated herein by reference to Exhibit 10.8 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
10.7	Warrant to Purchase Common Stock of Casella granted to John W. Casella, dated as of July 26, 1993 (incorporated herein by reference to Exhibit 10.11 to Amendment No. 1 to the registration statement on Form S-1 of Casella as filed September 24, 1997 (file no. 333-33135)).
10.8	Warrant to Purchase Common Stock of Casella granted to Douglas R. Casella, dated as of July 26, 1993 (incorporated herein by reference to Exhibit 10.12 to Amendment No. 1 to the registration statement on Form S-1 of Casella as filed September 24, 1997 (file no. 333-33135)).

- 10.9 Lease Agreement, as Amended, between Casella Associates and Casella Waste Management, Inc., dated December 9, 1994 (Rutland lease) (incorporated herein by reference to Exhibit 10.17 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
- 10.10 Lease Agreement, as Amended, between Casella Associates and Casella Waste Management, Inc., dated December 9, 1994 (Montpelier lease) (incorporated herein by reference to Exhibit 10.18 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
- 10.11 Lease, Operations and Maintenance Agreement between CV Landfill, Inc. and the Registrant dated June 30, 1994 (incorporated herein by reference to Exhibit 10.20 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
- 10.12 Restated Operation and Management Agreement by and between Clinton County (N.Y.) and the Registrant dated September 9, 1996 (incorporated herein by reference to Exhibit 10.21 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
- 10.13 Labor Utilization Agreement by and between Clinton County (N.Y.) and the Registrant dated August 7, 1996 (incorporated herein by reference to Exhibit 10.22 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
- 10.14 Lease and Option Agreement by and between Waste U.S.A., Inc. and New England Waste Services of Vermont, Inc., dated December 14, 1995 (incorporated herein by reference to Exhibit 10.23 to the registration statement on Form S-1 of Casella as filed August 7, 1997 (file no. 333-33135)).
- 10.15 Amendment No. 2 to Lease Agreement, by and between Casella Associates and Casella Waste Management, Inc., dated as of November 20, 1997 (Rutland lease). (incorporated herein by reference to Exhibit 10.25 to the registration statement on Form S-1 of Casella as filed on June 25, 1998 (file no. 333-57745)).
- 10.16* Amendment No. 1 to Stock Option Agreement, dated as of May 12, 1999, by and between KTI, Inc. and the Registrant (incorporated herein by reference to the current report on Form 8-K of Casella as filed May 13, 1999 (file no. 000-23211)).
- 10.17 Power Purchase Agreement between Maine Energy Recovery Company and Central Maine Power Company dated January 12, 1984, as amended (incorporated herein by reference to Exhibit 10.8 to the registration statement on Form S-4 of KTI as filed October 18, 1994 (file no. 33-85234)).
- 10.18 Host Municipalities' Waste Handling Agreement among Biddeford-Saco Solid Waste Committee, City of Biddeford, City of Saco and Maine Energy Recovery Company dated June 7, 1991 (incorporated herein by reference to Exhibit 10.10 to the registration statement on Form S-4 of KTI as filed October 18, 1994 (file no. 33-85234)).
- 10.19 Form of Maine Energy Recovery Company Waste Handling Agreement (Town of North Berwick) dated June 7, 1991 and Schedule of Substantially Identical Waste Disposal Agreements (incorporated herein by reference to Exhibit 10.11 to the registration statement on Form S-4 of KTI as filed October 18, 1994 (file no. 33-85234)).
- 10.20 Third Amendment to Power Purchase Agreement between Maine Energy Recovery Company, L.P. and Central Maine Power Company dated November 6, 1995. (incorporated herein by reference to Exhibit 10.38 to the registration statement on Form S-4 as filed November 12, 1999 (file no. 333-90913)).
- 10.21 Non-Exclusive License to Use Technology between KTI and Oakhurst Technology, Inc. dated December 29, 1998 (incorporated herein by reference to Exhibit 4.5 to the current report on Form 8-K of KTI as filed January 15, 1999 (file no. 000-25490)).
- 10.22* Management Compensation Agreement between Casella Waste Systems, Inc. and John W. Casella dated December 8, 1999 (incorporated herein by reference to Exhibit 10.43 to the annual report on Form 10-K of Casella as filed August 4, 2000 (file no. 000-23211)).
- 10.23* Management Compensation Agreement between Casella Waste Systems, Inc. and James W. Bohlig dated December 8, 1999 (incorporated herein by reference to Exhibit 10.44 to the annual report on Form 10-K of Casella as filed August 4, 2000 (file no. 000-23211)).
- 10.24 KTI, Inc. 1994 Long-Term Incentive Award Plan (incorporated herein by reference to Exhibit (d)(3) to the Schedule TO of Casella as filed July 2, 2001 (file no. 000-23211)).
- 10.25 KTI, Inc. Non-Plan Stock Option Terms and Conditions (incorporated herein by reference to Exhibit (d)(4) to the Schedule TO of Casella as filed July 2, 2001 (file no. 000-23211)).
- 10.26* Management Compensation Agreement between Casella Waste Systems, Inc. and Charles E. Leonard dated June 18, 2001 (incorporated herein by reference to Exhibit 10.39 to the annual report on Form 10-K of Casella as filed on July 12, 2002 (file no. 000-23211)).
- 10.27* Management Compensation Agreement between Casella Waste Systems, Inc. and Richard Norris dated July 20, 2001 (incorporated herein by reference to Exhibit 10.40 to the annual report on Form 10-K of Casella as filed on July 12, 2002 (file no. 000-23211)).
- 10.28 US GreenFiber LLC Limited Liability Company Agreement, dated June 26, 2000, between U.S. Fiber, Inc. and Greenstone Industries, Inc. (incorporated herein by reference to Exhibit 10.41 to the annual report on Form 10-K of Casella as filed on July 12, 2002 (file no. 000-23211)).

- 10.29 Purchase Agreement, dated August 17, 2001, by and among Crumb Rubber Investors Co., LLC, Casella Waste Systems, Inc. and KTI Environmental Group, Inc. (incorporated herein by reference to Exhibit 10.42 to the annual report on Form 10-K of Casella as filed on July 12, 2002 (file no. 000-23211)).
- 10.30 Purchase Agreement, dated August 17, 2001, by and among New Heights Holding Corporation, KTI, Inc., KTI Operations, Inc. and Casella Waste Systems, Inc. (incorporated herein by reference to Exhibit 10.43 to the annual report on Form 10-K of Casella as filed on July 12, 2002 (file no. 000-23211)).
- 10.31* Form of Non-Plan Non-Statutory Stock Option Agreement as issued by Casella Waste Systems, Inc. to certain individuals as of May 25, 1994 (incorporated herein by reference to Exhibit 10.44 to the annual report on Form 10-K of Casella as filed on July 12, 2002 (file no. 000-23211)).
- 10.32 Construction, Operation and Management Agreement between New England Waste Services of Massachusetts, Inc. and the Town of Templeton, Massachusetts (incorporated herein by reference to Exhibit 10.35 to the annual report on Form 10-K of Casella as filed on July 24, 2003 (file no. 000-23211)).
- 10.33* Summary of compensatory arrangements including cash bonus arrangement, and salaries and other compensatory terms for executive officers (incorporated herein by reference to the current report on Form 8-K of Casella as filed on June 21, 2005 (file no. 000-23211)).
- 10.34* Summary of compensating arrangements for non-employee directors (incorporated herein by reference to the current report on Form 8-K of Casella as filed on March 8, 2005 (file no. 000-23211)).
- 10.35* Summary of compensatory arrangements for non-employee directors (incorporated herein by reference to the current report on Form 8-K of Casella as filed on September 9, 2005 (file no. 000-23211)).
- 10.36 Financing Agreement between Casella Waste Systems, Inc. and Finance Authority of Maine, Dated as of December 1, 2006 relating to issuance of Finance Authority of Maine Solid Waste Disposal Revenue Bonds (Casella Waste Services, Inc. Project) Series 2005 (incorporated herein by reference to the current report on Form 8-K of Casella as filed on January 4, 2006 (file no. 000-23211)).
- 10.37* 2006 Stock Incentive Plan, as amended (incorporated herein by reference to Exhibit 99.1 to the current report on Form 8-K of Casella as filed on October 19, 2009 (file no. 000-23211)).
- 10.38* Employment Agreement, General Release and Noncompete Agreement by and between Casella Waste Systems, Inc. and Richard A. Norris dated as of January 23, 2008 (incorporated herein by reference to Exhibit 10.1 to the current report on Form 8-K of Casella as filed on January 28, 2008 (file no. 000-23211)).
- 10.39* Employment Agreement by and between Casella Waste Systems, Inc. and Paul Larkin dated as of January 9, 2008 (incorporated herein by reference to Exhibit 10.3 to the current report on Form 8-K of Casella as filed on January 28, 2008 (file no. 000-23211)).
- 10.40* Severance Agreement; General Release and Consulting Agreement by and between Casella Waste Systems, Inc. and Charles E. Leonard dated as of January 23, 2008 (incorporated herein by reference to Exhibit 10.2 to the current report on Form 8-K of Casella as filed on January 28, 2008 (file no. 000-23211)).
- 10.41* Amendment to Employment Agreement by and between Casella Waste Systems, Inc. and James W. Bohlig dated as of January 8, 2008 (incorporated herein by reference to Exhibit 10.1 to the quarterly report on Form 10-Q of Casella as filed on September 4, 2008 (file no. 000-23211)).
- 10.42* Amendment to Employment Agreement by and between Casella Waste Systems, Inc. and James W. Bohlig dated as of December 30, 2008 (incorporated herein by reference to Exhibit 10.2 to the quarterly report on Form 10-Q of Casella as filed on March 6, 2009 (file no. 000-23211)).
- 10.43* Amendment to Employment Agreement by and between Casella Waste Systems, Inc. and John W. Casella dated as of December 29, 2008 (incorporated herein by reference to Exhibit 10.3 to the quarterly report on Form 10-Q of Casella as filed on March 6, 2009 (file no. 000-23211)).
- 10.44* Amendment to Employment Agreement by and between Casella Waste Systems, Inc. and Paul Larkin dated as of December 30, 2008 (incorporated herein by reference to Exhibit 10.4 to the quarterly report on Form 10-Q of Casella as filed on March 6, 2009 (file no. 000-23211)).
- 10.45 Second Amended and Restated Revolving Credit and Term Loan Agreement by and among Casella Waste Systems, Inc., certain of its Subsidiaries (defined therein), each lender from time to time a party to the Credit Agreement, and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, dated July 9, 2009 (incorporated herein by reference to Exhibit 10.1 to the current report on Form 8-K of Casella as filed July 9, 2009 (file no. 000-23211)).
- 10.46 First Amendment to the Second Amended and Restated Revolving Credit and Term Loan Agreement by and among the Company, certain of its Subsidiaries (defined therein), each lender from time to time a party to the Credit Agreement, and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, dated May 27, 2010 (incorporated herein by reference to Exhibit 10.2 to the current report on Form 8-K of Casella as filed on June 3, 2010 (file no. 000-23211)).

- 10.47 Amended and Restated Credit Agreement, dated as of March 18, 2011, by and among Bank of America, N.A., as Administrative Agent, Bank of America, N.A., as Lender, and the other lenders party thereto, Casella Waste Systems, Inc. and Casella's subsidiaries identified therein (incorporated by reference herein by reference to Exhibit 10.1 to the current report on Form 8-K of Casella as filed on March 24, 2011 (file no. 000-23211)).
- 10.48 First Amendment to FAME Financing Agreement, dated as of February 1, 2012, by and among Finance Authority of Maine, U.S. Bank National Association, as Trustee, Bank of America, as Credit Provider, and Casella Waste Systems, Inc. (incorporated herein by reference to Exhibit 10.1 to the quarterly report on Form 10-Q of Casella as filed on March 2, 2012 (file no. 000-23211)).
- 10.49 FAME Guaranty Agreement, dated as of February 1, 2012, by and among U.S. National Association, as Trustee, and the guarantors identified therein. (incorporated herein by reference to Exhibit 10.2 to the quarterly report on Form 10-Q of Casella as filed on March 2, 2012 (file no. 000-23211)).
- 10.50+ Amendment to March 18, 2011 Amended and Restated Credit Agreement, dated as of April 27, 2012, by and among Casella Waste Systems, Inc. and the parties identified therein.
- 12.1 + Statement of Computation of Ratio of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock Dividends.
- 21.1 + Subsidiaries of Casella Waste Systems, Inc.
- 23.1 + Consent of McGladrey LLP
- 23.2 + Consent of Caturano and Company, Inc.
- 23.3 + Consent of PricewaterhouseCoopers LLP, independent accountants of US Green Fiber, LLC.
- 31.1 + Certification of Principal Executive Officer required by Rule 13a-15(e) or Rule 15d-15(e) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 + Certification of Principal Financial Officer required by Rule 13a-15(e) or Rule 15d-15(e) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 + Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 99.1 + Financial Statements of US Green Fiber, LLC—December 31, 2011, 2010 and 2009.
- 101.INS XBRL Instance Document.**
- 101.SCH XBRL Taxonomy Extension Schema Document.**
- 101.CAL XBRL Taxonomy Calculation Linkbase Document.**
- 101.LAB XBRL Taxonomy Label Linkbase Document.**
- 101.PRE XBRL Taxonomy Presentation Linkbase Document.**
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.**

+ Filed herewith

* This is a management contract or compensatory plan or arrangement.

** Submitted Electronically Herewith. Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statements of Operations for the fiscal years ended April 30, 2012, 2011 and 2010, (ii) Consolidated Balance Sheets at April 30, 2012 and April 30, 2011, (iii) Consolidated Statements of Cash Flows for the fiscal years ended April 30, 2012, 2011 and 2010, and (iv) Notes to Consolidated Financial Statements.

Subsidiaries of Registrant

Name	Jurisdiction of Incorporation
AGreen Energy, LLC	Massachusetts
All Cycle Waste, Inc.	Vermont
Atlantic Coast Fibers, Inc.	Delaware
B. and C. Sanitation Corporation	New York
Better Bedding Corp.	New York
Bristol Waste Management, Inc.	Vermont
C.V. Landfill, Inc.	Vermont
CARES McKean, LLC	Pennsylvania
Casella Major Account Services LLC	Vermont
Casella Albany Renewables, LLC	Delaware
Casella Renewable Systems, LLC	Delaware
Casella Recycling, LLC	Maine
Casella-Altela Regional Environmental Services, LLC	Delaware
Casella Transportation, Inc.	Vermont
Casella Waste Management of Massachusetts, Inc.	Massachusetts
Casella Waste Management of N.Y., Inc.	New York
Casella Waste Management of Pennsylvania, Inc.	Pennsylvania
Casella Waste Management, Inc.	Vermont
Casella Waste Services of Ontario LLC	New York
Chemung Landfill LLC	New York
Colebrook Landfill LLC	New Hampshire
Corning Community Disposal Service, Inc.	New York
CWM All Waste LLC	New Hampshire
EcoGas, LLC	Maine
Evergreen National Indemnity Company	Ohio
Forest Acquisitions, Inc.	New Hampshire
Grasslands, Inc.	New York
GreenerU, Inc.	Delaware
GroundCo LLC	New York
Hakes C & D Disposal, Inc.	New York
Hardwick Landfill, Inc.	Massachusetts
Hiram Hollow Regeneration Corp.	New York
KTI Bio-Fuels, Inc.	Maine
KTI Environmental Group, Inc.	New Jersey
KTI New Jersey Fibers, Inc.	Delaware
KTI Operations, Inc.	Delaware
KTI Specialty Waste Services, Inc.	Maine
KTI, Inc.	New Jersey
Maine Energy Recovery Company, Limited Partnership	Maine
New England Waste Services of Massachusetts, Inc.	Massachusetts
New England Waste Services of ME, Inc.	Maine
New England Waste Services of N.Y., Inc.	New York
New England Waste Services of Vermont, Inc.	Vermont
New England Waste Services, Inc.	Vermont
Newbury Waste Management, Inc.	Vermont
NEWS of Worcester LLC	Massachusetts
NEWSME Landfill Operations LLC	Maine
North Country Composting Services, Inc.	New Hampshire
North Country Environmental Services, Inc.	Virginia
North Country Trucking, Inc.	New York
Northern Properties Corporation of Plattsburgh	New York
Pine Tree Waste, Inc.	Maine
Portland C&D Site, Inc.	New York
Recycle Rewards, Inc.	Delaware
ReSource Waste Systems, Inc.	Massachusetts
Schultz Landfill, Inc.	New York
Southbridge Recycling & Disposal Park, Inc.	Massachusetts
Sunderland Waste Management, Inc.	Vermont
The Hyland Facility Associates	New York
Tompkins County Recycling LLC	Delaware
U.S. GreenFiber, LLC	North Carolina
Waste-Stream, Inc.	New York
Winters Brothers, Inc.	Vermont

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements on Form S-8 (Nos. 333-40267, 333-43537, 333-43539, 333-43541, 333-43543, 333-43635, 333-67487, 333-92735, 333-31022, 333-100553, 333-141038, 333-163645 and 333-175010) and on Form S-3 (Nos. 333-85279, 333-88097, 333-95841, 333-31268, 333-121088, 333-154309 and 333-175107) of Casella Waste Systems, Inc. and its subsidiaries of our report dated June 28, 2012, relating to our audits of the consolidated financial statements and the financial statement schedule as of and for the years ended April 30, 2012 and 2011 and the effectiveness of the Company's internal control over financial reporting for the year ended April 30, 2012, which appears in this Annual Report on Form 10-K of Casella Waste Systems, Inc. and its subsidiaries for the year ended April 30, 2012, including the adjustments that were applied to the 2010 consolidated financial statements to retrospectively reflect discontinued operations.

/s/ McGladrey LLP

Boston, Massachusetts
June 28, 2012

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-40267, 333-43537, 333-43539, 333-43541, 333-43543, 333-43635, 333-67487, 333-92735, 333-31022, 333-100553, 333-141038, 333-163645 and 333-175010) and Form S-3 (Nos. 333-85279, 333-88097, 333-95841, 333-31268, 333-121088, 333-154309 and 333-175107) of the report of Caturano and Company, P.C. (whose name has since been changed to Caturano and Company, Inc.) dated June 10, 2010 relating to the consolidated financial statements and financial statement schedule for the year ended April 30, 2010 of Casella Waste Systems, Inc. and its subsidiaries, which appears in this Annual Report on Form 10-K. We were not engaged to audit, review, or apply any procedures to the adjustments to retroactively reflect the discontinued operations described in Note 16 and, accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by McGladrey LLP, as stated in their report appearing herein.

/s/ Caturano and Company, Inc.

Boston, Massachusetts
June 28, 2012

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-141038, 333-31022, 333-40267, 333-43537, 333-43539, 333-43541, 333-43543, 333-43635, 333-67487, 333-92735, 333-100553, 333-163645 and 333-175010) and on Form S-3 (Nos. 333-31268, 333-121088, 333-85279, 333-88097, 333-154309, 333-95841 and 333-175107) of Casella Waste Systems, Inc. of our report dated June 11, 2012 relating to the financial statements of US GreenFiber, LLC, which appears in this Form 10-K.

PricewaterhouseCoopers LLP

Charlotte, North Carolina
June 28, 2012

CERTIFICATIONS

I, John W. Casella, certify that:

1. I have reviewed this Annual Report on Form 10-K of Casella Waste Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 28, 2012

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

CERTIFICATIONS

I, Edwin D. Johnson, certify that:

1. I have reviewed this Annual Report on Form 10-K of Casella Waste Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 28, 2012

By: /s/ EDWIN D. JOHNSON

Edwin D. Johnson

Senior Vice President and Chief Financial Officer (Principal
Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

STATEMENT PURSUANT TO 18 U.S.C. §1350

Pursuant to 18 U.S.C. §1350, each of the undersigned certifies that, to his knowledge, this Annual Report on Form 10-K for the year ended April 30, 2012 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this report fairly presents, in all material respects, the financial condition and results of operations of Casella Waste Systems, Inc.

Dated: June 28, 2012

/s/ JOHN W. CASELLA

John W. Casella

Chairman and Chief Executive Officer

(Principal Executive Officer)

Dated: June 28, 2012

/s/ EDWIN D. JOHNSON

Edwin D. Johnson

*Senior Vice President and Chief Financial Officer (Principal
Financial and Accounting Officer)*



Company Officers

John W. Casella

Chairman, Chief Executive Officer
& Secretary

Paul A. Larkin

President & Chief Operating Officer

Edwin D. Johnson

Senior Vice President, Chief Financial
Officer & Treasurer

David L. Schmitt

Vice President, General Counsel

Board of Directors

John W. Casella

Chairman, Chief Executive Officer
& Secretary

Michael K. Burke

Senior Vice President & Chief Financial
Officer, Landauer, Inc.

James F. Callahan, Jr.

Retired Partner, Arthur Andersen, LLP

Douglas R. Casella

Vice Chairman, President, Casella
Construction, Inc.

John F. Chapple III

Retired President,
Marlin Management Services

Joseph G. Doody

President, North American Delivery,
Staples, Inc.

Emily N. Green

President & Chief Executive Officer, Smart
Lunches, LLC

James P. McManus

President & Chief Executive Officer,
The Hinckley Company

Gregory B. Peters

Managing General Partner, Lake
Champlain Capital Management, LLC

Shareholder Information

Annual Meeting of Shareholders

Killington Grand Hotel
Killington, VT
Tuesday, October 9, 2012
10:00 a.m.

Legal Counsel

Wilmer Cutler Pickering Hale
and Dorr LLP
60 State Street
Boston, MA 02109

Casella Waste Systems, Inc.

25 Greens Hill Lane
Rutland, VT 05701
Telephone: (802) 775-0325

Direct inquiries to:

Ned Coletta
Telephone: (802) 772-2239
E-mail: ned.coletta@casella.com

Auditors

McGladrey & Pullen, LLP
80 City Square
Boston, MA 02129

Transfer Agent & Registrar

Computershare
PO Box 43078
Providence, RI 02940-3078
Shareholder Inquiries:
(781) 575-2879

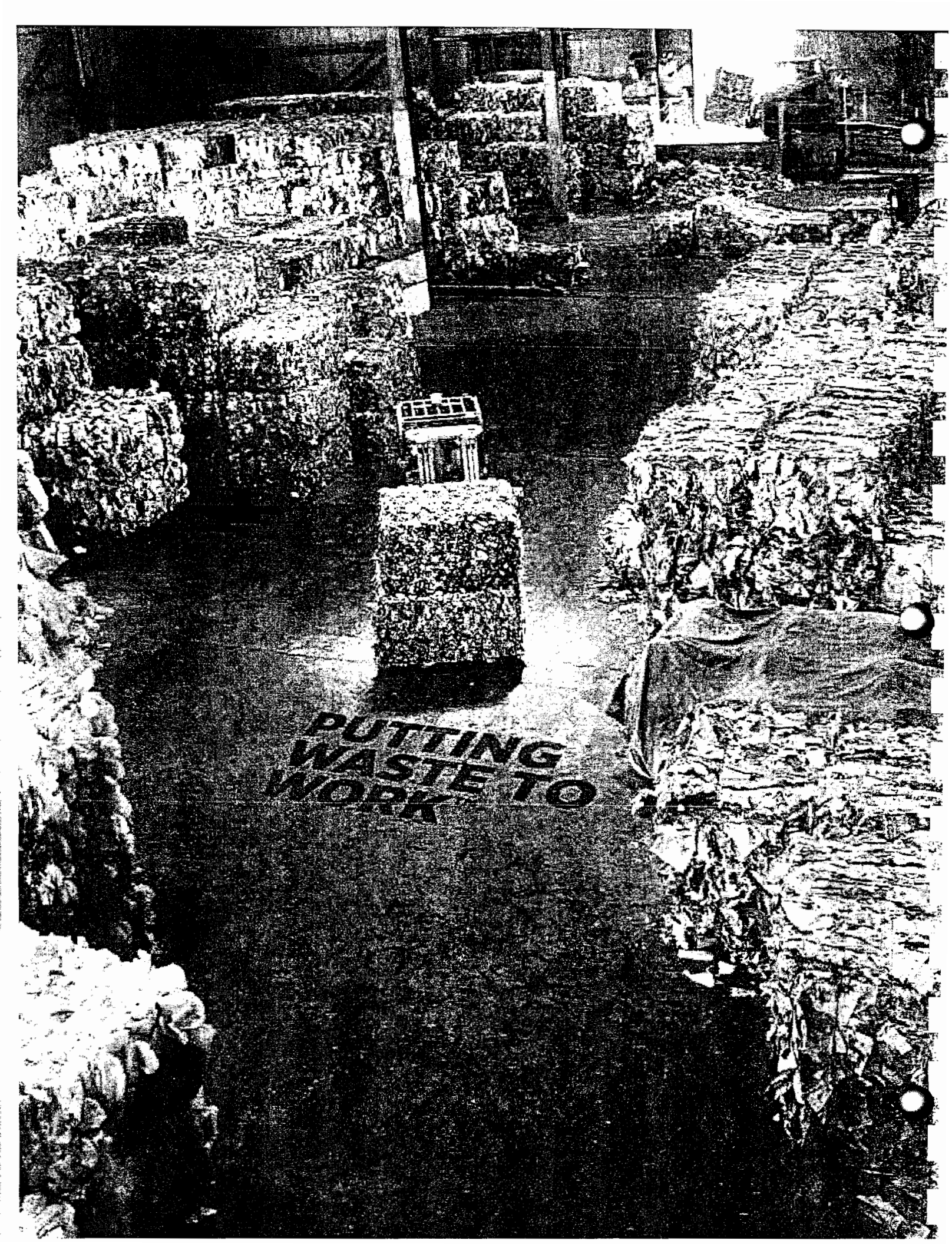
Stock Exchange

Casella Waste System, Inc.
is traded on the NASDAQ
Global Select Market under
the ticker symbol "CWST."

Safe Harbor Statement

Certain matters discussed in this annual report are "forward-looking statements" intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements can generally be identified as such by the context of the statements, including words such as "believe," "expect," "anticipate," "plan," "may," "will," "would," "intend," "estimate," "guidance" and other similar expressions, whether in the negative or affirmative. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry and markets in which we operate and management's beliefs and assumptions. We cannot guarantee that we actually will achieve the plans, intentions, expectations or guidance disclosed in the forward-looking statements made. Such forward-looking statements, and all phases of our operations, involve a number of risks and uncertainties, any one or more of which could cause actual results to differ materially from those described in our forward-looking statements. Such risks and uncertainties include or relate to, among other things: current economic conditions that have adversely affected and that may continue to adversely affect our revenues and our operating margin; we may be unable to reduce costs or increase pricing or volumes sufficiently to achieve estimated Adjusted EBITDA, profitability and other targets; landfill operations and permit status may be affected by factors outside our control; we may be required to incur capital expenditures in excess of our estimates; fluctuations in the commodity pricing of our recyclables may make it more difficult for us to predict our results of operations or meet our estimates; we may not be able to complete the divestiture of Maine Energy Recovery Company; and we may incur environmental charges or asset impairments in the future. There are a number of other important risks and uncertainties that could cause our actual results to differ materially from those indicated by such forward-looking statements. These additional risks and uncertainties include, without limitation, those detailed in Item 1A, "Risk Factors" in our Form 10-K for the year ended April 30, 2012.

We undertake no obligation to update publicly any forward-looking statements whether as a result of new information, future events or otherwise, except as required by law.

A high-contrast, black and white photograph of a recycling facility. Large, rectangular bales of compressed waste are stacked in rows on both sides of a central conveyor belt. The bales have a rough, textured appearance. The conveyor belt runs from the foreground towards the background, where a small structure with vertical supports is visible. The overall scene is industrial and emphasizes the volume of waste being processed.

**PUTTING
WASTE TO
WORK**



FSC Mixed Sources

Products with an FSC Mixed Sources label support the development of responsible forest management worldwide. The wood comes from FSC-certified well-managed forests, company controlled sources and/or recycled material.

Company controlled sources are controlled, in accordance with FSC standards, to exclude illegally harvested timber, forests where high conservation values are threatened, genetically modified organisms, and violation of people's civil and traditional rights.



25 Greens Hill Lane
Rutland, Vermont 05701
(802) 775-0325
(802) 775-6198 fax
casella.com

February 19, 2013

Ned Coletta
Senior Vice President and Chief Financial Officer
Casella Waste Systems, Inc.
25 Greens Hill Lane
Rutland, VT 05701

RE: New Hampshire Business Finance Authority -
Solid Waste Disposal Revenue Bonds (Casella Waste Systems, Inc. Project)

Dear Ned:

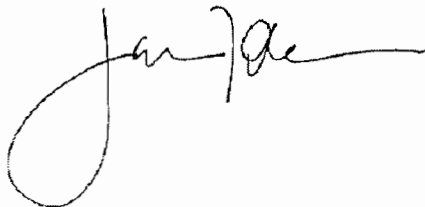
Bank of America has been provided with certain information concerning the New Hampshire Business Finance Authority Solid Waste Disposal Revenue Bonds (Casella Waste Systems, Inc. Project) (the "Bonds"). We understand that the proceeds of the Bonds will be used by Casella Waste Systems, Inc. (and any related subsidiary or affiliate thereto) to finance various solid waste disposal facilities in the State of New Hampshire (the "Project").

Based on the information we have received and reviewed to date, Bank of America is pleased to provide this letter agreeing to execute and deliver / tender a bond purchase contract / underwriting agreement for the full purchase of the Bonds in the aggregate principal amount not to exceed \$11,000,000. Our purchase of the initial and subsequent series of Bonds will be subject to the completion of our due diligence review with respect to the Bonds and the Project, and other conditions that are part of our standard credit approval process. Casella Waste Systems, Inc. (the "Company") is rated "B3" by Moody's and "B" by Standard & Poor's, based upon our most recent review of the Company. It is our understanding that the Company will secure credit enhancement in the form of a direct-pay letter of credit from Bank of America, N.A. (rated "A/A-1" by Standard & Poor's) to guarantee the repayment of amounts due with respect to the Bonds.

This letter has been delivered to you in relation to the Bonds and is not to be distributed to or relied upon by, or otherwise disclosed to, any other person, except that we understand that this letter may be submitted to the New Hampshire Business Finance Authority in connection with Casella Waste Systems, Inc.'s application for an award of Private Activity Bond Allocation in the amount of \$11,000,000.

Sincerely yours,

Bank of America



Lawrence N. Tonomura
Managing Director

Merrill Lynch, Pierce, Fenner & Smith Incorporated member FINRA/SIPC, is a subsidiary of Bank of America Corporation

Fax: 415.627.3807

Merrill Lynch, Pierce, Fenner & Smith Incorporated
555 California Street, Suite 1160, San Francisco, California 94104

Not Seasonally Adjusted Estimates by Place of Residence

Labor Force Estimates

New Hampshire	Dec-12	Nov-12	Dec-11
Total Civilian Labor Force	738,130	736,790	737,350
Employed	696,980	697,240	700,970
Unemployed	41,150	39,550	36,380
Unemployment Rate	5.6%	5.4%	4.9%

United States (# in thousands)	Dec-12	Nov-12	Dec-11
Total Civilian Labor Force	154,904	154,953	153,373
Employed	143,060	143,549	140,681
Unemployed	11,844	11,404	12,692
Unemployment Rate	7.6%	7.4%	8.3%

Unemployment Rates by Region

Not Seasonally Adjusted	Dec-12	Nov-12	Dec-11
United States	7.6%	7.4%	8.3%
Northeast	8.0%	7.7%	7.7%
New England	7.0%	6.9%	6.9%
Connecticut	7.8%	8.3%	7.6%
Maine	7.3%	7.0%	7.0%
Massachusetts	6.6%	6.1%	6.6%
New Hampshire	5.6%	5.4%	4.9%
Rhode Island	9.4%	10.0%	10.7%
Vermont	4.7%	4.6%	4.9%
Mid Atlantic	8.4%	8.0%	8.0%
New Jersey	9.3%	9.3%	8.7%
New York	8.2%	7.9%	8.0%
Pennsylvania	7.9%	7.3%	7.3%

Unemployment Rates by Area

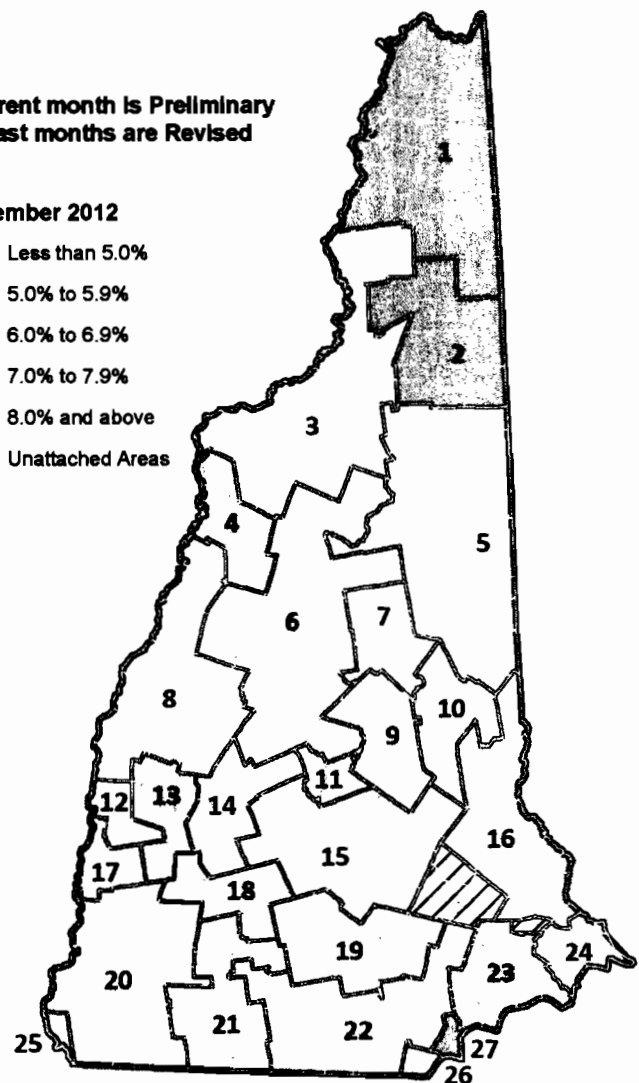
Counties	Dec-12	Nov-12	Dec-11
Belknap	5.6%	5.2%	5.1%
Carroll	5.5%	5.3%	5.3%
Cheshire	5.3%	4.9%	4.5%
Coos	7.7%	7.1%	7.3%
Grafton	4.6%	4.4%	3.8%
Hillsborough	5.7%	5.6%	5.1%
Merrimack	4.9%	4.7%	4.4%
Rockingham	6.1%	5.9%	5.3%
Strafford	5.2%	5.0%	4.6%
Sullivan	5.1%	4.7%	4.3%

Map Key	Labor Market Areas	Dec-12	Nov-12	Dec-11
1	Colebrook NH-VT LMA, NH Portion	8.7%	6.7%	7.5%
2	Berlin NH MicroNECTA	9.2%	8.7%	8.3%
3	Littleton NH-VT LMA, NH Portion	5.1%	5.0%	5.1%
4	Haverhill NH LMA	6.1%	5.2%	5.2%
5	Conway NH-ME LMA, NH Portion	5.8%	5.7%	5.5%
6	Plymouth NH LMA	5.4%	5.3%	4.6%
7	Moultonborough NH LMA	4.2%	3.9%	4.4%
8	Lebanon NH-VT MicroNECTA, NH Portion	3.5%	3.5%	3.0%
9	Laconia NH MicroNECTA	5.9%	5.5%	5.4%
10	Walfeboro NH LMA	5.3%	4.8%	4.6%
11	Franklin NH MicroNECTA	5.6%	4.8%	5.2%
12	Claremont NH MicroNECTA	5.1%	4.7%	4.4%
13	Newport NH LMA	6.4%	5.6%	5.0%
14	New London NH LMA	4.3%	4.3%	3.5%
15	Concord NH MicroNECTA	5.0%	4.6%	4.4%
16	Rochester-Dover NH-ME MetroNECTA, NH Portion	5.2%	5.0%	4.6%
17	Charlestown NH LMA	5.6%	5.1%	4.7%
18	Hillsborough NH LMA	5.4%	5.7%	4.8%
19	Manchester NH MetroNECTA	5.4%	5.4%	4.8%
20	Keene NH MicroNECTA	5.0%	4.7%	4.3%
21	Peterborough NH LMA	5.8%	5.5%	5.0%
22	Nashua NH-MA NECTA Division, NH Portion	5.7%	5.6%	5.1%
23	Exeter Area, NH Portion, Haverhill-N. Andover-Amesbury MA-NH NECTA Division	6.9%	6.6%	5.9%
24	Portsmouth NH-ME MetroNECTA, NH Portion	4.8%	4.6%	4.4%
25	Hinsdale Town, NH Portion, Brattleboro VT-NH LMA	6.7%	5.9%	5.6%
26	Pelham Town, NH Portion, Lowell-Billerica-Chelmsford MA-NH NECTA Division	7.5%	6.9%	6.7%
27	Salem Town, NH Portion, Lawrence-Methuen-Salem MA-NH NECTA Division	8.3%	7.7%	7.4%

Current month is Preliminary
Past months are Revised

December 2012

- Less than 5.0%
- 5.0% to 5.9%
- 6.0% to 6.9%
- 7.0% to 7.9%
- 8.0% and above
- Unattached Areas



New Hampshire unemployment and labor force estimates are calculated using a regression model which depends on Current Population Survey (CPS) estimates. Labor Market Area estimates are calculated using the Bureau of Labor Statistics "Handbook Method" and then adjusted to the State levels.

BUSINESS FINANCE AUTHORITY OF THE STATE OF NEW HAMPSHIRE

AND

U.S. BANK NATIONAL ASSOCIATION, AS TRUSTEE

INDENTURE

DATED AS OF MARCH 1, 2013

RELATING TO UP TO:

\$_____

BUSINESS FINANCE AUTHORITY OF THE STATE OF NEW HAMPSHIRE
SOLID WASTE DISPOSAL REVENUE BONDS
(CASELLA WASTE SYSTEMS, INC. PROJECT)
SERIES 2013

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This Indenture, dated as of March 1, 2013 (the "Indenture") is entered into between THE BUSINESS FINANCE AUTHORITY OF THE STATE OF NEW HAMPSHIRE, a body corporate and politic created under New Hampshire RSA 162-A:3 (the "Authority"), and U.S. BANK NATIONAL ASSOCIATION (with its successors, the "Trustee"), a national banking association organized under the laws of the United States of America, being qualified to accept and administer the trusts hereby created (the "Trustee");

WITNESSETH:

WHEREAS, the Authority is a body corporate and politic created under New Hampshire Chapters RSA 162-A and 162-I, each as amended (the "Act"); and

WHEREAS, in accordance with the Act, the Authority proposes to finance the costs of acquiring, constructing, improving, installing or equipping certain solid waste disposal, recycling, collection and transfer facilities (collectively, the "Project") more particularly described in Exhibit A to the Financing Agreement (the "Financing Agreement" or "Agreement") of even date herewith, between Casella Waste Systems, Inc. (the "Company") and the Authority, and to pay the costs of issuance in connection therewith; and

WHEREAS, pursuant to and in accordance with the Act, the Authority has authorized and undertaken to issue its Solid Waste Disposal Revenue Bonds (Casella Waste Systems, Inc. Project) Series 2013 (the "Bonds") pursuant to this Indenture in order to provide funds to finance the Project and to pay the costs of issuance in connection therewith; and

WHEREAS, the Authority has undertaken to finance the cost of the Project by loaning the proceeds derived from the sale of the Bonds to the Company pursuant to the Financing Agreement, under which the Company is required to make loan payments sufficient to pay when due the principal of, premium, if any, Purchase Price of and interest on the Bonds and related expenses; and

WHEREAS, it has been determined that the estimated amount necessary to finance the cost of the Project, including necessary expenses incidental to the issuance of the Bonds, will require the issuance, sale and delivery of the Bonds, as hereinafter provided; and

WHEREAS, all Bonds issued under this Indenture will be secured by a pledge and assignment of the Financing Agreement by the Authority to the Trustee and the Credit Provider; and

WHEREAS, the Bonds and the certificate of authentication to be executed thereon are to be in substantially the form set forth in Exhibit A hereto, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture; and

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and the premium, if any, Purchase Price thereof and interest thereon, the Authority has authorized the execution and delivery of this Indenture; and

NOW, THEREFORE, this indenture witnesseth, that in order to secure the payment of the principal of, premium, if any, Purchase Price of and the interest on, all Bonds at any time issued and outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions set forth therein and herein and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Holders (as defined herein) thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, the Authority does hereby irrevocably assign and pledge to the Trustee upon the terms hereof all right, title and interest of the Authority in the Revenues (except as provided in Section 5.1(B) hereof and except for any rights reserved to the Authority), and does hereby covenant and agree with the Trustee, for the equal and proportionate benefit of the respective Holders from time to time of the Bonds (except that, in the performance of the agreements of the Authority herein contained, any obligation it may incur for the payment of money shall not constitute any debt or liability of, or a pledge of the faith and credit of, the Authority or of the State or any municipality therein or any political subdivision thereof, but shall be payable solely from the funds and revenues pledged for the payment of the Bonds under this Indenture, the Agreement or from other eligible collateral pledged to the payment of the Bonds and nothing herein, or in the Bonds, shall directly or indirectly or contingently obligate the Authority, the State, its political subdivisions or any municipality to levy any form of taxation whatever or make any appropriation for the payment of the Bonds), as follows:

ARTICLE I

DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

Section 1.1 Definitions. Unless the context otherwise requires, the terms defined in this Article shall, for all purposes of this Indenture and of any indenture supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

“Accountant” means any firm of independent certified public accountants selected by the Company and reasonably acceptable to the Trustee.

“Act” has the meaning assigned thereto in the recitals.

“Additional Bonds” means any Bonds issued under Section 2.13 of this Indenture.

“Additional Payments” means the payments required to be made by the Company pursuant to Sections 4.2(c) and (d), 7.3, 9.2 and 9.3 of the Agreement.

“Administrative Fees and Expenses” means the reasonable and necessary expenses incurred by the Authority pursuant to the Agreement or this Indenture and the compensation and reasonable expenses paid to or incurred by the Trustee, the Tender Agent, the Bond Registrar, the Remarketing Agent and/or any Paying Agent under the Agreement or this Indenture, which include but are not limited to printing of Bonds, accomplishing transfers or new registration of

Bonds, or other charges and other disbursements including those incurred in and about the administration and execution of the Agreement and this Indenture.

“Agreement” or “Financing Agreement” means that certain financing agreement by and between the Authority and the Company, dated as of March 1, 2013, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of this Indenture.

“Alternate Letter of Credit” means an alternate irrevocable letter of credit, including, if applicable, a confirming letter of credit, or similar credit facility issued by a commercial bank, savings institution or other financial institution, the terms of which shall in all material respects be the same as those of the Letter of Credit then in effect, delivered to the Trustee pursuant to Section 5.12 of the Agreement.

“Approving Opinion” means an opinion of Bond Counsel that an action being taken (i) is authorized by this Indenture, and (ii) will not adversely affect the Tax-exempt status of the Bonds.

“Asset Sale” has the meaning set forth in Section 4.1(A)(ii).

“Authority” means The Business Finance Authority of the State of New Hampshire, a body corporate and politic created under the Act, and its successors and assigns.

“Authority’s Service Charge” means payments to the Authority for its own use consisting of \$_____, payable on the date of original issuance of the Bonds.

“Authorized Denomination” means \$100,000 or any integral multiple of \$5,000 above that amount.

“Authorized Representative” means (i) with respect to the Company, the person or persons at the time designated to act on behalf of the Company by a written certificate signed by the Company, furnished to the Trustee, the Credit Provider, if any, and the Authority, containing the specimen signature of each such person, (ii) with respect to the Authority, the Chairman or Executive Director of the Authority, or, to the extent heretofore or hereafter provided by resolution of the Authority or otherwise any other duly authorized officer of the Authority as evidenced by a written certificate furnished to the Trustee and the Company containing the specimen signature of such person and signed on behalf of the Authority by an Authorized Representative (such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties of the Authorized Representative of the Authority), and (iii) with respect to the Credit Provider, if any, the person or persons at the time designated to act on behalf of the Credit Provider by a written certificate signed by the Credit Provider, furnished to the Trustee, the Company and the Authority, containing the specimen signature of each such person.

“Available Moneys” means (1) moneys derived from drawings under the Letter of Credit, or (2) moneys provided by the Company held by the Trustee in funds and accounts established under this Indenture (except the Rebate Fund or the account described in Section 4.7(G) hereof) and subject to the lien of the Indenture for a period of at least 123 days and not commingled with

any moneys so held for less than said period and during and prior to which period no petition in bankruptcy was filed by or against, and no receivership, insolvency, assignment for the benefit of creditors or other similar proceeding has been commenced by or against the Company or the Authority, or (3) remarketing proceeds and proceeds of obligations issued to refund all or a portion of the Bonds, or (4) investment income derived from the investment of moneys described in clause (2) so long as (A) investments of such moneys are in Investment Securities rated by the Rating Agency in any of the two-highest long-term rating categories without regard to modifiers or, if applicable, in the highest short-term rating category without regard to modifiers and (B) with respect to such investment income there has been delivered to the Trustee an opinion of nationally recognized bankruptcy counsel to the effect that the use of such amounts for such purpose would not constitute a voidable preference under Section 547 of the Bankruptcy Code should the Company or the Authority become the debtor in a case under the Bankruptcy Code.

“Bank Bonds” shall have the meaning ascribed thereto in Section 4.7(C)(2) hereof.

“Bankruptcy Code” means Title 11 of the United States Code, as amended, and any successor statute or statutes having substantively the same function.

“Beneficial Owners” means those individuals, partnerships, corporations or other entities for whom the Direct Participants have caused DTC to hold Book-Entry Bonds.

“Bond Counsel” means any attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America and reasonably acceptable to the Authority and the Trustee but does not include counsel for the Company.

“Bond Fund” means the fund by that name established pursuant to Section 5.1 hereof.

“Bondholder” See “Holder.”

“Bond Registrar” or “Registrar” means the entity or entities performing the duties of the bond registrar pursuant to Section 2.8 hereof.

“Bonds” means the Initial Bonds, together with any Additional Bonds, designated as provided in Section 2.1 hereof, authorized and issued hereunder in an aggregate principal amount not to exceed \$_____.

“Book-Entry Bonds” means the Bonds registered in the name of the nominee of DTC, or any successor securities depository for such Bonds, as the registered owner thereof pursuant to the terms and provisions of Section 2.11 hereof.

“Business Day” shall mean any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in New York, New York, or the city or cities in which the Corporate Trust Office of the Trustee or the Tender Agent or, if applicable, the office of the Credit Provider at which demands for payment under the Letter of Credit are to be presented are authorized or required by law to close, (iii) a day on which the New York Stock Exchange is closed, or (iv) if a

Letter of Credit is in effect, any day not a Business Day as defined in the Letter of Credit or the Reimbursement Agreement.

“Certificate,” “Statement,” “Request,” “Requisition” or “Order” of the Authority, the Company or the Credit Provider means, respectively, a written certificate, statement, request, requisition or order signed in the name of the Authority by an Authorized Representative of the Authority, or in the name of the Company by an Authorized Representative of the Company or on behalf of the Credit Provider by an Authorized Representative of the Credit Provider, as applicable. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.2 hereof, each such instrument shall include the statements provided for in Section 1.2 hereof.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Company” means Casella Waste Systems, Inc., a corporation duly incorporated, organized and existing under the laws of the State of Delaware, or any entity which is the surviving, resulting or transferee entity in any merger, consolidation or transfer of assets permitted under Section 5.3 of the Agreement and also means, unless the context otherwise requires, an assignee of the Agreement as permitted by Section 5.10 of the Agreement, but does not mean any affiliate of the Company.

“Completion Date” means the date of substantial completion of the construction of the Project as that date shall be certified as provided in Section 3.3 of the Agreement.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement dated the Issuance Date by the Company relating to the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Conversion Date” means each date on which the Interest Rate Period for the Bonds is converted from one type of Interest Rate Period to another type of Interest Rate Period and from a Term Interest Rate Period to another Term Interest Rate Period.

“Corporate Trust Office” means, (i) with respect to the Trustee, the principal corporate trust office of the Trustee at 190 South LaSalle Street, 10th Floor, Chicago, Illinois 60603, Attention: Corporate Trust Services, or such other office designated by the Trustee from time to time by notice to the Authority, the Company, the Credit Provider, if any, and the Remarketing Agent, and (ii) with respect to the Tender Agent if other than the Trustee, such office designated by the Tender Agent to the Authority, the Company, the Remarketing Agent and the Credit Provider, if any, as its Corporate Trust Office.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority, the Credit Provider, if any, or the Company and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, fees and charges for preparation, execution and

safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds which constitutes a “cost of issuance” within the meaning of Section 147(g) of the Code.

“Costs of Issuance Fund” means the fund by that name established pursuant to Section 3.4 hereof.

“Costs of the Project” means the sum of the items, or any such item, authorized to be paid from the Project Fund pursuant to the provisions of Section 3.2 of the Agreement, but shall not include any Costs of Issuance.

“Credit Provider” means, initially, Bank of America, N.A. (the “Original Credit Provider”), and thereafter, means any other commercial bank, savings association or other financial institution issuing a Letter of Credit complying with Section 5.12 of the Agreement.

“Daily Interest Rate” means a variable interest rate on the Bonds established daily in accordance with Section 2.3(C) hereof.

“Daily Interest Rate Period” means each period during which Daily Interest Rates are in effect.

“Dated Date” means, with respect to the Initial Bonds, _____, 2013 and with respect to any Additional Bonds, the date of delivery of such Additional Bonds.

“Designation of Bond” means the form of Designation of Bond, in the form attached hereto as Exhibit D, pursuant to which the principal amount of Bonds outstanding is increased in order to provide for the payment of Project Costs.

“Determination of Taxability” means a determination that, due to the untruth or inaccuracy of any representation or warranty made by the Company in the Agreement or the breach of any covenant or warranty of the Company contained in the Agreement, interest on the Bonds, or any of them, is determined not to be Tax-exempt by (i) a final administrative determination of the Internal Revenue Service or a final judicial decision of a court of competent jurisdiction in a proceeding of which the Company received notice and in which the Company was afforded an opportunity to participate to the full extent permitted by law or (ii) an opinion of Bond Counsel obtained by the Company and delivered to the Trustee. A determination or decision will not be considered final for purposes of the preceding sentence unless (A) the Authority or the holder or holders of the Bonds involved in the proceeding in which the issue is raised (i) shall have given the Company and the Trustee prompt written notice of the commencement thereof, and (ii) shall have offered the Company the opportunity to control the proceeding; provided the Company agrees to pay all expenses in connection therewith and to indemnify such holder or holders against all liability for such expenses (except that any such holder may engage separate counsel, and the Company shall not be liable for the fees or expenses of such counsel); and (B) such proceeding shall not be subject to a further right of appeal or shall not have been timely appealed.

“Direct Participants” means those broker-dealers, banks and other financial institutions from time to time for which DTC holds the Bonds as securities depository.

“DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the New York Banking Law, or any successor securities depository for the Bonds.

“Event of Default” means any of the events specified in Section 7.1 hereof.

“Excluded Moneys” means the right of the Authority to receive any Additional Payments to the extent payable to the Authority under Sections 4.2(d), 7.3, 9.2 and 9.3 of the Agreement.

“Fiscal Year” means the period beginning on May 1 of each year and ending on the next succeeding April 30 or any other twelve-month, or fifty-two week, period hereafter selected and designated as the official fiscal year period of the Company.

“Government Obligations” means the following:

(A) bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations on which the full and timely payment of principal and interest is fully and unconditionally guaranteed by, the United States of America; and

(B) evidences of direct ownership of a proportionate or individual interest in future interest or principal payments on specified direct obligations of, or obligations for which the full and timely payment of the principal of and interest is unconditionally guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian in form and substance satisfactory to the Trustee.

“Guarantors” means each of the Subsidiaries of the Company that is a borrower (other than the Company) or guarantor under the Senior Credit Facility or the Senior Subordinated Note Indenture and is a signatory to a Guaranty; and, if the Senior Credit Facility and the Senior Subordinated Notes Indenture have been terminated, each other Subsidiary of the Company that executes a Guaranty in accordance with the provisions of the Agreement; and their respective successors and assigns, and in each case, until such Subsidiary is released from such Guaranty in accordance with the provisions of such Guaranty.

“Guaranty” or “Guaranty Agreement” means any guaranty agreement executed by the Guarantors in favor of the Trustee relating to the Bonds.

“Holder” or “Bondholder,” or “Owner,” whenever used herein with respect to a Bond, means the person in whose name such Bond is registered.

“Indenture” means this Indenture, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

“Initial Bonds” means the Authority’s Solid Waste Disposal Revenue Bonds (Casella Waste Systems, Inc. Project) Series 2013, issued in the initial principal amount of \$_____.

“Institutional Investor” means an institutional “accredited investor” within the meaning of Rule 501 promulgated under the Securities Act of 1933, as amended.

“Interest Account” means the account by that name in the Bond Fund established pursuant to Section 5.2 hereof.

“Interest Payment Date” means (i) the first Business Day of each month during a Daily Interest Rate Period or a Weekly Interest Rate Period, (ii) with respect to any Term Interest Rate Period, the first day of the calendar month that is six calendar months after the beginning of such Term Interest Rate Period and the first day of the calendar month every six months after each such payment date thereafter until the end of such Term Interest Rate Period, (iii) each Conversion Date and (iv) the Principal Payment Date.

“Interest Period” means the period from and including any Interest Payment Date to and including the day immediately preceding the next following Interest Payment Date, except that the first Interest Period shall be the period from and including the date of the first authentication and delivery of the Bonds to and including the day immediately preceding the first Interest Payment Date relating to the Bonds, which is _____ 1, 2013.

“Interest Rate Period” means any of a Daily Interest Rate Period, a Weekly Interest Rate Period or a Term Interest Rate Period.

“Investment Securities” means any of the following securities (other than those issued by the Authority or the Company):

(A) Government Obligations;

(B) bonds, notes or other obligations of any state of the United States or any political subdivision of any state, which at the time of their purchase are rated in either of the two highest rating categories by a nationally recognized rating service;

(C) certificates of deposit or time or demand deposits constituting direct obligations of any bank, bank holding company, savings and loan association or trust company organized under the laws of the United States or any state thereof (including the Trustee or any of its affiliates), except that investments may be made only in certificates of deposit or time or demand deposits which are:

(1) insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation, or any other similar United States Government deposit insurance program then in existence; or

(2) continuously and fully secured by Government Obligations, which have a market value, exclusive of accrued interest, at all times at least equal to the principal amount of such certificates of deposit or time or demand deposits; or

(3) issued by a bank, bank holding company, savings and loan association or trust company under the laws of the United States or any state thereof (including the Trustee or any of its affiliates) whose outstanding

unsecured long-term debt is rated at the time of issuance in either of the two highest rating categories by a nationally recognized Rating Agency;

(D) repurchase agreements with any bank, bank holding company, savings and loan association, trust company or other financial institution organized under the laws of the United States of America or any state thereof (including the Trustee or any of its affiliates), that are continuously and fully secured by Government Obligations and which have a market value, exclusive of accrued interest, at all times at least equal to the principal amount of such repurchase agreements, *provided* that each such repurchase agreement conforms to current industry standards as to form and time, is in commercially reasonable form, is for a commercially reasonable period, results in transfer of legal title to identified Government Obligations which are segregated in a custodial or trust account for the benefit of the Trustee, and further provided that Government Obligations acquired pursuant to such repurchase agreements shall be valued at the lower of the then current market value thereof or the repurchase price thereof set forth in the applicable repurchase agreement;

(E) investment agreements constituting an obligation of a bank, bank holding company, savings and loan association, trust company, insurance company or other financial institution whose outstanding unsecured short-term debt is rated at the time of such agreement in the highest rating category by a nationally recognized Rating Agency or whose outstanding unsecured long-term debt is rated at the time of such agreement in either of the two highest rating categories by a nationally recognized Rating Agency;

(F) short term discount obligations of the Federal National Mortgage Association and the Government National Mortgage Association;

(G) money market mutual funds (1) that invest in Government Obligations or that are registered with the Securities and Exchange Commission, meeting the requirements of Rule 2a-7 under the Investment Company Act of 1940, as amended, and (2) that are rated in either of the two highest categories by a nationally recognized Rating Agency;

(H) commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by Moody's, S&P, or Fitch, Inc. ("Fitch"), provided that the corporation that issues the commercial paper shall be organized and operating within the United States, shall have total assets in excess of five hundred million dollars (\$500,000,000), and shall issue debt, other than commercial paper, if any, that is rated "A" or higher by Moody's, S&P, or Fitch, and provided further that eligible commercial paper shall have a maximum maturity of 270 days or less; and

(I) such other investments permitted by law and approved in writing by the Credit Provider, if any.

"Issuance Date" means _____, 2013.

"Letter of Credit" means (i) the initial Letter of Credit issued by the Original Credit Provider on the Issuance Date; (ii) an irrevocable letter of credit meeting the requirements of

Section 5.12 of the Financing Agreement, naming the Trustee as beneficiary and delivered to the Trustee pursuant to the terms of the Financing Agreement; and (iii) in the event of delivery of an Alternate Letter of Credit, such Alternate Letter of Credit.

“Letter of Credit Account” means the account by that name in the Bond Fund established pursuant to Section 5.3 hereof.

“Loan Default Event” means any one or more of the events specified in Section 7.1 of the Agreement.

“Loan Payments” means the loan repayments required to be made by the Company pursuant to Section 4.2(a) and Section 5.13 of the Agreement.

“Maximum Rate” means ten percent (10%) per annum.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Company, with the approval of the Remarketing Agent.

“Net Proceeds” means the proceeds from insurance with respect to the Project, less any costs reasonably expended by the Company to receive such proceeds.

“Opinion of Counsel” means a written opinion of counsel (who may be counsel for the Company) selected by the Company and reasonably acceptable to the Trustee and the Authority. If and to the extent required by the provisions of Section 1.2 hereof, each Opinion of Counsel shall include the statements provided for in Section 1.2 hereof.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 12.10 hereof) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except (1) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which liability of the Authority shall have been discharged in accordance with Section 11.2 hereof, including Bonds (or portions of Bonds) referred to in Section 12.10 hereof; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to this Indenture.

“Paying Agent” means the Paying Agent described in Section 8.7 hereof.

“Person” means an individual, corporation, firm, association, limited liability company, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Principal Account” means the account by that name in the Bond Fund established pursuant to Section 5.2 hereof.

“Principal Payment Date” means _____ 1, 20__.

“Project” means the equipment, buildings, structures, fixtures, vehicles and improvements financed in whole or in part from the proceeds of the sale of the Bonds as more fully described in Exhibit A to the Agreement.

“Project Fund” means the fund by that name established pursuant to Section 3.3 hereof.

“Purchase Date” means the date on which any Bond is required to or may be purchased pursuant to Section 2.4, 4.6 or 4.8 hereof.

“Purchase Price” means that amount equal to 100% of the principal amount of any Bond purchased pursuant to Section 2.4, 4.6 or 4.8 of this Indenture, plus accrued and unpaid interest thereon to but not including the Purchase Date.

“Purchase Price Payments” means the purchase price payments required to be made by the Company pursuant to Section 4.2(b) of the Agreement.

“Qualified Newspaper” means The Wall Street Journal or The Bond Buyer or any other newspaper or journal containing financial news, printed in the English language and customarily published on each Business Day, of general circulation in New York, New York, and selected by the Trustee, whose decision shall be final and conclusive.

“Rating Agency” means Moody’s, if Moody’s is then rating the Bonds, and S&P, if S&P is then rating the Bonds, or any other nationally recognized securities rating agency selected by the Company, with the approval of the Remarketing Agent.

“Rebate Fund” means the fund by that name created pursuant to Section 5.7 hereof.

“Record Date” means (i) the Business Day immediately preceding the applicable Interest Payment Date during a Daily Interest Rate Period or Weekly Interest Rate Period and (ii) the day, whether or not a Business Day, which is the fifteenth day of the month prior to an Interest Payment Date during any Term Interest Rate Period.

“Redemption Account” means the account by that name established in the Bond Fund pursuant to Section 5.2 hereof.

“Reimbursement Agreement” means the Senior Credit Facility or any other similar agreements entered into in connection with the initial Letter of Credit or the issuance of any Alternate Letter of Credit.

“Remarketing Agent” means with respect to the Bonds, Merrill Lynch, Pierce, Fenner & Smith Incorporated and its respective successors, in such office under this Indenture.

“Remarketing Agreement” means the Remarketing Agreement dated as of March 1, 2013, between the Company and the Remarketing Agent or the agreement or instrument pursuant to which a successor to the Remarketing Agent shall perform its services.

“Revenues” means all amounts received by the Authority or the Trustee for the account of the Authority pursuant or with respect to the Agreement, the Letter of Credit (if applicable)

and the Guaranty (if applicable), including, without limiting the generality of the foregoing, Loan Payments (including both timely and delinquent payments and any late charges paid from whatever source), prepayments, insurance proceeds, condemnation proceeds, and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to this Indenture, but not including payments to the Authority, the Trustee or other parties pursuant to Sections 4.2(c), (d) and (e), 7.3, 9.2 and 9.3 of the Agreement (including without limitation any Administrative Fees and Expenses, or any moneys paid for deposit into the Rebate Fund pursuant to Section 4.2(f) of the Agreement) and not including Purchase Price Payments pursuant to Section 4.2(b) of the Agreement.

“S&P” means Standard & Poor’s Rating Group, a division of The McGraw-Hill Companies, Inc., its successors and their assigns, or, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Company, with the approval of the Remarketing Agent.

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 50th Floor, New York, New York 10041-0099, Attn: Call Notification Department; Fax – (212) 855-7232; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depositories, or no such depositories, as the Company may indicate in a certificate of the Company delivered to the Trustee.

“Senior Credit Facility” means that certain Amended and Restated Credit Agreement dated as of March 18, 2011, among the Company, the Guarantors named therein and Bank of America, N.A., as administrative agent, and the lenders from time to time party thereto, as amended, restated or refinanced from time to time, including any agreement or agreements extending the maturity of, refinancing or otherwise restructuring (including increasing the amount of other indebtedness outstanding or available to be borrowed thereunder) all or any portion of the indebtedness under such agreement, and any successor or replacement agreement.

“Senior Subordinated Note Indenture” means that certain indenture, dated as of February 7, 2011, as amended and in effect from time to time, among the Company, as issuer, and each of the guarantors named therein, as guarantors, and U.S. Bank National Association, as trustee, authorizing the issuance of 7¾% Senior Subordinated Notes due 2019.

“SIFMA Index Rate” means a rate per annum equal to the Securities Industry and Financial Markets Association (“SIFMA”) Municipal Swap Index most recently available as determined by the Remarketing Agent, or if such index is no longer published, any other successor or similar published index as determined by the Remarketing Agent.

“State” means the State of New Hampshire.

“Stated Amount” shall have the meaning assigned to such term in the Letter of Credit.

“Subsidiary” means, with respect to any Person:

(a) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the

occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(b) any partnership (i) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (ii) the only general partners of which are such Person or of one or more Subsidiaries of such Person (or any combination thereof).

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“Surplus Account” means the account established within the Bond Fund pursuant to Section 3.3 hereof.

“Tax Agreement” means that certain Tax Certificate and Agreement between the Company and the Authority dated the Issuance Date pertaining to the Bonds.

“Tax-exempt” means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from gross income for federal income tax purposes (other than in the case of a Holder of any Bonds who is a substantial user of the Project or a related person within the meaning of Section 147(a) of the Code) whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating tax liabilities, including any alternative minimum tax or environmental tax, under the Code.

“Tender Agent” means initially the Trustee and any successor tender agent appointed pursuant to Section 8.13 hereof.

“Tender Notice” has the meaning ascribed thereto in Section 2.4(A) hereof.

“Term Interest Rate” means a non-variable interest rate on the Bonds established in accordance with Section 2.3(D) hereof.

“Term Interest Rate Period” means each fixed period of time during which a Term Interest Rate is in effect.

“Trustee” means U.S. Bank National Association, a national banking association organized and existing under and by virtue of the United States of America having a Corporate Trust Office in Chicago, Illinois or its successor as Trustee hereunder as provided in Section 8.1.

“Unassigned Authority Rights” means all of the rights of the Authority under the Agreement (i) to receive the Authority’s Service Charge, (ii) to receive Additional Payments in accordance with Section 4.2(d) of the Agreement; (iii) to be held harmless and indemnified in accordance with Sections 9.2 and 9.3 of the Agreement; (iv) to be reimbursed for fees and expenses upon enforcement of the Agreement in accordance with Section 7.3 of the Agreement;

(v) to receive notices in accordance with Section 10.1 of the Agreement; and (vi) to give and withhold consent to amendments, changes, modifications and alterations of the Agreement under Section 10.5 of the Agreement; and its right to enforce all such rights.

“Underwriter” means Merrill Lynch, Pierce, Fenner & Smith Incorporated.

“Variable Interest Rate” means the Daily Interest Rate and the Weekly Interest Rate.

“Variable Interest Rate Period” means each period during which a Variable Interest Rate is in effect.

“Weekly Interest Rate” means a variable interest rate on the Bonds established weekly in accordance with Section 2.3(C) hereof.

“Weekly Interest Rate Period” means each period during which Weekly Interest Rates are in effect.

Section 1.2 Content of Certificates and Opinions. Every certificate or opinion provided for in this Indenture with respect to compliance with any provision hereof shall include (1) a statement that the Person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such Person, such Person has made or caused to be made such examination or investigation as is necessary to enable such Person to express an informed opinion with respect to the subject matter referred to in the instrument to which such Person’s signature is affixed; (4) a statement of the assumptions upon which such certificate or opinion is based, and that such assumptions are reasonable; and (5) a statement as to whether, in the opinion of such Person, such provision has been complied with.

Any such certificate or opinion made or given by an officer of the Authority or an officer or duly authorized representative of the Company may be based, insofar as it relates to legal, accounting or business matters of either of them, upon a certificate or opinion of or representation by counsel, an Accountant or a management consultant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel, an Accountant or a management consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Authority or the Company, as the case may be) upon a certificate or opinion of or representation by an officer of the Authority or the Company, unless such counsel, Accountant or management consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such Person’s certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the Authority or the Company, or the same counsel or Accountant or management consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Indenture, but different officers, counsel, Accountants or management consultants may certify to different matters, respectively.

Section 1.3 Interpretation. (A) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

(B) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(C) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

(D) All references herein to time denoted by “a.m.” or “p.m.” shall mean the time so stated as New York City time.

(E) While Bonds bear interest in different Interest Rate Periods or are otherwise designated as separate subseries, the terms “Bonds,” “Holders,” “Bondholders,” and “Owners” shall mean only the Bonds, Holders, Bondholders and Owners of the applicable subseries of Bonds bearing interest in such particular Interest Rate Period or that have been otherwise designated as separate subseries, as the context may require.

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

(G) **References to Credit Provider/Letter of Credit/Reimbursement Agreement.** Notwithstanding anything contained herein or in the Agreement to the contrary, provisions referencing the Credit Provider, the Reimbursement Agreement and/or the Letter of Credit shall be deemed to apply only to Bonds (or any subseries thereof), if any, the payment of principal, Purchase Price and interest on which has been secured by a Credit Provider pursuant to a Letter of Credit.

(H) **References to Remarketing Agent/Remarketing Agreement.** Notwithstanding anything contained herein or in the Agreement to the contrary, provisions referencing the Remarketing Agent and/or the Remarketing Agreement shall be deemed to apply only to Bonds (or any subseries thereof) for which a Remarketing Agent has been appointed and a Remarketing Agreement is in effect.

ARTICLE II

THE BONDS

Section 2.1 Authorization of Bonds. Bonds shall be issued hereunder in order to obtain moneys to carry out the purposes of the Act for the benefit of the Authority and the Company. One or more series of Bonds may be issued hereunder in the aggregate principal amount specified in Section 2.2. The Bonds are designated as "Business Finance Authority of the State of New Hampshire Solid Waste Disposal Revenue Bonds (Casella Waste Systems, Inc. Project) Series 2013." This Indenture constitutes a continuing agreement with the Holders from time to time of the Bonds to secure the full payment of the principal (or redemption price) of, Purchase Price of and interest on all such Bonds subject to the covenants, provisions, limitations and conditions herein contained.

Section 2.2 Bonds. The Bonds shall be issued under and secured by this Indenture in the form of fully registered bonds in the maximum principal amount not to exceed Eleven Million Dollars (\$11,000,000), to be dated the Dated Date and to mature (subject to prior redemption at the prices and dates and upon the terms and conditions hereinafter set forth) on _____, 20____. The Initial Bonds shall be in a principal amount of \$_____. The Bonds shall bear interest on the unpaid principal amount thereof as set forth in Section 2.3 hereof, provided, however, that in no event shall the rate of interest on any Bond exceed at any time the Maximum Rate. If an Event of Default shall have occurred and be continuing, the interest rate on the Bonds shall be the rate on the Bonds on the day prior to the occurrence of such Event of Default. Each Bond will bear interest from the Interest Payment Date to which interest has been paid next preceding the date of authentication thereof, unless authenticated on an Interest Payment Date to which interest has been paid, in which event it will bear interest from such Interest Payment Date, or unless no interest has been paid on such Bond, in which event it will bear interest from the Dated Date.

The Bonds shall be issuable in Authorized Denominations. The Bonds shall be issued in substantially the form set forth in Exhibit A of this Indenture with such variations, insertions or omissions as are appropriate and not inconsistent therewith and shall conform generally to the rules and regulations of any governmental authority or usage or requirement of law with respect thereto. The Bonds shall be numbered and lettered from one upward preceded by the letter "R" prefixed to the number and may bear such additional letters, numbers, legends or designations as the Bond Registrar determines are desirable.

Notwithstanding any other provision of this Indenture, no Additional Bonds (as evidenced by a Designation of Bond) shall be issued unless (i) the Stated Amount of the Letter of Credit shall be equal to the aggregate principal amount of the Bonds Outstanding on such date (after giving effect to the issuance of any Additional Bonds to be issued on such date and the payment of any Bonds redeemed on such date) plus [thirty five (35)] days' interest thereon, calculated at the Maximum Rate, or (ii) such Additional Bonds are issued in the Term Interest Rate Period and guaranteed by a Guaranty.

Section 2.3 Interest Rates. (A) The Bonds shall bear interest from and including their Dated Date until payment of the principal or redemption price thereof shall have been made

or provided for in accordance with the provisions hereof, whether at maturity, upon redemption or otherwise. Interest on the Bonds with respect to each Interest Period shall be paid on the immediately succeeding Interest Payment Date, as provided below, provided that if any Interest Payment Date is not a Business Day, such interest shall be mailed or wired pursuant to this Section 2.3 on the next succeeding Business Day, with the same effect as if made on the day such payment was due. During a Daily Interest Rate Period or Weekly Interest Rate Period, interest on the Bonds shall be computed upon the basis of a 365-day or 366-day, as applicable, year for the number of days actually elapsed. During any Term Interest Rate Period, interest on the Bonds shall be computed upon the basis of a 360-day year, consisting of twelve 30-day months.

Payment of the interest on any Bond shall be made to the person appearing on the bond registration books of the Bond Registrar as the Bondholder thereof on the Record Date, such interest to be paid by the Paying Agent to such Bondholder (i) by check mailed on the Interest Payment Date to such Bondholder's address as it appears on the registration books, or at such other address as has been furnished to the Bond Registrar as provided below in writing by such Bondholder not later than the Record Date, or (ii) upon written request at least three Business Days prior to the applicable Record Date of the Bondholder of Bonds aggregating not less than \$1,000,000 in principal amount, by wire transfer in immediately available funds at an account maintained in the United States at such wire address as such Bondholder shall specify in its written request (any such written request shall remain in effect until rescinded in writing by such Bondholder); except, in each case, that, if and to the extent that there shall be a default in the payment of the interest due on such Interest Payment Date, such defaulted interest shall be the rate on the Bonds on the day before such default occurred, and such defaulted interest shall be paid to the Bondholder in whose name any such Bonds are registered at the close of business on the fifth Business Day next preceding the date of payment of such defaulted interest. Both the principal of and premium, if any, on the Bonds shall be payable upon surrender thereof in lawful money of the United States of America at the Corporate Trust Office of the Trustee.

(B) In the manner hereinafter provided, including Section 2.3(G) hereof, the term of the Bonds will be divided into consecutive Interest Rate Periods, during each of which the Bonds shall bear interest at a Daily Interest Rate, a Weekly Interest Rate or a Term Interest Rate. The first Interest Rate Period for the Bonds shall be a Weekly Interest Rate Period.

(C) (1) Determination of Daily Interest Rate and Weekly Interest Rate. During each Daily Interest Rate Period, the Bonds shall bear interest at the Daily Interest Rate, which shall be determined by the Remarketing Agent not later than 9:30 a.m. on each Business Day during such Daily Interest Rate Period to take effect on the next succeeding Business Day; provided, however, that if the then current Interest Rate Period is a Weekly Interest Rate Period or a Term Interest Rate Period, the Daily Interest Rate for the Daily Interest Rate Period succeeding such Weekly Interest Rate Period or Term Interest Rate Period, as applicable, shall be determined not later than the Business Day next preceding the effective date of such Daily Interest Rate Period. During each Weekly Interest Rate Period, the Bonds shall bear interest at the Weekly Interest Rate, which shall be determined by the Remarketing Agent not later than 12:00 noon on Wednesday of each week (or by 12:00 noon on the next succeeding Business Day if such Wednesday is not a Business Day) during such Weekly Interest Rate Period for the week commencing on that next succeeding Thursday (unless such Weekly Interest Rate is determined

on the next succeeding Business Day if Wednesday is not a Business Day, in which case it shall be effective on the day of such determination); provided, however, that if the then current Interest Rate Period is a Daily Interest Rate Period or a Term Interest Rate Period, the Weekly Interest Rate for the Weekly Interest Rate Period succeeding such Daily Interest Rate Period or Term Interest Rate Period, as applicable, shall be determined not later than the Business Day next preceding the effective date of such Weekly Interest Rate Period. The Variable Interest Rate shall be the rate determined by the Remarketing Agent (on the basis of examination of obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the Bonds, would enable the Remarketing Agent to sell the Bonds on the effective date of such Variable Interest Rate at a price equal to the principal amount thereof plus accrued interest; provided, however, that if for any reason the Variable Interest Rate cannot be determined, the Daily Interest Rate for the next succeeding Business Day and thereafter shall remain at the then-existing rate, and the Weekly Interest Rate for the next succeeding week shall remain at the then-existing rate, and thereafter the Weekly Interest Rate shall be the SIFMA Index Rate plus 15 basis points. The first Daily Interest Rate determined for each Daily Interest Rate Period shall apply to the period commencing on the first day of such Daily Interest Rate Period and ending on the next succeeding Business Day. Thereafter, each Daily Interest Rate shall apply to the period commencing on each Business Day and ending on the next succeeding Business Day. The first Weekly Interest Rate determined for each Weekly Interest Rate Period shall apply to the period commencing on the first day of such Weekly Interest Rate Period and ending on the next succeeding Wednesday. Thereafter, each Weekly Interest Rate shall apply to the period commencing on Thursday and ending on the next succeeding Wednesday, unless such Weekly Interest Rate Period shall (i) begin on a day other than Thursday, in which event the Weekly Interest Rate for such Weekly Interest Rate Period shall apply to the period commencing on such date and ending on the succeeding Wednesday or (ii) end on a day other than Wednesday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period shall apply to the period commencing on the Thursday preceding the last day of such Weekly Interest Rate Period and ending on such last day.

(2) Adjustment to Daily Interest Rate Period or Weekly Interest Rate Period.

The Company, by written direction to the Trustee and the Remarketing Agent, may elect to adjust the Interest Rate Period for all or a portion of the Bonds (i) from a Weekly Interest Rate Period or a Term Interest Rate Period to a Daily Interest Rate Period or (ii) from a Daily Interest Rate Period or a Term Interest Rate Period to a Weekly Interest Rate Period. Such direction (i) shall include the information set forth in Section 2.3(C)(3), (ii) shall specify the aggregate principal amount of the Bonds to be subject to adjustment to a new Interest Rate Period, (iii) shall specify the Conversion Date of such adjustment to a Daily Interest Rate Period or Weekly Interest Rate Period, as applicable, which shall be the Business Day next succeeding the last day of any Daily Interest Rate Period, Weekly Interest Rate Period or Term Interest Rate Period, as applicable, not less than 20 days following the date of receipt by the Trustee of such direction, (iv) shall state the name of the Credit Provider providing the Letter of Credit that will secure such Bonds; and (v) shall state that the Company will provide an Approving Opinion on the proposed Conversion Date.

(3) Notice of Adjustment to Daily Interest Rate Period or Weekly Interest Rate Period. The Trustee shall give notice by mail of an adjustment to a Variable Interest Rate

Period to the Bondholders, the Credit Provider, if any, the Remarketing Agent and the Company not less than 15 days prior to the Conversion Date of such Variable Interest Rate Period. Such notice shall state (1) that the interest rate on the Bonds will be adjusted to a Daily Interest Rate or a Weekly Interest Rate, as applicable, (2) the effective date of such Daily Interest Rate Period or Weekly Interest Rate Period, as applicable, (3) that the Bonds will be purchased on such Conversion Date pursuant to Section 4.6 hereof, and (4) the procedures for the purchase described in (3) above.

(D) (1) Determination of Term Interest Rate. During each Term Interest Rate Period, the Bonds shall bear interest at the Term Interest Rate, which shall be determined by the Remarketing Agent not later than 4:00 p.m. on the Business Day preceding the first day of such Term Interest Rate Period. The Term Interest Rate shall be the rate determined by the Remarketing Agent (on the basis of examination of obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the Bonds, would enable the Remarketing Agent to sell the Bonds on the first day of each Term Interest Rate Period at a price equal to the principal amount thereof; provided, however, that if for any reason the Term Interest Rate cannot be determined for any Term Interest Rate Period, the interest rate on the Bonds shall convert to a Weekly Interest Rate.

(2) Adjustment to Term Interest Rate Period. The Company, by written direction to the Trustee and the Remarketing Agent, may elect that the Interest Rate Period for all or a portion of the Bonds shall be a Term Interest Rate Period. Such direction (a) shall specify the aggregate principal amount of the Bonds to be subject to adjustment to a Term Interest Rate Period, (b) shall specify the Conversion Date, which shall be (1) with respect to conversion from a Variable Rate Interest Rate Period, the first Business Day of a month not less than 20 days following the date of receipt by the Trustee of such direction or (2) the Business Day next succeeding the last day of the then-current Term Interest Rate Period and not less than 20 days following the date of receipt by the Trustee of such direction; (c) shall specify the Conversion Date pursuant to Section 4.6 hereof on which such Bonds shall be purchased, (d) shall state whether a Letter of Credit shall secure such Bonds during the Term Interest Rate Period and state the name of the Credit Provider, if any, and (e) shall state that the Company will provide an Approving Opinion on the proposed Conversion Date unless such Term Interest Rate Period follows a Term Interest Rate Period of the same duration and there is no change in security to such Bonds. No later than the Business Day prior to the proposed Conversion Date or at an earlier time as the Remarketing Agent or the Trustee may require as specified in writing to the Company, the Company, by written direction to the Trustee and the Remarketing Agent, shall determine the duration of the Term Interest Rate Period (which may be (i) any period of (a) one year or (b) any multiple of one year, except for any such period requiring an adjustment in its duration to allow such period to commence or terminate on a Business Day, or (ii) the period of time remaining to maturity of such Bonds). If, at least 20 days prior to the last day of any Term Interest Rate Period, the Company shall not have elected that the Bonds bear interest at a Variable Interest Rate or a Term Interest Rate during the next succeeding Interest Rate Period, the next succeeding Interest Rate Period shall be a Term Interest Rate Period of the same duration as the Term Interest Rate Period currently in effect, or, if less, until the final maturity of the Bonds.

(3) Notice of Adjustment to Term Interest Rate Period. The Trustee shall give notice by mail of each Term Interest Rate Period to the Bondholders, the Credit Provider, if any, the Remarketing Agent and the Company not less than 15 days prior to the effective date of such Term Interest Rate Period. Such notice shall state (i) that the interest rate on the Bonds will be adjusted to or continue to be a Term Interest Rate, (ii) the Conversion Date to such Term Interest Rate Period, (iii) that the Bonds will be purchased on the Conversion Date pursuant to Section 4.6 hereof, (iv) whether the Bonds will be secured by a Letter of Credit and state the name of the Credit Provider, and (v) the procedures of such purchase.

(E) The determination of the interest rate on the Bonds by the Remarketing Agent shall be conclusive and binding upon the Holders of the Bonds, the Company, the Authority, the Tender Agent, the Credit Provider, if any, and the Trustee. The Remarketing Agent shall furnish interest rates that it determines to parties and in the manner specified in Section 4.7(B).

(F) The Bonds shall be subject to redemption and mandatory tender for purchase as provided in Sections 4.1 and 4.6 hereof.

(G) Partial Conversions.

(1) General. The Bonds may be converted in whole or in part (and, if in part, separate subseries of Bonds shall be created to reflect such conversion in part) to any Interest Rate Period subject to the terms of this Indenture. In the event the Bonds are in (or are to be converted to) more than one Interest Rate Period, the provisions herein relating to Bonds in a particular Interest Rate Period (or to be converted to a particular Interest Rate Period) shall apply only to the Bonds in (or to be adjusted to) such Interest Rate Period and, where necessary or appropriate, any reference in this Indenture to the Bonds shall be construed to mean the Bonds in (or to be converted to) such Interest Rate Period.

(2) Selection. In the event of any partial conversion of the Bonds to a new Interest Rate Period, the Bonds to be converted shall be selected by the Trustee from the Bonds in the Interest Rate Period as directed by the Company. The particular Bonds (or portions thereof) in the Interest Rate Period to be converted shall be selected by lot by the Trustee from all the Bonds in the Interest Rate Period from which Bonds are to be converted. The principal amount of Bonds to be converted shall be determined so that all of the Bonds shall be in Authorized Denominations. Bonds (or portions thereof) shall be selected by lot in any manner that the Trustee in its sole discretion shall deem appropriate and fair and such selection shall be conclusive and binding upon any affected Bondholder, the Company, the Guarantors, the Remarketing Agent, the Authority and the Credit Provider, if any, and the selection of the Bonds to be converted shall occur prior to the date notice of mandatory tender is sent by the Trustee to the Bondholders pursuant to Section 4.6 hereof.

(3) Amendments. The provisions of this Indenture may be amended to permit or facilitate partial conversions of the Bonds without Bondholder consent in accordance with Section 10.1(B) hereof, including without limitation the creation of new subseries of the Bonds.

Section 2.4 Demand Purchase of Bonds During Variable Interest Rate Period.
(A) During any Variable Interest Rate Period, the Bonds or portions thereof in Authorized

Denominations shall be purchased at the option of the Bondholder thereof, or, with respect to Book-Entry Bonds, at the option of the Direct Participant with an ownership interest in Book-Entry Bonds, on any Business Day, at a price of 100% of the principal amount thereof, plus accrued interest to the Purchase Date, upon (i) delivery to the Trustee and the Tender Agent, at its Corporate Trust Office of an irrevocable notice in writing (a "Tender Notice") by 9:30 a.m. in the case of Bonds bearing interest at a Daily Interest Rate, or 3:00 p.m. in the case of Bonds bearing interest at a Weekly Interest Rate, on any Business Day, which states the name of the registered Bondholder of such Bonds or the Direct Participant for such Bonds, as applicable, such Direct Participant's account number, payment instructions with respect to the Purchase Price of such Bonds, the principal amount of such Bonds or portions thereof in Authorized Denominations being tendered for purchase, the CUSIP number of such Bonds and the date on which the same are to be purchased (which date, in the case of Bonds bearing interest at a Daily Interest Rate, shall be any Business Day and in the case of Bonds bearing interest at a Weekly Interest Rate, shall be a Business Day not prior to the seventh day next succeeding the date of the delivery of such Tender Notice to the Tender Agent), and (ii) (a) if the Bonds are not Book-Entry Bonds, delivery of such Bonds to the Tender Agent at its Corporate Trust Office, accompanied by an instrument of transfer thereof in form satisfactory to the Tender Agent, executed in blank by the Bondholder thereof with the signature guaranteed in accordance with the guidelines set forth by one of the nationally recognized medallion signature programs, at or prior to 2:30 p.m. on the date specified in such Tender Notice, or (b) if the Bonds are Book-Entry Bonds, upon confirmation by DTC (obtained by the Direct Participant of the Book-Entry Bonds being tendered for purchase pursuant to this Section 2.4) that such Direct Participant has an ownership interest in such Book-Entry Bonds at least equal to the amount specified in such Tender Notice, and the transfer on the registration books of DTC of the beneficial ownership interest in such Book-Entry Bonds to the account of the Trustee (or to the account of a Direct Participant acting on behalf of the Trustee).

(B) If moneys sufficient to pay the Purchase Price of the Bonds to be purchased pursuant to Section 2.4(A) hereof shall be held by the Trustee on the date such Bonds are to be purchased, any such Bonds to be so purchased which are not delivered by the Bondholders thereof to the Tender Agent or transferred on the registration books of DTC, as applicable, on the date specified for purchase thereof will be deemed to have been delivered for purchase, or transferred on the registration books of DTC, as applicable, on such date and to have been purchased. The former Holders of such Bonds, or Direct Participants with respect to Book-Entry Bonds, will thereafter have no rights with respect to such Bonds except to receive payment of the Purchase Price therefor upon surrender of such Bonds to the Tender Agent or the transfer, on the registration books of DTC, of the beneficial interest in such Book-Entry Bonds.

Section 2.5 Execution of Bonds. The Bonds shall be signed by, or executed with the facsimile or manual signatures of the Chairman and the Executive Director of the Authority, and the corporate seal of the Authority or a facsimile thereof shall be engraved or otherwise reproduced thereon. The Bonds shall then be delivered to the Trustee for authentication by it. In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or officers of the Authority before the Bonds so signed or attested shall have been authenticated or delivered by the Trustee or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though those who signed and attested the same

had continued to be such officers of the Authority, and also any Bonds may be signed and attested on behalf of the Authority by such persons as at the actual date of execution of such Bonds shall be the proper officers of the Authority although at the nominal date of such Bonds any such person shall not have been such officer of the Authority.

Only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit A, with the manual signature of the Trustee as authenticating agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.6 Transfer of Bonds. (A) Unless otherwise approved by the Authority, the following shall apply to all sales and transfers of Bonds:

(1) The Bonds shall be sold and transferred only in Authorized Denominations;

(2) The Trustee and the Registrar shall not authenticate or register a Bond unless the conditions of this Section have been satisfied; and

(3) If the Bonds are not then supported by a Letter of Credit, such Bonds shall only be sold and subsequently transferred to Institutional Investors.

(B) Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.8 hereof, by the Person in whose name it is registered, in person or by its duly authorized attorney, upon surrender of such registered Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. Transfer of any Bond shall not be permitted by the Trustee after the Record Date prior to the next succeeding Interest Payment Date or after notice calling such Bond (or portion thereof) for redemption has been given and prior to such redemption, except that (1) in the case of any Bond to be redeemed in part, the portion thereof not to be redeemed may be transferred and (2) transfers are permitted in connection with a tender of Bonds pursuant to Section 2.4, 4.6 or 4.8 hereof. In connection with any transfer pursuant to a tender of Bonds under Section 2.4, 4.6 or 4.8 hereof, the Trustee shall deliver to the transferee a copy of the applicable notice of redemption.

Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds for a like aggregate principal amount in Authorized Denominations. The Trustee shall require the Bondholder requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. The costs of printing bonds and any services rendered or expenses incurred by the Authority or the Trustee in connection with such transfer shall be paid by the Company.

Section 2.7 Exchange of Bonds. Bonds may be exchanged at the Corporate Trust Office of the Trustee in Chicago, Illinois, for a like aggregate principal amount of Bonds of other Authorized Denominations. The Trustee shall require the Bondholder requesting such exchange

to pay any tax or other governmental charge required to be paid with respect to such exchange. The costs of printing Bonds and any services rendered or expenses incurred by the Authority or the Trustee in connection with such exchange shall be paid by the Company.

Section 2.8 Bond Register. The Trustee will keep or cause to be kept at its Corporate Trust Office sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection during regular business hours by the Authority; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Bonds as hereinbefore provided.

Section 2.9 Temporary Bonds. The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bond may be printed, lithographed or typewritten, shall be in an Authorized Denomination, shall be in fully registered form without coupons and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Authority and be authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds it will execute and deliver definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Corporate Trust Office of the Trustee and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds in Authorized Denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

Section 2.10 Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Authority, at the expense of the Holder of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and upon request delivered to the Authority. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and the Authority and, if such evidence be satisfactory to each of them and the Company and indemnity satisfactory to each of them and the Company shall be given, the Authority, at the expense of the Holder, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall be about to mature, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof). The Authority may require payment by the Holder of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Authority and the Trustee in the premises. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

Section 2.11 Book-Entry Only System. The Authority hereby approves of the Bonds being held as book-entry bonds through the facilities of DTC.

(A) Except as otherwise provided in subsections (C) and (D) of this Section 2.11 or as otherwise provided in a Supplemental Indenture, the Bonds initially authenticated and delivered hereunder shall be registered in the name of Cede & Co., as nominee of DTC, New York, New York or such other nominee as DTC shall request. Payments of interest on, principal of, any premium on, and the Purchase Price of, the Bonds shall be made to the account of Cede & Co. on each payment date for principal or interest or Purchase Price on the Bonds at the address indicated for Cede & Co. in the registration books maintained by the Bond Registrar by transfer of immediately available funds. DTC has represented to the Authority that it will maintain a book-entry system in recording ownership interests of the Direct Participants and the ownership interests of Beneficial Owners will be recorded through book entries on the records of the Direct Participants.

(B) The Bonds shall be initially issued in the form of a separate single authenticated fully registered Bond in the amount of the issue. With respect to Bonds so registered in the name of Cede & Co., the Authority, the Trustee and the Tender Agent shall have no responsibility or obligation to any Direct Participant (with the exception of the right of Direct Participants to demand purchase of Bonds pursuant to Section 2.4 hereof) or to any Beneficial Owner of such Bonds. Without limiting the immediately preceding sentence, the Authority, the Trustee, the Paying Agent, the Registrar and the Tender Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any Direct Participant with respect to any beneficial ownership interest in the Bonds, (ii) the delivery to any Direct Participant, Beneficial Owner or other person, other than DTC, of any notice with respect to the Bonds, including any notice of redemption, (iii) the payment to any Direct Participant, Beneficial Owner or other person, other than DTC, of any amount with respect to the principal or redemption price or Purchase Price of, or interest on, the Bonds or (iv) any consent given or other action taken by DTC as Holder of the Bonds. The Authority, the Trustee and the Tender Agent may treat DTC as, and deem DTC to be, the absolute Holder of each Bond for all purposes whatsoever (with the exception of the right of Direct Participants to demand purchase of Bonds pursuant to Section 2.4 hereof) including (but not limited to) (i) payment of the principal or redemption price or Purchase Price of, and interest on, each such Bond, (ii) giving notices of conversion or redemption and other matters with respect to such Bonds and (iii) registering transfers with respect to such Bonds. The Trustee shall pay the principal or Purchase Price or redemption price of, and interest on, all Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to such principal or redemption price or Purchase Price, and interest, to the extent of the sum or sums so paid. Except as provided in (C) and (D) below, no person other than DTC shall receive a Bond evidencing the limited obligation of the Authority to make payments of principal or redemption price or Purchase Price of, and interest on, the Bonds pursuant to this Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the transfer provisions hereof, the word "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

(C) (1) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving reasonable written notice to the Authority or the Trustee and discharging its responsibilities with respect thereto under applicable law.

(2) The Authority, at the direction of the Company, may terminate, upon provision of notice to the Trustee and the Tender Agent, the services of DTC with respect to the Bonds.

(D) Upon the termination of the services of DTC with respect to the Bonds pursuant to subsection (C) hereof after which no substitute Securities Depository is appointed by the Authority, at the direction of the Company, the Bonds shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede & Co. as nominee of DTC. In such event, the Authority (at the Company's expense) shall issue and the Trustee shall transfer and exchange Bond certificates as requested by DTC or Direct Participants of like principal amount and maturity, in Authorized Denominations to the identifiable Beneficial Owners in replacement of such Beneficial Owners' beneficial interests in the Bonds.

(E) Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal or redemption price or Purchase Price of, and interest on, such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC as provided in the letter of representations of the Authority and the Trustee, addressed to DTC with respect to the Bonds.

(F) In connection with any notice or other communication to be provided to Bondholders pursuant to this Indenture by the Authority, the Tender Agent or the Trustee with respect to any consent or other action to be taken by Bondholders, the Authority, the Tender Agent or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible.

(G) Notwithstanding any provision herein to the contrary, the Authority and the Trustee may agree to allow DTC, or its nominee, Cede & Co., to make a notation on any Bond redeemed in part to reflect, for informational purposes only, the principal amount and date of any such redemption.

(H) Notwithstanding any provision herein to the contrary, so long as the Bonds are subject to a system of book-entry only transfers pursuant to this Section, any requirement for the delivery of Bonds to the Tender Agent in connection with an optional or a mandatory tender pursuant to Section 2.4 or 4.6 hereof shall be deemed satisfied upon the transfer, on the registration books of DTC, of the beneficial ownership interests in such Bonds tendered for purchase to the account of the Trustee, or a Direct Participant acting on behalf of such Trustee.

Section 2.12 Trustee Agrees to Comply with Section 5.13 of the Agreement. To the extent applicable to a series or subseries of Bonds, the Trustee agrees to take all action necessary to comply with the duties and obligations of the Trustee set forth in Section 5.13 of the Agreement, including the giving of notices, the acceptance of elections for purchase and

withdrawal notices from Holders of such Bonds, and the payment from the Company monies of the repurchase price on the Change in Control Payment Date, at the times and in the manner specified in Section 5.13 of the Agreement. The Trustee also agrees to transmit in writing to the Company the principal amount of such Bonds to be purchased not later than one Business Day prior to the Change in Control Payment Date.

Section 2.13 Additional Bonds.

(A) Conditioned upon the receipt by the Trustee of the documents and other items listed below, the Authority shall issue Additional Bonds from time to time to finance Project Costs to the extent the Initial Bonds are insufficient for the payment of same. Each issue of Additional Bonds shall be delivered pursuant to and evidenced by a completed and executed Designation of Bond, in the form attached to this Indenture as Exhibit D, and shall be on a parity and equally and ratably secured under this Indenture with the Initial Bonds referred to in Section 2.1 and any other Additional Bonds previously issued, without preference, priority or distinction of any Bonds over any other Bonds. All such Additional Bonds shall be subject to the same interest rate, redemption, tender and Authorized Denomination provisions and shall be in substantially the same form as the Bonds referred to in Section 2.1 hereof. Moneys received by the Trustee from Additional Bonds shall be deposited in the Project Fund to be requisitioned by the Company for Project Costs. The Trustee shall authenticate and deliver such Additional Bonds, but only upon receipt by the Trustee of the following:

(i) The purchase price for such Bonds set forth in the Designation of Bond for the account of the Authority;

(ii) An original executed counterpart of Designation of Bond;

(iii) An original executed supplement to the Initial Bond increasing the then existing principal amount of the Initial Bond by an amount equal to the principal amount of all Additional Bonds (as evidenced by the applicable Designation of Bond) then being issued;

(iv) An original amendment or supplement or notice of increase to the Letter of Credit (in the form of Exhibit K to the initial Letter of Credit) executed by the Credit Provider increasing the Stated Amount thereof available to be drawn by the Trustee for the benefit of the Bondholders to an amount equal to the aggregate principal amount of the Outstanding Bonds (including the Additional Bonds then to be issued and delivered) plus an amount equal to [thirty-five (35)] days' interest on all such Bonds, calculated at the Maximum Rate on the basis of actual number of days elapsed in a year of 365 or 366 days, as applicable, and otherwise in form and substance reasonably satisfactory to the Trustee, the Underwriter and the Remarketing Agent;

(v) An Opinion of Counsel to the Authority to the effect that the Designation of Bond has been duly authorized, executed and delivered by the Authority and is enforceable against the Authority, subject to customary equity and bankruptcy exceptions;

(vi) An Opinion of Counsel to the Credit Provider stating, among other things, that the Letter of Credit, as so amended or supplemented, has been duly authorized, executed and delivered by the Credit Provider, constitutes the valid and binding obligation of the Credit Provider and is enforceable in accordance with its terms subject to customary equity and bankruptcy exceptions, and otherwise in form and substance reasonably satisfactory to the Underwriter and Remarketing Agent; and

(vii) Such other items or documents as reasonably requested or required by the Authority, Bond Counsel, the Trustee, the Credit Provider and counsel to the Credit Provider.

ARTICLE III

ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

Section 3.1 Issuance of the Bonds. At any time after the execution and delivery of this Indenture, upon the execution of the Bonds by the Authority and delivery thereof to the Trustee, as hereinabove provided, and without any further action on the part of the Authority, the Trustee shall authenticate upon request of the Authority, and deliver the Bonds in an aggregate principal amount not exceeding \$_____.

Section 3.2 Application of Proceeds of Bonds. The proceeds received by the Authority from the sale of the Initial Bonds shall be deposited with the Trustee, who shall forthwith deposit (i) \$_____ of such proceeds into the Costs of Issuance Fund, which Costs of Issuance Fund the Trustee shall establish and maintain as further provided in Section 3.4 hereof; and (ii) the balance of such proceeds (\$_____) received by the Authority from the sale of the Bonds shall be deposited by the Trustee into the Project Fund, which Project Fund the Trustee shall establish and maintain as further provided in Section 3.3 hereof. The proceeds of Additional Bonds shall be deposited in the Project Fund and the Costs of Issuance Fund and as directed by the Company upon delivery of such Additional Bonds.

Section 3.3 Project Fund. The Trustee does hereby establish the Project Fund (the "Project Fund"). The moneys in the Project Fund shall be held by the Trustee in trust and applied to the payment and/or reimbursement of the Costs of the Project.

Before each payment is made from the Project Fund by the Trustee, there shall be filed with the Trustee a requisition conforming with the requirements of this Section and Section 3.2 of the Agreement, and in the form attached hereto as Exhibit B.

Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Upon receipt of each such requisition, signed by an Authorized Representative of the Company, the Trustee shall pay the amount set forth therein as directed by the terms thereof.

Upon the receipt by the Trustee of a certificate conforming with the requirements of Section 3.3 of the Agreement, and after payment of costs payable from the Project Fund or provision having been made for payment of such costs not yet due by retaining such costs in the

Project Fund or otherwise as directed in such certificate, the Trustee shall transfer any remaining balance in the Project Fund into a separate account within the Bond Fund, which the Trustee shall establish and hold in trust, and which shall be entitled the "Surplus Account." The moneys in the Surplus Account shall be used and applied at the written direction of the Company (unless some other application of such moneys is requested by the Company and would not, in the opinion of Bond Counsel, cause interest on the Bonds to become no longer Tax-exempt) for the following purposes in the following order: (1) for transfer to the Credit Provider to pay the redemption price of any Bank Bonds then outstanding; (2) to reimburse the Credit Provider with respect to any draw on the Letter of Credit made for the redemption of Bonds in Authorized Denominations, to the maximum degree permissible, and at the earliest possible dates at which the Bonds can be redeemed pursuant to Section 4.1 of this Indenture; or (3) to redeem Bonds in Authorized Denominations, to the maximum degree permissible, and at the earliest possible dates at which the Bonds can be redeemed pursuant to Section 4.1 of this Indenture.

Notwithstanding Section 5.6 hereof, the moneys in the Surplus Account shall be invested at the written instruction of the Company at a yield no higher than the yield on the Outstanding Bonds (unless, in the opinion of Bond Counsel, investment at a higher yield would not cause interest on the Bonds to become no longer Tax-exempt), and all such investment income shall be deposited in the Surplus Account and expended or reinvested as provided above.

In the event of redemption of all the Bonds pursuant to Section 4.1 hereof or an Event of Default which causes acceleration of the Bonds, any moneys then remaining in the Project Fund shall be transferred to the Bond Fund and all moneys in the Bond Fund shall be used to reimburse the Credit Provider for draws on the Letter of Credit so used to redeem Bonds or to redeem Bonds if there is no Letter of Credit.

Section 3.4 Costs of Issuance Fund. The Trustee does hereby establish the Costs of Issuance Fund (the "Costs of Issuance Fund"). The moneys in the Costs of Issuance Fund shall be held by the Trustee in trust and applied to the payment of Costs of Issuance of the Bonds, upon a requisition filed with the Trustee, in the form attached hereto as Exhibit C, signed by an Authorized Representative of the Company. Any money remaining in the Costs of Issuance Fund six months following the Issuance Date shall be transferred to the Project Fund.

ARTICLE IV

REDEMPTION AND PURCHASE OF BONDS

Section 4.1 Terms of Redemption of Bonds. The Bonds are subject to redemption if and to the extent the Company is entitled to make, or is required to make, a prepayment pursuant to Article VIII of the Agreement. All such prepayments shall be deposited in the Redemption Account, which Redemption Account the Trustee shall establish and maintain within the Bond Fund as further provided in Section 5.2 hereof. The Authority shall not call the Bonds for optional redemption, and the Trustee shall not give notice of any such redemption, unless the Company has so directed. The Bonds shall be subject to redemption upon the following terms:

(A) (i) Mandatory Redemption Upon Invalidity or a Determination of Taxability. In the event of a prepayment pursuant to Section 8.3 of the Agreement as a result of the invalidity of the Agreement or a Determination of Taxability, Bonds Outstanding on the date of the

occurrence of such invalidity or Determination of Taxability shall be redeemed in whole (or in part if the Company delivers an Approving Opinion to the Trustee) at any time within 60 days thereafter, at a redemption price of 100% of the principal amount thereof, without premium, plus accrued interest to the date of redemption.

(ii) Mandatory Redemption Upon Sale or Proposed Sale by the Company of All or Any Portion of the Project. While the Bonds are in the Term Interest Rate Period, any Bonds Outstanding on the date of an Asset Sale (or if the Company so elects, in the case of a proposed Asset Sale, any Bonds Outstanding on any date prior to the proposed Asset Sale) shall be redeemed by the Authority at the direction of the Company in whole at a redemption price of 102% of the principal amount thereof plus accrued interest thereon to the date of redemption, on a date designated by the Company (the "Asset Sale Redemption Date"); provided, however, that if the Company delivers an Approving Opinion to the Trustee with respect to all or any portion of the Bonds on or before the Asset Sale Redemption Date, then all or such portion of the Bonds shall not be redeemed pursuant to this Section 4.1(A)(ii). The Asset Sale Redemption Date shall be (a) in the case of a proposed Asset Sale, the date of or any date prior to such proposed Asset Sale and (b) in the case of an Asset Sale, no later than 90 days after such Asset Sale. "Asset Sale" shall mean the consummation of any transaction requiring an Approving Opinion pursuant to Section 5.2 of the Agreement. Notwithstanding anything to the contrary in this Indenture, the Agreement or any document, instrument or agreement relating hereto or thereto, so long as the Company complies with this Section 4.1(A)(ii) and obtains an Approving Opinion if required under Section 5.2 of the Agreement, an Asset Sale or proposed Asset Sale shall not be deemed a breach or violation of this Indenture, the Agreement or any document, instrument or agreement relating hereto or thereto.

(B) Optional Redemption Upon Occurrence of Extraordinary Events. During any Term Interest Rate Period, the Bonds may be redeemed in whole or in part on any date, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the date of redemption, upon receipt by the Trustee of a written notice from the Company stating that any of the following events has occurred:

(1) all of the Project or a portion thereof is damaged, destroyed, condemned or taken by eminent domain to such extent that, in the opinion of the Company contained in a certificate provided to the Authority and the Trustee, which certificate may be conclusively relied upon by the Trustee and the Authority, (1) it is not practicable or desirable to rebuild, repair or restore the Project or such portion thereof within a period of six consecutive months following such damage, destruction or condemnation, and the Company is or will be thereby prevented from carrying on its normal operations at the Project or such portion thereof for a period of at least six consecutive months, or (2) the cost of restoration of the Project or such portion thereof would substantially exceed the Net Proceeds of insurance carried thereon; or

(2) the continued operation of such Project is enjoined or prevented or is otherwise prohibited by, or conflicts with, any order, decree, rule or regulation of any court or federal, state or local regulatory body, administrative agency or other governmental body.

Anything in this subsection to the contrary notwithstanding, if any of the events described above shall have occurred with respect to part, but not all of the Project, the amount of

Bonds that may be redeemed shall not exceed (a) an amount derived by multiplying the total principal amount of the Bonds by a fraction (i) the numerator of which is the cost of the affected portion of the Project and (ii) the denominator of which is the total cost of the Project, or (b) such greater amount as Bond Counsel opines is necessary to avoid adversely affecting the Tax-exempt status of the Bonds.

(C) Optional Redemption during Variable Interest Rate Period or on any Conversion Date. On any Business Day during a Variable Interest Rate Period and on the Conversion Date, the Bonds may be redeemed by the Trustee, at the option of the Authority upon direction of the Company as provided in Section 8.5 of the Agreement, in whole or in part, at a redemption price, paid pursuant to Section 5.3 hereof, of 100% of the principal amount thereof, without premium, plus accrued interest to the date of redemption.

(D) Optional Redemption during Term Interest Rate Period. During any Term Interest Rate Period greater than ten years in length, the Bonds also shall be subject to redemption in whole or from time to time in part, upon direction of the Company as provided in Section 8.5 of the Agreement, at the times (measured from the first day of the applicable Term Interest Rate Period), and at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued interest, if any, to the redemption date:

Length of Term Interest Rate Period	Redemption Dates and Prices
Greater than 10 years	At any time on or after the 10th anniversary of the effective date commencing such Interest Rate Period at 101% declining $\frac{1}{2}\%$ annually to 100%

Notwithstanding the optional redemption schedule set forth above, on or prior to the effective date of any Term Interest Rate Period greater than ten years in length, the Company can provide an alternate optional redemption schedule if it obtains an Approving Opinion.

Section 4.2 Selection of Bonds for Redemption. Whenever provision is made in this Indenture for the redemption of less than all of the Bonds, the Trustee shall select the Bonds to be redeemed from all Bonds or such given portion thereof not previously called for redemption by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair; provided that Bank Bonds shall be selected prior to any other Bonds. Redemption shall be done so that no Bond shall remain Outstanding in an amount less than an Authorized Denomination.

Section 4.3 Notice of Redemption. (A) Notice of redemption shall be mailed by first class mail not less than thirty (30) days (15 days in case of redemption under Section 4.1(B)) nor more than sixty (60) days before such redemption date, to the respective Holders of any Bonds designated for redemption at their addresses on the registration books maintained by the Bond Registrar. Each notice of redemption shall state the redemption date, the place or places of redemption, if less than all of the Bonds are to be redeemed, the distinctive number(s) of the

Bonds to be redeemed, and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the principal thereof or of said specified portion of the principal thereof in the case of a Bond to be redeemed in part only, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Neither failure to receive such notice nor any defect therein shall affect the sufficiency of such redemption. With respect to any notice of optional redemption of Bonds at the written direction of the Company, unless upon the giving of such notice Bonds shall be deemed to have been paid within the meaning of Article XI, such notice may state (if so directed by the Company in writing) that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys (or Available Moneys if a Letter of Credit is then in effect) sufficient to pay the principal of, and premium, if any, and interest on, such Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no further force and effect and the Authority shall not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice to such Holders, in the manner in which the notice of redemption was given, that such moneys were not so received.

Except as otherwise set forth below, any notice of mandatory redemption of Bonds pursuant to Section 4.1(A)(ii) may state (if so directed by the Company in writing) that (i) such redemption shall be required only upon the consummation of an Asset Sale requiring a redemption under Section 4.1(A)(ii) as described in such notice and (ii) said notice shall be of no further force and effect and the Authority shall not be required to redeem such Bonds if such condition has not been satisfied in accordance with the terms described in such notice. In the event that such notice of redemption contains such a condition and such condition shall not have been satisfied, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice to such Holders, in the manner in which the notice of redemption was given, that such condition was not satisfied and such moneys were not so received. Notwithstanding the foregoing, conditional notice of mandatory redemption shall not be permitted (a) in the case of mandatory redemption due to a proposed Asset Sale where the redemption date occurs prior to the date of such proposed Asset Sale, or (b) if at the time of delivery of such notice the Bonds shall be deemed to have been paid within the meaning of Article XI.

(B) Notice of redemption of the Bonds shall be given by the Trustee, at the expense of the Company, for and on behalf of the Authority.

(C) At the same time that it sends notice of redemption to Holders of the Bonds, the Trustee shall also send a copy of the notice by first class mail, by telecopy or by overnight delivery to the Tender Agent, the Credit Provider, if any, to the Securities Depositories and to the Municipal Securities Rulemaking Board ("MSRB") in electronic format as prescribed by the MSRB. Failure to provide notice to the Tender Agent, to the Credit Provider, if any, to the Securities Depositories or to the MSRB shall not affect the validity of proceedings for the redemption of the Bonds.

Section 4.4 Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Holder thereof, at the expense of the Company, a new Bond or Bonds of Authorized Denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Section 4.5 Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption being held by the Trustee on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture (except for payment of particular Bonds for which moneys are being held by the Trustee and which money shall be pledged to such payment), and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said principal, premium, if any, and interest accrued to the date fixed for redemption.

All Bonds redeemed pursuant to the provisions of this Article shall be canceled upon surrender thereof and may be destroyed by the Trustee, which shall thereupon deliver to the Authority a certificate evidencing such destruction.

Section 4.6 Mandatory Tender for Purchase of Bonds.

- (A) (1) On any Conversion Date of any new Interest Rate Period for the Bonds,
- (2) On the last Business Day not less than five (5) calendar days preceding the termination or expiration date of any then current Letter of Credit if no Alternate Letter of Credit will be provided, except that if subparagraph (A)(1) will also apply, this subparagraph will not apply,
- (3) During a Variable Interest Rate Period, on the effective date of any Letter of Credit or Alternate Letter of Credit complying with the requirements of Section 5.12 of the Agreement, and
- (4) On the Purchase Date provided in Section 4.8.

the Holder or Direct Participant of each Bond shall tender such Bond for purchase as provided below and such Bond shall be purchased or deemed purchased as provided in Section 4.7(A) hereof at a Purchase Price equal to the principal amount thereof plus accrued and unpaid interest thereon. Subject to Section 4.7(G) hereof, payment of the Purchase Price of such Bond shall be made by 3:00 p.m., in the same manner as payment of interest on the Bonds, to the Bondholders of record, or Direct Participants with respect to Book-Entry Bonds, on the Record Date. If the Bonds are not Book-Entry Bonds, the Holders shall deliver the Bonds no later than 2:30 p.m. on the Purchase Date to the Tender Agent at its Corporate Trust Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, with the signatures guaranteed in accordance with the guidelines set forth by one of the nationally recognized medallion signature programs. If the Bonds are Book-Entry Bonds, the tendering Direct Participants shall transfer, on the registration books of DTC, the beneficial ownership interests in

the Bonds tendered for purchase to the account of the Trustee or a Direct Participant acting on behalf of the Trustee.

(B) Any instrument delivered to the Trustee or Tender Agent in accordance with this Section shall be irrevocable with respect to the mandatory purchase for which such instrument was delivered and shall be binding upon any subsequent Bondholder or Direct Participant of the Bond to which it relates, including any Bond issued in exchange therefor or upon the registration of transfer thereof and as of the date of such instrument.

(C) (1) Whenever the Company has delivered to the Trustee a notice of the delivery of a Letter of Credit or an Alternate Letter of Credit pursuant to Section 5.12 of the Agreement the Trustee shall mail by first class mail a notice to all Holders of the Bonds stating: (i) the name of the issuer of the Letter of Credit or Alternate Letter of Credit, (ii) the date on which the Letter of Credit or Alternate Letter of Credit will become effective, which date shall not be less than twenty (20) calendar days prior to the stated expiration date of the existing Letter of Credit in the case of an Alternate Letter of Credit, (iii) the rating expected to apply to the Bonds after the Letter of Credit or Alternate Letter of Credit is delivered, and (iv) notice that the Bonds will be subject to mandatory tender for purchase on the effective date of the Letter of Credit or Alternate Letter of Credit, and information on where such Bonds are to be delivered. Such notice shall be mailed at least ten (10) days prior to the effective date of the Letter of Credit or Alternate Letter of Credit.

(2) The Trustee shall provide notice to the Authority, each Rating Agency then rating the Bonds, the Remarketing Agent and the Company upon the receipt of any Alternate Letter of Credit.

(3) In the event of a mandatory tender pursuant to Section 4.6(A)(2) hereof, the Trustee shall mail by first class mail a notice to all Holders of the Bonds stating that the Bonds will be subject to mandatory tender on the last Business Day not less than five (5) calendar days preceding the termination or expiration date of the Letter of Credit. Such notice shall be mailed at least thirty (30) days prior to the termination or expiration date of the Letter of Credit.

Section 4.7 Purchase and Remarketing of Bonds.

(A) Purchase of Bonds.

Whenever the Bonds are Book-Entry Bonds, all references in this Section 4.7 to the Tender Agent shall instead mean the Trustee, as the context may require.

(1) As soon as practicable but in any event no later than (a) 12:00 noon on the Business Day after a Tender Notice is received during a Weekly Interest Rate Period or (b) 9:45 a.m. on the same Business Day that a Tender Notice is received during a Daily Interest Rate Period, the Tender Agent shall give telephonic, telegraphic or telecopier notice, promptly confirmed in writing, to the Trustee, the Company and the Remarketing Agent, specifying the principal amount of Bonds tendered pursuant to Section 2.4(A) hereof. The Trustee shall promptly supply the same Tender Notice to the Credit Provider.

(2) The Tender Agent shall purchase, but only from the sources listed below, Bonds required to be purchased in accordance with Section 4.6 or tendered pursuant to Section 2.4(A) hereof from the Holders thereof by 3:00 p.m. on the date such Bonds are required to be purchased at the Purchase Price provided in Section 4.6 or Section 2.4(A) hereof. Funds for the payment of such Purchase Price shall be derived from the following sources in the order of priority indicated:

(a) the proceeds of the sale of the Bonds (but only such remarketing proceeds as are received from purchasers of the Bonds pursuant to Section 4.7(B) hereof) furnished to the Tender Agent by the Trustee, which shall have received such funds from the Remarketing Agent; provided, however, that while a Letter of Credit is then in effect such proceeds shall not have been derived from the Authority or the Company unless subparagraph (c) below applies;

(b) moneys furnished to the Tender Agent representing the proceeds of a draw under the Letter of Credit; and

(c) only if the Credit Provider has wrongfully failed to pay a properly submitted drawing on the Letter of Credit or if the Letter of Credit has been repudiated or if there is no Letter of Credit then in effect, and the sources in subparagraphs (a) and (b) above are insufficient, from Purchase Price Payments furnished by the Company or, if applicable, the Guarantor to the Tender Agent.

(3) The provisions of this Section 4.7(A)(3) shall not apply at any time that the Bonds are Book-Entry Bonds. With respect to any Bonds tendered for purchase or required to be tendered for purchase as to which sufficient funds to accomplish such purchase are available to the Tender Agent at the respective times at which payment of the Purchase Price is to be made as provided herein:

(a) Such Bonds shall be deemed purchased for all purposes of this Indenture, irrespective of whether or not such Bonds shall have been presented to the Tender Agent, and the former Holder or Holders of such Bonds shall have no claim thereon, under this Indenture or otherwise for any amount other than the Purchase Price thereof and such Bonds shall no longer be deemed to be Outstanding for purposes of this Indenture and the Bond Registrar shall so note on the Bond Register for the Bonds.

(b) Subject to Section 4.7(G) hereof, in the event that any Bonds shall not be presented to the Tender Agent, the Tender Agent shall segregate and hold the moneys for the Purchase Price of such Bonds in trust, uninvested, as provided in Section 5.6 hereof for the benefit of the former Holders of such Bonds, who shall, except as provided in the following sentences, thereafter be restricted exclusively to such moneys for the satisfaction of any claim for the Purchase Price of such Bonds.

(c) In the event that any Bonds shall not be presented to the Tender Agent at the time specified in Section 4.6 or Section 2.4(A) hereof (each, an "Undelivered Bond"), then the Authority shall at the expense of the Company execute and deliver to the Tender Agent, and the Tender Agent shall deliver to the Trustee for authentication, a new Bond

or Bonds, as the case may be, in an aggregate principal amount equal to the principal amount of the Undelivered Bonds bearing a number or numbers not contemporaneously outstanding. Every Bond authenticated and delivered as provided in the preceding sentence shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Bonds duly issued hereunder. The Tender Agent shall maintain a record of any Undelivered Bonds, together with the names and addresses of the former Holders thereof.

(d) In case any Bonds which have been deemed purchased as provided in Section 4.7(A)(3)(a) hereof are delivered to the Tender Agent subsequent to the date and time specified for such delivery for payment of the Purchase Price thereof at its Corporate Trust Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Holder thereof with the signature guaranteed in accordance with the guidelines set forth by one of the nationally recognized medallion signature programs on any Business Day, the Tender Agent shall (subject to Section 4.7(G) hereof) pay the Purchase Price of such Bond to the Holder no later than 12:30 p.m. on the next succeeding Business Day. Any such Bond so delivered to the Tender Agent shall be canceled and delivered to the Trustee.

(B) Notice of Interest Rates; Remarketing of Bonds; Restrictions on Remarketing.

(1) The Remarketing Agent shall determine the rate of interest to be borne by the Bonds as provided in Section 2.3 hereof and shall furnish to the Trustee, the Credit Provider and the Tender Agent in a timely manner all information necessary for the Tender Agent and the Trustee to carry out their respective duties hereunder, including, but not limited to, the interest rates applicable to all Bonds.

(2) The Remarketing Agent shall periodically inform the Trustee, the Credit Provider, and DTC pursuant to the letter of representations described in Section 2.11(E) hereof, if so requested, of the rate of interest borne by the Bonds from time to time.

(3) The Remarketing Agent shall, pursuant to the Remarketing Agreement, use its best efforts to sell any Bonds tendered for purchase to new purchasers, and shall arrange for the Purchase Price of remarketed Bonds to be deposited with the Trustee. Not later than one hour (while the Bonds are in a Weekly Interest Rate Period) or 15 minutes (while the Bonds are in a Daily Interest Rate Period) before the time by which the Trustee would be required to draw on the Letter of Credit pursuant to subsection (D)(1) below, or, if no Letter of Credit is in effect, no later than 2:00 p.m. on the Purchase Date, the Remarketing Agent shall notify the Tender Agent, the Trustee, the Company and the Credit Provider, if any, of (i) the amount of Bonds which have been remarketed and for which remarketing proceeds have been deposited with the Trustee and the name, address and taxpayer identification number of the new purchasers and the denominations with respect to which such remarketed Bonds are to be registered and (ii) if applicable, the amount required to be drawn under the Letter of Credit or, if no Letter of Credit is in effect, the amount required to be provided by the Company or, if applicable, the Guarantor, to provide sufficient funds to purchase the Bonds actually tendered or deemed tendered for which no remarketing proceeds are available as of the time of such notice. Notwithstanding anything in

this Indenture to the contrary, Bonds may be remarketed only at a price of par, plus accrued interest.

(4) While a Letter of Credit is then in effect, the Remarketing Agent shall not sell any Bonds to the Authority, the Company or any affiliate of the Company, except under the circumstances described in Section 4.7(D)(2).

(C) Delivery of Remarketed Bonds.

(1) The Tender Agent and the Trustee shall each hold all Bonds delivered to them respectively in trust for the benefit of the respective Holders which shall have so delivered such Bonds or for the Direct Participants who have transferred their interests in the Book-Entry Bonds until moneys representing the Purchase Price of such Bonds shall have been delivered to or for the account of or to the order of such Holders or Direct Participants. The Trustee, for Book-Entry Bonds, or the Tender Agent (or after five days, as provided in Section 4.7(G), the Trustee) for non-Book-Entry Bonds shall each hold all moneys for the purchase of Bonds in trust in non-commingled funds, uninvested, for the benefit of the person or entity which shall have so delivered such moneys until Bonds purchased with such moneys shall have been delivered to or for the account of such person or entity. Neither the Authority nor the Company shall have any right, title, or interest in or to any moneys held by the Trustee, the Tender Agent or the Remarketing Agent or pursuant to Section 4.7(G) hereof. Bonds purchased with moneys described in Section 4.7(A)(2)(a) hereof, including without limitation Bonds issued in place of such Bonds pursuant to Section 4.7(A)(3)(c) hereof, shall be registered as directed by the Trustee (from instructions received from the Remarketing Agent) and made available to the Remarketing Agent by 2:00 p.m. on the date of such purchase or transferred on the registration books of DTC on the date of such purchase or the date the ownership interest shall be transferred to the new Direct Participants on the books of DTC, against payment in immediately available funds or evidence of immediately available funds in the form of a federal reserve wire number.

(2) Bonds purchased with moneys obtained by a drawing on the Letter of Credit (the "Bank Bonds"), including without limitation Bonds issued in place of such Bonds pursuant to Section 4.7(A)(3)(c) hereof, shall be registered in the name of the Credit Provider on the registration books of DTC, with respect to Book-Entry Bonds, or shall be registered in the name of the Credit Provider and delivered to the Credit Provider. The Remarketing Agent shall seek to remarket any such Bank Bonds prior to remarketing any other Bonds tendered for purchase. The proceeds of any remarketing of Bank Bonds shall be delivered to the Credit Provider. Upon receipt by the Credit Provider of funds representing the proceeds of the remarketing of Bank Bonds, the Credit Provider shall notify the Trustee of the receipt and amount of such funds and the Trustee shall cause Bonds in place of such Bank Bonds to be made available for pick-up by the Remarketing Agent for subsequent delivery to the purchasers thereof, or the ownership interest shall be transferred to the new Direct Participants on the books of DTC. Simultaneously with such delivery, the Trustee or the Tender Agent shall have received written confirmation from the Credit Provider of the reinstatement of the Letter of Credit.

(3) In the event that the Remarketing Agent is able to remarket any Bonds required to be purchased pursuant to Section 2.4, 4.6 or 4.8 hereof after the time on which the Remarketing Agent is required to provide notice to the Trustee as specified in Section 4.7(B)(3),

or after the Trustee has given notice to the Company pursuant to Section 4.7(D)(2) if no Letter of Credit is then in effect, the Remarketing Agent shall give notice in the manner and containing the details set forth in said Section 4.7(B)(3), as soon as practicable after such remarketing, and the Bonds shall be registered in the names of the purchasers thereof and made available to the Remarketing Agent as soon as practicable thereafter on such date or the next succeeding Business Day or transferred on the registration books of DTC to the account of Direct Participants furnished to the Trustee or Tender Agent, as applicable, by the Remarketing Agent.

(4) If any Bond is tendered after a notice of redemption for such Bond has been given, the Remarketing Agent will give the redemption notice to any purchaser of such Bond or to DTC if a Book-Entry Bond and the purchaser (including a Direct Participant) shall acknowledge receipt of such redemption notice.

(D) Draws Upon the Letter of Credit. (1) If a Letter of Credit is in effect with respect to the Bonds (or any subseries thereof), the Trustee shall draw on the Letter of Credit in an amount necessary and in sufficient time (as set forth by the terms of the Letter of Credit) so as to provide to the Trustee or Tender Agent, as applicable, the balance of the funds needed to purchase tendered Bonds under Sections 2.4, 4.6 and 4.8 hereof by 2:00 p.m. on the Purchase Date, taking into account the remarketing proceeds received by the Trustee in conformance with the Remarketing Agent's notice pursuant to Section 4.7(B)(3) hereof. If the Remarketing Agent remarkets Bonds after giving the notice pursuant to Section 4.7(B)(3) hereof, the Remarketing Agent (i) if a Letter of Credit is in effect with respect to the Bonds and the Credit Provider has honored the drawing for the Purchase Price, shall deliver such remarketing proceeds to the Credit Provider as provided in Section 4.7(C)(2) or (ii) if a Letter of Credit has been wrongfully dishonored or is not in effect, deliver such proceeds to the Trustee, which will use the remarketing proceeds to pay the Purchase Price if the same has not been paid or will transfer the remarketing proceeds to the Company or the Guarantor, as applicable, to reimburse the Company or the Guarantor, as applicable, for its payment of the Purchase Price. The Trustee shall transfer to the Credit Provider any excess moneys received from a draw on the Letter of Credit enhancing the Bonds that are not needed to pay the Purchase Price of the Bonds on the Purchase Date. If the Trustee submits a draw request on the Letter of Credit by facsimile, the Trustee shall telephonically confirm with the Credit Provider the terms of such draw request.

(2) If the Trustee has made a proper drawing on the Letter of Credit and the Credit Provider wrongfully fails to make a payment for the Purchase Price of tendered Bonds by 2:00 p.m. on the Purchase Date or the Letter of Credit has been repudiated, or if there is no Letter of Credit and the Trustee does not have sufficient funds from remarketing of the Bonds by 2:00 p.m., the Trustee shall immediately notify the Company and, if applicable, the Guarantor by telephone promptly confirmed in writing and request payment from the Company and, if applicable, the Guarantor in accordance with the provisions of Section 4.7(A)(2)(c) hereof of the Purchase Price in immediately available funds by 2:45 p.m. on the Purchase Date, and in the event the Bonds are not Book-Entry Bonds, the Trustee will direct the Company and, if applicable, the Guarantor to transfer the funds to the Tender Agent.

(E) Delivery of Proceeds of Sale. Upon receipt, the proceeds of the remarketing by the Remarketing Agent of any Bonds shall be immediately applied by the Trustee or the Tender Agent, as applicable, to the payment of the Purchase Price of Bonds to the Holders or Beneficial

Owners thereof pursuant to Section 4.7(A)(2)(a) hereof by making Bonds available for delivery to the Remarketing Agent which are registered pursuant to the instructions of the Remarketing Agent or directing the transfer on the registration books of DTC pursuant to the instructions of the Remarketing Agent or, in the case of the remarketing of Bonds which constitute Bank Bonds, as provided in Section 4.7(C)(2) hereof. In making payments to the Credit Provider, the Trustee may conclusively assume that the Credit Provider has not been repaid from any other sources. To the extent that the Credit Provider is repaid with proceeds of the sale of Bank Bonds by the Remarketing Agent, new Bonds shall be registered and delivered (or ownership interests transferred) as provided in Section 4.7(C)(1) hereof.

(F) No Remarketing During Default. Notwithstanding any other provision of this Indenture, there shall be no remarketing of Bonds under Section 4.7(B)(3) hereof during an Event of Default under Article VII hereof.

(G) Unclaimed Moneys. The Tender Agent shall, at the end of the fifth Business Day after a Purchase Date, transfer to the Trustee all funds then held on hand by virtue of the fact that Bonds deemed tendered on such date were not presented for purchase to the Tender Agent in accordance with the provisions of Section 4.7(A)(3) hereof, such funds to be held by the Trustee in trust, in a segregated account for the Bonds, for the payment of the Purchase Price thereof to the former Holders of such Bonds as required by the provisions of Section 4.7(A)(3) hereof. The Trustee shall pay such Purchase Price from such amounts by check or draft of the Trustee made payable to the party entitled to such payment as soon as practicable after such party surrenders the Bond or Bonds so deemed purchased to the Trustee. Any such moneys so held in trust by the Trustee shall be held uninvested until paid to the person entitled thereto or disposed of as provided by law.

Section 4.8 Purchase in Lieu of Optional Redemption.

The Authority shall have the option to cause the Bonds to be purchased in lieu of redemption pursuant to Section 4.1(C) or (D) hereof. Such option may be exercised by the Authority (at the direction of the Company) by delivering to the Trustee on or prior to the Business Day preceding the redemption date a written direction of the Authority specifying that the Bonds shall not be redeemed, but instead shall be subject to purchase pursuant to this Section. The Trustee shall send a copy of such written direction of the Authority as soon as practicable to the Credit Provider, if any. Upon delivery of such notice, the Bonds shall not be redeemed but shall instead be subject to mandatory tender pursuant to Section 4.6(A)(4) at a Purchase Price equal to the redemption price at which the Bonds would have been redeemed hereunder on a Purchase Date (the date that would have been the redemption date); provided that the payment of funds in an amount equal to the Purchase Price shall be made available to the Trustee on or prior to the Purchase Date.

Section 4.9 Repurchase Upon Change of Control. If at any time that Section 5.13 of the Agreement is effective, a Change of Control (as defined therein) occurs, each Holder of Bonds will have the right to require the Company to repurchase all or any part (in a principal amount equal to \$100,000 or an integral multiple of \$5,000 in excess thereof; provided that no such repurchase may result in a Holder owning less than an Authorized Denomination) of that Holder's Bonds pursuant to a Change of Control Offer (the "Change of Control Offer"). In the

Change of Control Offer, the Company will offer to pay an amount in cash (the "Change of Control Payment") equal to 101% of the aggregate principal amount of Bonds re-purchased, plus accrued and unpaid interest thereon, if any, to the date of repurchase. Within 30 days following any Change of Control, the Company will mail a notice to each Holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase Bonds on the date (the "Change of Control Payment Date") specified in such notice, which date shall be a Business Day no earlier than 30 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by the Agreement and described in such notice.

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

Notwithstanding the foregoing, in the event that the Bonds shall be subject to redemption or mandatory tender (or the Company has exercised a right to do so) on the same date that the Bonds are subject to a Change of Control Offer, the redemption and mandatory tender provisions in the Indenture shall control, including without limitation with respect to the redemption or tender price of 100% of the principal thereof plus accrued interest. Specific reference is hereby made to Section 5.13 of the Agreement and Sections 2.12 and 4.3 of this Indenture with respect to the notices, conditions and procedures for the Change of Control Offer and such provisions are hereby specifically incorporated by reference.

ARTICLE V

REVENUES; FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

Section 5.1 Pledge and Assignment; Bond Fund. (A) Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Revenues and any other amounts (including proceeds of the sale of Bonds but excluding Additional Payments and Administrative Fees and Expenses) held in any fund or account established pursuant to this Indenture (except the Rebate Fund) are hereby pledged to secure the full payment of the principal of, premium, if any, Purchase Price of and interest on the Bonds in accordance with their terms and the provisions of this Indenture and thereafter to secure any amounts due from the Company to the Credit Provider pursuant to the Reimbursement Agreement with respect to any Letter of Credit. Notwithstanding any other provision of this Indenture, moneys in the account created by Section 4.7(G) hereof shall be held

solely for the benefit of the former holders of Bonds as provided in Section 4.7(G). Said pledge shall constitute a lien on and security interest in such assets and shall be fully effective and perfected from the date of execution of this Indenture.

(B) The Authority hereby transfers in trust, and assigns to the Trustee, for the benefit of the Holders from time to time of the Bonds and the Credit Provider, if any, to the extent of its interest therein, all of the Revenues and other assets pledged in subsection (A) of this Section and all of the right, title and interest of the Authority in the Agreement (except for the right to receive any Additional Payments to the extent they constitute Excluded Moneys and Unassigned Authority Rights), and any rights of the Authority to indemnification and receipt of notices and rights of inspection and consent). The Trustee shall be entitled to and shall collect and receive all of the Revenues (except Excluded Moneys), and any such Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to and shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the Company under the Agreement or, if applicable, of the Guarantor under the Guaranty, except Unassigned Authority Rights (unless the Trustee has received the prior written consent of the Authority) and rights to indemnification and receipt of notices and rights of inspection and consent.

(C) All Revenues (except Excluded Moneys) shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the Bond Fund, which the Trustee shall establish, maintain and hold in trust. Except as otherwise provided in Section 5.2 hereof, all moneys received by the Trustee and required to be deposited in the Redemption Account shall be promptly deposited in the Redemption Account, which the Trustee shall establish, maintain and hold in trust as provided in Section 5.2 hereof. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in this Indenture.

(D) Any amount held by the Trustee in the Bond Fund on the due date for a Loan Payment under the Agreement shall be credited against the installment due on such date to the extent available for such purpose under the terms of this Indenture and the Financing Agreement.

Section 5.2 Allocation of Revenues. On or before any date on which interest or principal (whether at maturity, or by redemption or acceleration) is due, the Trustee shall transfer funds from the Bond Fund and deposit into the following respective accounts (each of which the Trustee is hereby directed and agrees to establish and maintain within the Bond Fund), the following amounts, in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

First: to the Interest Account, the aggregate amount of interest becoming due and payable on the next succeeding Interest Payment Date or date of redemption of all Bonds then Outstanding, until the balance in said account is equal to said aggregate amount of interest.

Second: to the Principal Account, the amount paid by the Company and designated as or attributable to principal on the Bonds in the most recent Loan Payment equal to the aggregate amount of principal due on the next succeeding Interest Payment Date.

Third: to the Redemption Account, the aggregate amount of principal and premium next coming due by acceleration or by redemption permitted or required under Article IV hereof, or any portion thereof paid by the Company.

Section 5.3 Priority of Moneys in Bond Fund; Letter of Credit. (A) Funds for the payment of the principal or redemption price of and interest on the Bonds shall be derived from the following sources in the order of priority indicated in each of the accounts in the Bond Fund; provided however, that amounts in the respective accounts in the Bond Fund shall be used to pay when due (whether upon redemption, purchase, acceleration, Interest Payment Date, maturity or otherwise) the principal or redemption price of and interest on the Bonds held by Holders other than the Credit Provider or the Company prior to the payment of the principal and interest on the Bonds held by the Credit Provider or the Company:

(1) moneys paid into the Letter of Credit Account of the Bond Fund from a draw by the Trustee under the Letter of Credit;

(2) moneys paid into the Interest Account, if any, representing accrued interest received at the initial sale of the Bonds and proceeds from the investment thereof which shall be applied to the payment of interest on such Bonds;

(3) moneys paid into the Bond Fund pursuant to Section 10.1(b) hereof and proceeds from the investment thereof which, while a Letter of Credit is then in effect, constitute Available Moneys;

(4) any other moneys (other than from draws on a Letter of Credit) paid into and deposited in the Bond Fund and proceeds from the investment thereof, which, while the Letter of Credit is then in effect, constitute Available Moneys;

(5) any other moneys paid into and deposited in the Bond Fund by the Company and proceeds from the investment thereof, which are not Available Moneys; and

(6) any other moneys paid into and deposited in the Bond Fund by the Guarantor, if applicable, and proceeds from the investment thereof, which are not Available Moneys.

The Trustee shall create within the Bond Fund a separate account called the "Letter of Credit Account," into which all moneys drawn under the Letter of Credit shall be deposited and disbursed. Neither the Company nor the Authority shall have any rights to or interest in the Letter of Credit Account. The Letter of Credit Account shall be established and maintained by the Trustee and held in trust apart from all other moneys and securities held under this Indenture or otherwise, and over which the Trustee shall have the exclusive and sole right of withdrawal for the exclusive benefit of the Holders of the Bonds with respect to which such drawing was made. No moneys from the Letter of Credit Account may in any circumstance be used to pay

principal or interest on any Bank Bonds or any Bonds owned by or for the account of the Company.

When notified by the Company in writing of the intent to create Available Moneys, the Trustee shall establish within the Interest Account, Principal Account or Redemption Account one or more subaccounts to facilitate the calculation of the aging of moneys deposited with the Trustee until they become Available Moneys.

(B) (1) The Trustee shall draw moneys under the Letter of Credit in accordance with the terms thereof in an amount necessary to make timely payments of principal of, premium, if any, and interest on the Bonds, other than Bonds owned by or for the account of the Company or the Credit Provider, on each Interest Payment Date and when due whether at maturity, redemption, acceleration or otherwise. In addition, the Trustee shall draw moneys under the Letter of Credit in accordance with the terms thereof to the extent necessary to make timely payments of the Purchase Price required to be made pursuant to, and in accordance with, Section 4.7(D) hereof.

(2) Immediately after making a drawing under the Letter of Credit which has been honored, the Trustee shall reimburse the Credit Provider for the amount of the drawing using moneys, if any, contained in:

- (a) the Interest Account, if the drawing was to pay interest on the Bonds;
- (b) the Principal Account, if the drawing was to pay principal on the Bonds;
- and
- (c) the Redemption Account, if the drawing was to redeem Bonds.

(C) If at any time there shall have been delivered to the Trustee an Alternate Letter of Credit pursuant to Section 5.12 of the Agreement, then the Trustee shall accept such Alternate Letter of Credit and promptly surrender the then held Letter of Credit to the Credit Provider, in accordance with the terms of such Letter of Credit, for cancellation, and shall promptly take all actions requested by the Credit Provider to convey to the Credit Provider or otherwise relinquish all of its right, title and interest in any security held jointly by the Credit Provider and the Trustee. If at any time there shall cease to be any Bonds Outstanding hereunder, the Trustee shall promptly surrender the Letter of Credit to the Credit Provider, in accordance with the terms of the Letter of Credit, for cancellation. The Trustee shall comply with the procedures set forth in the Letter of Credit relating to the termination thereof.

(D) If at any time the Trustee has made a proper drawing on the Letter of Credit for principal of, premium, if any, or interest due on the Bonds, and the Credit Provider has failed to make payment within the time specified in the Letter of Credit or the Letter of Credit has been repudiated, the Trustee shall immediately notify the Company by telephone promptly confirmed in writing and request payment of the amount due pursuant to Section 4.2(a) of the Agreement in immediately available funds by 2:45 p.m. on the Bond Payment Date (as defined in Section 4.2 of the Agreement). The Trustee agrees to give a similar notice with respect to a proper drawing on the Letter of Credit for Purchase Price pursuant to Section 4.7(D)(2) hereof. With respect to any portion of the Bonds that have been guaranteed by the Guarantors pursuant to the Guaranty,

if no Letter of Credit is in effect with respect to such Bonds and the Trustee does not receive sufficient funds from the Company pursuant to Section 4.2(a) of the Financing Agreement to pay the principal of, or premium, if any, or interest due on such Bonds, the Trustee shall immediately notify the Guarantor by telephone promptly confirmed in writing and request payment of the amount due pursuant to Section 1 of the Guaranty.

Section 5.4 [Reserved].

Section 5.5 Letter of Credit. The Company has agreed, in order to secure the payment of the principal of and interest on the Initial Bonds and any Additional Bonds, (a) upon the issuance and authentication of the Initial Bonds, to deliver to the Trustee the Letter of Credit, issued by the Bank in favor of the Trustee for the benefit of the holders of the Initial Bonds and (b) to cause the Letter of Credit to be increased as contemplated by Section 2.13 hereof prior to the issuance of any Additional Bonds. The Trustee shall hold and maintain any Letter of Credit for the benefit of the Bondholders until (i) the Letter of Credit expires in accordance with its terms or (ii) the Letter of Credit is terminated and replaced with a Guaranty. Prior to the commencement of any Interest Rate Period for which a Letter of Credit will not be in effect, the Company shall furnish to the Trustee an Approving Opinion. The Trustee shall diligently enforce all terms, covenants and conditions of the Letter of Credit, including payment when due of any draws on the Letter of Credit, and the provisions relating to the payment of draws on, and reinstatement of amounts that may be drawn under, the Letter of Credit, and will not consent to, agree to or permit any amendment or modification of the Letter of Credit which would materially adversely affect the rights or security of the Holders of the Bonds. If at any time during the term of the Letter of Credit any successor Trustee shall be appointed and qualified under this Indenture, the resigning or removed Trustee shall request that the Credit Provider transfer the Letter of Credit to the successor Trustee. If the resigning or removed Trustee fails to make this request, the successor Trustee shall do so before accepting appointment. When the Letter of Credit expires in accordance with its terms or is replaced by an Alternate Letter of Credit, the Trustee shall immediately surrender the Letter of Credit to the Credit Provider.

To the extent that any payment has been made to a Bondholder with funds provided by a draw upon the Letter of Credit for which the Credit Provider has not been reimbursed pursuant to the Reimbursement Agreement, the following provisions shall apply notwithstanding any other provision of this Indenture to the contrary. The Credit Provider shall be subrogated to the rights of such Bondholder. Any such payment shall not extinguish any payment obligation to the Bondholder, but shall effect a purchase by the Credit Provider of the payment right of the Bondholder, and the Credit Provider shall be considered a Bondholder with respect thereto. To the extent that any such payment is made to pay principal on a Bond, such Bond shall be registered in the name of the Credit Provider on the registration books of DTC, with respect to Book-Entry Bonds, or shall be registered in the name of the Credit Provider and delivered to the Credit Provider or an agent designated by the Credit Provider, and shall be given all of the rights accorded a Bank Bond hereunder.

For increases in the Stated Amount of the Letter of Credit in connection with the issuance of Additional Bonds (as evidenced from time to time by a Designation of the Bond) or extensions of the term of the Letter of Credit, the Trustee shall, at the written direction of the Company, but only if required to evidence an increase in the Stated Amount of the Letter of

Credit or an extension of the term of the Letter of Credit, accept an amendment to the Letter of Credit or surrender the Letter of Credit to the Credit Provider in exchange for a new Letter of Credit or the Letter of Credit with notations thereon, as the Credit Provider may so elect, conforming in all material respects to the Letter of Credit except that the Stated Amount shall be appropriately increased and/or the expiration date shall be extended. Any such extension shall be for a period of at least one year or, if less, until the fifteenth (15th) day following the maturity date of the Bonds.

Section 5.6 Investment of Moneys. All moneys in any of the funds or accounts established pursuant to this Indenture shall be invested by the Trustee as specifically directed in writing by the Company or its agent, solely in Investment Securities. Notwithstanding any other provision herein, in the absence of written investment instructions directing the Trustee by noon of the second Business Day preceding the day when investments are to be made, the Trustee is directed to invest available funds as directed by the Company to the Trustee. The Trustee shall not be liable for any consequences resulting from any investments made pursuant to the preceding sentence. The Trustee shall be entitled to rely conclusively upon the Company's investment directions as to the fact that each such investment meets the criteria of the Indenture.

Investment Securities may be purchased at such prices as the Trustee may be directed by the Company or its agent. All Investment Securities shall be acquired subject to the limitations set forth in Section 6.5 hereof, the limitations as to maturities hereinafter in this Section set forth and such additional limitations or requirements consistent with the foregoing as may be established by request of the Company.

Moneys in all funds and accounts shall be invested in Investment Securities maturing not later than the date on which such moneys will be required for the purposes specified in this Indenture. Notwithstanding anything else in this Section 5.6, any moneys in the Interest Account, the Principal Account or the Redemption Account held for the payment of particular Bonds (prior to the payment or redemption date thereof) shall be invested at the written direction of the Company in direct obligations of the United States or bonds or other obligations guaranteed by the United States government or for which the full faith and credit of the United States is pledged for the full and timely payment of principal and interest thereof (or mutual funds consisting of such obligations which are rated in the highest rating category by the Rating Agency), rated in the highest rating category applicable to such investments which mature not later than the date on which it is estimated that such moneys will be required to pay such Bonds (but in any event maturing in not more than 30 days). Investments of moneys in the Rebate Fund are also subject to the provisions of the Tax Agreement. Moneys in the Letter of Credit Account created in Section 5.3 and moneys held for non-presented Bonds in accordance with Sections 2.4(A), 4.6(A), 4.7(G), 4.8 and 12.11 hereof shall be held uninvested.

Except as provided in the preceding paragraph, all interest, profits and other income received from the investment of moneys in any fund established pursuant to this Indenture and allowed to be invested in accordance herewith shall be deposited in the fund from which such investment was made. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund from which such accrued interest was paid. To the extent that any

Investment Securities are registrable, such Investment Securities shall be registered in the name of the Trustee or its nominee.

For the purpose of determining the amount in any fund, all Investment Securities credited to such fund shall be valued at the lesser of cost or par value plus, prior to the first payment of interest following purchase, the amount of accrued interest, if any, paid as a part of the purchase price.

Subject to Section 6.6 hereof, investments in any and all funds and accounts (other than moneys representing the proceeds of a draw on the Letter of Credit or held in the Letter of Credit Account, remarketing proceeds, Available Moneys, moneys being aged to become Available Moneys, moneys in the Rebate Fund or moneys held for the payment of particular Bonds (including moneys held for non-presented Bonds or held under Section 10.3 hereof)) may be commingled for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in particular funds and accounts amounts received or held by the Trustee hereunder, provided that the Trustee shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in this Indenture. Subject to Section 6.5 hereof, any moneys invested in accordance with this Section may be invested in a pooled investment account consisting solely of funds held by the Trustee as a fiduciary. The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee may act as principal or agent in the making or disposing of any investment. The Trustee may sell or present for redemption any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Investment Security is credited, and the Trustee shall not be liable or responsible for any loss or tax resulting from such investment.

Section 5.7 Rebate Fund. The Trustee does hereby establish a Rebate Fund. The Trustee shall maintain the Rebate Fund separate from any other fund established and maintained hereunder pursuant to and in accordance with the provisions of the Tax Agreement.

ARTICLE VI

PARTICULAR COVENANTS

Section 6.1 Punctual Payment. Subject to the provisions of Article IX of this Indenture including specifically the provisions limiting the liability of the Authority with respect to the Bonds, the Authority shall punctually pay or cause to be paid the principal, premium, if any, Purchase Price of and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in this Indenture. When and as paid in full, all Bonds, if any, shall be delivered to the Trustee, shall forthwith be canceled and destroyed, and a certificate of such destruction shall thereafter be delivered to the Authority.

Section 6.2 Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Authority to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds. The provisions of this Section shall not apply if the maturity of all of the Bonds is extended in accordance with the provisions of Section 10.1(A) hereof.

Section 6.3 Against Encumbrances. The Authority shall not knowingly create, or knowingly permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

Section 6.4 Protection of Pledge and Assignment. The Trustee shall at all times, to the extent permitted by law, defend, preserve and protect the pledge and assignment of Revenues and other assets hereunder and all the rights of the Bondholders under this Indenture against all claims and demands of all persons whomsoever, subject to the limitations set forth in Article VIII relating to the Trustee.

Section 6.5 Accounting Records and Reports. The Trustee shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all transactions relating to the receipt, investment, disbursement, allocation and application of the Revenues and the proceeds of the Bonds. Such records shall specify the account or fund to which each investment (or portion thereof) held by the Trustee is to be allocated and shall set forth, in the case of each Investment Security, (a) its purchase price, (b) identifying information, including par amount, coupon rate, and payment dates, (c) the amount received at maturity or its sale price, as the case may be, (d) the amounts and dates of any payments made with respect thereto, and (e) such documentation as is required to be retained by the Trustee as evidence to establish that any requirements set forth in the Tax Agreement or with respect to establishing market price, to the extent provided to it. Such records shall be open to inspection by any Holder, the Company, the Authority and the Credit Provider at any reasonable time during regular business hours on reasonable notice.

Section 6.6 Arbitrage Covenants. (A) The Authority covenants and agrees that it will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest payable on the Bonds, and further covenants that it will not make any investment of that portion of its general funds derived from any fees received from the Company, and earnings thereon, if such investment would cause the Bonds to be arbitrage bonds under Section 148 of the Code. Without limiting the generality

of the foregoing, the Authority covenants and agrees that it will comply with the requirements of the Tax Agreement. The Company has made certain tax covenants in Section 5.8 of the Agreement and in the Tax Agreement.

(B) The Authority covenants to pay or cause to be paid to the United States rebate payments with respect to the Bonds as provided in the Tax Agreement, but only to the extent the Company has furnished to the Authority moneys therefor, under the Financing Agreement or otherwise, and only to the extent that the Company shall have advised the Authority as to the amount and timing of and the procedures for making such payments. The Trustee agrees to comply with all written instructions of the Company given pursuant to the Tax Agreement; provided, however that the Company shall be responsible for such instructions complying with the Tax Agreement.

The Trustee conclusively shall be deemed to have complied with the provisions of this Section 6.6(B) if it follows the directions of the Company set forth in the instructions required by the Tax Agreement and shall not be required to take any action under this Section 6.6(B) in the absence of such directions from the Company. The Trustee shall not be liable for any consequences resulting from its failure to act if no instructions from the Company (or in the absence of Company instructions, instructions from the Authority) are delivered to it.

(C) Notwithstanding any provision of this Section, if the Company shall provide to the Trustee and the Authority an opinion of Bond Counsel that any action required under Section 5.7 or this Section 6.6 is no longer required, or that some further action is required to maintain the Tax-exempt status of interest on the Bonds, the Trustee, the Company and the Authority may rely conclusively on such opinion in complying with the requirements of this Section, and the covenants contained herein shall be deemed to be modified to that extent.

Section 6.7 Other Covenants. (A) The Trustee shall promptly collect all amounts due from the Company pursuant to the Agreement, shall perform all duties imposed upon it pursuant to the Agreement and shall diligently enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of all of the rights of the Authority (other than Unassigned Authority Rights unless the Trustee has received the prior written consent of the Authority) and all of the obligations of the Company pursuant to the Agreement.

(B) The Authority shall not purchase Bonds from the Remarketing Agent or otherwise.

Section 6.8 Further Assurances. The Authority will (at the Company's expense) make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Holders of the Bonds of the rights and benefits provided in this Indenture; provided, however, the Authority may require as a precondition to such action that provision be made for payment of the costs and expenses of the Authority incurred in doing so.

Section 6.9 Continuing Disclosure. Pursuant to Section 5.9 of the Agreement, the Company has covenanted and agreed to undertake all responsibility for compliance, or to cause

compliance, with continuing disclosure requirements. The Authority shall have no liability to the Holders of the Bonds or any other person with respect to such disclosure matters. Notwithstanding any other provision of this Indenture, failure of the Company to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default hereunder or under the Agreement and may not result in the acceleration of the maturity of the Bonds or of the Agreement. For purposes of this Section, "Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or give consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through any nominees, depositories or other intermediaries).

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF BONDHOLDERS

Section 7.1 Events of Default; Acceleration; Waiver of Default. Each of the following events which has occurred and is continuing shall constitute an "Event of Default" hereunder:

(A) default in the due and punctual payment of the principal of, or premium (if any) on, any Bond, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(B) default in the due and punctual payment of any installment of interest on, or the Purchase Price of, any Bond;

(C) failure by the Authority to perform or observe any other of the covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, and the continuation of such failure for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority, the Credit Provider, if any, the Company by the Trustee, or to the Authority, the Company and the Trustee by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding;

(D) the occurrence and continuance of a Loan Default Event described in Section 7.1 of the Agreement; or

(E) if applicable, receipt by the Trustee of written notice from the Credit Provider that an Event of Default (as defined in the Reimbursement Agreement) has occurred under the Reimbursement Agreement and directing the Trustee to accelerate the Bonds.

No default specified in (C) above shall constitute an Event of Default unless the Authority and the Company shall have failed to correct such default within the applicable period; provided, however, that if the default shall be such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Authority or the Company within the applicable period and diligently pursued. With regard to any alleged default concerning which notice is given to the Company under the provisions of this Section, the Authority hereby grants the Company full authority for the account of the Authority to perform any covenant or obligation the non-performance of which is alleged in said notice to constitute a

default in the name and stead of the Authority with full power to do any and all things and acts to the same extent that the Authority could do and perform any such things and acts and with power of substitution.

During the continuance of an Event of Default described in (A), (B), (C) or (D) above, unless the principal of all the Bonds shall have already become due and payable, the Trustee may, and upon the written request of the Holders of not less than sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of the Bonds at the time Outstanding or upon the occurrence of an Event of Default described in (E) above, the Trustee shall, promptly upon such occurrence, by notice in writing to the Authority, the Company, the Guarantor (if applicable) and the Credit Provider (if applicable), declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding. Upon any such declaration, the Trustee shall promptly draw upon any then existing Letter of Credit in accordance with the terms thereof and apply the amount so drawn to pay the principal of and interest on the Bonds declared to be due and payable and shall take such enforcement action under the Financing Agreement and/or the Guaranty (if applicable) as the Trustee shall deem appropriate. Interest on the Bonds shall cease to accrue as of the date of the declaration of acceleration. The Trustee shall promptly notify the Bondholders of the date of acceleration and the cessation of accrual of interest on the Bonds in the same manner as for a notice of redemption.

The preceding paragraph, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been declared due and payable because of the occurrence of a default specified in (A), (B), (C), or (D) above, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, and before the Letter of Credit has been drawn upon in accordance with its terms and honored, there shall have been deposited with the Trustee a sum sufficient to pay (with Available Moneys if a Letter of Credit is in effect) all the principal of the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal as provided in the Agreement, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority and to the Trustee, may, on behalf of the Holders of all the Bonds, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon. Notwithstanding any other provision of this Indenture, but subject to Section 8.1(A), the Trustee may not exercise any remedy in the event of an Event of Default under Section 7.1(A) through (D) hereof without the written consent of the Credit Provider, so long as a Letter of Credit is in effect and the Credit Provider has not wrongfully failed to make a payment thereunder; except that the Trustee may exercise any and all remedies under the Indenture and the Agreement (except as provided in the Agreement) to collect any fees, expenses and indemnification from the Company without obtaining the consent of the Credit Provider.

Section 7.2 Institution of Legal Proceedings by Trustee. Subject to Section 7.1 hereof, if one or more of the Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Holders of sixty-six and two-thirds percent (66 2/3%) in principal amount of the Bonds then Outstanding and upon being indemnified to its satisfaction therefor pursuant to Section 8.3(G) hereof shall, proceed to protect or enforce its rights or the rights of the Holders of Bonds under the Act or under this Indenture, the Agreement, the Guaranty (if applicable) or any Letter of Credit by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein or therein, or in aid of the execution of any power herein or therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties hereunder.

Section 7.3 Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Indenture (subject to Sections 5.7, 6.6 and 12.11 hereof and excluding Excluded Moneys) shall be promptly applied by the Trustee as follows and in the following order:

(A) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Indenture;

(B) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Indenture (including Section 6.2 hereof), as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds that shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; or

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

Whenever the principal of, premium, if any, and interest on all Bonds have been paid under the provisions of this Section and all fees, expenses and charges of the Trustee have been paid, any balance remaining hereunder shall be paid in the in the following order (1) first, to the Credit Provider to the extent of any amounts due to the Credit Provider pursuant to the Reimbursement Agreement, (2) second, to the Authority in payment of any unpaid obligations of the Company to it, including without limitation, Administrative Fees and Expenses as well as indemnities and liabilities and (3) third, to the Company.

Section 7.4 Trustee to Represent Bondholders. The Trustee is hereby irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, this Indenture, the Agreement, the Act and applicable provisions of any other law. Subject to Section 7.1 hereof, upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, and upon the written request of the Holders of not less than sixty-six and two-thirds percent (66-2/3%) in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in the Holders under this Indenture, the Agreement, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under this Indenture, pending such proceedings. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of the Bonds, subject to the provisions of this Indenture (including Section 6.2 hereof).

Section 7.5 Bondholders' Direction of Proceedings. Anything in this Indenture to the contrary notwithstanding, but subject to Sections 8.3(G) and 12.13, the Holders of twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings taken by the Trustee

hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction or for which it has not been provided indemnity reasonably satisfactory to it. So long as a Letter of Credit is in effect and the Credit Provider has not wrongfully failed to make a payment thereunder, any references in this Section to the Holders of the Bonds shall mean the Credit Provider.

Section 7.6 Limitation on Bondholders' Right to Sue. Subject to Section 7.1 hereof, no Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Agreement, the Letter of Credit, the Act or any other applicable law with respect to such Bond, unless (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) subject to Section 8.3(G) hereof, such Holder or said Holders shall have tendered to the Trustee indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by such Holders' action to affect, disturb or prejudice the security of this Indenture or the rights of any other Holders of Bonds, or to enforce any right under this Indenture, the Agreement, the Letter of Credit, the Act or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of this Indenture (including Section 6.2 hereof).

Section 7.7 Limited; Absolute Obligation of Authority. Nothing in Section 7.6 or in any other provision of this Indenture (other than the provisions of Sections 12.1 and 12.14 which describe the limited nature of the Authority's obligations hereunder), or in the Bonds, contained shall affect or impair the obligation of the Authority, which is limited, but otherwise absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Holders of the Bonds at their date of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Holders, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Section 7.8 Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Bondholders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bondholders, then in every such case the Authority, the Trustee and the Bondholders,

subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Bondholders shall continue as though no such proceedings had been taken.

Section 7.9 Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise. Notwithstanding any other provision hereunder, the Trustee may proceed first against either the Guarantor, if applicable, or the Company in accordance with the terms of the Guaranty and/or the Financing Agreement, respectively, as the Trustee may deem appropriate.

Section 7.10 No Waiver of Default. No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or to the Holders of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Section 7.11 Consent of Credit Provider To Defaults. This section shall apply only if a Letter of Credit is in effect. Notwithstanding any other provision of this Article VII, and subject to Section 8.3(G) and Section 8.6(B) hereof, so long as the Credit Provider is not continuing wrongfully to dishonor drawings under the Letter of Credit, no Event of Default shall be declared pursuant to Section 7.1(A) through (D) hereof (except in a case resulting from the failure of the Company to pay the Trustee's fees and expenses or to indemnify the Trustee), nor any remedies exercised with respect to any Event of Default by the Trustee or by the Bondholders (except in a case resulting from the failure of the Company to pay the Trustee's fees and expenses or to indemnify the Trustee) and no Event of Default under this Indenture shall be waived by the Trustee or the Bondholders to the extent it may otherwise be permitted hereunder, without, in any case, the prior written consent of the Credit Provider and, if applicable, written rescission by the Credit Provider of any notice of an event of default under the Reimbursement Agreement. No Event of Default can be waived, in any circumstance, unless the Trustee has received written notice from the Credit Provider that the Letter of Credit, if any, has been fully reinstated and is in full force and effect.

ARTICLE VIII

THE TRUSTEE, THE PAYING AGENT, THE BOND REGISTRAR, THE TENDER AGENT, AND THE REMARKETING AGENT

Section 8.1 Duties, Immunities and Liabilities of Trustee. (A) The Trustee and the Registrar shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by this Indenture, and use the same

degree of care and skill in their exercise, as prudent persons would exercise or use under the circumstances in the conduct of their own affairs. Notwithstanding any other provision of this Indenture, the Trustee shall perform all duties required of it hereunder.

No provision of this Indenture shall be construed to relieve the Trustee or the Registrar from liability for its own negligent action or its own negligent failure to act, except that:

(1) Prior to such an Event of Default hereunder and after the curing of all Events of Default which may have occurred,

(a) the duties and obligations of the Trustee and the Registrar, as the case may be, shall be determined solely by the express provisions of this Indenture, the Trustee and Registrar, as the case may be, shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee and the Registrar, as the case may be; and

(b) in the absence of bad faith on the part of the Trustee or the Registrar, as the case may be, the Trustee or the Registrar, as the case may be, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee or the Registrar, as the case may be, conforming to the requirements of this Indenture; but in the case of any such certificate or opinion which by any provision hereof is specifically required to be furnished to the Trustee or the Registrar, as the case may be, the Trustee or the Registrar, as the case may be, shall be under a duty to examine the same to determine whether or not it conforms to the requirements of this Indenture; and

(2) At all times, regardless of whether or not any Event of Default shall exist,

(a) the Trustee and the Registrar shall not be liable for any error of judgment made in good faith by a responsible officer, director or employee of the Trustee or the Registrar unless it shall be proved that the Trustee or the Registrar, as the case may be, was negligent in ascertaining the pertinent facts;

(b) neither the Trustee nor the Registrar shall be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority, or such smaller or larger percentage as may be required hereunder, in aggregate principal amount of the Bonds at the time outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or the Registrar, or exercising any trust or power conferred upon the Trustee or the Registrar under this Indenture.

None of the provisions contained in this Indenture shall require the Trustee or the Registrar to expend or risk their own funds or otherwise incur individual financial liability in the performance of any of their duties or in the exercise of any of their rights or powers other than to notify the Authority that they intend to take no particular action or to notify the Bondholders that they will take no action, if they have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to them against such risk or liability is not reasonably assured to

them. All indemnifications and releases from liability granted herein to the Trustee shall extend to the directors, officers, employees and agents of the Trustee.

(B) The Authority shall remove the Trustee at any time upon request of the Company, or if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (E) of this Section, or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint, at the direction of the Company, a successor Trustee by an instrument in writing.

(C) The Trustee may at any time resign by giving written notice of such resignation to the Company and the Authority and by giving the Bondholders notice of such resignation by mail at the addresses shown on the registration books maintained by the Trustee. Upon receiving such notice of resignation, the Authority shall promptly appoint, at the direction of the Company, a successor Trustee by an instrument in writing. The Trustee shall not be relieved of its duties until such successor Trustee has accepted appointment.

(D) Any removal or resignation of the Trustee pursuant to (B) or (C) above and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bondholder (on behalf of itself and all other Bondholders) may, at the expense of the Company, petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the Company, the Authority and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the written request of the Authority, the Company or the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the Company or the successor Trustee (but at the expense of the Company), the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, such successor Trustee shall mail a notice of the succession of such Trustee to the trusts hereunder to each

Rating Agency which is then rating the Bonds, to the Bondholders at the addresses shown on the registration books maintained by the Trustee, and to the Credit Provider.

(E) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company, bank or corporation having the powers of a trust company which either (i) has a combined capital and surplus of at least fifty million dollars (\$50,000,000), and is subject to supervision or examination by federal or state authority or (ii) is a wholly-owned subsidiary of a bank, trust company or bank holding company meeting, on an aggregate basis, the tests set out in clause (i). If such bank, trust company or corporation publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (E), the Trustee shall resign immediately in the manner and with the effect specified in this Section. The Trustee or the bank, trust company or bank holding company of which the Trustee is a wholly-owned subsidiary shall have a rating of at least Moody's "Baa/P-3," or, if the Bonds are rated by S&P, an equivalent rating from S&P, or otherwise be acceptable to the Rating Agency then rating the Bonds.

(F) The Trustee is not responsible for effecting, maintaining or renewing any policies of insurance or for any representations regarding the sufficiency of any policy of insurance.

(G) It shall be the duty of the Trustee to file, or cause to be filed, such continuation statements for UCC Financing Statements of which the Trustee has been provided a copy, if any, as may be required by the UCC in connection with the security granted hereby or by the Financing Agreement.

(H) Subject to the provisions of Sections 5.7 and 10.3 hereof, all moneys received by the Trustee and the Tender Agent shall, until used or applied as herein provided, be held in trust for the purposes for which they were received and, except as provided below, need not be segregated from other funds. Moneys representing the proceeds of draws on the Letter of Credit or held in the Letter of Credit Account, all Available Moneys, all remarketing proceeds, all moneys being aged to become Available Moneys, all moneys held for the payment of particular Bonds and otherwise to the extent required by law or by this Indenture shall be held by the Trustee and the Tender Agent in separate and segregated accounts as provided herein. The Trustee and the Tender Agent shall be under no liability for interest on any moneys received by them hereunder except as provided in Section 5.6 hereof. Any moneys held by the Trustee or the Tender Agent shall be invested as provided in Section 5.6 hereof.

(I) The Trustee shall not be responsible for monitoring or reviewing the Company's insurance or be obligated to file claims or proofs of loss in the case of insurance, or to pay taxes or assessments.

Section 8.2 Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the

Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under subsection (E) of Section 8.1, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 8.3 Liability of Trustee. (A) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Authority, and the Trustee shall assume no responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Indenture or of the Bonds, except that the Trustee is authorized to enter into and is bound by this Indenture. In addition, the Trustee shall assume no responsibility with respect to this Indenture or the Bonds other than in connection with the duties or obligations assigned to or imposed upon the Trustee herein or in the Bonds. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the Holder of Bonds with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depositary for and permit any of their officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders, whether or not such committee shall represent the Holders of a majority in principal amount of the Bonds then Outstanding.

The Trustee may execute any of the trusts or powers set forth herein and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to the advice of counsel selected by it concerning all matters of trusts and its duties herein.

(B) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, director or employee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(C) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(D) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Bondholders pursuant to the provisions of this Indenture unless such Bondholders shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby.

(E) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

(F) Except for Events of Default under Section 7.1(A) and (B), the Trustee shall not be deemed to have knowledge of any default or Event of Default hereunder unless and until a

responsible officer of the Trustee has actual knowledge thereof, or shall have received written notice thereof, at its Corporate Trust Office. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of a default or Event of Default thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it.

(G) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers, other than to notify the Authority that it intends to take no particular action or to notify the Bondholders that it will take no action, if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not reasonably assured to it. The Trustee shall, however, in any case make drawings under a Letter of Credit as required by the terms hereof, or request payments under the Guaranty, if applicable, to pay principal and Purchase Price of, and interest on, the Bonds as they become due and shall accelerate the Bonds as required by the Indenture, notwithstanding anything to the contrary herein.

(H) The Trustee shall have no responsibility, opinion or liability with respect to any information statement or recital found in any Official Statement or other disclosure material, prepared or distributed with respect to the issuance of the Bonds, except for information provided by the Trustee.

Section 8.4 Right of Trustee to Rely on Documents. Subject to the standard of care stated herein, the Trustee shall be fully protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel of its selection, who may be counsel of or to the Authority or the Company, with regard to legal questions, and the opinion or advice of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee shall not be bound to recognize any person as the Holder of a Bond unless and until such Bond is submitted for inspection, if required, and its title thereto is satisfactorily established, if disputed.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Authority, and such Certificate shall be sufficient justification for the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

Section 8.5 Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority, the Company and any Bondholder and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Section 8.6 Compensation and Indemnification.

(A) The Trustee, the Tender Agent and the Registrar shall be entitled to compensation as agreed to in writing from time to time between the Trustee (or the Tender Agent or the Registrar, as the case may be) and the Company for all services rendered by them in the execution of the trusts created and in the exercise and performance of any of the powers and duties hereunder of the Trustee, the Tender Agent, the Paying Agent or the Registrar, as the case may be, which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust, and the Authority will require the Company to pay or reimburse the Trustee, the Tender Agent, the Paying Agent or the Registrar, as the case may be, upon its request for reasonable out-of-pocket expenses, disbursements and advances incurred or made by the Trustee, the Tender Agent, the Paying Agent or the Registrar, as the case may be, in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its intentional misconduct, negligence or bad faith. If any property, other than cash, shall at any time be held by the Trustee, the Tender Agent, the Paying Agent or the Registrar, as the case may be, subject to this Indenture, or any Supplemental Indenture, as security for the Bonds, the Trustee, the Tender Agent, the Paying Agent or the Registrar, as the case may be, if and to the extent authorized by a receivership, bankruptcy or other court of competent jurisdiction or by the instrument subjecting such property to the provisions of this Indenture as such security for the Bonds shall be entitled to make advances for the purpose of preserving such property or of discharging tax liens or other prior liens or encumbrances thereon. Pursuant to the Financing Agreement, the Company has indemnified the Trustee, the Tender Agent, the Paying Agent or the Registrar, as the case may be, for, and to hold it harmless against, any loss, liability, expense or advance incurred or made without intentional misconduct, negligence or bad faith on the part of the Trustee, the Tender Agent, the Paying Agent or the Registrar, as the case may be, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim of liability in the premises (including reasonable attorneys' fees and expenses). Notwithstanding the foregoing, the Trustee shall make timely payments of principal of and interest on the Bonds with moneys on deposit in the Bond Fund as provided herein, shall make timely draws on the Letter of Credit as provided herein and shall accelerate the payment of principal on the Bonds when required by this Indenture without seeking any prior indemnification from the Company or any Bondholder. The rights of the Trustee, the Tender Agent, the Paying Agent and the Registrar to compensation for their services and to payment or reimbursement for expenses, disbursements, liabilities and advances shall have priority over the Bonds in respect of all property and funds held or collected by the Trustee as such, except for moneys held in the Rebate Fund, proceeds of a drawing under the Letter of Credit or held in the Letter of Credit Account, Available Moneys, moneys being aged to become Available Moneys, remarketing proceeds, and other funds held in trust by the Trustee or the Tender Agent, as the case may be, for the benefit of the Holders of particular Bonds, including,

without limitation, (i) moneys or securities held pursuant to Article XI hereof; and (ii) moneys or securities held for the payment of Bonds upon maturity or redemption and prior to the presentation of such Bonds.

(B) The Trustee shall be under no obligation to institute any suit or take any remedial proceeding under this Indenture, or to enter any appearance in or in any way defend any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the exercise of any rights or powers hereunder at the request, order or direction of any Holders of Bonds or otherwise (except declaring the principal of and interest on the Bonds to be due immediately under Section 7.1, drawing on the Letter of Credit, or making payment when due on the Bonds) until it shall be indemnified to its satisfaction against any and all reasonable costs and expenses, outlays, and counsel fees and other disbursements and against all liability not due to its negligence or bad faith, provided, however, that if the Trustee intends to seek indemnification pursuant to this Section 8.6 prior to instituting any such action it shall so inform the Holders (as appropriate), the Authority and the Credit Provider as soon as possible and provided further that the Company shall not be liable for any settlement of any such action without its consent, which consent shall not be unreasonably withheld.

Section 8.7 Paying Agent. The Authority, at the direction and expense of the Company and with the written approval of the Trustee, shall appoint and at all times have a Paying Agent in such cities as the Authority deems desirable, for the payment of the principal of, and the interest (and premium, if any) on and Purchase Price of, the Bonds. It shall be the duty of the Trustee to make such credit arrangements with such Paying Agent as may be necessary to assure, to the extent of the moneys held by the Trustee for such payment, the prompt payment of the principal of, and interest (and premium, if any) on and Purchase Price of, the Bonds presented at either place of payment. The Trustee will not be responsible for the failure of the Credit Provider or any other party to make funds available to the Trustee or Paying Agent. The Trustee is the initial Paying Agent. If the Paying Agent is any entity other than the Trustee, it shall be subject to the same standards applicable to the Trustee as set forth in this Indenture.

Section 8.8 Direction of the Company. Whenever after a reasonable written request by the Company, and if the Company is not in default under the Financing Agreement, the Authority shall without justification fail, refuse or neglect to give any written direction to the Trustee or to require the Trustee to take any action which the Authority is required to have the Trustee take pursuant to the provisions of the Financing Agreement or this Indenture, the Company, on behalf of the Authority, may give any such written direction to the Trustee or require the Trustee to take any such action (so long as such action does not adversely impair the rights of the Authority, the Trustee and the Bondholders hereunder or conflict with the terms of this Indenture), and the Trustee is hereby irrevocably empowered and directed to accept such written direction from the Company as sufficient for all purposes of this Indenture, provided the Trustee receives indemnity satisfactory to it. The Company shall act reasonably and no action of the Company shall create any liability of the Authority, including any liability with respect to payment of the Bonds (except to the limited extent provided in this Indenture).

Section 8.9 Notices to Rating Agency and Credit Provider. The Trustee shall provide the Rating Agency and the Credit Provider with prior written notice (to the extent the Trustee has received prior notice) upon the occurrence of: (i) the provision, expiration,

termination or extension of any Letter of Credit; (ii) the discharge of liability on the Bonds pursuant to Section 10.2 hereof; (iii) the resignation or removal of the Trustee, Tender Agent, or Remarketing Agent; (iv) acceptance of appointment as successor Trustee, Tender Agent, or Remarketing Agent hereunder; (v) the redemption of all or any portion of the Bonds; (vi) conversion to a new Interest Rate Period; (vii) a material change in the Indenture, the Agreement, or the Letter of Credit; and (viii) when the Bonds are no longer Outstanding. The Trustee shall also notify any Rating Agency of any changes to any of the documents to which the Trustee is a party, upon its receipt of notification of any such changes. The Trustee shall not be liable to any party for failure to give notice as provided in this Section.

Section 8.10 Duties of Remarketing Agent. The Company hereby appoints Merrill Lynch, Pierce, Fenner & Smith Incorporated as the initial Remarketing Agent for the Bonds. The Remarketing Agent shall designate to the Trustee and the Authority its principal office and signify its acceptance of the duties and obligations imposed on it hereunder by a written instrument of acceptance delivered to the Company, the Authority and the Trustee under which the Remarketing Agent will agree to perform the obligations of the Remarketing Agent set forth herein and under which the Remarketing Agent will agree to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Authority, the Trustee, any Credit Provider and the Company at all reasonable times. The Remarketing Agent shall determine the interest rates on the Bonds and perform the other duties provided for in Section 2.3 and shall remarket Bonds as provided in Section 4.7 hereof. The Remarketing Agent shall hold all moneys delivered to it in trust in non-commingled funds for the benefit of the person or entity which shall have so delivered such moneys until such moneys are delivered to the Trustee as provided herein. The Remarketing Agent may for its own account or as broker or agent for others deal in Bonds and may do anything any other Holder may do to the same extent as if the Remarketing Agent were not serving as such.

Section 8.11 Eligibility of Remarketing Agent; Replacement. (A) Any successor Remarketing Agent shall be (i) an investment bank that is a member of the Financial Industry Regulatory Authority, Inc. having a capitalization of at least \$20,000,000 as shown in its most recent annual report or (ii) a commercial bank or trust company having a capitalization of at least \$100,000,000 as shown in its most recent published annual report, organized and doing business under the laws of the United States or any state or the District of Columbia. The Remarketing Agent or its parent shall have a rating of at least Moody's "Baa/P-3," or, if the Bonds are rated by S&P, an equivalent rating from S&P, or be approved by each Rating Agency. The initial Remarketing Agent shall be Merrill Lynch, Pierce, Fenner & Smith Incorporated.

(B) The Remarketing Agent may resign by notifying the Authority, the Trustee, the Tender Agent, the Company and the Credit Provider at least 30 days before the effective date of such resignation. The Company may remove the Remarketing Agent at any time at its own discretion and appoint a successor by notifying the Remarketing Agent, the Credit Provider, the Authority and the Trustee at least thirty (30) days' before the effective date of such removal. No resignation or removal shall be effective until the successor has delivered an acceptance of its appointment to the Trustee.

(C) The Company, at its option, may appoint to serve with the Remarketing Agent, one or more co-Remarketing Agents; provided that all interest rate determinations shall have been made by the Remarketing Agent and not a co-Remarketing Agent. In the event of appointment of a co-Remarketing Agent, any such Remarketing Agent shall be subject to this Section and Sections 8.10, 8.12 and 8.20 hereof.

Section 8.12 Compensation of Remarketing Agent. The Remarketing Agent shall not be entitled to any compensation from the Authority or the Trustee but, rather, shall make separate arrangements with the Company for its compensation.

Section 8.13 Appointment and Duties of Tender Agent. The Authority hereby appoints the Trustee as initial Tender Agent. The Tender Agent shall designate its principal office and signify its acceptance of all of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Authority, the Trustee, the Credit Provider and the Remarketing Agent. The Tender Agent shall perform the duties provided for in this Indenture and in exercising such duties shall be entitled to the same rights and immunities applicable to the Trustee as set forth in this Indenture and shall not be liable for any action or omission to act except for negligence or willful misconduct. Notwithstanding any provision in this Indenture to the contrary, the Tender Agent shall not be responsible for any misconduct or negligence on the part of any agent, correspondent, attorney or receiver appointed with due care by it hereunder.

Section 8.14 Eligibility of Tender Agent; Replacement. The Tender Agent and any successor to the Tender Agent shall be a corporation, bank or trust company organized and doing business under the laws of the United States, any state or the District of Columbia and shall either (i) have a combined capital and surplus of at least fifty million dollars (\$50,000,000), and be subject to supervision or examination by federal or state authority or (ii) be a wholly-owned subsidiary of a bank, trust company or bank holding company meeting, on an aggregate basis, the tests set out in clause (i). If such corporation, bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such corporation, bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. At all times when the Bonds are not Book-Entry Bonds the Tender Agent shall have an office or agency for servicing the Bonds in New York, New York. The Tender Agent or the bank, trust company or bank holding company of which the Tender Agent is a wholly-owned subsidiary shall have a rating of at least Moody's "Baa3/P-3," or, if the Bonds are rated by S&P, an equivalent rating from S&P, or be approved by the Rating Agency.

The Tender Agent may resign by notifying the Authority, the Company, the Trustee, the Credit Provider, the Remarketing Agent and the Bondholders at least 30 days before the effective date of such resignation. The Trustee, at the direction of the Company, may remove the Tender Agent and appoint a successor by notifying the Tender Agent, the Remarketing Agent, the Credit Provider and the Authority. No resignation or removal shall be effective until the successor has delivered an acceptance of its appointment to the Trustee and the predecessor Tender Agent.

In the event of the resignation or removal of the Tender Agent, such Tender Agent shall pay over, assign and deliver any moneys held by it as Tender Agent to its successor, or if there is no successor, to the Trustee. In the event that for any reason there shall be a vacancy in the office of Tender Agent, the Trustee shall act as such Tender Agent to the extent it has operational capacity to perform such tasks.

Section 8.15 Compensation of Tender Agent. The Tender Agent shall not be entitled to any compensation from the Authority, the Remarketing Agent or the Trustee but, rather, shall only be entitled to compensation from the Company.

Section 8.16 Appointment and Duties of Bond Registrar. The Authority hereby designates the Trustee as initial Bond Registrar, provided that the Tender Agent shall act as co-Bond Registrar with respect to Bonds tendered pursuant to Sections 2.4 and 4.6 hereof.

The Bond Registrar shall not be entitled to any compensation from the Authority, the Remarketing Agent, or the Trustee but, rather, shall only be entitled to compensation from the Company.

Section 8.17 Eligibility of Bond Registrar. A Bond Registrar appointed pursuant to this Indenture shall be a corporation organized and doing business under the laws of the United States or any state or the District of Columbia, subject to supervision or examination by federal or state authorities and shall either (i) have a combined capital and surplus of at least fifty million dollars (\$50,000,000), and be subject to supervision or examination by federal or state authority or (ii) be a wholly-owned subsidiary of a bank, trust company or bank holding company meeting, on an aggregate basis, the tests set out in clause (i). If such corporation, bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such corporation, bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Section 8.18 Bond Registrar's Performance of Duties. The Bond Registrar shall perform the duties provided for in this Indenture and in exercising such duties shall be entitled to the same rights and immunities applicable to the Trustee as set forth in this Indenture and shall not be liable for any action or omission to act except for negligence or willful misconduct.

Section 8.19 Replacement of Bond Registrar. The Bond Registrar may resign by notifying the Authority, the Trustee, the Credit Provider and the Company at least 30 days before the effective date of such resignation. The Authority, at the direction and expense of the Company, may remove the Bond Registrar and appoint a successor by notifying the Bond Registrar, the Remarketing Agent, the Credit Provider and the Trustee. No resignation or removal shall be effective until the successor has delivered an acceptance of its appointment to the Trustee and the predecessor Bond Registrar.

In the event of the resignation or removal of the Bond Registrar, such Bond Registrar shall pay over, assign and deliver any moneys held by it as Bond Registrar to its successor, or if there is no successor, to the Trustee. In the event that for any reason there shall be a vacancy in

the office of Bond Registrar, the Trustee shall act as such Bond Registrar to the extent it has operational capacity to perform such tasks.

Section 8.20 Successor Remarketing Agent by Merger. If the Remarketing Agent consolidates with, merges or converts into, or transfers all or substantially all its assets to, another corporation, the resulting, surviving or transferee corporation without any further act shall, if otherwise eligible to serve hereunder, be the successor Remarketing Agent.

ARTICLE IX

THE AUTHORITY

Section 9.1 Representations by the Authority. The Authority represents and warrants to the Trustee and the Owners of the Bonds that:

(A) The Authority is a body corporate and politic created under the Act.

(B) Under the provisions of the Act, the Authority has power and lawful authority to execute and deliver this Indenture and the Agreement; to issue the Bonds and receive the Bond proceeds; to apply the Bond proceeds to make the loan to the Company (the "Loan"); to assign the revenues derived and to be derived by the Authority from the Loan to the Trustee; and to perform and observe the provisions of this Indenture and the Agreement and the Bonds on its part to be performed and observed.

(C) The Authority has duly authorized the execution and delivery of this Indenture and the Agreement and the issuance, execution, sale and delivery of the Bonds, and the performance of the obligations of the Authority thereunder.

(D) There is no litigation pending or, to the best of knowledge of the Authority, threatened, affecting the validity of the Bonds or the right of the Authority to receive repayment of the Loan as provided in this Indenture and the Agreement, and neither the corporate existence of the Authority nor the title of any of its officers to their respective offices is being contested.

(E) THE AUTHORITY MAKES NO WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO THE PROJECT OR ANY PORTION THEREOF, INCLUDING WITHOUT LIMITATION, THE HABITABILITY THEREOF; THE MERCHANTABILITY OR FITNESS THEREOF FOR ANY PARTICULAR PURPOSES; THE DESIGN OR CONDITION THEREOF; THE WORKMANSHIP, QUALITY, OR CAPACITY THEREOF; LATENT DEFECTS THEREIN; THE VALUE THEREOF; FUTURE PERFORMANCE OR THE COMPLIANCE THEREOF WITH ANY LEGAL REQUIREMENTS.

Section 9.2 Limited Obligation. Under no circumstances shall the Authority be obligated directly or indirectly to pay principal of or premium, if any, and interest on the Bonds, or expenses of operation, maintenance and upkeep of the Project except from Bond proceeds or

from funds received under this Indenture, exclusive of funds received hereunder by the Authority for its own use. This Indenture does not create any debt of the State with respect to the Project other than a special obligation of the Authority acting on behalf of the State pursuant to the Act. Nothing contained herein shall in any way obligate the State to raise any money by taxation or use other public funds for any purpose in relation to the Project. Neither the State nor the Authority shall pay or promise to pay any debt or meet any financial obligation to any person at any time in relation to the Project except (i) from moneys received or to be received under the provisions hereof or derived from the exercise of the Authority's rights hereunder, other than moneys received for its own purposes, or (ii) as may be required by law other than the provisions of the Act. Nothing contained in this Indenture shall be construed to require or authorize the Authority to operate the Project itself or to conduct any business enterprise in connection therewith.

THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE AUTHORITY OR OF THE STATE OF NEW HAMPSHIRE OR ANY POLITICAL SUBDIVISION THEREOF EXCEPT TO THE EXTENT PERMITTED BY NEW HAMPSHIRE RSA CHAPTER 162-I. NO PUBLIC FUNDS MAY BE USED TO PAY THE PRINCIPAL OR PURCHASE PRICE OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS, WHICH SHALL BE PAYABLE SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THEIR PAYMENT UNDER THIS INDENTURE AND THE AGREEMENT. THE AUTHORITY HAS NO TAXING POWER

Section 9.3 Exempt from Individual Liability. No recourse shall be had for the payment of the principal of, or premium, if any, or interest on, any of the Bonds or for any claim based thereon or upon any obligation, provision, covenant or agreement contained in this Indenture, against any past, present or future director, trustee, officer, official, employee or agent of the Authority, or any director, trustee, officer, official, employee or agent of any successor to the Authority, as such, either directly or through the Authority or any successor to the Authority, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such director, trustee, officer, official, employee or agent as such is hereby expressly waived and released as a condition of and in consideration for the execution of this Indenture and the issuance of any of the Bonds. Neither the officers of the Authority nor any person executing the Bonds shall be personally liable on the Bonds by reason of the issuance thereof.

Section 9.4 Rights and Duties of the Authority.

(A) Remedies of the Authority. Notwithstanding any contrary provision in this Indenture, the Authority shall have the right to take any action or make any decision with respect to proceedings for indemnity against the liability of the Authority and for collection or reimbursement from sources other than moneys or property held under this Indenture and the Agreement. The Authority may enforce its rights under this Indenture or under the Agreement which have not been assigned to the Trustee by legal proceedings for the specific performance of any obligation contained herein or for the enforcement of any other appropriate legal or equitable remedy, and may recover damages caused by any breach by the Company of its obligations to the Authority under this Indenture and the

Agreement, including court costs, reasonable attorney's fees and other costs and expenses incurred in enforcing such obligations.

(B) Limitations on Actions. The Authority shall not be required to monitor the financial condition of the Company, the investment or expenditure of Bond proceeds, or the physical condition of the Project and, unless otherwise expressly provided, shall not have any responsibility with respect to notices, certificates or other documents filed with it hereunder. The Authority shall not be required to take notice of any breach or default except when given notice thereof by the Trustee or the Bondholders, as the case may be. The Authority shall not be required to take any action unless indemnity reasonably satisfactory to it is furnished for expenses or liability to be incurred therein, it being understood and agreed that pursuant to Section 9.3 of the Agreement the Company has provided such indemnity. The Authority, upon written request of the Bondholders or the Trustee, and upon receipt of reasonable indemnity for expenses or liability, shall cooperate to the extent reasonably necessary to enable the Trustee to exercise any power granted to the Trustee by this Indenture. The Authority shall be entitled to reimbursement pursuant to Section 9.5 to the extent that it acts without previously obtaining full indemnity.

(C) Responsibility. The Authority shall be entitled to the advice of counsel (who may be counsel for any party or for any Bondholder) and shall be wholly protected as to any action taken or omitted to be taken in good faith in reliance on such advice. The Authority may rely conclusively on any notice, certificate or other document furnished to it under this Indenture or the Agreement and reasonably believed by it to be genuine. The Authority shall not be liable for any action taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, or in good faith omitted to be taken by it and reasonably believed to be beyond such discretion or power, or taken by it pursuant to any direction or instruction by which it is governed under this Indenture or the Agreement or omitted to be taken by it by reason of the lack of direction or instruction required for such action under this Indenture or the Agreement, or be responsible for the consequences of any error of judgment reasonably made by it. When any payment, consent or other action by the Authority is called for by this Indenture or the Agreement, the Authority may defer such action pending such investigation or inquiry or receipt of such evidence, if any, as it may require in support thereof. A permissive right or power to act shall not be construed as a requirement to act, and no delay in the exercise of a right or power shall affect the subsequent exercise thereof. The Authority shall in no event be liable for the application or misapplication of funds, or for other acts or defaults by any person or entity except by its own directors, officers and employees. No recourse shall be had by the Company, the Trustee or any Bondholder for any claim based on this Indenture or the Agreement or the Bonds against any director, officer, employee or agent of the Authority unless such claim is based upon the bad faith, fraud, intentional misconduct or deceit of such person. No covenant, obligation or agreement of the Authority contained in this Indenture or the Agreement shall be deemed to be a covenant, obligation or agreement of any present or future director, officer, employee or agent of the Authority in his individual capacity, and no person executing a Bond shall be liable personally thereon or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 9.5 Expenses of the Authority. Except to the extent paid or reimbursed from the Project Fund, the Company shall pay when due the Authority's Service Charge and shall prepay or reimburse the Authority within thirty (30) days after notice for all expenses (including reasonable attorney's fees) incurred by the Authority in connection with the issuance and carrying of the Bonds and all expenses reasonably incurred or advances reasonably made in the exercise of the Authority's rights or the performance of its obligations hereunder. Any fees, expenses, reimbursements or other charges which the Authority may be entitled to receive from the Company hereunder, if not paid when due, shall bear interest at the rate of 5% per annum, and if not paid within sixty (60) days, shall bear interest at the rate of 12% per annum.

Section 9.6 Matters to be Considered by Authority. In approving, concurring in or consenting to action or in exercising any discretion or in making any determination under this Indenture or the Agreement, the Authority may consider the interests of the public, which shall include the anticipated effect of any transaction on tax revenues and employment, as well as the interests of the other parties hereto and the Bondholders; provided, however, nothing herein shall be construed as conferring on any person other than the other parties and the Bondholders any right to notice, hearing or participation in the Authority's consideration, and nothing in this section shall be construed as conferring on any of them any right additional to those conferred elsewhere herein. Subject to the foregoing, the Authority will not unreasonably withhold any approval or consent to be given by it hereunder.

Section 9.7 Actions by Authority. (a) Any action which may be taken by the Authority hereunder shall be deemed sufficiently taken if taken on its behalf by its Chairman or its Executive Director or by any other member, officer or agent whom it may designate from time to time.

(b) In the event there is no Authority or the Authority lacks legal capacity to give consent or take other action under this Agreement, the Trustee shall act in the place of the Authority subject to the provisions hereof, other than Section 9.4, which would have been applicable to action by the Authority.

Section 9.8 Recordings and Filings. At the expense of the Company, the Authority will cooperate with the Company in the Company's performing the Company's obligation to cause this Indenture, and any related instruments or documents relating to the assignment made by it under this Indenture to secure the Bonds, to be recorded and filed in the manner and in the places which may be required by law in order to preserve, perfect and protect fully the security of the Bondholders and the rights of the Trustee hereunder.

ARTICLE X

MODIFICATION OR AMENDMENT OF THE INDENTURE AND THE AGREEMENT

Section 10.1 Amendments Permitted. (A) Except as provided in subsection (B), this Indenture and the rights and obligations of the Authority and of the Holders of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental hereto, which the Authority and the Trustee may enter into when the written consent of any Credit Provider, if applicable, or the Holders of a majority in aggregate

principal amount of all Bonds then Outstanding shall have been filed with the Trustee. No such modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment, or extend the time of payment of interest thereon, or change the method of computing the rate of interest thereon or create a privilege or priority of any Bond of a particular subseries over any other Bond of such subseries, in each case, without the consent of the Holder of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture, or deprive the Holders of the Bonds of the lien created by this Indenture on such Revenues and other assets (except as expressly provided in this Indenture), without the consent of the Holders of all of the Bonds (or applicable subseries thereof) then Outstanding. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Authority and the Trustee of any Supplemental Indenture pursuant to this subsection (A), the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to each Rating Agency then rating the Bonds and the Holders of the Bonds at the addresses shown on the registration books of the Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(B) This Indenture and the rights and obligations of the Authority, of the Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time by an indenture or indentures supplemental hereto, which the Authority and the Trustee may enter into without the consent of any Bondholders, but only to the extent permitted by law and after receipt of an Opinion of Counsel that the provisions of such Supplemental Indenture do not materially adversely affect the interests of the Holders of the Bonds, including, without limitation, for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Authority in this Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds, or to surrender any right or power herein reserved to or conferred upon the Authority;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the Authority may deem necessary or desirable and not inconsistent with this Indenture, including amendments pursuant to Section 2.3(G)(3) hereof;

(3) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(4) to conform to the terms and provisions of any Letter of Credit or Alternate Letter of Credit or to obtain a rating on the Bonds; or

(5) to modify, alter, amend or supplement this Indenture in any other respect, including amendments that would otherwise be described in Section 10.1(A) hereof, if the effective date of such Supplemental Indenture is a date on which all Bonds affected thereby are subject to mandatory tender for purchase pursuant to Section 4.6 or if Notice by Mail of the proposed Supplemental Indenture is given to holders of the affected Bonds at least thirty (30) days before the effective date thereof and, on or before such effective date, such Bondholders have the right to demand purchase of their Bonds pursuant to Section 2.4(A) hereof.

(C) The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by subsections (A) and (B) of this Section which materially adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

(D) Anything herein to the contrary notwithstanding, a supplemental indenture under this Section shall not become effective unless and until the Company shall have consented thereto in writing.

(E) Anything herein to the contrary notwithstanding, any modifications or amendments to this Indenture or the Agreement that require the consent of Holders of the Bonds shall be deemed to mean only those Holders of the Bonds of one or more subseries that are affected by such modification or amendment.

Section 10.2 Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to this Article, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Authority, the Trustee and all Holders of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Any such Supplemental Indenture shall comply with the terms of this Article X, and the Trustee may conclusively rely on an Opinion of Counsel that the Supplemental Indenture complies with the provisions therein.

Section 10.3 Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Holder of any Bond Outstanding at the time of such execution and presentation of such Holder's Bond for the purpose at the office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bond. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared (at the expense of the Company) and executed by the Authority and authenticated by the Trustee, and upon demand of the Holders of any Bonds then Outstanding shall be exchanged at the Corporate Trust Office of the Trustee in New York, New York, without cost to any Bondholder,

for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amounts.

Section 10.4 Amendment of Particular Bonds. The provisions of this Article shall not prevent any Bondholder from accepting any amendment as to the particular Bonds held by it, provided that due notation thereof is made on such Bonds.

Section 10.5 Amendment of Agreement. (A) Except as provided in Section 10.5 of the Agreement, the Authority shall not amend, modify or terminate any of the terms of the Agreement, or consent to any such amendment, modification or termination, without the prior written consent of the Trustee and the Credit Provider, if any. The Trustee shall give such written consent only if (1) in the Opinion of Counsel, such amendment, modification or termination will not materially adversely affect the interests of the Holders of the Bonds affected thereby or result in any material impairment of the security hereby given for the payment of the Bonds affected thereby, or (2) the Trustee first obtains the written consent of the Holders of a majority in principal amount of the Bonds affected thereby then Outstanding to such amendment, modification or termination, provided that no such amendment, modification or termination shall reduce the amount of Loan Payments or Purchase Price Payments to be made by the Company pursuant to the Agreement, or extend the time for making such payments, without the written consent of all of the Holders of the Bonds affected thereby then Outstanding. The Trustee shall be entitled to rely upon an Opinion of Counsel with respect to the effect of any amendments hereto or to the Agreement.

(B) The Trustee shall not amend, modify or terminate any of the terms of any Guaranty except in accordance with such Guaranty.

ARTICLE XI

DEFEASANCE

Section 11.1 Discharge of Indenture. Subject to the provisions of Section 12.1, Bonds may be paid by the Authority, at the direction of the Company, in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable hereunder by the Authority:

(A) by paying or causing to be paid (with Available Moneys when a Letter of Credit is then in effect) the principal of, interest and premium, if any, on the Bonds then Outstanding as and when the same become due and payable;

(B) by depositing with the Trustee, in trust, at or before maturity or the redemption date thereof, money or securities in the necessary amount (as provided in Section 10.3 hereof) to pay or redeem (with Available Moneys when a Letter of Credit is then in effect) all Bonds then Outstanding; or

(C) by delivering to the Trustee, for cancellation by it, the Bonds then Outstanding.

If the Authority shall also pay or cause to be paid all other sums payable hereunder by the Authority, then and in that case, at the election of the Authority (evidenced by a Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and this Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, this Indenture and the pledge of Revenues and other assets made under this Indenture and all covenants, agreements and other obligations of the Authority under this Indenture shall cease, terminate, become void and be completely discharged and satisfied except only as provided in Section 10.2 hereof. In such event, upon written request of the Authority, the Trustee shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver all moneys or securities or other property held by it pursuant to this Indenture (other than the Rebate Fund) which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption and any amounts owed to the Trustee hereunder in the following order (1) first, to the Credit Provider to the extent of any amounts due to the Credit Provider pursuant to the Reimbursement Agreement, (2) second, to the Trustee and the Authority, respectively, in payment of any unpaid obligations of the Company to them, including without limitation, Administrative Fees and Expenses as well as indemnities and liabilities and (3) third, to the Company, provided, however, that the Company may not receive any funds derived from a draw on the Letter of Credit, remarketing proceeds, or moneys held for the payment of particular Bonds (including moneys held for non-presented Bonds).

Section 11.2 Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at maturity or redemption, or prior thereto in accordance with Section 10.1, as the case may be, of money or securities in the necessary amount (as provided in Section 10.3 hereof) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bond shall cease, terminate and be completely discharged, except only that the Holder thereof shall thereafter be entitled to payment of the principal of and interest on such Bond by the Authority, and the Authority shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment and such money or securities shall be pledged to such payment; provided further, however, that the provisions of Sections 5.5, 10.4 and 12.1 hereof shall apply in all events.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 11.3 Deposit of Money or Securities with Trustee. Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities to be deposited or held may include money or securities held by the Trustee in the

funds and accounts established pursuant to this Indenture (exclusive of the Rebate Fund, the Letter of Credit Account, and the account described in Section 4.7(G) hereof) and shall be:

(A) moneys (Available Moneys when a Letter of Credit is then in effect) in an equal amount to the principal amount of such Bonds, and all unpaid interest thereon to maturity except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

(B) Investment Securities (rated S&P “AAA” or equivalent) that consist solely of securities described in clause (i) or (ii) of the definition of Investment Securities and, when a Letter of Credit is then in effect, which are purchased with Available Moneys, the principal of and interest on which when due and without reinvestment will provide money sufficient to pay the principal of, premium, if any, and all unpaid interest to maturity or to the redemption date on the Bonds to be paid or redeemed, as such principal and interest become due, with maturities no longer than 30 days or as may be necessary to make the required payment on the Bonds, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of this Indenture or by written request of the Authority) to apply such money or Investment Securities to the payment of such principal, premium, if any, and interest with respect to such Bonds and provided further that each Rating Agency then rating such Bonds and the Trustee shall have received a report of an Accountant that the moneys or Investment Securities on deposit are sufficient to pay the principal, premium, if any, and interest on the Bonds to maturity or the redemption date, and, if a Letter of Credit is then in effect, a legal opinion from a nationally recognized firm in bankruptcy law that payment of the Bonds from such moneys will not be a voidable preference in the event of the bankruptcy of the Company or the Authority.

Section 11.4 Payment of Bonds After Discharge of Indenture Obligation.

Notwithstanding any provisions of this Indenture, any moneys deposited with the Trustee in trust for the payment of the principal of, or interest or premium on, any Bonds remaining unclaimed after the principal of any Bond has become due and payable (whether at maturity or upon call for redemption or by declaration as provided in this Indenture), shall be disposed of as provided by law and the Holders of such Bonds shall thereafter be entitled to look only to the transferee of such moneys for payment thereof, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, that before the disposition of such moneys as aforesaid, the Trustee may (at the cost of the Company) first publish at least once in a Qualified Newspaper a notice, in such form as may be deemed appropriate by the Trustee, in respect of the Bonds so payable and not presented and in respect of the provisions relating to the disposition of the moneys held for the payment thereof.

ARTICLE XII

MISCELLANEOUS

Section 12.1 Liability of Authority Limited to Revenues. Notwithstanding anything in this Indenture or in the Bonds contained, the Authority shall not be required to advance any moneys derived from any source other than the Revenues and other assets pledged under this Indenture for any of the purposes in this Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of this Indenture. The Authority's obligations under this Indenture, the Agreement and the Bonds shall not constitute a debt or liability of or a pledge of the faith and credit of the Authority, the State, any political subdivisions thereof, or any municipality therein. Nothing herein, in the Agreement or in the Bonds, shall directly, indirectly or contingently obligate the Authority, the State any political subdivision thereof or any municipality to levy or pledge any form of taxation whatsoever or make any appropriation for the payment of the Bonds. Nevertheless, the Authority may, but shall not be required to, advance for any of the purposes hereof any funds of the Authority that may be made available to it for such purposes. The Trustee hereby acknowledges all of the rights and limitations of liability of the Authority contained in the Financing Agreement.

Section 12.2 Successor Is Deemed Included in All References to Predecessor. Whenever in this Indenture either the Authority, the Credit Provider or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Authority, the Credit Provider or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not. All the covenants, stipulations, promises and agreements in this Indenture contained, by or on behalf of the Authority, shall bind and inure to the benefit of its successors and assigns, whether so expressed or not. If any of the powers or duties of the Authority shall hereafter be transferred by any law of the State, and if such transfer shall relate to any matter or thing permitted or required to be done under this Indenture by the Authority, then the body or official of the State who shall succeed to such powers or duties shall act and be obligated in the place and stead of the Authority as in this Indenture provided.

Section 12.3 Limitation of Rights to Parties and Bondholders. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the Company, the Credit Provider, the Direct Participants (as provided in Section 2.4 hereof) and the Holders of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the Company, the Credit Provider, the Direct Participants (as provided in Section 2.4 hereof) and the Holders of the Bonds.

Section 12.4 Waiver of Notice. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 12.5 Destruction of Bonds. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the Authority of any Bonds, the Trustee may, in lieu of such cancellation and delivery, destroy such Bonds, and deliver a certificate of such destruction to the Authority if so requested.

Section 12.6 Severability of Invalid Provisions. If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable except, specifically, Sections 12.1 and 12.14 hereof, the validity of which are prerequisites to the Authority entering into this Indenture and the Agreement.

Section 12.7 Governing Law; Venue. This Indenture shall be construed in accordance with and governed by the Constitution and laws of the State applicable to contracts made and performed in the State; provided, however, that the rights, benefits and protections of the Trustee shall be construed in accordance with and governed by the laws of the State of New Hampshire without regard to the conflict of laws principles thereof.

Section 12.8 Notices. Notices shall be delivered to each Bondholder by first-class mail, postage prepaid, at the address set forth for such Bondholder on the registration books of the Trustee. Any notice to or demand upon the Trustee may be served or presented by first-class mail, postage prepaid, by facsimile or delivered, and such demand may be made, at the Corporate Trust Office of the Trustee, which at the date of adoption of this Indenture is located at the following address:

U.S. Bank National Association
190 South LaSalle Street, 10th Floor
Chicago, IL 60603
Attn: Corporate Trust Services
Phone: _____
Facsimile: _____

or at such other address as may have been filed in writing by the Trustee with the Authority. Any notice to or demand upon the Authority, the Company, the Credit Provider or Rating Agency shall be deemed to have been sufficiently given or served for all purposes by being mailed by first-class mail, postage prepaid, addressed, as the case may be, as follows:

To the Authority:

Business Finance Authority of the State of New Hampshire
2 Pillsbury Street, Suite 201



Concord, New Hampshire 03301-4954

Attention: Executive Director

Phone: (603) 415-0190

Facsimile: (603) 415-0194

To the Company:

Casella Waste Systems, Inc.
25 Greens Hill Lane
Rutland, Vermont 05701
Attention: Senior Vice President and Chief Financial Officer
Phone: (802) 775-0325
Facsimile: (802) 770-5348

To the Rating Agency:

Standard & Poor's Rating Group
55 Water Street, 40th Floor
New York, New York 10041
Attention: Structured Finance Group

To the Original Credit Provider

[Bank of America, N.A.
MA5-100-09-08
100 Federal Street
Boston, Massachusetts 02110
Phone: 617-434-5751
Facsimile: 617-434-2160
Attention: Maria F. Maia, Managing Director]

or such other addresses as may have been filed in writing with the Trustee.

Section 12.9 Evidence of Rights of Bondholders. (A) Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Bondholders may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bondholders in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and of the Authority if made in the manner provided in this Section.

(B) The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to such notary public or other officer the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

(C) The ownership of registered Bonds shall be proved by the bond registration books held by the Trustee. The Trustee and the Authority may conclusively assume that such ownership continues until written notice to the contrary is served upon the Trustee. The fact and the date of execution of any request, consent or other instrument and the amount and

distinguishing numbers of Bonds held by the person so executing such request, consent or other instrument may also be proved in any other manner which the Trustee may deem sufficient. The Trustee may nevertheless, in its discretion, require further proof in cases where it may deem further proof desirable.

Any request, consent, or other instrument or writing of the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

Section 12.10 Disqualified Bonds. In determining whether the Holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds that are owned or held by or for the account of the Authority or the Company, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the Company or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination provided that, for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Trustee knows to be so owned shall be disregarded. Bonds so owned that have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the Company or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

Section 12.11 Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular Bonds (or portions of Bonds in the case of registered Bonds redeemed in part only) (including any amounts resulting from a draw on the Letter of Credit, if any) shall, on and after such date and pending such payment, be set aside on its books and held uninvested in trust by it for the Holders of the Bonds entitled thereto, subject, however, to the provisions of Section 10.4 hereof.

Section 12.12 Funds and Accounts. Any fund or account required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with corporate trust industry standards and with due regard for the requirements of Section 6.5 hereof and for the protection of the security of the Bonds and the rights of every Holder thereof. The Trustee may establish and maintain for so long as is necessary one or more temporary funds and accounts under this Indenture, including but not limited to a temporary fund for holding the proceeds of the Bonds.

Section 12.13 Rights of Credit Provider. Notwithstanding anything in this Indenture to the contrary, so long as a Letter of Credit is then in effect and the Credit Provider has not failed

or refused to honor a properly presented and conforming draw under the Letter of Credit, the Credit Provider, and not the Owners of the Bonds, shall be deemed to be the Owner of 100% of the Outstanding Bonds at all times for the purpose of giving any approval, request, consent, direction (other than pursuant to Sections 2.3(A), 2.4, 2.6, 2.7, 7.6, 10.4 and 12.9 hereof), declaration, rescission or amendment which under this Indenture is to be given by the Owners of the Bonds at the time Outstanding; provided, however, that the Credit Provider shall not consent to any modification or amendment of this Indenture or the Agreement requiring the consent of the Owners of 100% in aggregate principal amount of the Bonds Outstanding or which would cause the interest on the Bonds to be no longer excluded from gross income for federal income tax purposes unless the actual Owners of 100% in aggregate principal amount of the Bonds Outstanding shall have also consented thereto or unless the Credit Provider is also the registered owner of 100% of the Bonds Outstanding; and provided further, that the Credit Provider shall have no right to deprive any Owner of the Bonds of the benefit of the Letter of Credit to which they are entitled as set forth herein.

Section 12.14 Waiver of Personal Liability. No member, director, officer, agent, attorney or employee of the Authority, and no officer, official agent or employee of the State or any department, board or agency of the foregoing shall be individually or personally liable for the payment of the principal of or premium or interest on or Purchase Price of the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, director, officer, agent, attorney or employee from the performance of any official duty provided by law or by this Indenture.

Section 12.15 Business Day. If any payment is to be made hereunder or any action is to be taken hereunder on any date that is not a Business Day, such payment or action otherwise required to be made or taken on such date shall be made or taken on the immediately succeeding Business Day with the same force and effect as if made or taken on such scheduled date.

Section 12.16 Complete Agreement; Order. This Indenture represents the complete agreement between the parties with respect to the Bonds and related matters. There are no oral agreements among the parties hereto.

Section 12.17 Execution in Several Counterparts. This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the BUSINESS FINANCE AUTHORITY OF THE STATE OF NEW HAMPSHIRE, has caused this Indenture to be signed in its name by its duly authorized officer, and U.S. BANK NATIONAL ASSOCIATION, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by one of the officers thereunto duly authorized all as of the day and year first above written.

BUSINESS FINANCE AUTHORITY OF THE
STATE OF NEW HAMPSHIRE

(Seal)

By _____
Executive Director

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Officer

Exhibit A

Form Of Bond

REGISTERED

No. R-__

\$_____

**UNITED STATES OF AMERICA
STATE OF NEW HAMPSHIRE**

**BUSINESS FINANCE AUTHORITY OF THE STATE OF NEW HAMPSHIRE
SOLID WASTE DISPOSAL REVENUE BOND
(CASELLA WASTE SYSTEMS, INC. PROJECT)
SERIES 2013**

Maturity Date:

Dated:

Interest Rate:
Variable

CUSIP:

Registered Owner:

CEDE & CO.

Principal Amount:

_____ DOLLARS

THIS BOND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE STATE OF NEW HAMPSHIRE OR OF THE AUTHORITY EXCEPT TO THE EXTENT PERMITTED BY NEW HAMPSHIRE RSA 162-I. ALL AMOUNTS OWED HEREUNDER ARE PAYABLE ONLY FROM THE SOURCES PROVIDED IN THE TRUST INDENTURE DESCRIBED BELOW, AND NO PUBLIC FUNDS MAY BE USED FOR THAT PURPOSE.

The Business Finance Authority of the State of New Hampshire (the "Authority"), for value received, hereby promises to pay (but only out of Revenues as hereinafter provided) to the registered owner identified above or registered assigns, on the maturity date set forth above, the principal sum set forth above and to pay (but only out of Revenues as hereinafter provided) interest on the balance of said principal amount from time to time remaining unpaid from and including the date hereof until payment of said principal amount has been made or duly provided for, at the rates and on the dates determined as described herein and in the Indenture (as hereinafter defined), and to pay (but only out of Revenues as hereinafter provided) interest on overdue principal commencing on the initial date of such delinquency until such amount has been paid, except as the provisions hereinafter set forth with respect to redemption prior to maturity or purchase may become applicable hereto. If an Event of Default (as defined in the Indenture) shall have occurred and be continuing, the interest rate on the Bonds shall be the rate on the Bonds on the day prior to the occurrence of such Event of Default. The principal of and premium, if any, on this Bond are payable at final maturity, acceleration or redemption in lawful money of the United States of America upon surrender hereof at the Corporate Trust Office of U.S. Bank National Association, as Trustee, or its successor in trust (the "Trustee"). Interest

payments on this Bond shall be made on each Interest Payment Date (as defined below), commencing _____ 1, 2013, to the person appearing on the bond registration books of the Bond Registrar as the Bondholder thereof on the Record Date (as hereinafter defined), such interest to be paid by the Paying Agent to such Bondholder (i) by check mailed on the Interest Payment Date to such Bondholder's address as it appears on the registration books or at such other address as has been furnished to the Bond Registrar as provided below, in writing by such Bondholder not later than the Record Date or (ii) upon written request, at least three Business Days prior to the applicable Record Date of the Bondholder of Bonds aggregating not less than \$1,000,000 in principal amount, by wire transfer in immediately available funds at an account maintained in the United States at such wire address as such Bondholder shall specify in its written notice (any such written request shall remain in effect until rescinded in writing by such Bondholder); except, in each case, that, if and to the extent that there shall be a default in the payment of the interest due on such Interest Payment Date, such defaulted interest rate shall be the rate on the Bonds on the day before such default occurred, and such defaulted interest shall be paid to the Bondholder in whose name any such Bonds are registered at the close of business on the fifth Business Day next preceding the date of payment of such defaulted interest. Both the principal of and premium, if any, on the Bonds shall be payable upon surrender thereof in lawful money of the United States of America at the Corporate Trust Office of the Trustee.

This Bond is one of a duly authorized issue of bonds of the Authority designated as "Business Finance Authority of the State of New Hampshire Solid Waste Disposal Revenue Bonds (Casella Waste Systems, Inc. Project) Series 2013" (the "Bonds"), limited in aggregate principal amount to \$_____. The Bonds are limited obligations of the Authority and, as and to the extent set forth in the Indenture (defined below), are payable solely from, and secured by a pledge of and lien on, the Revenues. Proceeds from the sale of the Bonds will be used to finance the costs of acquiring, constructing, improving, installing or equipping of solid waste disposal facilities, vehicles and equipment, as more fully described in the Agreement referred to herein (the "Project"), to be owned and operated by Casella Waste Systems, Inc. (the "Company") under the terms of a Financing Agreement, dated as of March 1, 2013 (the "Agreement"), between the Authority and the Company. The Bonds are all issued under and secured by and entitled to the benefits of an Indenture, dated as of March 1, 2013 (the "Indenture"), between the Authority and the Trustee; all receipts of the Trustee credited under the provisions of the Indenture against such payments; all moneys drawn by the Trustee under the irrevocable Letter of Credit with respect to the Bonds (together with any Alternate Letter of Credit (as that term is defined in the Indenture) issued in substitution therefor in accordance with the Indenture (the "Letter of Credit")) in favor of the Trustee, issued at the request and for the account of the Company, if applicable; any moneys received by the Trustee from any Guarantors (as defined in the Guaranty, the "Guarantors") pursuant to any Guaranty Agreement then in effect (as defined in the Guaranty) executed by the Guarantors in favor of the Trustee; and from any other moneys held by the Trustee under the Indenture for such purpose (all of the foregoing, other than certain administrative and other similar fees due to the Authority as described in the Indenture, the "Revenues"), and there shall be no other recourse against the Authority or any property now or hereafter owned by it.

The Authority's obligations under the Indenture, the Agreement and the Bonds shall not constitute a debt or liability of or a pledge of the faith and credit of the Authority, the State, any political subdivisions thereof, or any municipality therein. Nothing herein, in the Indenture, the

Agreement or in the Bonds, shall directly, indirectly or contingently obligate the Authority, the State any political subdivision thereof or any municipality to levy or pledge any form of taxation whatever or make any appropriation for the payment of the Bonds.

Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights thereunder of the registered Bondholders of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Trustee and of the rights and obligations (and the conditions and limitations thereto) of the Authority thereunder, to all of the provisions of which Indenture and of the Agreement the Holder of this Bond, by acceptance hereof, assents and agrees.

All terms not herein defined shall have the meanings ascribed to them in the Indenture.

The Bonds are issuable as fully registered bonds without coupons in Authorized Denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, Bonds may be exchanged at the Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of other Authorized Denominations.

This Bond is transferable by the Bondholder hereof, in person, or by its attorney duly authorized in writing, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond or Bonds, in an Authorized Denomination or Denominations, for the same aggregate principal amount, will be issued to the transferee in exchange therefor. The Authority and the Trustee may treat the Bondholder hereof as the absolute Bondholder hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

Interest on the Bonds

The term of the Bonds will be divided into consecutive Interest Rate Periods, as provided in the Indenture, during each of which the Bonds shall bear interest at a Daily Interest Rate, a Weekly Interest Rate or a Term Interest Rate. The first Interest Rate Period for the Bonds shall be a Weekly Interest Rate Period. The interest rate determination method for the Bonds may be subsequently changed from time to time by the Company, without the consent of the Holders of the Bonds, as provided in the Indenture. The Trustee shall give notice to Holders of the Bonds, as provided in the Indenture, prior to any change in the interest rate determination method.

Interest on the Bonds with respect to each Interest Period will be paid on the immediately succeeding Interest Payment Date provided that if any Interest Payment Date is not a Business Day, such Interest shall be mailed or wired as provided above on the next succeeding Business Day with the same effect as if made on the day such payment was due. During a Daily Interest Rate Period or a Weekly Interest Rate Period, interest on the Bonds shall be computed upon the basis of a 365-day or 366-day, as applicable, year for the number of days actually elapsed. During any Term Interest Rate Period, interest on the Bonds shall be computed upon the basis of a 360-day year, consisting of twelve 30-day months. The Bonds shall bear interest from and including the Issuance Date (as defined in the Indenture) until payment of the principal or

redemption price thereof has been made or provided for, whether at maturity, upon redemption or otherwise.

“Interest Payment Date” means (i) the first Business Day of each month during a Daily Interest Rate Period or a Weekly Interest Rate Period, (ii) with respect to any Term Interest Rate Period, the first day of the calendar month that is six calendar months after the beginning of such Term Interest Rate Period and the first day of the calendar month every six months after each such payment date thereafter until the end of such Term Interest Rate Period, (iii) each Conversion Date and (iv) the Principal Payment Date.

“Record Date” means (i) the Business Day immediately preceding the applicable Interest Payment Date during a Daily Interest Rate Period or Weekly Interest Rate Period and (ii) whether or not a Business Day, the fifteenth day of the month prior to an Interest Payment Date during any Term Interest Rate Period.

Daily Interest Rate and Weekly Interest Rate

During each Daily Interest Rate Period, the Bonds shall bear interest at the Daily Interest Rate, which shall be determined by the Remarketing Agent not later than 9:30 a.m. on each Business Day during such Daily Interest Rate Period to take effect on the next succeeding Business Day; provided, however, that if the then current Interest Rate Period is a Weekly Interest Rate Period or a Term Interest Rate Period, the Daily Interest Rate for the Daily Interest Rate Period succeeding such Weekly Interest Rate Period or Term Interest Rate Period, as applicable, shall be determined not later than the Business Day next preceding the effective date of such Daily Interest Rate Period. During each Weekly Interest Rate Period, the Bonds shall bear interest at the Weekly Interest Rate, which shall be determined by the Remarketing Agent not later than 12:00 noon (New York City time) on Wednesday of each week (or by 12:00 noon (New York City time) on the next succeeding Business Day if such Wednesday is not a Business Day) during such Weekly Interest Rate Period for the week commencing on that next succeeding Thursday (unless such Weekly Interest Rate is determined on the next succeeding Business Day if Wednesday is not a Business Day, in which case it shall be effective on the day of such determination); provided, however, that if the then current Interest Rate Period is a Daily Interest Rate Period or a Term Interest Rate Period, the Weekly Interest Rate for the Weekly Interest Rate Period succeeding such Daily Interest Rate Period or Term Interest Rate Period, as applicable, shall be determined not later than the Business Day next preceding the effective date of such Weekly Interest Rate Period. The Variable Interest Rate shall be the rate determined by the Remarketing Agent (on the basis of examination of obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the Bonds, would enable the Remarketing Agent to sell the Bonds on the effective date of such Variable Interest Rate at a price equal to the principal amount thereof plus accrued interest; provided, however, that if for any reason the Variable Interest Rate cannot be determined, the Daily Interest Rate for the next succeeding Business Day and thereafter shall remain at the then-existing rate, and the Weekly Interest Rate for the next succeeding week shall remain at the then-existing rate, and thereafter the Weekly Interest Rate shall be the SIFMA Index Rate plus 15 basis points. The first Daily Interest Rate determined for each Daily Interest Rate Period shall apply to the period commencing on the first day of such Daily Interest Rate Period and ending on the next

succeeding Business Day. Thereafter, each Daily Interest Rate shall apply to the period commencing on each Business Day and ending on the next succeeding Business Day. The first Weekly Interest Rate determined for each Weekly Interest Rate Period shall apply to the period commencing on the first day of such Weekly Interest Rate Period and ending on the next succeeding Wednesday. Thereafter, each Weekly Interest Rate shall apply to the period commencing on Thursday and ending on the next succeeding Wednesday, unless such Weekly Interest Rate Period shall (i) begin on a day other than Thursday, in which event the Weekly Interest Rate for such Weekly Interest Rate Period shall apply to the period commencing on such date and ending on the succeeding Wednesday or (ii) end on a day other than Wednesday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period shall apply to the period commencing on the Thursday preceding the last day of such Weekly Interest Rate Period and ending on such last day.

Term Interest Rate

During each Term Interest Rate Period, the Bonds shall bear interest at the Term Interest Rate, which shall be determined by the Remarketing Agent not later than 4:00 p.m. on the Business Day preceding the first day of such Term Interest Rate Period. The Term Interest Rate shall be the rate determined by the Remarketing Agent (on the basis of examination of obligations comparable to the Bonds known to the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the Bonds, would enable the Remarketing Agent to sell the Bonds on the first day of such Term Interest Rate Period at a price equal to the principal amount thereof; provided, however, that if for any reason the Term Interest Rate cannot be determined for any Term Interest Rate Period, the interest rate on the Bonds shall convert to a Weekly Interest Rate.

The foregoing provisions notwithstanding, in no event shall the interest rate borne by the Bonds at any time exceed 10% per annum.

Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Remarketing Agent"), initially has been appointed as the Remarketing Agent. The Remarketing Agent may be removed or replaced in accordance with the provisions of the Remarketing Agreement and the Indenture.

Determination of the interest rate by the Remarketing Agent shall be conclusive and binding upon the registered Bondholders of the Bonds, the Authority, the Company and the Trustee.

Demand Purchase of Bonds

During any Variable Interest Rate Period, the Bonds or portions thereof in Authorized Denominations shall be purchased at the option of the Bondholder thereof, or with respect to Book-Entry Bonds, at the option of the Direct Participant with an ownership interest in Book-Entry Bonds, on any Business Day, at a price of 100% of the principal amount thereof, plus accrued interest to the Purchase Date, upon (i) delivery to the Trustee, if the Bonds are Book-Entry Bonds, or otherwise to the Tender Agent, at its Corporate Trust Office of an irrevocable notice in writing by 9:30 a.m. in the case of Bonds bearing interest at a Daily Interest Rate, or 3:00 p.m. in the case of Bonds bearing interest at a Weekly Interest Rate, on any Business Day,

which states the name of the registered Bondholder of such Bond or the Direct Participant for such Bond, as applicable, such Direct Participant's account number, payment instructions with respect to the Purchase Price of such Bond, the principal amount of such Bonds or portions thereof in Authorized Denominations being tendered for purchase, the CUSIP number of such Bond and the date on which the same shall be redeemed or purchased, which date, in the case of Bonds bearing interest at a Daily Interest Rate, shall be any Business Day and, in the case of Bonds bearing interest at a Weekly Interest Rate, shall be a Business Day not prior to the seventh day next succeeding the date of the delivery of such notice to the Tender Agent, and (ii) (a) if the Bonds are not Book-Entry Bonds, delivery of such Bond to the Tender Agent at its Corporate Trust Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Bondholder thereof with the signature guaranteed in accordance with the guidelines set forth by one of the nationally recognized medallion signature programs, at or prior to 2:30 p.m., on the date specified in such notice, or (b) if the Bonds are Book-Entry Bonds, upon confirmation by DTC that a Direct Participant with respect to Book-Entry Bonds being purchased has an ownership interest in such Book-Entry Bond at least equal to the amount specified in such Tender Notice, the transfer, on the registration books of DTC, of the beneficial ownership interest in such Book-Entry Bond tendered for purchase to the account of the Trustee, or to the account of a Direct Participant acting on behalf of such Trustee.

If moneys sufficient to pay the Purchase Price of the Bonds to be purchased pursuant to the previous paragraph shall be held by the Trustee on the date such Bonds are to be purchased, any such Bonds to be so purchased which are not delivered by the Bondholders thereof to the Tender Agent on the registration books of DTC, as applicable, on the date specified for purchase thereof will be deemed to have been delivered for purchase, or transferred on the registration books of DTC, as applicable, on such date and to have been purchased. The former Holders of such Bonds, or Direct Participants with respect to Book-Entry Bonds, will thereafter have no rights with respect to such Bonds except to receive payment of the Purchase Price therefor upon surrender of such Bonds to the Tender Agent or the transfer, on the registration books of DTC, of the beneficial interest in such Book-Entry Bonds.

Optional Redemption of Bonds

(A) On any Interest Payment Date during a Variable Interest Rate Period and on any Conversion Date, the Bonds may be redeemed by the Trustee, at the option of the Authority upon direction of the Company as provided in the Agreement, in whole or in part, at a redemption price of 100% of the principal amount thereof, without premium, plus accrued interest to the date of redemption.

(B) During any Term Interest Rate Period, the Bonds may be redeemed in whole or in part on any date, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the date of redemption, upon receipt by the Trustee of a written notice from the Company stating that any of the following events has occurred:

(i) all of the Project or a portion thereof is damaged, destroyed, condemned or taken by eminent domain to such extent that, in the opinion of the Company contained in a certificate provided to the Authority and the Trustee, which certificate may be conclusively relied upon by the Trustee and the Authority, (1) it is not practicable or

desirable to rebuild, repair or restore the Project or such portion thereof within a period of six consecutive months following such damage, destruction or condemnation, and the Company is or will be thereby prevented from carrying on its normal operations at the Project or such portion thereof for a period of at least six consecutive months, or (2) the cost of restoration of the Project or such portion thereof would substantially exceed the Net Proceeds of insurance carried thereon; or

(ii) the continued operation of the Project is enjoined or prevented or is otherwise prohibited by, or conflicts with, any order, decree, rule or regulation of any court or federal, state or local regulatory body, administrative agency or other governmental body.

If any of the events described above shall have occurred with respect to part, but not all, of the Project, the amount of Bonds that may be redeemed shall not exceed (a) an amount derived by multiplying the total principal amount of the Bonds by a fraction (i) the numerator of which is the cost of the affected portion of the Project and (ii) the denominator of which is the total cost of the Project, or (b) such greater amount as Bond Counsel opines is necessary to avoid adversely affecting the Tax-exempt status of the Bonds.

(C) During any Term Interest Rate Period greater than 10 years in length, the Bonds also shall be subject to redemption in whole or from time to time in part, at the option of the Authority upon direction of the Company as provided in the Agreement, at the times (measured from the first day of the applicable Term Interest Rate Period), and at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued interest, if any, to the redemption date:

Length of Term Interest Rate Period	Redemption Dates and Prices
Greater than 10 years	At any time on or after the 10th anniversary of the effective date commencing such Interest Rate Period at 101% declining 1/2% annually to 100%

Notwithstanding the optional redemption schedule set forth above, on or prior to the effective date of any Term Interest Rate Period greater than 10 years in length, the Company can provide an alternate optional redemption schedule if it obtains an Approving Opinion.

Mandatory Redemption Upon Invalidity or a Determination of Taxability

In the event of a prepayment pursuant to Section 8.3 of the Agreement as a result of the invalidity of the Agreement or a Determination of Taxability, Bonds Outstanding on the date of the occurrence of such invalidity or Determination of Taxability shall be redeemed in whole (or in part if the Company delivers an Approving Opinion to the Trustee) at any time within 60 days thereafter, at a redemption price of 100% of the principal amount thereof, without premium, plus accrued interest to the date of redemption.

Mandatory Redemption Upon Sale by the Company of All or Any Portion of the Project

While the Bonds are in the Term Interest Rate Period, any Bonds Outstanding on the date of an Asset Sale (or if the Company so elects, in the case of a proposed Asset Sale, Bonds Outstanding on any date prior to the proposed Asset Sale) shall be redeemed by the Authority at the direction of the Company in whole at a redemption price of 102% of the principal amount thereof plus accrued interest thereon to the date of redemption, on a date designated by the Company (the "Asset Sale Redemption Date"); provided, however, that if the Company delivers an Approving Opinion to the Trustee with respect to all or any portion of the Bonds on or before the Asset Sale Redemption Date, then all or such portion of the Bonds shall not be required to be redeemed pursuant to Section 4.1(A)(ii) of the Indenture. The Asset Sale Redemption Date shall be (a) in the case of a proposed Asset Sale, the date of or any date prior to such proposed Asset Sale and (b) in the case of an Asset Sale, no later than 90 days after such Asset Sale. "Asset Sale" shall mean the consummation of any transaction requiring an Approving Opinion pursuant to Section 5.2 of the Agreement. Notwithstanding anything to the contrary in the Indenture, the Agreement or any document, instrument or agreement relating hereto or thereto, so long as the Company complies with Section 4.1(A)(ii) of the Indenture and obtains an Approving Opinion if required under Section 5.2 of the Agreement, an Asset Sale or proposed Asset Sale shall not be deemed a breach or violation of the Indenture, the Agreement or any document, instrument or agreement relating hereto or thereto.

Mandatory Tender for Purchase of Bonds

(A) (i) On each Conversion Date of any new Interest Rate Period for the Bonds, (ii) on the last Business Day not less than five (5) calendar days preceding the termination or expiration date of any then current Letter of Credit if no Alternate Letter of Credit will be provided, except that if subparagraph (A)(i) will also apply, this subparagraph will not apply, (iii) during a Variable Interest Rate Period, on the effective date of any Letter of Credit or Alternate Letter of Credit complying with the requirements of the Agreement or (iv) on the Purchase Date provided in Section 4.8 of the Indenture relating to purchase in lieu of optional redemption of the Bonds, the Holder or Direct Participant of such Bond shall tender such Bond for purchase as provided below and such Bond shall be purchased or deemed purchased as provided in the Indenture at a Purchase Price equal to the principal amount thereof plus accrued and unpaid interest thereon. Payment of the Purchase Price of such Bond shall be made by 3:00 p.m., in the same manner as payment of interest on the Bonds, to the Bondholder of record, or Direct Participant with respect to Book-Entry Bonds, on the Record Date. If the Bonds are not Book-Entry Bonds, the Bondholder shall deliver such Bonds no later than 2:30 p.m. on the Purchase Date to the Tender Agent at its Corporate Trust Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, with the signature guaranteed in accordance with the guidelines set forth by one of the nationally recognized medallion signature programs. If the Bonds are Book-Entry Bonds, the tendering Direct Participant shall transfer, on the registration books of DTC, the beneficial ownership interests in such Bonds tendered for purchase to the account of the Trustee or a Direct Participant acting on behalf of the Trustee.

(B) Any instrument delivered to the Trustee or Tender Agent in accordance with the foregoing paragraph shall be irrevocable with respect to the mandatory purchase for which such instrument was delivered and shall be binding upon any subsequent Bondholder or Direct

Participant of the Bond to which it relates, including any Bond issued in exchange therefor or upon the registration of transfer thereof and as of the date of such instrument.

Purchase in Lieu of Redemption

The Authority shall have the option to cause this Bond to be purchased in lieu of redemption pursuant to the Indenture. Such option may be exercised by the Authority (at the direction of the Company) by delivering to the Trustee on or prior to the Business Day preceding the redemption date a written direction of the Authority specifying that this Bond shall not be redeemed, but instead shall be subject to purchase pursuant to the Indenture. The Trustee shall send a copy of such written direction of the Authority as soon as practicable to the Credit Provider, if any. Upon delivery of such notice, this Bond shall not be redeemed but shall instead be subject to mandatory tender at a Purchase Price equal to the redemption price at which this Bond would have been redeemed hereunder on a Purchase Date (the date that would have been the redemption date); provided that the payment of funds in an amount equal to the Purchase Price shall be made to the Trustee on or prior to the Purchase Date.

Repurchase Upon Change of Control

So long as the Bonds are in a Term Interest Rate Period and are not secured by a Letter of Credit, if a Change of Control (as defined in the Agreement) occurs, each Holder of Bonds will have the right to require the Company to repurchase all or any part (in a principal amount equal to \$100,000 or an integral multiple of \$5,000 in excess thereof; provided that no such repurchase may result in a Holder owning less than an Authorized Denomination) of that Holder's Bonds pursuant to a Change of Control Offer (the "Change of Control Offer"). In the Change of Control Offer, the Company will offer to pay an amount in cash (the "Change of Control Payment") equal to 101% of the aggregate principal amount of Bonds re-purchased, plus accrued and unpaid interest thereon, if any, to the date of purchase. Within 30 days following any Change of Control, the Company will mail a notice to each Holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase Bonds on the date (the "Change of Control Payment Date") specified in such notice, which date shall be a Business Day no earlier than 30 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by this Agreement and described in such notice.

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

Notwithstanding the foregoing, in the event that this Bond shall be subject to redemption or mandatory tender (or the Company has exercised a right to do so) on the same date that this Bond is subject to a Change of Control Offer, the redemption and mandatory tender provisions in the Indenture shall control, including without limitation with respect to the redemption or tender price of 100% of the principal thereof plus accrued interest. Specific reference is hereby made to Section 5.13 of the Agreement and Sections 2.12 and 4.3 of the Indenture with respect to the notices, conditions and procedures for the Change of Control Offer and such provisions are hereby specifically incorporated by reference.

The Holder of this Bond shall have no right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture or to enforce a drawing on the Letter of Credit or payment under the Guaranty, except as provided in the Indenture.

No recourse shall be had for the payment of the principal of, premium, if any, or interest on any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement in the Indenture contained, against any past, present or future member, director, officer, employee, attorney or agent of the Authority, or through the Authority, or any successor to the Authority, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such member, director, officer, employee or agent as such is hereby expressly waived and released as a condition of and in consideration for the execution of the Indenture and the issuance of any of the Bonds.

The Indenture contains provisions permitting the Authority and the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding, with the consent of the Credit Provider, if any, to execute supplemental indentures, or add any provisions to, or change in any manner, or eliminate any of the provisions of, the Indenture; provided, however, that no such supplemental indenture, alteration or modification shall (1) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, or create a privilege or priority of any Bond over any other Bond, without the consent of the Holder of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Holders of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Holders of all of the Bonds then Outstanding.

The Indenture prescribes the manner in which it may be discharged and after which the Bonds shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes or transfer and exchange of Bonds and of payment of the principal of and premium, if any, and interest on the Bonds as the same become due and payable, including a provision that under certain circumstances the Bonds shall be deemed to be paid if certain securities, as defined in the Indenture, maturing as to principal and interest in such amounts and at such times as to insure the availability of sufficient moneys to pay the principal of, premium, if any, and interest on such Bonds and all necessary and proper fees, compensation and expenses of the Trustee shall have been deposited with the Trustee. Notwithstanding anything in the Indenture to the contrary, so long as a Letter of Credit is then in effect and the Credit Provider has not failed or refused to

honor a properly presented and conforming draw under the Letter of Credit, the Credit Provider, and not the Owners of this Bond, shall be deemed to be the Owners of 100% of the Outstanding Bonds at all times for the purpose of giving any approval, request, consent, direction (other than related to a demand purchase by the Owners of this Bond pursuant to the Indenture), declaration, rescission or amendment which under the Indenture is to be given by the Owners of this Bond at the time Outstanding; provided, however, that the Credit Provider shall not consent to any modification or amendment of the Indenture or the Agreement requiring the consent of the Owners of 100% in aggregate principal amount of this Bond Outstanding or which would cause the interest on this Bond to be no longer excluded from gross income for federal income tax purposes unless the actual Owners of 100% in aggregate principal amount of the Bonds Outstanding shall have also consented thereto or unless the Credit Provider is also the registered owner of 100% of the Bonds Outstanding; and provided further, that the Credit Provider shall have no right to deprive any Owner of the Bonds of the benefit of the Letter of Credit under the circumstances and in the manner contemplated as set forth in the Indenture.

Neither the directors, members, officers, agents, employees or representatives of the Authority nor any person executing this Bond shall be personally liable hereon or be subject to any personal liability by reason of the issuance hereof, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability being expressly released and waived as a condition of and in consideration for the execution of the Indenture and the issuance of the Bonds.

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this Bond is duly authorized by law; that all acts, conditions and things required to exist and to be done precedent to and in the issuance of this Bond to render the same lawful and valid have been properly done and performed and have happened in regular and due time, form and manner as required by law; and that all acts, conditions and things necessary to be done or performed by the Authority or to have happened precedent to or in the execution and delivery of the Indenture have been done and performed and have happened in regular and due form as required by law.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

BUSINESS FINANCE AUTHORITY OF THE
STATE OF NEW HAMPSHIRE

By: _____
Chairman

By: _____
Executive Director

[SEAL]

Trustee's Certificate Of Authentication

Dated: _____, 2013

This is one of the Bonds described in the within-mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By _____
Authorized Officer

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Authority or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), Any Transfer, Pledge, Or Other Use Hereof For Value Or Otherwise By Or To Any Person Is Wrongful inasmuch as the registered owner hereof Cede & Co., has an interest herein.

Assignment

For value received the undersigned do(es) hereby sell, assign and transfer unto _____ [name, address and tax I.D. number of transferee] the within-mentioned Registered Bond and do(es) hereby irrevocably constitute and appoint _____ attorney, to transfer the same on the books of the Trustee with full power of substitution in the premises.

Dated: _____, _____

Note: The signature(s) to this Assignment must correspond with the name(s) as written on the face of the within Registered Bond in every particular, without alteration or enlargement or any change whatsoever.

Exhibit B

Requisition from the Project Fund

To: U.S. Bank National Association,

Attn:

Re: Business Finance Authority of the State of New Hampshire
Solid Waste Disposal Revenue Bonds
(Casella Waste Systems, Inc. Project)
Series 2013

Requisition No. ____

The undersigned, on behalf of Casella Waste Systems, Inc. (the "Company"), hereby requests payment, from the Project Fund established under the Indenture (the "Indenture") pursuant to which the Bonds identified above are issued and outstanding, the total amount shown below to the order of the payee or payees named below, as payment or reimbursement for costs incurred or expenditures made in connection with the Project (as defined in the Indenture). The payee(s), the purpose and the amount of the disbursement requested are as follows:

Payee	Purpose	Amount
-------	---------	--------

The undersigned hereby certifies as follows:

1. The payment and/or reimbursement requested constitutes costs that (i) were paid or incurred by the Company on or after _____, 20__ or were Preliminary Expenditures as defined in the Tax Agreement, (ii) have been used to finance the acquisition, construction, improving and/or equipping of machinery and equipment or facilities constituting a qualified solid waste disposal project, as defined in Section 142(a)(6) of the Internal Revenue Code of 1986 (the "Code") and Section 1.103-8(f) of the Treasury Regulations thereunder, all of which property is of a character subject to the allowance for depreciation under Section 167 of the Code, and (iii) are chargeable to the capital account of the Project or would be so chargeable either with a proper election by the Company or but for proper election by the Company to deduct such costs, within the meaning of Treasury Regulation 1.103-8(a)(1); and if any such payment is to be made to a "related person" of the Company within the meaning of Section 147(a) of the Code, such payment represents only the actual out-of-pocket costs incurred by such related person in connection with the Project and does not include any inter-company profits or payments for early completion.

2. Each obligation mentioned herein is described in Section 3.2 of the Financing Agreement relating to the Project, has been properly incurred and is a proper charge against the

Project Fund, including without limitation in accordance with the provisions of the Tax Agreement, and each item for which payment is requested is or was necessary in connection with the acquisition, installation or construction of the Project. None of the items for which payment is requested has been reimbursed previously from the Project Fund, and none of the payments and/or reimbursements herein requested will result in a breach of the representations and agreements in Section 2.2 of the Financing Agreement relating to the Project or constitutes a Cost of Issuance.

Terms which are used herein as defined terms shall have the meanings specified in the Indenture.

Dated: _____, 20__.

CASELLA WASTE SYSTEMS, INC.

By _____
Authorized Representative of Company

Exhibit C

Requisition from the Costs of Issuance Fund

To: U.S. Bank National Association

Attn:

Re: Business Finance Authority of the State of New Hampshire
Solid Waste Disposal Revenue Bonds
(Casella Waste Systems, Inc. Project)
Series 2013

Requisition No. ____

The undersigned, on behalf of Casella Waste Systems, Inc. (the "Company"), hereby requests payment, from the Costs of Issuance Fund established under the Indenture (the "Indenture") pursuant to which the Bonds identified above are issued and outstanding, the total amount shown below to the order of the payee or payees named below, against written invoices from such payees, as payment or reimbursement for costs incurred or expenditures made in connection with the issuance of the Bonds. The payee(s), the purpose and the amount of the disbursement requested are as follows:

The undersigned hereby certifies as follows:

Each obligation mentioned herein has been properly incurred and is a proper charge against the Cost of Issuance Fund. None of the items for which payment is requested has been reimbursed previously from the Cost of Issuance Fund, and none of the payments herein requested will result in a breach of the representations and warranties contained in Section 2.2 of the Financing Agreement or in the Tax Agreement.

Terms which are used herein as defined terms shall have the meanings specified in the Indenture.

Dated: _____, 20__.

CASELLA WASTE SYSTEMS, INC.

By _____
Authorized Representative of Company

Exhibit D

FORM OF DESIGNATION OF BOND

Business Finance Authority
of the State of New Hampshire
2 Pillsbury Street, Suite 201
Concord, New Hampshire 03301-4954

Issuance No. _____

U.S. Bank National Association
190 South LaSalle Street, 10th Floor
Chicago, IL 60603
Attn: Corporate Trust Services

Re: Business Finance Authority of the State of New Hampshire Solid Waste Disposal
Revenue Bonds (Casella Waste Systems, Inc. Project) Series 2013

Ladies and Gentlemen:

Pursuant to that certain Underwriting Agreement, dated _____, 2013 (the "Underwriting Agreement"), between the Business Finance Authority of the State of New Hampshire (the "Authority"), Casella Waste System, Inc. (the "Company") and Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter") relating to the above-captioned Bonds, and that certain Trust Indenture dated as of _____ 1, 2013 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), the undersigned Company, Underwriter and Bank of America, N.A. (the "Bank"), as issuer of the Letter of Credit, hereby notify you that the conditions precedent to the execution of Additional Bonds (to be evidenced by this Designation of Bond) by the Authority have been satisfied, and the Underwriter hereby notifies you that it desires to take delivery through the facilities of DTC of a fully registered Bond in the principal amount of \$_____ upon payment by it of the purchase price of \$_____. Capitalized terms used herein and not otherwise defined shall have the meaning set forth in the Indenture. The Underwriter designates the following particulars with respect to the closing of such purchase and sale:

Closing Date - _____

Closing Time - _____ (Eastern Standard [Daylight] Time)

The Company hereby certifies that there exists no event of default under the Financing Agreement dated as of _____ 1, 2013, by and between the Authority and the Company (the "Financing Agreement"). Contemporaneously with the delivery of the Additional Bonds, the Company will execute a supplement to the Bond, increasing the principal amount of the Bond by the amount of the Additional Bonds.

The Company hereby further certifies that the principal amount of the Bonds designated for delivery hereinabove when added to the principal amount of the Bonds heretofore delivered to the Underwriter will not exceed the anticipated total cost to acquire, construct and install the Project (as more fully described in the aforesaid Financing Agreement).

The Credit Provider hereby certifies that contemporaneously with the issuance of the Additional Bonds, the Stated Amount of the Letter of Credit (as defined therein) will be increased commensurate with the principal amount of the Additional Bonds, plus [35] days' interest thereon, not to exceed the Maximum Stated Amount.

[BALANCE OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Company, the Underwriter and the Bank have caused this instrument to be executed on their behalf by their respective officers, this ____ day of _____, 20__.

CASELLA WASTE SYSTEMS, INC.

By: _____
Name:
Title:

**MERRILL LYNCH, PIERCE, FENNER &
SMITH INCORPORATED**

By: _____
Name:
Title:

BANK OF AMERICA, N.A.

By: _____
Name:
Title:

BUSINESS FINANCE AUTHORITY OF THE STATE OF NEW HAMPSHIRE

and

CASELLA WASTE SYSTEMS, INC.

FINANCING AGREEMENT

Dated as of March 1, 2013

Relating to

\$_____

BUSINESS FINANCE AUTHORITY OF THE STATE OF NEW HAMPSHIRE
SOLID WASTE DISPOSAL REVENUE BONDS
(CASELLA WASTE SYSTEMS, INC. PROJECT)
SERIES 2013

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FINANCING AGREEMENT

This FINANCING AGREEMENT (the "Agreement"), dated as of March 1, 2013, between the BUSINESS FINANCE AUTHORITY OF THE STATE OF NEW HAMPSHIRE, a body corporate and politic created under New Hampshire RSA 162-A:3 (the "Authority"), and CASELLA WASTE SYSTEMS, INC., a corporation duly organized and existing under the laws of the State of Delaware (the "Company");

W I T N E S S E T H:

WHEREAS, the Authority is a body corporate and politic created under New Hampshire RSA Chapters 162-A and 162-I, each as amended (the "Act"); and

WHEREAS, in accordance with the Act, the Authority proposes to finance the costs of acquiring, constructing, improving, installing or equipping certain solid waste disposal, recycling, collection and transfer facilities (collectively, the "Project") more particularly described in Exhibit A hereof, and to pay the costs of issuance in connection therewith; and

WHEREAS, pursuant to and in accordance with the Act, the Authority has authorized and undertaken to issue its Solid Waste Disposal Revenue Bonds (Casella Waste Systems, Inc. Project) Series 2013 (the "Bonds") pursuant to an Indenture (the "Indenture") of even date herewith between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), in order to provide funds to finance the Project and to pay the costs of issuance in connection therewith; and

WHEREAS, the Authority has undertaken to finance the cost of the Project by loaning the proceeds derived from the sale of the Bonds to the Company pursuant to this Agreement, under which the Company is required to make loan payments sufficient to pay when due the principal of, premium, if any, Purchase Price of and interest on the Bonds and related expenses; and

WHEREAS, pursuant to the Indenture, the Bonds will be issued and the Authority will assign to the Trustee its right to receive payments, and certain but not all other rights, under this Agreement; and

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

ARTICLE I

DEFINITIONS

Section 1.1 Definition of Terms. (a) Unless the context otherwise requires, the terms used in this Agreement and not otherwise defined shall have the meanings specified in Section 1.1 of the Indenture, as originally executed or as it may from time to time be supplemented or amended as provided therein. While Bonds bear interest in different Interest

Rate Periods, the terms “Bonds” shall mean only the Bonds of the applicable subseries bearing interest in a particular Interest Rate Period, as the context may require.

(b) The following terms have the following meanings in the Indenture and in this Agreement:

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

(2) “Change of Control” means the occurrence of any of the following (with capitalized terms used herein having the meaning set forth in Exhibit B hereto):

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

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

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

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

Section 1.2 References to Guarantors/Guaranty. Notwithstanding anything contained herein to the contrary, provisions referencing the Guarantors and/or the Guaranty shall be deemed to apply only to Bonds (or any subseries thereof) that have been guaranteed by the Guarantors pursuant to the Guaranty.

Section 1.3 References to Credit Provider/Letter of Credit/Reimbursement Agreement. Notwithstanding anything contained herein or in the Indenture to the contrary, provisions referencing the Credit Provider, the Reimbursement Agreement and/or the Letter of Credit shall be deemed to apply only to Bonds (or any subseries thereof), if any, the payment of principal, Purchase Price and interest on which has been secured by a Credit Provider pursuant to a Letter of Credit.

Section 1.4 References to Remarketing Agent/Remarketing Agreement. Notwithstanding anything contained herein or in the Indenture to the contrary, provisions referencing the Remarketing Agent and/or the Remarketing Agreement shall be deemed to apply only to Bonds (or any subseries thereof) for which a Remarketing Agent has been appointed and a Remarketing Agreement is in effect.

Section 1.5 References to Bonds/Holders/Bondholders and Owners. While Bonds bear interest in different Interest Rate Periods or are otherwise designated as separate subseries, the terms "Bonds," "Holders," "Bondholders," and "Owners" shall mean only the Bonds, Holders, Bondholders and Owners of the applicable subseries of Bonds bearing interest in such Interest Rate Period or that have been otherwise designated as separate subseries, as the context may require.

Section 1.6 Number and Gender. The singular form of any word used herein, including the terms defined in Section 1.1 of the Indenture, shall include the plural, and vice versa. The use herein of a word of any gender shall include all genders.

Section 1.7 Articles, Sections, Etc. Unless otherwise specified, references to Articles, Sections and other subdivisions of this Agreement are to the designated Articles, Sections and other subdivisions of this Agreement as amended from time to time. The words "hereof," "herein," "hereunder" and words of similar import refer to this Agreement as a whole. The headings or titles of the several articles and sections, and the table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of the provisions hereof.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE AUTHORITY AND THE COMPANY

Section 2.1 Representations of the Authority. The Authority makes the following representations as the basis for its undertakings herein contained:

(a) The Authority is a body politic and corporate duly organized and existing under the laws of the State. The Authority has authorized the execution and delivery of this Agreement and the Indenture.

(b) The Bonds will be issued under and secured by an Indenture, pursuant to which the Authority's interest in this Agreement with respect to the Bonds (except certain rights of the Authority to payment for expenses and indemnification) will be pledged to the Trustee as security for payment of the principal of, premium, if any, and interest on the Bonds.

(c) All Revenues to be derived by the Authority under this Agreement and the rights of the Authority hereunder (except for indemnification rights and the rights of the Authority to receive fees and reimbursement of its expenses and to receive notices) have been assigned to the Trustee pursuant to the Indenture to provide for the payment of the Bonds. The Authority has not pledged and will not pledge any interest in this Agreement for any purpose other than to secure the Bonds under the Indenture.

(d) The Authority has determined that the proposed financing of the Project will serve a public use and provide a public benefit, and will be within the policy of, and the authority conferred by the Act.

(e) No director of the Authority has any pecuniary interest in the Company.

(f) The Authority has designated a share of the State ceiling on private activity bonds in connection with the issuance of the Bonds.

(g) The Authority has full power and authority to consummate all transactions contemplated by this Agreement, the Bonds and the Indenture and any and all other agreements relating thereto.

(h) The Authority makes no representation or warranty concerning the suitability of the Project for the purpose for which it is being undertaken by the Company. The Authority has not made any independent investigation as to the feasibility or creditworthiness of the Company. Any bond purchaser, assignee of this Agreement or any other party with any interest in this transaction, shall make its own independent investigation as to the creditworthiness and feasibility of the Project, independent of any representation or warranties of the Authority.

Section 2.2 Representations and Warranties of the Company. The Company represents and warrants to the Authority that, as of the date of execution of this Agreement and as of the date of delivery of the Bonds to the initial purchasers thereof (such representations and warranties to remain operative and in full force and effect regardless of the issuance of the Bonds or any investigations by or on behalf of the Authority or the results thereof):

(a) The Company has full legal right, power and authority under the laws of the United States and the State of New Hampshire (i) to enter into this Agreement and the Tax Agreement, (ii) to agree to be bound by the terms of the Indenture, (iii) to perform its obligations hereunder and thereunder, and (iv) to consummate the transactions contemplated by the Tax Agreement and this Agreement. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and qualified to do business in the State of New Hampshire. The Company has by proper corporate action duly authorized the execution and delivery of this Agreement and the Tax Agreement and the performance of its obligations thereunder.

(b) This Agreement has been duly executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company, enforceable in accordance with its terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws or judicial decisions affecting the rights of creditors generally and by judicial discretion in the exercise of equitable remedies. Upon the execution and delivery thereof, this Agreement and the Tax Agreement will each constitute a valid and binding obligation of the Company, enforceable in accordance with its terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws or judicial decisions affecting creditors' rights generally and by judicial discretion in the exercise of equitable remedies.

(c) The execution and delivery of this Agreement and the Tax Agreement and the performance by the Company of its obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby do not and will not conflict with, or constitute a breach or result in a violation of, the certificate of incorporation or bylaws of the Company, will not violate any law, regulation, rule or ordinance applicable to the Company or the transactions contemplated hereby or any material order, judgment or decree of any federal, state or local court applicable to the Company and (with due notice or the passage of time, or both), do not conflict with, or constitute a breach of, or a default under, or result in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of the Company under the terms of any material document, instrument or commitment to which the Company is a party or by which the Company or any of its property is bound.

(d) No consent, approval or authorization of, or the filing, registration or qualification with, any governmental authority on the part of the Company is required in connection with the execution, delivery and performance by the Company of this Agreement or the Tax Agreement or the offer, issue, sale or delivery by the Authority of the Bonds other than those already obtained.

(e) Except as disclosed in the Underwriting Agreement dated _____, 2013, among the Company, the Authority and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as

underwriter of the Bonds, the Company has not been served with and, to the knowledge of the Company there is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending or threatened against the Company that (i) seeks to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds or the loaning of the proceeds of the Bonds to the Company or the execution and delivery of this Agreement or the Tax Agreement, (ii) questions the validity or enforceability of this Agreement or the Tax Agreement, (iii) questions the power or authority of the Company to carry out the transactions contemplated by, or to perform its obligations under this Agreement or the Tax Agreement or the powers of the Company to own, acquire, equip or operate the Project, or (iv) which would reasonably be expected to materially impair its right to carry on business substantially as now conducted or as now contemplated to be conducted, or would materially adversely affect its financial condition.

(f) The Company is not in default under any document, instrument or commitment to which the Company is a party or to which it or any of its property is subject which default would reasonably be expected to affect the ability of the Company to carry out its obligations under this Agreement or the Tax Agreement.

(g) Any certificate signed by the Company or an Authorized Representative of the Company and delivered pursuant to this Agreement, the Tax Agreement or the Indenture shall be deemed a representation and warranty by the Company to the Authority and the Trustee as to the statements made therein.

(h) The information contained in the Official Statement pertaining to the Company, specifically including the information under the heading "THE PROJECT AND THE APPLICATION OF BOND PROCEEDS" and in Appendix A, does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(i) The Cost of the Project is as set forth in the Tax Agreement and has been determined in accordance with sound engineering/construction and accounting principles. All the information and representations in the Tax Agreement are true and correct as of the date thereof.

(j) The Project consists of those facilities described in Exhibit A. In particular, the Company is in compliance with all requirements set forth in the Tax Agreement. The Company is fully familiar with the physical condition of the Project and is not relying on any representation of any kind by the Authority as to the nature or the condition thereof.

(k) Reserved.

(l) All certificates, approvals, permits and authorizations with respect to the construction of the Project of applicable local governmental agencies, the State and the federal government have been obtained, or if not yet obtained, are expected to be obtained in due course.

(m) No event has occurred and no condition exists which would constitute an Event of Default (as defined in the Indenture) or Loan Default Event (as defined herein) or

which, with the passing of time or with the giving of notice or both would become such an Event of Default or Loan Default Event.

ARTICLE III

ISSUANCE OF THE BONDS; APPLICATION OF PROCEEDS

Section 3.1 Agreement to Issue Bonds; Application of Bond Proceeds. (a) To provide funds to finance costs of the Project, the Authority agrees that it will issue under the Indenture, sell and cause to be delivered to the purchasers thereof, the Bonds. Project Costs shall be financed through the issuance of the Initial Bonds and Additional Bonds issued and delivered from time to time as set forth in Section 2.13 of the Indenture. The Authority will thereupon apply the proceeds received from the sale of the Initial Bonds and any Additional Bonds as provided herein and in the Indenture. Upon the issuance of and in connection with any Additional Bonds, the Company shall satisfy, or cause the satisfaction of, all requirements of Section 2.13 of the Indenture.

(b) Except as otherwise provided in Sections 5.2 or 5.3, in the event that the Company desires to alter or change the Project, and such alteration or change substantially alters the purpose and description of the Project as described in Exhibit A hereto, the Authority may consent (which consent shall not be unreasonably withheld) to such changes in its discretion and, if it shall so consent, will instruct the Trustee to consent to such amendment or supplement to Exhibit A as shall be required to reflect such alteration or change to the Project upon receipt of:

(i) a certificate of the Authorized Representative of the Company describing in detail the proposed changes;

(ii) a copy of the proposed form of amended or supplemented Exhibit A hereto; and

(iii) an Approving Opinion relating to such proposed changes, and an opinion of Bond Counsel that such changes will not disqualify the Project as facilities that may be financed pursuant to the Act.

Section 3.2 Disbursements from the Project Fund; Disbursements from the Costs of Issuance Fund. (a) The Company will authorize and direct the Trustee, upon compliance with Section 3.3 of the Indenture, to disburse the moneys in the Project Fund only for the following purposes (and not for Costs of Issuance), subject to the provisions of Section 3.3 hereof:

(i) Payment to the Company of such amounts, if any, as shall be necessary to reimburse the Company in full for all advances and payments made by it, prior to or after the delivery of the Bonds, in connection with the acquisition, construction, installation and equipping of and other improvements to the Project.

(ii) Payment to any vendors, suppliers or contractors to acquire, construct and install the Project, as provided in the plans, specifications and work orders therefor; and payment of the miscellaneous expenses incidental thereto.

(iii) Payment of the fees, if any, of architects, engineers, legal counsel and supervisors expended in connection with the acquisition, construction, installation and equipping of and other improvements to the Project.

(iv) Payment of taxes including property taxes, assessments and other charges, if any, that may become payable during the construction period with respect to the Project, or reimbursement thereof, if paid by the Company.

(v) Payment of any other Costs of the Project permitted by the Tax Agreement (but not including any Costs of Issuance).

Each of the payments referred to in this Section 3.2(a) shall be made upon receipt by the Trustee of a written requisition in the form prescribed by Section 3.3 of the Indenture, signed by the Authorized Representative of the Company.

(b) The Company will authorize and direct the Trustee, upon compliance with Section 3.4 of the Indenture, to disburse the moneys in the Costs of Issuance Fund to or on behalf of the Company only for Costs of Issuance. Each of the payments referred to in this Section 3.2(b) shall be made upon receipt by the Trustee of a written requisition in the form prescribed by Section 3.4 of the Indenture, signed by the Authorized Representative of the Company.

(c) All disbursements from the Project Fund and the Costs of Issuance Fund must comply with the requirements of the Tax Agreement.

Section 3.3 Establishment of Completion Date; Obligation of Company to Complete. As soon as practicable after the construction of the Project is completed, the Authorized Representative of the Company, on behalf of the Company, shall evidence the Completion Date by providing a certificate to the Trustee and the Authority stating that the construction of the Project has been completed substantially in accordance with the plans, specifications and work orders therefor, and all labor, services, materials and supplies used in the construction have been paid or provided for. Notwithstanding the foregoing, such certificate may state that it is given without prejudice to any rights of the Company against third parties for any claims or for the payment of any amount not then due and payable which exists at the date of such certificate or which may subsequently exist.

All moneys remaining in the Project Fund after the Completion Date (other than moneys relating to provisional payments) and after payment or provision for payment of all other Costs of the Project have been provided for shall be transferred to the Surplus Account in accordance with Section 3.3 of the Indenture and applied as provided therein.

In the event the moneys in the Project Fund available for payment of the Costs of the Project are or will be insufficient to pay the costs of acquisition, construction and installation of the Project as contemplated in this Agreement, the Company agrees to pay directly, or to deposit

in the Project Fund moneys sufficient to pay, any costs of completing the acquisition, construction and installation of the Project in excess of the moneys available for such purpose in the Project Fund. The Authority makes no express or implied warranty that the moneys deposited in the Project Fund and available for payment of the Costs of the Project, under the provisions of this Agreement, will be sufficient to pay all the amounts which may be incurred for such Costs of the Project. The Company agrees that if, after exhaustion of the moneys in the Project Fund, the Company should pay, or deposit moneys in the Project Fund for the payment of, any portion of the Costs of the Project pursuant to the provisions of this Section, it shall not be entitled to any reimbursement therefor from the Authority, from the Trustee or from the holders of any of the Bonds, nor shall it be entitled to any diminution of the amounts payable under Section 4.2.

Section 3.4 Investment of Moneys in Funds. Any moneys in any fund or account held by the Trustee shall, at the written request of the Authorized Representative of the Company, be invested or reinvested by the Trustee as provided in the Indenture. Such investments shall be held by the Trustee and shall be deemed at all times a part of the fund or account from which such investments were made, and the interest accruing thereon, and any profit or loss realized therefrom, shall be credited or charged to such fund or account. The Company acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Company the right to receive brokerage confirmations of security transactions from the Trustee as they occur, the Company specifically waives receipt of such confirmations to the extent permitted by law.

Section 3.5 Limitation of Authority's Liability. Anything contained in this Agreement to the contrary notwithstanding, under no circumstances shall the Authority be obligated directly or indirectly to pay Costs of the Project, principal of or premium, if any, and interest on the Bonds, or expenses of operation, maintenance and upkeep of the Project except from Bond proceeds or from funds received under this Agreement and the Indenture, exclusive of funds received by the Authority for its own use. The Authority's obligations under the Indenture, this Agreement and the Bonds shall not constitute a debt or liability of or a pledge of the faith and credit of the Authority, the State, any political subdivisions thereof, or any municipality therein. Nothing herein, in the Indenture or in the Bonds, shall directly, indirectly or contingently obligate the Authority, the State any political subdivision thereof or any municipality to levy or pledge any form of taxation whatsoever or make any appropriation for the payment of the Bonds.

Section 3.6 Funding From Additional Bonds. The Company may request that the Authority deliver Additional Bonds from time to time to finance Project costs necessary to complete the Project, as provided herein and in Section 2.13 of the Indenture:

(i) the Company must contact (in writing) the Underwriter and the Credit Provider at least 30 days prior to the desired date of issuance to request the issuance of such Additional Bonds and to request a corresponding increase in the Stated Amount of the Letter of Credit to enhance such Additional Bonds and the Credit Provider shall agree to so increase the Stated Amount;

(ii) the Company must deliver to the Authority a Designation of Bonds (in substantially the same form as is attached as Exhibit D to the Indenture), executed by the Company, the Bank and the Underwriter, designating the amount of Additional Bonds to be issued and the date of such issuance; and

(iii) Additional Bonds may be used only in a minimum aggregate principal amount of [\$5,000,000] at any time or an integral multiple of \$5,000 in excess of [\$5,000,000].

In the event that the Company requests that the Authority deliver Additional Bonds, and such request is made in compliance with this Section 3.6, the Authority shall forthwith deliver such Additional Bonds as requested by the Company. In order for the Trustee to authenticate and deliver Additional Bonds, the requirements of Section 2.13 of the Indenture must be satisfied. Proceeds of the sale of Additional Bonds shall be deposited in the Project Fund, and requisitions shall be made for Costs of the Project as set forth in Section 3.2 above.

ARTICLE IV

LOAN OF PROCEEDS; REPAYMENT PROVISION

Section 4.1 Loan of Bond Proceeds; Issuance of Bonds. The Authority covenants and agrees, upon the terms and conditions in this Agreement, to make a loan to the Company from the proceeds of the Bonds for the purpose of financing the Costs of the Project and the Costs of Issuance. The Authority further covenants and agrees that it shall take all actions within its authority to keep this Agreement in effect in accordance with its terms. Pursuant to said covenants and agreements, the Authority will issue the Bonds upon the terms and conditions contained in this Agreement and the Indenture and will cause the Bond proceeds to be applied as provided in Article III of the Indenture.

Section 4.2 Loan Payments and Payment of Other Amounts. (a) On or before 12:00 noon New York City time on each Bond Payment Date (as hereinafter defined), until the principal of, premium, if any, and interest on, the Bonds shall have been fully paid or provision for such payment shall have been made as provided in the Indenture, the Company covenants and agrees to pay to the Trustee as a repayment on the loan made to the Company from Bond proceeds pursuant to Section 4.1 hereof, a sum equal to the amount payable on such Bond Payment Date as principal of, and premium, if any, and interest on, the Bonds as provided in the Indenture. Such Loan Payments shall be made in federal funds or other funds immediately available at the Corporate Trust Office of the Trustee. The term "Bond Payment Date" as used in this Section shall mean any date upon which any such amounts payable with respect to the Bonds shall become due, whether upon redemption, acceleration, maturity or otherwise.

Each payment made pursuant to this Section 4.2(a) shall at all times be sufficient to pay the total amount of interest and principal (whether at maturity or upon redemption or acceleration) and premium, if any, becoming due and payable on the Bonds on each Bond Payment Date; provided that any amount held by the Trustee in the Bond Fund on any due date for a Loan Payment hereunder shall be credited against the Loan Payment due on such date, to the extent available for such purpose; and provided further that, subject to the provisions of this

paragraph, if at any time the amounts held by the Trustee in the Bond Fund are sufficient to pay all of the principal of and interest and premium, if any, on the Bonds as such payments become due, the Company shall be relieved of any obligation to make any further payments under the provisions of this Section. Notwithstanding the foregoing, if on any date the amount held by the Trustee in the Bond Fund is insufficient to make any required payments of principal of (whether at maturity or upon redemption or acceleration) and interest and premium, if any, on, the Bonds as such payments become due, the Company shall forthwith pay such deficiency as a Loan Payment hereunder.

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

(b) The Company further covenants that it will make any payments required to be made pursuant to Sections 2.4, 4.6 and 4.8 of the Indenture at the applicable Purchase Price thereof by 2:45 p.m. New York City time in federal or other immediately available funds; provided however the obligation to make such payments shall have been deemed satisfied to the extent that such Purchase Price shall have been paid from remarketing proceeds or from a draw under a Letter of Credit pursuant to Section 4.7(D) of the Indenture.

(c) The Company also agrees to pay (i) the annual fee of the Trustee and the Tender Agent, if any, for their ordinary services rendered as trustee or tender agent, respectively, and their ordinary expenses incurred under the Indenture, as and when the same become due, (ii) the reasonable fees, charges and expenses (including reasonable legal fees and expenses) of the Trustee, as bond registrar and paying agent, the reasonable fees of any other paying agent on the Bonds as provided in the Indenture, and (iii) the reasonable fees, charges and expenses of the Trustee for the necessary extraordinary services rendered by it and extraordinary expenses incurred by it under the Indenture, as and when the same become due. The Trustee's compensation shall not be limited by any provision of law regarding the compensation of a Trustee of an express trust.

(d) Except to the extent paid or reimbursed from Bond proceeds, the Company covenants and agrees, without notice from the Authority, to pay to the Authority, upon issuance of the Bonds, the Authority's Service Charge, and as Additional Payments hereunder, within ten (10) Business Days after request therefor made in writing, all expenses (including reasonable attorney's fees) incurred by the Authority in connection with the issuance and carrying of the Bonds and all expenses reasonably incurred or advances reasonably made in the exercise of the Authority's rights or the performance of its obligations under this Agreement, the Bonds or the Indenture. Any fees, expenses, reimbursements or other charges which the Authority may be entitled to receive from the Company hereunder or thereunder, if not paid when due, shall bear a late charge equal to 5% of the amount overdue, and if not paid within sixty (60) days, shall bear interest at twelve percent (12%) per annum.

(e) The Company also agrees to pay the reasonable fees, charges and expenses of the Remarketing Agent. Such payments shall be made directly to the Remarketing Agent. The

Authority shall have no obligation whatsoever with respect to the payment of fees, charges and expenses of the Remarketing Agent.

(f) The Company agrees to pay any amounts required to be deposited in the Rebate Fund to comply with the provisions of the Tax Agreement and to pay the fees, charges and expenses of any rebate analyst.

Section 4.3 Unconditional Obligation. The obligations of the Company to make the Loan Payments, the Additional Payments and the other payments required by Section 4.2 hereof and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional and shall be binding and enforceable in all circumstances whatsoever, irrespective of any defense or any rights of set-off, recoupment or counterclaim it might otherwise have against the Authority, and during the term of this Agreement, the Company shall pay all payments required to be made on account of this Agreement (which payments shall be net of any other obligations of the Company) as prescribed in Section 4.2 and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off. The Company shall be obligated to make the payments whether or not the Project has come into existence or become functional and whether or not the Project has ceased to exist or to be functional to any extent and from any cause whatsoever. The Company shall be obligated to make such payments regardless of whether the Company is in possession or is entitled to be in possession of the Project or any part thereof. Until such time as the principal of, premium, if any, and interest on, the Bonds shall have been fully paid, or provision for the payment thereof shall have been made as required by the Indenture, the Company (i) will not suspend or discontinue any payments provided for in Section 4.2; (ii) will perform and observe all of its other covenants contained in this Agreement; and (iii) except as provided in Article VIII hereof, will not terminate this Agreement for any cause, including, without limitation, the occurrence of any act or circumstances that may constitute failure of consideration, destruction of or damage to all or a portion of those facilities or equipment comprising the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either of these, or any failure of the Authority or the Trustee to perform and observe any covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement or the Indenture, except to the extent permitted by this Agreement.

Section 4.4 Assignment of Authority's Rights. As security for the payment of the Bonds, the Authority will under the Indenture assign to the Trustee the Authority's rights under this Agreement, including the right to receive Loan Payments hereunder (except the right of the Authority to receive certain payments, if any, with respect to fees, expenses and indemnification, or to enforce its rights under Sections 4.2(d), 7.3, 9.2 and 9.3 and its rights of indemnification and consent). The Authority hereby directs the Company to make the Loan Payments required hereunder directly to the Trustee for deposit as contemplated by the Indenture. The Authority hereby directs the Company to make the Purchase Price Payments required hereunder directly to the Trustee or the Tender Agent as contemplated by the Indenture. The Company hereby consents to such assignment and agrees to make payments directly to the Trustee or the Tender Agent, as the case may be, without defense or set-off by reason of any dispute between the Company and the Authority or the Trustee.

Section 4.5 Amounts Remaining in Funds. It is agreed by the parties hereto that after payment in full of (i) the Bonds, or after provision for such payment shall have been made as provided in the Indenture, (ii) the fees, charges and expenses of the Authority and the Trustee and paying agents in accordance with the Indenture, (iii) all other amounts required to be paid under this Agreement and the Indenture, and (iv) if applicable, payment to the Credit Provider of any amounts owed to the Credit Provider by the Company under the Reimbursement Agreement, any amounts remaining in any fund held by the Trustee under the Indenture (excepting the Rebate Fund) shall be paid as provided in Section 10.1 of the Indenture. Notwithstanding any other provision of this Agreement or the Indenture, under no circumstances shall proceeds of a draw on a Letter of Credit or remarketing proceeds be paid to the Authority or the Company.

ARTICLE V

SPECIAL COVENANTS AND AGREEMENTS

Section 5.1 Right of Access to the Project. The Company agrees that during the term of this Agreement the Authority, the Trustee, and the duly authorized agents of either of them shall have the right at all reasonable times during normal business hours to enter upon each site where any part of the Project is located and to examine and inspect the Project or, in the case of the Authority, to carry out its powers hereunder; provided that reasonable notice shall be given to the Company at least five (5) Business Days prior to such examination or inspection, and such inspection shall not disturb the Company's normal business operations.

Section 5.2 Disposition of Project. Except as provided hereafter with respect to the portion of the Project comprising equipment, without an Approving Opinion (i) the Company will not sell, lease or otherwise dispose of (other than to a Related Party), or place any other person (other than to a Related Party) in possession of, the Project or any portion thereof or interest therein, or make any material change in the purposes for which the Project is used, and (ii) the portion of the Project comprising equipment shall remain at a Project site except while in use in the ordinary course of business; provided, however, that nothing herein shall limit the right of the Company to grant a mortgage and or security interest in all or any part of the Project. The Company may remove and sell or otherwise dispose of any portion of the Project comprising equipment when the same shall have become obsolete, worn out or unnecessary for its business operations.

Section 5.3 The Company's Maintenance of Its Existence. The Company covenants and agrees that during the term of this Agreement it (a) will maintain its existence as a corporation in good standing in the State of Delaware and qualified to do business in the State, (b) will not dissolve, sell or otherwise dispose of all or substantially all of its assets and (c) will not combine or consolidate with or merge into another entity so that the Company is not the resulting or surviving entity (any such sale, disposition, combination or merger shall be referred to hereafter as a "transaction"); provided that the Company may consummate such transaction with the prior consent of the Authority, which consent shall not be unreasonably withheld, if (i) the surviving or resulting transferee, person or entity, as the case may be, assumes and agrees in writing to pay and perform all of the obligations of the Company hereunder, (ii) the surviving or resulting transferee, person or entity, as the case may be, qualifies to do business in the State

and (iii) the Company shall deliver to the Authority and Trustee prior to or substantially contemporaneously with the consummation of the transaction an Approving Opinion.

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

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

Section 5.4 Records and Financial Statements of Company. The Company covenants and agrees at all times to keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions of or in relation to the business, properties and operations relating to the Project. Such books of record and account shall be available for inspection by the Authority or the Trustee during normal business hours and under reasonable circumstances; provided that reasonable notice shall be given to the Company at least five (5) Business Days prior to such inspection and such inspection shall not disturb the Company's normal business operations..

Section 5.5 Insurance. The Company agrees to insure the Project during the term of this Agreement for such amounts and for such occurrences as are customary for similar facilities of the Company within the State, by means of policies issued by reputable insurance companies qualified to do business in the State or through "self insurance" in accordance with the ordinary course of business of the Company.

Section 5.6 Use of Project.

(a) **Permitted Purposes; Ownership of the Project.** The Company agrees that it will, or will cause a Related Party to, acquire, construct and install, or complete the acquisition, construction and installation of, the Project, substantially in accordance with the description of the Project prepared by the Company and submitted to the Authority, including any and all supplements, amendments and additions or deletions thereto or therefrom, it being understood that the approval of the Authority shall not be required for changes in such description which do not substantially alter the purpose and description of the Project as set forth in Exhibit A hereto.

The Project consists of those facilities described in Exhibit A and, except as otherwise provided in Sections 5.2 or 5.3: (i) the Company shall not make any changes to the Project or to the operation thereof which would have the effect of disqualifying the Project as a project eligible for financing under the Act or impair the exemption from federal income taxation of the interest on the Bonds; (ii) the Company agrees to comply with all requirements set forth in the Tax Agreement; (iii) contracts for carrying out the Project and purchases in connection therewith shall be made by the Company in its own name or in the name of a Related Party; and (iv) the Company or a "related party" as defined in Treasury Regulations Section 1.150-1(b) (a "Related

Party”) has or will acquire title to the Project sufficient to carry out the purposes of this Agreement.

(b) **Completion of Project.** The Project will be completed with diligence within three years of the date hereof.

(c) **Compliance with Laws; Maintenance and Repairs.** The Company agrees to maintain the Project during the term of this Agreement (i) in as reasonably safe condition as its operations shall permit and as is customary in the industry and (ii) in good order and repair and in good operating condition, ordinary wear and tear excepted, and damage from casualty expressly not excepted, making from time to time all necessary repairs thereto and renewals and replacements thereof. The Company agrees not to permit or commit waste on the Project. In the acquisition, construction, maintenance, improvement and operation of the Project, the Company will comply in all material respects with all applicable planning, building, zoning, subdivision, environmental protection, sanitary and safety and other land use laws, rules and regulations and will not permit any material nuisance thereon. Subject to the ability of the Company to dispose of the Project or portions thereon pursuant to this Agreement, the Project will be operated and maintained in such manner as to be consistent with the Act. It shall not be a breach of this section if the Company fails to comply with such laws, rules and regulations during any period in which the Company shall in good faith be diligently contesting the validity thereof.

(d) **Taxes; Utility and Other Charges.** The Company agrees to pay or cause to be paid during the term of this Agreement all taxes, governmental charges of any kind lawfully assessed or levied upon the Project or any part thereof or with respect to the Company’s interest therein or use thereof, including any taxes levied against any portion of the Project, all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of any portion of the Project and all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Project, provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Company shall be obligated to pay only such installments as are required to be paid during the term of this Agreement. The Company may, at the Company’s expense and in the Company’s name, in good faith, diligently contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during that period of such contest and any appeal therefrom unless by such nonpayment the Project or any part thereof will be subject to loss or forfeiture.

Nothing contained in this Agreement or the Indenture shall be construed to require or authorize the Authority to operate the Project itself or to conduct any business enterprise in connection therewith. The Authority shall not be liable to the Company or to any other person for any latent or patent defect in the Project.

Section 5.7 Qualification in New Hampshire. The Company agrees that throughout the term of this Agreement it, or any successor or assignee as permitted by Section 5.2, will be qualified to do business in the State.

Section 5.8 Tax Covenant. The Company covenants and agrees that it shall at all times do and perform all acts and things permitted by law and this Agreement and the Indenture

that are necessary in order to assure that interest paid on the Bonds (or any of them) will be excluded from gross income of the Holders for federal income tax purposes and shall take no action that would result in such interest not being excluded from gross income for federal income tax purposes. Without limiting the generality of the foregoing, the Company agrees to comply with the provisions of the Tax Agreement, which are hereby incorporated herein. This covenant shall survive payment in full or defeasance of the Bonds. Notwithstanding this Section 5.8 or anything in this Agreement, the Indenture or the Tax Agreement to the contrary, the Company shall not be required to take any action to oppose or promote the adoption or implementation of legislative or regulatory changes that could affect the excludability of interest paid on the Bonds from gross income of Holders, and any failure of interest on the Bonds to be excluded from gross income of a Holder that arises out of a Holder's status or financial condition (rather than an action of the Company) shall not be deemed to breach this Section 5.8 or any provision of this Agreement, the Indenture or the Tax Agreement.

Section 5.9 Continuing Disclosure. Pursuant to the federal Securities and Exchange Commission ("S.E.C.") Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, the Company hereby covenants and agrees to comply, or to cause compliance with, when and if applicable, the continuing disclosure requirements promulgated thereunder, as such rule may from time to time hereafter be amended or supplemented. Notwithstanding any other provision of this Agreement, failure of the Company to comply with the requirements of S.E.C. Rule 15c2-12, as it may from time to time hereafter be amended or supplemented, shall not be considered a Loan Default Event; however, the Trustee may (and, at the written request of any Holder of Outstanding Bonds, shall, but only to the extent indemnified to its satisfaction from and against any cost, liability or expense related thereto, including, without limitation, fees and expenses of its attorneys and advisors and additional fees and expenses of the Trustee or any Bondholder or beneficial owner of the Bonds) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Company to comply with its obligations pursuant to this Section 5.9.

Section 5.10 Assignment by Company. The rights and obligations of the Company under this Agreement may be assigned by the Company to any person in whole or in part, subject, however, to each of the following conditions:

(a) No assignment other than pursuant to Section 5.2 hereof shall relieve the Company from primary liability for any of its obligations hereunder, and in the event of any assignment not pursuant to Section 5.2 hereof the Company shall continue to remain primarily liable for the payments specified in Section 4.2 hereof and for performance and observance of the other agreements herein provided to be performed and observed by it.

(b) Any assignment from the Company shall retain for the Company such rights and interests as will permit it to perform its obligations under this Agreement, and any assignee from the Company shall assume in writing the obligations of the Company hereunder to the extent of the interest assigned.

(c) Within 30 days after delivery thereof, the Company shall furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of each such assignment together with an instrument of assumption.

(d) The Company shall furnish to the Authority and the Trustee an Approving Opinion.

Section 5.11 Cooperation in Filings and Other Matters. The Authority and the Company agree to cooperate, upon the request of either party, at the expense of the Company in the filing and renewal of UCC-1 Financing Statements, if any.

Section 5.12 Letter of Credit. (a) The Credit Provider during the initial Interest Rate Period will be Bank of America, N.A. At any time the Company may, at its option, provide for the delivery to the Trustee of an Alternate Letter of Credit (hereafter collectively referred to with the Letter of Credit as a "Credit Instrument"), and the Company shall, in any event, cause to be delivered an Alternate Letter of Credit at least 20 days before the expiration date of any existing Letter of Credit, unless otherwise permitted by the Indenture. A Credit Instrument shall be an irrevocable letter of credit or other irrevocable credit facility (including, if applicable, a confirming letter of credit), issued by a Credit Provider, the terms of which shall be acceptable to the Trustee and shall otherwise comply with the requirements of the Indenture. On or prior to the date of the delivery of a Credit Instrument to the Trustee, the Company shall cause to be furnished to the Trustee (i) an opinion of Bond Counsel stating to the effect that the delivery of such Credit Instrument to the Trustee is authorized under the Indenture and complies with the terms hereof and will not in and of itself adversely affect the Tax-exempt status of interest on the Bonds, (ii) an opinion of counsel to the Credit Provider issuing such Credit Instrument stating to the effect that such Credit Instrument is enforceable in accordance with its terms (except to the extent that the enforceability thereof may be limited by bankruptcy, reorganization or similar laws limiting the enforceability of creditors' rights generally and except that no opinion need be expressed as to the availability of any discretionary equitable remedies), and (iii) written evidence from the Rating Agency that the Bonds shall have a long-term rating of "A" (or equivalent) or higher or, if the Bonds only have a short-term rating, such short-term rating shall be in the highest short-term rating category (without regard to "+"s or "-"s).

(b) The Company shall provide to the Trustee (with a copy to the Authority) a notice at least 15 days prior to the effective date of any Credit Instrument (and in no event later than 35 days prior to the expiration of any existing Credit Instrument) identifying the Credit Instrument, if any, and the rating which will apply to the Bonds after the effective date.

Section 5.13 Change of Control. The provisions of this Section 5.13 shall be effective only for so long as the Bonds are in the Term Interest Rate Period and are not secured by a Letter of Credit.

If a Change of Control occurs, each Holder of Bonds will have the right to require the Company to repurchase all or any part (in a principal amount equal to \$100,000 or an integral multiple of \$5,000 in excess thereof; provided that no such repurchase may result in a Holder owning less than an Authorized Denomination) of that Holder's Bonds pursuant to a Change of Control Offer (the "Change of Control Offer"). In the Change of Control Offer, the Company will offer to pay an amount in cash (the "Change of Control Payment") equal to 101% of the aggregate principal amount of Bonds repurchased, plus accrued and unpaid interest thereon, if any, to the date of purchase. Within 30 days following any Change of Control, the Company will mail a notice to each Holder describing the transaction or transactions that constitute the

Change of Control and offering to repurchase Bonds on the date (the "Change of Control Payment Date") specified in such notice, which date shall be a Business Day no earlier than 30 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by this Agreement and described in such notice. Such notice shall state:

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

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

- (a) accept for payment all Bonds or portions thereof properly tendered pursuant to the Change of Control Offer;
- (b) deposit with the Paying Agent U.S. Legal Tender sufficient to pay the Change of Control Payment in respect of all Bonds or portions thereof so tendered; and

(c) deliver or cause to be delivered to the Trustee the Bonds so accepted together with a certificate of an Authorized Representative stating the aggregate principal amount of Bonds or portions thereof being purchased by the Company.

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

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

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

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

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

The Company will comply, and will use reasonable efforts to ensure that any third party making a Change of Control Offer or an Alternate Offer will comply, with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to

the extent such laws and regulations are applicable in connection with such Change of Control Offer or an Alternate Offer. To the extent the provisions of any applicable securities laws or regulations conflict with the provisions of this Agreement relating to a Change of Control Offer, the Company will not be deemed to have breached its obligations under this Agreement by virtue of complying with such laws or regulations.

Section 5.14 Maintenance of Guaranty; Additional Subsidiary Guarantees. For so long as the Bonds are in the Term Interest Rate Period and are not secured by a Letter of Credit, the Company will cause the Guarantors to maintain in effect the Guaranty.

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

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

(1) execute and deliver to the Trustee a signature page to the Guaranty, in substantially the form attached as Exhibit C hereto, pursuant to which such Subsidiary shall unconditionally guarantee the Guaranteed Obligations (as defined in the Guaranty) on the terms set forth in the Guaranty; and

(2) deliver to the Trustee an Opinion of Counsel that the Guaranty constitutes a valid and legally binding and enforceable obligation of such Subsidiary, subject to customary exceptions.

Thereafter, such Subsidiary shall be a Guarantor for all purposes of the Guaranty.

(b) The guarantees under the Guaranty are subject to release upon the terms set forth in the Guaranty.

ARTICLE VI

[RESERVED]

ARTICLE VII

LOAN DEFAULT EVENTS AND REMEDIES

Section 7.1 Loan Default Events. Any one of the following which occurs and continues shall constitute a Loan Default Event:

- (a) Failure of the Company to make any Loan Payment required by Section 4.2(a) hereof when due; or
- (b) Failure of the Company to make any Purchase Price Payment required by Section 4.2(b) hereof when due; or
- (c) Failure of the Company to observe and perform any covenant, condition or agreement on its part required to be observed or performed by this Agreement other than as provided in (a) or (b), which continues for a period of 60 days after written notice by the Authority or the Trustee delivered to the Company and the Credit Provider, if any, which notice shall specify such failure and request that it be remedied (including by redemption of all or a portion of the Bonds), unless the Authority and the Trustee shall agree in writing to an extension of such time; provided, however, that if the failure stated in the notice cannot be corrected within such period, the Authority and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted within such period and diligently pursued until the default is corrected;
- (d) The dissolution or liquidation of the Company or the filing by the Company of a voluntary petition in bankruptcy, or failure by the Company promptly to cause to be lifted any execution, garnishment or attachment of such consequence as will materially impair the Company's ability to carry on its obligations hereunder, or the commission by the Company of any act of bankruptcy, or adjudication of the Company as a bankrupt, or if a petition or answer proposing the adjudication of the Company as a bankrupt or its reorganization, arrangement or debt readjustment under any present or future federal bankruptcy act or any similar federal or state law shall be filed in any court and such petition or answer shall not be discharged or denied within ninety days after the filing thereof, or if the Company shall admit in writing its inability to pay its debts generally as they become due, or a receiver, trustee or liquidator of the Company shall be appointed in any proceeding brought against the Company and shall not be discharged within ninety days after such appointment or if the Company shall consent to or acquiesce in such appointment, or assignment by the Company for the benefit of its creditors, or the entry by the Company into an agreement of composition with its creditors, or a bankruptcy, insolvency or similar proceeding shall be otherwise initiated by or against the Company under any applicable bankruptcy, reorganization or analogous law as now or hereafter in effect and if initiated against the Company shall remain undismissed (subject to no further appeal) for a period of ninety days; provided, the term "dissolution or liquidation of the Company," as used in this subsection, shall not be construed to include the cessation of the existence of the Company resulting either from a merger or consolidation of the Company into or with another entity or a dissolution or liquidation of the Company following a transfer of all or substantially all of its assets as an entirety or under the conditions permitting such actions contained in Section 5.2 hereof;

(e) Existence of an Event of Default under the Indenture;

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

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

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

Section 7.2 Remedies on Default. Subject to Section 7.1 hereof, whenever any Loan Default Event shall have occurred and shall be continuing,

(a) The Trustee, by written notice to the Authority, the Company and the Credit Provider, if any, may declare the unpaid balance of the loan payable under Section 4.2(a) of this Agreement to be due and payable immediately, provided that concurrently with or prior to such notice the unpaid principal amount of the Bonds shall have been declared to be due and payable under the Indenture. Upon any such declaration such amount shall become and shall be immediately due and payable as determined in accordance with Section 7.01 of the Indenture.

(b) The Authority or the Trustee may have access to and may inspect, examine and make copies of the books and records relating to the transactions contemplated hereby and any and all accounts, data and federal income tax and other tax returns of the Company relating to the transactions contemplated hereby.

(c) The Authority or the Trustee may take whatever action at law or in equity as may be necessary or desirable to collect the payments and other amounts then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Company under this Agreement.

(d) Notwithstanding any contrary provision in this Agreement or the Indenture, the Authority shall have the right to take any action or make any decision with respect to proceedings for indemnity against the liability of the Authority and for collection or reimbursement from sources other than moneys or property held under this Agreement or the

Indenture. The Authority may enforce its rights under this Agreement and the Indenture which have not been assigned to the Trustee by legal proceedings for the specific performance of any obligation contained herein or for the enforcement of any other appropriate legal or equitable remedy, and may recover damages caused by any breach by the Company of its obligations to the Authority under this Agreement or the Indenture, including court costs, reasonable attorney's fees and other costs and expenses incurred in enforcing such obligations.

(e) If applicable, the Trustee shall have the right to immediately draw upon any Letter of Credit, if permitted by its terms and required by the terms of the Indenture, and apply the amount so drawn in accordance with the Indenture and may exercise any remedy available to it thereunder.

In case the Trustee or the Authority shall have proceeded to enforce its rights under this Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Authority, then, and in every such case, the Company, the Trustee and the Authority shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Company, the Trustee and the Authority shall continue as though no such action had been taken.

The Company covenants that, in case a Loan Default Event shall occur with respect to the payment of any Loan Payment payable under Section 4.2(a) hereof, then, upon demand of the Trustee, the Company will pay to the Trustee the whole amount that then shall have become due and payable under said Section, with interest on the amount then overdue with respect to principal at the rate then borne by the Bonds on the day prior to the occurrence of such default.

In the case the Company shall fail forthwith to pay such amounts upon such demand, the Trustee shall be entitled and empowered to institute any action or proceeding at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Company and collect in the manner provided by law the moneys adjudged or decreed to be payable.

In case proceedings shall be pending for the bankruptcy or for the reorganization of the Company under the federal bankruptcy laws or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of the Company or in the case of any other similar judicial proceedings relative to the Company, or the creditors or property of the Company, then the Trustee shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to this Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee allowed in such judicial proceedings relative to the Company, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute such amounts as provided in the Indenture after the deduction of its reasonable charges and expenses to the extent permitted by the Indenture. Any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized to make such payments to the Trustee, and to pay to the Trustee any amount due it for reasonable compensation and

expenses, including reasonable expenses and fees of counsel incurred by it up to the date of such distribution.

In the event the Trustee incurs expenses or renders services in any proceedings which result from a Loan Default Event under Section 7.1(d) hereof, or from any default which, with the passage of time, would become such Loan Default Event, the expenses so incurred and compensation for services so rendered are intended to constitute expenses of administration under the United States Bankruptcy Code or equivalent law.

Section 7.3 Agreement to Pay Attorneys' Fees and Expenses. In the event the Company should default under any of the provisions of this Agreement and the Authority or the Trustee should employ attorneys or incur other expenses for the collection of the payments due under this Agreement or the enforcement of performance or observance of any obligation or agreement on the part of the Company herein contained, the Company agrees to pay to the Authority or the Trustee the reasonable fees of such attorneys and such other reasonable out-of-pocket expenses so incurred by the Authority or the Trustee.

Section 7.4 No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be expressly required herein or by applicable law. Such rights and remedies as are given the Authority hereunder shall also extend to the Trustee as the assignee of the Authority. Notwithstanding any other provision hereunder, the Trustee may proceed first against either the Guarantors or the Company in accordance with the terms of the Guaranty and/or this Agreement, respectively, as the Trustee may deem appropriate.

Section 7.5 No Additional Waiver Implied by One Waiver. In the event any agreement or covenant contained in this Agreement should be breached by the Company and thereafter waived by the Authority or the Trustee, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE VIII

PREPAYMENT

Section 8.1 Redemption of Bonds with Prepayment Moneys. By virtue of the assignment of the rights of the Authority under this Agreement to the Trustee as is provided in Section 4.4 hereof, the Company agrees to and shall pay directly to the Trustee any amount permitted or required to be paid by it under this Article VIII. Whenever Bonds are to be redeemed in whole or in part, the Trustee shall give the Authority notice thereof at least ten (10) business days before the redemption date specifying the date and amount of redemption and the

amount of accrued interest and premium, if any. The Trustee shall use the moneys so paid to it by the Company to redeem the Bonds on the date set for such redemption pursuant to Section 8.5 hereof or to reimburse any Credit Provider for any draw under the Letter of Credit therefor. The Authority shall at the expense of the Company call Bonds for redemption as required by Article V of the Indenture or as requested by the Company pursuant to the Indenture or this Agreement.

Section 8.2 Options to Prepay Installments. The Company shall have the option to prepay the Loan Payments payable under Section 4.2(a) hereof by paying to the Trustee, for deposit in the Bond Fund, the amount set forth in Section 8.4 hereof and to cause all or any part of the Bonds to be redeemed at the times and at the prices set forth in Section 4.1(B) of the Indenture if the conditions under said Section 4.1(B) are met and at the times and at the prices set forth in Sections 4.1(C) or 4.1(D) of the Indenture, as the case may be.

Section 8.3 Mandatory Prepayment. The Company shall have and hereby accepts the obligation to prepay in whole the Loan Payments required by Section 4.2(a), together with interest accrued, but unpaid, thereon by paying to the Trustee, for deposit in the Bond Fund, the amount set forth in Section 8.4 hereof, to be used to redeem all or a part of the Outstanding Bonds if mandatory redemption is required by Section 4.1(A) of the Indenture.

Section 8.4 Amount of Prepayment. In the case of a prepayment of the entire amount due hereunder pursuant to Section 8.2 or 8.3, the amount to be paid shall be a sum sufficient, together with other funds and the yield on any securities deposited with the Trustee and available for such purpose, to pay (1) the principal of all Bonds Outstanding on the redemption date specified in the notice of redemption, plus interest accrued and to accrue to the payment or redemption date of the Bonds, plus premium, if any, pursuant to the Indenture, (2) all reasonable and necessary fees and expenses of the Authority, the Trustee and any paying agent accrued and to accrue through final payment of the Bonds and (3) all other liabilities of the Company accrued and to accrue under this Agreement. In the case of redemption of the Outstanding Bonds in part, the amount payable shall be a sum sufficient, together with other funds deposited with the Trustee and available for such purpose, to pay the principal amount of and premium, if any, and accrued interest on the Bonds to be redeemed, as provided in the Indenture, and to pay expenses of redemption of such Bonds.

Section 8.5 Notice of Prepayment. To exercise an option granted in or to perform an obligation required by this Article VIII, the Company shall give written notice at least fifteen (15) days prior to the last day by which the Trustee is permitted to give notice of redemption pursuant to Section 4.3 of the Indenture, to the Authority and the Trustee specifying the amount to be prepaid and the date upon which any prepayment will be made. If the Company fails to give such notice of a prepayment in connection with a mandatory redemption under this Agreement, such notice may be given by the Authority, by the Trustee or by any Holder or Holders of 10% or more in aggregate principal amount of the Bonds Outstanding. The Authority and the Trustee, at the request of the Company or any such Holder, shall forthwith take all steps necessary under the applicable provisions of the Indenture (except that the Authority shall not be required to make payment of any money required for such redemption) to effect redemption of all or part of the Bonds then Outstanding, as the case may be, on the earliest practicable date thereafter on which such redemption may be made under applicable provisions of the Indenture.

The Authority hereby appoints the Company to give all notices and make all requests to the Trustee with respect to the application of funds paid by the Company as prepayments, including notices of optional redemption of the Bonds in conformity with Article IV of the Indenture, provided, however, that the Company shall in all such cases provide copies to the Authority of the notices so given.

ARTICLE IX

NON-LIABILITY OF AUTHORITY; EXPENSES; INDEMNIFICATION

Section 9.1 Non-liability of Authority; Limitations on Authority Actions and Responsibilities. The Authority shall not be obligated to pay the principal of, or premium, if any, or interest on the Bonds, except from Revenues. The Company hereby acknowledges that the Authority's sole source of moneys to repay the Bonds will be provided by the payments made by the Company pursuant to this Agreement, together with other Revenues with respect to the Bonds, including amounts received by the Trustee under the Guaranty or the Letter of Credit, if any, and investment income on certain funds and accounts held by the Trustee under the Indenture, and hereby agrees that if the payments to be made hereunder shall ever prove insufficient to pay all principal of, and premium, if any, and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Trustee, the Company shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal, premium or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the Company, the Authority, the Credit Provider, if any, or any third party, other than as a result of such party's willful misconduct.

The Authority's obligations under the Indenture, this Agreement and the Bonds shall not constitute a debt or liability of or a pledge of the faith and credit of the Authority, the State, any political subdivisions thereof, or any municipality therein. Nothing herein, in the Indenture or in the Bonds, shall directly, indirectly or contingently obligate the Authority, the State any political subdivision thereof or any municipality to levy or pledge any form of taxation whatsoever or make any appropriation for the payment of the Bonds.

The Authority shall not be required to monitor the financial condition of the Company, the investment or expenditure of Bond proceeds, or the physical condition or use of the Project and, unless otherwise expressly provided, shall not have any responsibility with respect to notices, certificates or other documents filed with it. The Authority shall not be required to take notice of any breach or default except when given notice thereof by the Trustee or the Holders, as the case may be. The Authority shall not be responsible for the payment of any rebate to the United States under IRC §148(f), except as otherwise set forth in Section 6.6 of the Indenture. The Authority shall not be required to take any action unless indemnity reasonably satisfactory to it is furnished for expenses or liability to be incurred therein (other than the giving of notice). The Authority, upon written request of the Holders or the Trustee, and upon receipt of reasonable indemnity for expenses or liability, shall cooperate to the extent reasonably necessary to enable the Trustee to exercise any power granted to the Trustee by this Agreement or the Indenture. The Authority shall be entitled to reimbursement pursuant to Section 4.2(d) hereof to the extent that it acts without previously obtaining full indemnity.

The Authority shall be entitled to the advice of counsel (who may be counsel for any party or for any Holder) and shall be wholly protected as to any action taken or omitted to be taken in good faith in reliance on such advice. The Authority may rely conclusively on any notice, certificate or other document furnished to it under this Agreement or the Indenture and reasonably believed by it to be genuine. The Authority shall not be liable for any action taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, or in good faith omitted to be taken by it and reasonably believed to be beyond such discretion or power, or taken by it pursuant to any direction or instruction by which it is governed under this Agreement or the Indenture or omitted to be taken by it by reason of the lack of direction or instruction required for such action under this Agreement or the Indenture, or be responsible for the consequences of any error of judgment reasonably made by it. When any payment, consent or other action by the Authority is called for by this Agreement or the Indenture, the Authority may defer such action pending such investigation or inquiry or receipt of such evidence, if any, as it may reasonably require in support thereof. A permissive right or power to act shall not be construed as a requirement to act, and no delay in the exercise of a right or power shall affect the subsequent exercise thereof. The Authority shall in no event be liable for the application or misapplication of funds, or for other acts or defaults by any person or entity except by its own directors, officers and employees. No recourse shall be had by the Company, the Trustee or any Holder for any claim based on this Agreement or the Indenture or the Bonds against any director, officer, employee or agent of the Authority unless such claim is based upon the willful misconduct, bad faith, fraud or deceit of such person. No covenant, obligation or agreement of the Authority contained in this Agreement or the Indenture shall be deemed to be a covenant, obligation or agreement of any present or future director, officer, employee or agent of the Authority in his individual capacity, and no person executing a Bond shall be liable personally thereon or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 9.2 Expenses. The Company covenants and agrees to reimburse the Authority and the Trustee for all reasonable costs and charges, including, without limitation, the Trustee's compensation provided for in the Indenture and including fees and disbursements of attorneys, accountants, consultants and other experts, incurred in good faith in connection with this Agreement or the Indenture.

Section 9.3 Indemnification.

The Company, regardless of any agreement to maintain insurance, will indemnify the Authority against (a) any and all claims by any person related to the participation of the Authority in the transactions contemplated by this Agreement, including without limitation claims arising out of (i) any condition of the Project or the construction, use, occupancy or management thereof; (ii) any loss or damage to property or injury to or death of or loss by any person that may be occasioned by any cause whatsoever pertaining to the construction, maintenance, operation and use of the Project; (b) any breach or default on the part of the Company in the performance of any covenant or agreement of the Company under this Agreement, the Reimbursement Agreement or any related document, or arising from any act or failure to act by the Company, or any of its agents, contractors, servants, employees or licensees; (iv) any act or omission of the Company or any of its agents, contractors, servants, employees or licensees; or (v) the offering, issuance, sale or any resale of the Bonds to the extent permitted by law, and (b) all costs, counsel fees, expenses or liabilities reasonably incurred in connection with

any such claim or any action or proceeding brought thereon. In case any action or proceeding is brought against the Authority by reason of any such claim, the Company will defend the same at its expense upon notice from the Authority, and the Authority, will cooperate with the Company, at the expense of the Company, in connection therewith. This indemnification shall survive the termination or defeasance of this Agreement.

The Company agrees to indemnify the Trustee and the Tender Agent for, and to hold them harmless against, all liabilities, claims, costs and expenses incurred without intentional misconduct, negligence or bad faith on the part of the Trustee and the Tender Agent on account of any action taken or omitted to be taken by the Trustee and the Tender Agent in accordance with the terms of this Agreement, the Bonds or the Indenture or any action taken at the request of or with the consent of the Company, including the reasonable and documented costs and expenses of the Trustee and the Tender Agent in defending themselves against any such claim, action or proceeding brought in connection with the exercise or performance of any of their powers or duties under this Agreement, the Bonds, the Indenture, the Reimbursement Agreement, the Credit Instrument or the Guaranty.

In case any action or proceeding is brought against the Authority, the Tender Agent or the Trustee in respect of which indemnity may be sought hereunder, the party seeking indemnity promptly shall give notice of that action or proceeding to the Company, and the Company upon receipt of that notice shall have the obligation and the right to assume the defense of the action or proceeding; provided, that failure of a party to give that notice shall not relieve the Company from any of its obligations under this Section unless that failure prejudices the defense of the action or proceeding by the Company. At its own expense, an indemnified party may employ separate counsel and participate in the defense. The Company shall not be liable for any settlement made without its consent.

The indemnification set forth above is intended to and shall include the indemnification of all affected officials, directors, officers and employees of the Authority, the Tender Agent and the Trustee, respectively. That indemnification is intended to and shall be enforceable by the Authority, the Tender Agent and the Trustee, respectively, to the full extent permitted by law and shall survive the discharge of the Indenture.

ARTICLE X

MISCELLANEOUS

Section 10.1 Notices. All notices, certificates or other communications shall be deemed sufficiently given if sent by facsimile (receipt confirmed) or if mailed by first-class mail, postage prepaid, addressed to the Authority, the Company, or the Trustee, as the case may be, as follows:

To the Authority:

Business Finance Authority of the State of New Hampshire
2 Pillsbury Street, Suite 201
Concord, New Hampshire 03301-4954
Attention: Executive Director
Phone: (603) 415-0190
Facsimile: (603) 415-0194

To the Company:

Casella Waste Systems, Inc.
25 Greens Hill Lane
Rutland, Vermont 05701
Attention: Senior Vice President and Chief Financial Officer
Phone: (802) 775-0325
Facsimile: (802) 770-5348

To the Trustee:

U.S. Bank National Association
190 South LaSalle, 10th Floor
Chicago, IL 60603
Attention: Corporate Trust Services
Phone:
Facsimile:

To the Credit Provider:

[Bank of America, N.A.
MA5-100-09-08
100 Federal Street
Boston, Massachusetts 02110
Attention: Maria F. Maia, Managing Director
Phone: 617-434-5751
Facsimile: 617-434-2160]

A duplicate copy of each notice, certificate or other communication given hereunder by either the Authority or the Company to the other shall also be given to the Trustee and the Credit Provider, if applicable. Notices to the Trustee are effective only when actually received by the Trustee. The Authority, the Company, the Trustee and the Credit Provider, if applicable, may, by notice given hereunder, designate any different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 10.2 Matters to be Considered by Authority. In approving, concurring in or consenting to action or in exercising any discretion or in making any determination under this Agreement or the Indenture, the Authority may consider the interests of the public, which shall

include the anticipated effect of any transaction on tax revenues and employment, as well as the interests of the other parties and the Holders; provided, however, nothing shall be construed as conferring on any person other than the other parties and the Holders any right to notice, hearing or participation in the Authority's consideration, and nothing in this section shall be construed as conferring on any of them any right additional to those conferred elsewhere. Subject to the foregoing, the Authority will not unreasonably withhold any approval or consent to be given by it hereunder.

Section 10.3 Severability. If any provision of this Agreement shall be held or deemed to be, or shall in fact be, illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative, or unenforceable to any extent whatever.

Section 10.4 Execution of Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 10.5 Amendments, Changes and Modifications. Except as otherwise provided in this Agreement or the Indenture, this Agreement may not be effectively amended, changed, modified, altered or terminated except by the written agreement of the Authority and the Company and with the written consent of the Credit Provider, if applicable, and of the Trustee if required in accordance with Section 10.5 of the Indenture.

Section 10.6 Governing Law. This Agreement shall be construed in accordance with and governed by the Constitution and laws of the State applicable to contracts made and performed in the State.

Section 10.7 Authorized Representative. Whenever under the provisions of this Agreement the approval of the Company is required or the Company is required to take some action at the request of the Authority, such approval or such request shall be given on behalf of the Company by the Authorized Representative, and the Authority and the Trustee shall be authorized to act on any such approval or request and neither party hereto shall have any complaint against the other or against the Trustee as a result of any such action taken.

Section 10.8 Actions by Authority. Any action which may be taken by the Authority hereunder shall be deemed sufficiently taken if taken on its behalf by its Chairman or its Executive Director or by any other member, officer or agent whom it may designate from time to time.

Section 10.9 Term of the Agreement. This Agreement shall be and remain in full force and effect from the date of delivery of the Bonds to the Underwriter until such time as all of the Bonds have been fully paid (or provision made for such payment) pursuant to the Indenture and all other sums payable by the Company under this Agreement shall have been paid, except for obligations of the Company under Sections 4.2 and 9.3 hereof, which shall survive any termination of this Agreement.

Section 10.10 Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Authority, the Company and their respective successors and assigns; subject, however, to the limitations contained in Sections 5.2 and 5.10 hereof.

Section 10.11 Complete Agreement. The parties agree that the terms and conditions of this Agreement supersede those of all previous agreements between the parties, and that this Agreement, together with the documents referred to in this Agreement, contains the entire agreement between the parties hereto.

Section 10.12 Business Days. If any payment is to be made hereunder or any action is to taken hereunder on any date that is not a Business Day, such payment or action otherwise required to be made or taken on such date shall be made or taken on the immediately succeeding Business Day with the same force and effect as if made or taken on such scheduled date and as to any payment; provided, any such payment is made on such succeeding Business Day.

Section 10.13 Limitation on Liability of the Authority. The Bonds are payable solely and only from the special funds pledged for the benefit of the Bondholders pursuant to the Indenture. The Bonds and the interest thereon and premium, if any, do not represent or constitute an indebtedness of the Authority, any member of the Authority, the State or any other political subdivision of the State within the meaning of the provisions of the constitution or statutes of the State or a pledge of the faith and credit of the Authority, the State or any other political subdivision of the State. The Bonds are a limited obligation of the Authority payable solely and only out of payments by the Company pursuant to this Agreement. The Bonds are not a lien or charge upon the funds or property of the Authority or any member of the Authority, except to the extent of the aforementioned. No recourse shall be had for the payment of the Bonds against any elected or appointed officer, official, employee or agent of the Authority or any person executing the Bonds.

Section 10.14 Waivers. Each of the Company and the Authority hereby (i) irrevocably and unconditionally waive, to the fullest extent permitted by law, trial by jury in any legal action or proceeding relating to this Agreement or the Project and for any counterclaim therein and (ii) irrevocably waive, to the maximum extent not prohibited by law, any right it may have to claim or recover in any such litigation any special, exemplary, punitive or consequential damages, or damages other than, or in addition to, actual damages.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the BUSINESS FINANCE AUTHORITY OF THE STATE OF NEW HAMPSHIRE has caused this Agreement to be executed in its name and CASELLA WASTE SYSTEMS, INC. has caused this Agreement to be executed in its name by a duly authorized officer all as of the date first above written.

(seal)

BUSINESS FINANCE AUTHORITY OF THE
STATE OF NEW HAMPSHIRE

By _____
Executive Director

CASELLA WASTE SYSTEMS, INC.

By _____
Name:
Title:

EXHIBIT A

Description of Project

The Project consists of the financing of (i) the acquisition of new collection vehicles, trucks, trailers, solid waste disposal containers and related equipment, and computers; (ii) the construction, improvement and equipping of certain solid waste disposal, collection, transfer and recycling facilities; and (iii) certain landfill development costs (including landfill cell development and liners to create additional disposal capacity at the Company's current permitted landfill site) and costs of general improvements (including various upgrades to the leachate collection system, methane gas collection system and other infrastructure improvements); all of which aforementioned projects and assets are located or to be located at and operated from and at one or more of the following locations: 104 River Road in Allenstown, New Hampshire, 264 Stark Highway in Newport, New Hampshire, 581 Trudeau Road in Bethlehem, New Hampshire and 53 Pelham Road in Salem, New Hampshire.

The Project shall also include, without limitation, any other permitted use of the Bond proceeds by the Company under the Tax Agreement, as well as any installation, development, design, engineering, replacements, demolition, improvements, equipment, construction, renovation, structures, permitting and capital expenditures that were, or will be, undertaken or incurred to accomplish the foregoing.

EXHIBIT B

DEFINITIONS RELATING TO “CHANGE OF CONTROL”

As used in the defined term “Change of Control” in this Agreement, the following terms shall have the following meanings:

“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.

“Continuing Director” means, as of any date of determination, any member of the board of directors of the Company who:

- (a) was a member of such board of directors on the date of this Agreement; or
- (b) 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 of directors at the time of such nomination or election.

“Disqualified Capital Stock” means any class or series of capital stock of any Person that by its terms or otherwise is

- (a) 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 final stated maturity of the principal of the Bonds; or
- (b) 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 final stated maturity of the principal of the Bonds.

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 Bonds, including the purchase of any Bonds tendered pursuant thereto.

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

“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.

EXHIBIT C

FORM OF JOINDER AND SIGNATURE PAGE TO GUARANTY AGREEMENT

Reference is made to that certain Guaranty Agreement dated as of _____1, 20____, jointly and severally by and between the guarantors party thereto (the "Guarantors") and U.S. Bank National Association, as trustee (the "Guaranty Agreement"). Capitalized terms used herein without definition shall have the meanings ascribed to such terms in the Guaranty Agreement.

The undersigned, [NAME OF GUARANTOR], a [STATE OF INCORPORATION] corporation ("[NAME OF GUARANTOR]"), hereby acknowledges and agrees to the terms and conditions of the Guaranty Agreement, joins in the agreements of the Guaranty Agreement as a Guarantor thereunder, unconditionally and irrevocably guarantees the Guaranteed Obligations on the terms set forth in the Guaranty Agreement and agrees that all obligations of a Guarantor under the Guaranty Agreement shall be the obligations, jointly and severally, of [NAME OF GUARANTOR] with the same force and effect as if [NAME OF GUARANTOR] was originally a Guarantor under the Guaranty Agreement and an original signatory to the Guaranty Agreement.

This Joinder and Signature Page to Guaranty Agreement shall be governed by and construed in accordance with the laws of the State of Vermont without giving effect to principles of conflicts of laws.

Executed as a sealed instrument this ____ day of _____, 20____.

[NAME OF GUARANTOR]

By: _____
Name: _____
Title: _____

A RESOLUTION AUTHORIZING UP TO \$11,000,000 SOLID WASTE
DISPOSAL REVENUE BONDS
FOR PROJECTS FOR
CASELLA WASTE SYSTEMS, INC. IN ALLENSTOWN, NEWPORT,
BETHLEHEM AND SALEM

WHEREAS, the State of New Hampshire Business Finance Authority (the "Authority") has been requested by Casella Waste Systems, Inc. (the "Borrower") to finance the acquisition, construction, improvement and equipping of commercial facilities of the Borrower and its affiliates in Allenstown, Newport, Bethlehem and Salem (collectively, the "Project") by issuing up to \$11,000,000 of tax-exempt Solid Waste Disposal Revenue Bonds under RSA 162-I (the "Act");

WHEREAS, the Authority took official action with respect to the Project by passing a resolution on November 19, 2007 approving the issue of up to \$20,000,000 of Bonds; and

WHEREAS, the Authority has been furnished with (a) information and materials about the Borrower, the Project and unemployment in the Allenstown, Newport, Bethlehem and Salem areas, (b) the proposed INDENTURE dated as of March 1, 2013 between the Authority and a Trustee to be named therein (the "Indenture") which is a combined financing and security document and which will secure the Bonds, (c) the proposed FINANCING AGREEMENT dated as of March 1, 2013 between the Authority and the Borrower (the "Agreement"), (d) the proposed UNDERWRITING AGREEMENT (the "Underwriting Agreement") among the Authority, the Borrower and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as underwriter of the Bonds (the "Underwriter"), and (e) other information, materials and assurances deemed relevant by the Authority;

IT IS HEREBY RESOLVED THAT:

Section 1. Findings. On the basis of the information, materials and assurances received by the Authority and considered by it at an open meeting, the Authority finds:

(a) Special Findings:

(1) The Project (which when completed will constitute the "Facility") consists of (i) the acquisition of new collection vehicles, trucks, trailers, solid waste disposal containers and related equipment, and computers; (ii) the construction, improvement and equipping of certain solid waste disposal, collection, transfer and recycling facilities, and (iii) certain landfill development costs (including landfill cell development and liners to create additional disposal capacity at the Borrower's current permitted landfill sites) and costs of general improvements (including various upgrades to the leachate collection systems, methane gas collection systems

and other infrastructure improvements) located at 104 River Road in Allenstown, 264 Stark Highway in Newport, 581 Trudeau Road in Bethlehem and 53 Pelham Road in Salem. The Project is within the definition of "Commercial Facility" in the Act and may be financed under the Act; and

(2) The establishment and operation of the Facility will create and preserve employment opportunities directly and indirectly within the State of New Hampshire (the "State") and be of a general benefit to the communities as a whole.

(b) General Findings:

(1) The Project and the proposed financing of the Project are feasible;

(2) The Borrower has the skills and financial resources necessary to operate the Facility successfully;

(3) The Agreement and the Indenture contain provisions so that under no circumstances will the Authority be obligated directly or indirectly to pay Project costs, debt service or expenses of operation, maintenance and upkeep of the Facility except from Bond proceeds or from funds received under the Agreement, exclusive of funds received thereunder by the Authority for its own use;

(4) Neither the Agreement nor the Indenture purports to create any debt of the State with respect to the Facility, other than a special obligation of the Authority acting on behalf of the State under the Act; and

(5) The proposed financing of the Project by the Authority and the proposed operation and use of the Facility will serve one or more needs and implement one or more purposes set forth in RSA 162-I:1, will preserve or increase the social or economic prosperity of the State and one or more of its political subdivisions, and will promote the general welfare of the State's citizens.

Section 2. Determination and Recommendation. The Authority finds that the proposed financing, operation and use of the Facility will serve a public use and provide a public benefit and determines that the Authority's financing of the Project will be within the policy of, and the authority conferred by, the Act. The Authority recommends to Her Excellency, the Governor, and The Honorable Council that they make findings and a determination similar to those set forth above, and for that purpose the Executive Director is directed to transmit to the Governor and Council copies of this resolution, the materials received by the Authority with respect to the Project and any other documentation and information the Governor and Council may request.

Section 3. Authorization of the Agreement, the Indenture and the Underwriting Agreement. The Authority shall be a party to the Agreement, the Indenture and the Underwriting Agreement, and the Chairman, Vice Chairman, Treasurer and Executive Director are each authorized to execute and deliver the Agreement and the Indenture on behalf of the Authority substantially in the forms presented to this meeting (being the drafts dated February

25, 2013) and the Underwriting Agreement substantially in the forms of previous agreements relating to similar Authority financings, but subject in each case to such changes as the person so signing may approve, his or her signature being conclusive identification of the document as the Agreement, the Indenture and the Underwriting Agreement (with approved changes, if any) authorized by this resolution.

Section 4. Consent to use of Official Statement. The Authority hereby consents to the use of an official statement or statements in connection with the sale of the Bonds by the Underwriter.

Section 5. Authorization and Sale of the Bonds. The Authority shall issue the Bonds in the aggregate amount of up to \$11,000,000, as provided in the Indenture and the Agreement; the Chairman, or the Vice Chairman, or the Treasurer, and any other member of the Board or the Executive Director, are authorized to execute the Bonds; and the sale of the Bonds to the Underwriter from time to time is hereby authorized and approved.

Section 6. Actions Not to Be Taken Until After Approval by Governor and Council. The actions authorized by Sections 3 and 5 above (meaning specifically the execution of the Agreement and the Indenture and the issue of the Bonds) shall not be taken until such time as the Governor and Council have made the findings and determination required by Section 9 of the Act, it being the intent of the Authority that the various actions on its behalf which are authorized above are subject to the action of the Governor and Council as required by the Act.

Section 7. Bond Proceeds. The proceeds of the Bonds shall be deposited with the Trustee named in the Indenture; and checks, if any, for such Bond proceeds may be appropriately endorsed by the Chairman, Vice Chairman, Treasurer or the Executive Director.

Section 8. Approval of Project. The establishment of the Project, all in accordance with the provisions of the Agreement, is hereby approved for the purposes of, and to the extent required by, the Act.

Section 9. Allocation of Private Activity Bond Limit. The Authority hereby allocates to the Bonds \$11,000,000 of the 2013 private activity bond limit pursuant to Section 146 of the Internal Revenue Code of 1986, as amended, and RSA 162-M, provided that such allocation shall automatically expire on the last day of December 2013, unless on or before such date the Bonds are issued.

Section 10. Other Actions by Officers. The Chairman, Vice Chairman, Treasurer and the Executive Director are each authorized to take all other actions and execute, deliver or receive such instruments or certificates as they determine are necessary on behalf of the Authority in connection with the whole transaction authorized by the preceding sections of this resolution, but subject in all events to Section 5 hereof. Without limiting the generality of the foregoing, such officers may execute and deliver: receipts; certificates as to facts, estimates and circumstances; information returns for governmental bond issues for the purposes of federal income taxes; and certificates as to proceedings taken, incumbency of officers or any other facts for any other purposes.

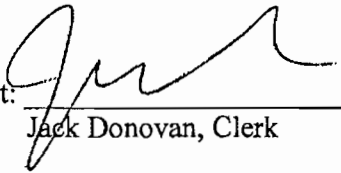
Section 10. Discharge of Lien. The Chairman, Vice Chairman, Treasurer or Executive Director, whenever requested by the owners of the Bonds, may join in the partial release or final discharge of the lien of the Indenture and the Agreement.

Section 11. Authorization of Change of Dates. Without limiting any other discretion conferred in this resolution, the date of the Indenture and the Agreement and the date of the Bonds as executed may be any date or dates acceptable to the Borrower and the officers of the Authority executing the Indenture, the Agreement and the Bonds.

Section 12. Effective Date. This resolution shall take effect upon its passage.

Passed: March 4, 2013

Attest:



Jack Donovan, Clerk

SUMMARY OF REQUIRED STATUTORY FINDINGS OF THE GOVERNOR AND COUNCIL UNDER RSA 162-I.

The materials appearing in quotations below are extracts from RSA 162-I:9. Dots indicate deleted provisions relating to pollution control projects or other matters which are not relevant to this transaction.

* * *

Special Findings

“(1) For any project, the governor and council shall specify the type of facility and shall find that the project to be financed is within the definition of the (type of facility) and may be financed under this chapter;”

The Project consists of (i) the acquisition of new collection vehicles, trucks, trailers, solid waste disposal containers and related equipment, and computers; (ii) the construction, improvement and equipping of certain solid waster disposal, collection, transfer and recycling facilities, and (iii) certain landfill development costs (including landfill cell development and liners to create additional disposal capacity at the Borrower’s current permitted landfill sites) and costs of general improvements (including various upgrades to the leachate collection systems, methane gas collection systems and other infrastructure improvements) located at the Borrower’s facilities at 104 River Road, Allenstown; 264 Stark Highway, Newport; 581 Trudeau Road, Bethlehem; and 53 Pelham Road, Salem.

The Project is within the definition of “Commercial Facility” in the Act and may be financed under the Act; and

* * *

“(2) If the facility is a commercial facility, the governor and council shall find that the establishment and operation of the facility will either create or preserve employment opportunities directly or indirectly within the state and will likely be of general benefit to the community as a whole;”

The Borrower expects the Project to enable it to preserve existing jobs and to create a general benefit to the community as a whole by providing essential community services. (Form BFA-1 under Tab #3) The information from the New Hampshire Employment Security, Economic and Labor Market Information Bureau (Tab #5) shows that there is unemployment in the Allenstown, Newport, Bethlehem and Salem areas.

* * *

General Findings

“For any project, the governor and council shall find that:

- (1) The project and the proposed financing of the project are feasible;”

Merrill Lynch, Pierce, Fenner & Smith Incorporated has agreed to underwrite the bonds (Tab #4). The application of the Borrower, including financial statements, also supports the finding (Tab #3).

* * *

“(2) The proposed user has the skills and financial resources necessary to operate the facility successfully;”

The materials relating to the Borrower under Tab #3 support this finding.

* * *

“(3) The financing and security documents contain provisions so that under no circumstances will the authority be obligated directly or indirectly to pay project costs, debt service or expenses of operation, maintenance and upkeep of the facility except from bond proceeds or from funds received under the financing or security documents, exclusive of funds received under the documents by the authority for its own use;”

The INDENTURE (the “Indenture”) (Tab #6) is a combined financing and security document. Section 9.2 of the Indenture contains an express statement to the effect required; the FINANCING AGREEMENT (the “Financing Agreement”) (Tab #7) is a financing document. Section 4.3 of the Financing Agreement obligates the Borrower to pay all debt service on the Bonds when due; and Section 5.6(c) and Section 5.6(d) require the Borrower to pay taxes and costs of operation, maintenance and upkeep.

* * *

“(4) Neither the financing document nor the security document purports to create any debt of the state with respect to the facility, other than a special obligation of the authority acting on behalf of the state under this chapter; and”

Express language to this effect is found in the Indenture (Tab #6) in Section 9.2. Also, see the language in boldface in the Bond form in Exhibit A to the Indenture.

* * *

“(5) The proposed financing of the project by the authority and the proposed operation and use of the facility will serve one or more needs and implement one or more

purposes set forth in RSA 162-I:1, will preserve or increase the social or economic prosperity of the state and one or more of its political subdivisions, and will promote the general welfare of the state's citizens."

This finding can be based on all the materials as well as facts which are matters of general knowledge.

* * *

Ultimate Finding and Determination Required by the
First Paragraph of RSA 162-I:9

"... the proposed financing, operation and use of the facility will serve a public use and provide a public benefit and ... the authority's financing of the project will be within the policy of, and the authority conferred by, this chapter."

The materials and information furnished and the preliminary findings described above support, and enable the making of, the ultimate finding and determination.

AM 18398052.1