vision

performance

direction

form 10-k

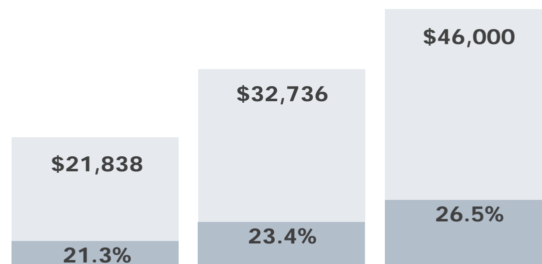
financial highlights (in thousands)

year ended april 30,	1997	1998	1999
Revenues	$102,545	$140,191	$173,418
operating income	6,528	11,346	21,164
ebitda	21,838	32,736	46,000
net income loss	73	1,925	9,099
earnings (loss) per share	(1.63)	(0.42)	0.62
total assets	152,298	202,414	270,209
shareholders equity (deficit)	3,325	83,743	150,396

EBITDA*, and as a percent of revenue (in thousands)

year ended april 30, 1997 1998 1999

*earnings before interest, taxes, depreciation, and amortization



SHAREHOLDER INFORMATION

company offices
25 Greens Hill Lane
Rutland, Vermont 05701
Telephone: (802) 775-0325

auditors
Arthur Anderson, LLP
225 Franklin Street
Boston, MA 02110

transfer agent & register
Boston EquiServe
150 Royal Street
Boston. MA 02021
www.equiserve.com

legal counsel
Hale & Dorr LLP
60 State Street
Boston, MA 02110

direct inquiries to:
Joseph Fusco, Vice-President
Telephone: (802) 775-0325
Facsimile: (802) 775-6198
E-mail: joe.fusco@casella.com

stock exchange
Casella Waste Systems, Inc. is traded on the NASDAQ National Market under the ticker symbol CWST, and is listed on the Russell 3000 Index.

www.casella.com

To our fellow shareholders:

We'd like to help you accomplish two things as you read this letter and annual report.

First, of course, is a review and understanding of the past year. We think this is helpful, not simply because it was – financially and strategically – a successful year, but also because it is part of our record of achievement, and continuing commitment to you to create long-term shareholder value.

In other words, if you look back over fiscal year 1999, you will see that we again met or exceeded every goal we set for ourselves.

That's important. Certainly for obvious reasons, but also because we strongly believe that this record of accomplishment – performance, really – remains the single most compelling indicator of our ability to build long-term value for you. Again, that's important – and helpful – since it is the closest thing to a peek into the future investors so eagerly seek.

Which brings us to our second goal – to help you understand what lies ahead.

As you evaluate any rapidly growing company, this goal is the slightly more interesting – and useful – one.

While on one hand we're proud of our historical results, we think it's absolutely necessary for us to make "forward looking statements." Not in the unfortunate, nervous legalisms we've all hung around those words, but in the truest, purest meaning of the phrase – a look forward, sharing our vision, our intentions and expectations, our goals, our opportunities.

And, we are blessed with quite a few opportunities, and a nearly equal number of challenges.

Making Growth Work

First, the past year:

We continue to grow the company through a strategy of consolidating a fragmented waste industry here in the northeastern United States. This past year, our acquisition efforts added just under $55 million in annualized revenues.

Our criteria for these transactions are simple. They must (a) be efficient improvements to our existing operations; (b) be accretive to earnings; and (c) provide meaningful, predictable long-term opportunities. Because we apply this discipline, along with the operational discipline and skill of integrating acquisitions for over 25 years, these efforts not only make us a bigger company, they make us a better one, too.

And, at a time when the risk of acquisition integration concerns those who follow our industry, it's what distinguishes our company. Acquisition integration and improvement remains a central focus; the best validation of our effort is year-over-year improvements in EBITDA margin.

Our earnings before interest, taxes, depreciation and amortization (EBITDA) – a common industry measurement of how efficiently a company operates – were $47.9 million. This represents a 400 basis-point improvement in EBITDA margin over the previous year. Making tuck-in, contiguous and new market acquisitions – and integrating them intelligently and properly – as well as skillfully managing existing businesses delivers these improved operating margins and, ultimately, consistent profitability.

All of this has happened under the umbrella of solid fundamentals – from strong internal growth to the continued strength of the regional economy.

A Powerful Combination

Second, what lies ahead?

Our goals for the future are not that complicated.

We will continue to build a path to growth – planning ahead; that is, we will pursue opportunities to make growing earnings and creating value a long-term aspect of our performance.

We will continue to build a company uniquely equipped and prepared to give its customers what they want from a complete waste management company – from collection to recycling to disposal – market leadership.

We will continue to apply the same standards and expectations for performance to all facets of our business – discipline.

We will continue to demand consistent performance from our assets and businesses – building predictability.

The strongest, most compelling approach to every one of these goals comes through our acquisition of KTI, Inc. It is, simply, a very powerful combination.

It enhances our company's growth opportunities – not only here in the Northeast, but in markets adjacent to and outside the region where we can build the same type of disciplined market leadership platform.

The combination brings us important capabilities, also. We strongly believe that waste management companies who want to continue to be able to tell stories of long-term growth into the future need to configure themselves to meet the demands of their marketplace.

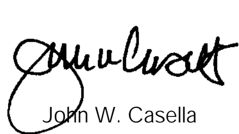
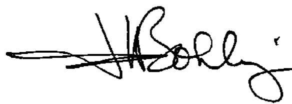
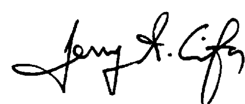
The KTI acquisition – when combined with our vision, operating discipline, consolidation strategy, and existing infrastructure – gives us the additional waste management assets, skills and expertise to be one of those companies.

Planning ahead. Building market leadership. Disciplined operational and financial management. Predictability. These touchstones have given us a proven performance record; they're the same resources that will allow us to move confidently into the future and succeed with KTI's assets, and KTI's and Casella Waste Systems' hardworking, motivated people.

The market has expressed broad and varied opinions about this step we've taken. We have great confidence in the future and the opportunities; our job is to help you understand and discover evidence for that confidence and, more importantly, deliver the results that justify your and our expectations.

Our record, and our faith in our people and ourselves, says we can.

Sincerely,

John W. Casella	Jim Bohlig	Jerry Cifor
President & CEO	Sr. Vice President & COO	Sr. Vice President & CFO

September 16, 1999

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

form 10-K

WASHINGTON, D.C. 20549

[X] Annual Report Pursuant To Section 13 or 15(d) Of The Securities Exchange Act Of 1934 For The Fiscal Year Ended April 30, 1999

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)

(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION):
Delaware

(I.R.S. EMPLOYER IDENTIFICATION NO.):
03-0338873

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES):
25 Greens Hill Lane, Rutland, VT

(ZIP CODE):
05701

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE:
(802) 775-0325

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:
None.

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:
Class A common stock, $.01 per share par value

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 [X] 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 [ ]

The aggregate value of the voting stock held by non-affiliates of the registrant, based on the last sale price of the registrant's Class A common stock at the close of business on July 15, 1999 was $326,323,582 (reference is made to Part II, Item 5 herein for a statement of assumptions upon which this calculation is based).

There were 15,031,904 shares of class A common stock, $.01 per share par value, of the registrant outstanding as of July 15, 1999. There were 988,200 shares of class B common stock of the registrant outstanding as of July 15, 1999.

documents incorporated by reference

Items 10, 11, 12 and 13 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") have been omitted from this report, since 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. The information required by Items 10, 11, 12 and 13 of Part III of this report, which will appear in the definitive proxy statement, is incorporated by reference into this report.

PART I ITEM 1. BUSINESS

the company

Casella Waste Systems, Inc. is a regional, integrated, non-hazardous solid waste services company that provides collection, transfer, disposal and recycling services in Vermont, New Hampshire, Maine, Massachusetts, upstate New York and northern Pennsylvania. As of July 15, 1999, the Company owned and/or operated five Subtitle D landfills, two landfills permitted to accept construction and demolition materials, 51 transfer stations, 16 recycling processing facilities, and 40 solid and liquid waste collection divisions, which collectively served over 500,000 commercial, industrial and residential customers. The Company was founded in 1975 as a single-truck operation in Rutland, Vermont and subsequently expanded its operations throughout the state of Vermont. In 1993, the Company initiated an acquisition strategy to take advantage of anticipated reductions in available landfill capacity in Vermont and surrounding states due to increasing environmental regulation and other market forces driving consolidation in the solid waste industry. From May 1, 1994 through April 30, 1999, the Company acquired ownership or long-term operating rights to 132 solid waste businesses, including 7 landfills, and between May 1, 1999 and July 15, 1999 the Company acquired an additional nine such businesses.

recent developments

On January 12, 1999 the Company signed a definitive merger agreement with KTI, a publicly traded solid waste handling company operating in 21 states throughout the United States. KTI specializes in solid waste disposal and recycling, and operates manufacturing facilities utilizing recycled materials. The Company believes the merger will give it additional growth opportunities in its existing and adjacent markets, and the ability to enter new markets, as well as achieve operational efficiencies as a result of the combination. On April 13, 1999, the Company notified KTI of its intent to terminate the merger agreement upon the expiration of a 30-day cure period as a result of breaches by KTI of the merger agreement. On May 12, 1999, the Company announced that it and KTI had revised and amended the terms of the merger agreement. Pursuant to the amended merger agreement, each share of KTI common stock will be exchanged for 0.59 shares of the Company's class A common stock.

In July 1998 the Company completed a second public offering of 2,060,587 shares of its class A common stock at $27.25 per share. Proceeds of approximately $52,231,490 after underwriters discounts and issuance expenses were used for debt reduction, acquisitions and other general corporate purposes.

During the fiscal year ended April 30, 1999, the Company expanded and strengthened its market presence throughout its three geographic regions by acquiring 55 solid and liquid waste management businesses totaling approximately $54.5 million in revenues, including the following:

On September 4, 1998 the Company completed a merger with Hakes C & D Disposal, Inc. This facility is a permitted landfill in western New York State designed to accept construction and demolition material. As of July 15, 1999 the facility was under construction and had not begun accepting waste. The Company believes this facility will allow it to realize the financial and operational benefits of disposing of construction and demolition debris collected by its own operations in its own facility in a key market for the Company.

On October 29, 1998, the Company completed a merger with Waste Stream Inc., B&C Sanitation Corporation, North Country Trucking, Inc., Better Bedding Corp., R.A. Bronson, Inc., BBC LLC, NTC LLC and Grasslands, Inc., (together - "Waste Stream"), which provide solid waste and recycling collection services in northern New York State. The Company believes the acquisition of Waste Stream further strengthens the Company's market position in upstate New York.

On December 23, 1998, the Company completed a merger with Northern Sanitation, Inc and Northern Properties Corp. of Plattsburgh, Inc. (together - "Northern Sanitation"), a solid waste collection company in Clinton County, New York. The Company believes the proximity of Northern Sanitation to the Company's Clinton County landfill gives it a stronger market presence in that region.

On April 30, 1999 the Company completed a merger with Natural Environmental, Inc., Schultz Landfill, Inc. and Blasdell Development Group, Inc. (together -" NEI"), a collection, transfer and construction & demolition debris disposal company serving the Buffalo, New York region. Also on April 30, 1999, the Company completed a merger with Westfield Disposal Service, Inc. and Portland C & D Landfill, Inc. (together - "Westfield Disposal"), a collection company, transfer station, and construction and demolition debris landfill serving Chautauqua County, New York and Erie, Pennsylvania. The Company believes that these acquisitions provide the Company with a new growth platform in western New York and expand geographically the Company's existing operations in its Western Region.

Since the end of the Company's 1999 fiscal year on April 30, 1999, the Company entered the eastern Massachusetts market with the acquisition of Resource Waste Systems, Inc., Resource Recovery of Cape Cod, Inc., and Resource Transfer, Inc. (collectively, "Resource Waste Systems, Inc."), which provide solid waste collection and transfer services, and construction and demolition debris processing in eastern Massachusetts. The Company believes that the acquisition of Resource Waste Systems provides the Company with a new growth platform in a market contiguous to its existing markets, particularly when matched with the assets and operations in southern Maine expected to be acquired in the merger with KTI, Inc.

service area

The Company is managed on a decentralized basis, with its operations divided into three geographic regions: the Central, Eastern and Western regions. These three regions are further divided into divisions organized around smaller market areas, known as "waste sheds", each of which contains the complete cycle of activities in the solid waste service process, from collection to transfer stations to disposal. The following are the Company's three geographic regions that comprise the Company's service area:

central region

The Central Region consists of Vermont, portions of New Hampshire and eastern upstate New York. The Company was founded in 1975 in Rutland, Vermont, and has continued to grow its market presence in the Central Region. The portion of upstate New York within the Company's Central Region as of July 15, 1999 extends from Interstate 90 north to the Canadian border and from the Vermont border west to Interstate 81 and the eastern shore of Lake Ontario. The Company owns and operates Subtitle D landfills in Bethlehem, New Hampshire (See Part I, Item 3, 'Legal Proceedings'); Coventry, Vermont; and, through a 25-year capital lease, operates the Clinton County landfill located in Schuyler Falls, New York. In addition, the Company operated 21 collection operations and 24 transfer stations in the Central Region as of July 15, 1999.

eastern region

The Company's Eastern Region consists of the State of Maine and southeastern New Hampshire. The Company established a market presence in Maine through the acquisition of the Sawyer Companies in January 1996. The Company owns the SERF landfill located in Hampden, Maine, which disposes of ash, construction and demolition debris, special waste and front end processing residue primarily from throughout the State of Maine. In addition, at July 15, 1999 the Company operated five collection operations and nine transfer stations, and collected solid waste from commercial, industrial and residential customers in the Eastern Region. The Company's waste tire processing facility, located in Eliot, Maine, has the capacity to process approximately 3.5 million tires per year and generates tire derived fuel, which the Company sells to paper mills for consumption as a supplemental energy source for boiler fuel.

Unlike the other states in the Company's existing market area, Maine has an aggressive incineration program and the Company believes that approximately 80% of the waste shed in the Company's market area is disposed of through incineration. However, the Company believes that approximately 35% of the tonnage delivered to incinerators is returned to landfills as ash and front end processing residue, and the Company is the largest disposer of incinerated waste material in Maine.

western region

The Western Region is comprised of the south central, western and southern tier of upstate New York (including Ithaca, Elmira, Horsehead, Corning and Watkins Glen) and the northern tier of Pennsylvania. Through the acquisition of the Superior Disposal Services companies in January 1997, the Company established its market presence in the Western Region. At July 15, 1999 the Company operated 18 transfer stations and 14 collection operations, and collected solid waste from commercial, industrial and residential customers. During fiscal 1999 the Company acquired a Subtitle D permitted landfill, the Hyland facility, in Angelica, New

York, which serves the western upstate portion of our New York waste shed (See Part I, Item 3, 'Legal Proceedings'). The Company also acquired two landfills in fiscal 1999 permitted to accept construction and demolition materials, the Hakes and Portland facilities.

operations

The Company's operations include the ownership and/or operation of landfills, solid waste collection services, transfer stations, recycling services, septic/liquid waste operations, and tire processing and other services.

landfills

The Company currently owns four Subtitle D landfill operations and operates a fifth Subtitle D landfill under a 25-year lease arrangement with a county. All of the Company's operating Subtitle D landfills include leachate collection systems, groundwater monitoring systems and, where required, active methane gas extraction and recovery systems. In addition to these landfills the Company owns two landfills permitted to accept only construction and demolition materials. These types typically, depending on the state in which they are located, are constructed in accordance with lower environmental standards than Subtitle D landfills, reflecting the inert nature of the materials deposited in them.

During the year ended April 30, 1999, approximately 71% of the waste volumes received by the Company's landfills were from internal sources such as the Company's hauling divisions or transfer stations.

The following table provides certain information regarding the landfills that the Company operates. All of such information is provided as of July 15, 1999.

LANDFILL	LOCATION	Approximate Estimated Total Remaining Permitted Capacity (TONS)(1)	Estimated in Permitting Process Capacity (TONS) (1)(2)
Clinton County (3)	**Schuyler Falls, NY**	**788,000**	**990,000**
Waste USA	**Coventry, VT**	**2,241,400**	**- 0 -**
SERF (4)	**Hampden, ME**	**53,000**	**3,500,000**
NCES	**Bethlehem, NH**	**150,000**	**544,000**
Hyland	**Angelica, NY**	**1,615,000**	**- 0 -**
Hakes (5)	**Campbell, NY**	**825,000**	**- 0 -**
Portland (6)	**Portland, NY**	**20,250**	**- 0 -**

(1) The Company converts estimated remaining permitted and permittable capacity calculated in cubic yards to tons by assuming a compaction factor equal to the historic average compaction factor applicable for the respective landfill.

(2) Represents capacity for which the Company has begun the permitting process. Does not include additional available capacity at the site for which permits have not yet been sought.

(3) Operated pursuant to a capital lease expiring in 2021.

(4) Of the 3,500,000 additional in-process tonnage, 3,300,000 has received all required permits from the State of Maine; however the town of Hampden, Maine, where the site is located, has not issued the required construction permits for work to begin on the expansion. If these permits are not received in a reasonable time the Company may pursue legal remedies. The remaining 200,000 tons meets all state and local requirements.

(5) First cell under construction. Projected opening September 1999.

(6) Facility currently under construction.

SERF. The SERF landfill is located in Hampden, Maine. The SERF landfill processes ash, special waste and front end processing residue (i.e., glass and other material segregated and disposed of separately from solid waste prior to incineration), for the Penobscot Energy Recovery Corporation's incinerator under a contract expiring in 2003. As noted above, the Town of Hampden has delayed the construction of the newest permitted cell of this site by failing to issue a construction permit in a timely manner. Although the Company will consider legal remedies in the event the Town continues to obstruct expansion, there can be no assurance the Company will prevail. The Penobscot Energy Recovery Corporation's incinerator is owned by a limited partnership in which KTI holds a 70.36% ownership interest.

NCES. The NCES landfill, located in Bethlehem, New Hampshire, serves the northern and central New Hampshire waste sheds and portions of the Maine and Vermont waste sheds. The Town of Bethlehem has adopted a zoning ordinance which precludes the

‘expansion of any existing landfills’. The Company has contested this ordinance vigorously. See Part I, Item 3, ‘Legal Proceedings’ for details of these proceedings.

Waste USA. The Waste USA landfill is located in Coventry, Vermont and serves the northern two-thirds of Vermont.

Clinton County. The Clinton County landfill, located in Schuyler Falls, New York, is leased by the Company from Clinton County, New York pursuant to a 25-year capital lease which expires in 2021. Under the lease, the Company is generally obligated to expand the landfill at its own cost. Under the terms of the lease, the Clinton County landfill cannot receive waste from certain geographic regions in New York. The facility has a permitted capacity of 140,000 tons per year. Under the lease, the Company is responsible for operating the landfill in compliance with all applicable environmental laws, including without limitation, possessing and complying with all necessary permits and licenses. The Company must indemnify the County for all liabilities resulting from any violations of those laws (exclusive of violations based on pre-existing conditions, which remain the responsibility of the County and with respect to which the County indemnifies the Company). In addition, the Company is responsible for the composition of waste deposited at the landfill during the lease term, regardless of the Company’s knowledge or monitoring efforts. The lease gives the Company full physical and managerial control over an unlined landfill on the site, which was operated by the Company from July 1996 through July 1997, while the lined landfill was under construction. Clinton County has agreed to indemnify the Company for environmental liabilities arising from the unlined landfill prior to its operation by the Company. The Company was responsible for the closure of the unlined landfill, and post-closure care is the responsibility of the County. The Company completed the closure and capping activities at this landfill in September 1997. The Company is also responsible for performing certain cleanup work with respect to the unlined landfill and has agreed to absorb the resulting costs subject to satisfactory construction of the lined portion. The Company is responsible for both closure and post-closure care with respect to the lined landfill upon exhaustion of the corresponding airspace.

Hyland. The Hyland landfill, located in Angelica, New York in Allegany County, serves the Company’s Western Region. The Town of Angelica has adopted a local ordinance seeking to restrict the manner in which the Company may operate or expand this facility. For a full explanation, see Part I, Item 3, "Legal Proceedings".

Hakes. This facility is located in Campbell, New York. The first cell of this facility is currently under construction and is projected to be open in September 1999.

Portland. This facility, acquired on April 30, 1999 as part of the Westfield Disposal merger, is located in Portland, New York. The facility is currently under construction and is projected to re-open in October 1999.

The Company also owns and/or operated five unlined landfills, which are not currently in operation. All of these landfills have been closed and environmentally capped by the Company. One of the unlined landfills, a municipal landfill which is adjacent to the Subtitle D Clinton County landfill being operated by the Company, was operated by the Company from July 1996 through July 1997. The Company completed the closure and capping activities at this landfill in September 1997, and is indemnified by Clinton County for environmental liabilities arising from such landfill prior to the Company’s operation.

The Company regularly monitors the available permitted in-place disposal capacity at each of its landfills and evaluates whether to seek to expand this capacity. In making this evaluation, the Company considers various factors, including the volume of solid waste projected to be disposed of at the landfill, the size of the unpermitted capacity included in the landfill, the likelihood that the Company will be successful in obtaining the approvals and permits required for the expansion and the costs that would be involved in developing the expanded capacity. The Company also considers on an ongoing basis the extent to which it is advisable, in light of changing market conditions and/or regulatory requirements, to seek to expand or change the permitted waste streams at a particular landfill or to seek other permit modifications.

The permitting process is lengthy, difficult and expensive, and is subject to substantial uncertainty and there can be no assurance that any such permits or expansion requests will be granted. Often, even when permits are granted, they are not granted until the landfill's remaining capacity is very low. There can be no assurance that the Company will be able to add additional disposal capacity when needed or, if added, that such capacity can be added on satisfactory terms or at its landfills where expansion is most immediately needed. If the Company is not able to add additional disposal capacity when and where needed, it may need to dispose of its collected waste at its other landfills or at landfills owned by others. Such a circumstance could have a material adverse effect on the Company’s business, financial condition and results of operations.

Once the permitted capacity of a particular landfill is reached, the landfill must be closed and capped if additional capacity is not authorized. The Company establishes reserves for the estimated costs associated with such closure and post-closure costs over the anticipated useful life of such landfill.

solid waste collection

The Company's 38 solid waste collection divisions served over 500,000 commercial, industrial and residential customers at July 15, 1999. During fiscal 1999, approximately 49% of the solid waste collected by the Company was delivered for disposal at its landfills. The Company's collection operations are generally conducted within a 125-mile radius of its landfills. A majority of the Company's 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. The Company's residential collection and disposal services are performed either on a subscription basis (i.e., with no underlying contract) with individuals, or under contracts with municipalities, homeowners associations, apartment owners or mobile home park operators.

transfer station services

The Company operated 51 transfer stations as of July 15, 1999, of which 31 were owned by the Company and 20 were operated under contracts with municipalities. The transfer stations receive, compact and transfer solid waste collected primarily from the Company's various collection operations to larger Company-owned vehicles for transport to landfills. The Company believes that transfer stations benefit the Company by: (i) increasing the size of the waste shed which has access to the Company's landfills; (ii) reducing costs by improving utilization of collection personnel and equipment; and (iii) building relationships with municipalities that may lead to future business opportunities, including privatization of the municipality's waste management services.

recycling services

The Company has sought to position itself to provide recycling services to customers who are willing to pay for the cost of the recycling service. Depending on the terms of the individual customer contracts and the level of recovered material commodity prices, the proceeds generated from reselling the recycled materials are occasionally shared between the Company and its customers. In addition, the Company has adopted a pricing strategy of charging collection and processing fees for recycling volume collected from its customers. By structuring its recycling service program in this way, the Company has sought to reduce its exposure to commodity price risk with respect to the recycled materials.

As of July 15, 1999 the Company operated 16 recycling processing facilities. The Company processes more than 20 classes of recyclable materials originating from the municipal solid waste stream, including cardboard, office paper, containers and bottles. The Company's recycling operations are concentrated principally in Vermont, as the public sector in other states in the Company's service area has generally taken primary responsibility for recycling efforts. At July 15, 1999, the Company employed one commodity sales manager to develop end markets, and had 80 employees in the recycling facilities to support the processing of approximately 70,000 tons of recyclable materials annually.

waste tire processing and other services

The Company's waste tire processing facility, located in Eliot, Maine, has the capacity to process approximately 3.5 million tires per year and generates tire derived fuel, which the Company sells to paper mills for consumption as a supplemental energy source for boiler fuel. In June 1997, the Company was selected by the State of Maine to process an estimated 2.5 million tires over an 18-month period. Because of continuing losses in the Company's waste tire processing facility, in the fourth quarter of fiscal 1998 the Company wrote-down the carrying value of the tire processing facility in the amount of $971,000. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 2(j) of Notes to Consolidated Financial Statements.

The Company's other services include two septic/liquid waste operations, located in the Company's Central Region.

competition

The solid waste services industry is highly competitive, undergoing a period of consolidation, and requires substantial labor and capital resources. The Company competes with numerous solid waste management companies, many of which are significantly larger and have greater access to capital and greater financial, marketing or technical resources than the Company. Certain of the Company's competitors are large national companies that may be able to achieve greater economies of scale than the Company. The Company also competes with a number of regional and local companies. In addition, the Company competes 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 the Company due to the availability of user fees, charges or tax revenues and the greater availability to them of tax-exempt financing. In addition, recycling and other waste reduction programs may reduce the volume of waste deposited in landfills.

The Company competes for collection and disposal volume primarily on the basis of the price and quality of its 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 the Company's services or the loss of business. Competition exists within the industry not only for collection, transportation and disposal volume, but also for acquisition candidates. The Company generally competes for acquisition candidates with publicly owned regional and national waste management companies.

marketing and sales

The Company has a coordinated marketing and sales strategy which is formulated at the corporate level and implemented at the divisional level. The Company markets its services locally through division managers and direct sales representatives who focus on commercial, industrial, municipal and residential customers. As of July 15, 1999, the Company had 35 division managers, 3 sales managers and 42 direct sales representatives. The Company also obtains new customers from referral sources, its general reputation and local market print advertising. Leads are also developed from new building permits, business licenses and other public records. Additionally, each division generally advertises in the yellow pages and other local business print media that cover its service area.

Maintenance of a local presence and identity is an important aspect of the Company's marketing plan, and many of the Company's managers are involved in local governmental, civic and business organizations. The Company's name and logo, or, where appropriate, that of the Company's divisional operations, are displayed on all Company containers and trucks. Additionally, the Company attends and makes presentations at municipal and state conferences and advertises in governmental associations' membership publications.

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

employees

At July 15, 1999, the Company employed approximately 1,401 full-time employees, including approximately 115 professionals or managers, approximately 1,076 employees involved in collection, transfer and disposal operations, and approximately 210 sales, clerical, data processing or other administrative employees.

On October 30, 1998, the Company merged with Waste Stream (see 'Recent Developments') . Prior to the merger the employees of Waste Stream's Malone, New York location had voted in favor of representation by Chauffeurs, Teamsters, Warehousemen and Helpers Union ('Teamsters') Local #687, but at that time they did not have an approved, ratified contract with Waste Stream. Negotiations between the represented employees and the Company are ongoing.

On May 11, 1999 a petition for representation was filed with the National Labor Relations Board by Teamsters Local #597 on Casella Transportation, Inc. On June 25, 1999 the employees of Casella Transportation, Inc. rejected the measure to select union representation.

On July 1, 1999 the Company acquired Resource Waste Systems, Inc. The drivers at Resource Waste Systems, Inc. are represented by the National Industries Union Local #88 and the Teamsters Local #379.

Through a labor utilization agreement, the Company utilizes the services of Clinton County employees at the Clinton County landfill. The Clinton County employees are represented by a labor union.

The Company is aware of no other organizational efforts among its employees. The Company believes that its relations with its employees are good.

risk management, insurance and performance or surety bonds

The Company actively maintains environmental and other risk management programs which it believes are appropriate for its business. The Company's environmental risk management program includes evaluating existing facilities, as well as potential acquisitions, for environmental law compliance and operating procedures. The Company also maintains a worker safety program which encourages safe practices in the workplace. Operating practices at all Company operations are intended to reduce the possibility of environmental contamination and litigation.

The Company carries a range of insurance intended to protect its assets and operations, including a commercial general liability policy and a property damage policy. A partially or completely uninsured claim against the Company (including liabilities associated with cleanup or remediation at its own facilities) if successful and of sufficient magnitude, could have a material adverse effect on the

Company's business, financial condition and results of operations. Any future difficulty in obtaining insurance could also impair the Company's ability to secure future contracts, which may be conditioned upon the availability of adequate insurance coverage.

Effective July 1, 1999, the Company has established a Captive Insurance Company, 'Casella Insurance Company', through which it is self-insured for Workman's Compensation coverage. The Company's maximum exposure under this plan is $250,000 per individual event, $2.7 million total, after which reinsurance takes effect and limits the Company's exposure. Municipal solid waste collection contracts and landfill closure obligations may require performance or surety bonds, letters of credit or other means of financial assurance to secure contractual performance. The Company has not experienced difficulty in obtaining performance or surety bonds or letters of credit. If the Company were unable to obtain performance or surety bonds or letters of credit in sufficient amounts or at acceptable rates, it may be precluded from entering into additional municipal solid waste collection contracts or obtaining or retaining landfill operating permits.

REGULATION

introduction

The Company is subject to extensive and evolving Federal, state and local environmental laws and regulations which have become increasingly stringent in recent years. The environmental regulations affecting the Company are administered by the EPA and other Federal, state and local environmental, zoning, health and safety agencies. The Company believes that it is currently in substantial compliance with applicable Federal, state and local environmental laws, permits, orders and regulations, and it does not currently anticipate any material environmental costs to bring its operations into compliance (although there can be no assurance in this regard). The Company anticipates there will continue to be increased regulation, legislation and regulatory enforcement actions related to the solid waste services industry. As a result, the Company attempts to anticipate future regulatory requirements and to plan accordingly to remain in compliance with the regulatory framework.

In order to transport solid waste, it is necessary for the Company to possess and comply with one or more permits from state or local agencies. These permits also must be periodically renewed and may be modified or revoked by the issuing agency.

The principal Federal, state and local statutes and regulations applicable to the Company's various operations are as follows:

the resource conservation and recovery act of 1976 ("RCRA")

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

Among the wastes that are specifically designated as nonhazardous are household waste and "special" waste, including items such as petroleum contaminated soils, asbestos, foundry sand, shredder fluff and most nonhazardous 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. The 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 such material is treated, stored or disposed. 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. Some state regulations impose different, additional obligations.

The Company is currently not involved with transportation or disposal of hazardous substances (as defined in CERCLA) in concentrations or volumes that would classify those materials as hazardous wastes. However, the Company has transported hazardous substances in the past and very likely will remain involved with hazardous substance transportation and disposal in the future to the extent that materials defined as hazardous substances under CERCLA are present in consumer goods and in the waste streams of its customers.

In October 1991, the EPA adopted the Subtitle D Regulations governing solid waste landfills. The Subtitle D Regulations, which generally became effective in October 1993, include location restrictions, facility design standards, operating criteria, closure and post-closure requirements, financial assurance requirements, groundwater monitoring requirements, groundwater remediation standards and corrective action requirements. In addition, the Subtitle D Regulations require that new landfill sites meet more

stringent liner design criteria (typically, composite soil and synthetic liners or two or more synthetic liners) intended to keep leachate out of groundwater and have extensive collection systems to carry away leachate for treatment prior to disposal. Groundwater monitoring wells must also be installed at virtually all landfills to monitor groundwater quality and, indirectly, the effectiveness of the leachate collection system. The Subtitle D Regulations also require, where certain regulatory thresholds are exceeded, that facility owners or operators control emissions of methane gas generated at landfills in a manner intended to protect human health and the environment. Each state is required to revise its landfill regulations to meet these requirements or such requirements will be automatically imposed by the EPA upon landfill owners and operators in that state. Each state is also required to adopt and implement a permit program or other appropriate system to ensure that landfills within the state comply with the Subtitle D Regulations criteria. Various states in which the Company operates or in which it may operate in the future have adopted regulations or programs as stringent as, or more stringent than, the Subtitle D Regulations.

the federal water pollution control act of 1972

The Federal Water Pollution Control Act of 1972, as amended ("Clean Water Act"), regulates the discharge of pollutants from a variety of sources, including solid waste disposal sites and transfer stations, into waters of the United States. If run-off from the Company's transfer stations or if run-off or collected leachate from the Company's owned or operated landfills is discharged into streams, rivers or other surface waters, the Clean Water Act would require the Company to apply for and obtain a discharge permit, conduct sampling and monitoring and, under certain circumstances, reduce the quantity of pollutants in such discharge. Also, virtually all landfills are required to comply with the EPA's storm water regulations issued in November 1990, which are designed to prevent contaminated landfill storm water runoff from flowing into surface waters. The Company believes that its facilities are in compliance in all material respects with Clean Water Act requirements.

the comprehensive environmental response, compensation, and liability act of 1980

CERCLA established a regulatory and remedial program intended to provide for the investigation and cleanup of facilities where or from which a release of any hazardous substance into the environment has occurred or is threatened. CERCLA's primary mechanism for remedying such problems is to impose strict joint and several liability for cleanup of facilities on current owners and operators of the site, former owners and operators of the site at the time of the disposal of the hazardous substances, as well as the generators of the hazardous substances and the transporters who arranged for disposal or transportation of the hazardous substances. In addition, CERCLA also imposes liability for the cost of evaluating and remedying any damage done 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 also be founded upon the existence of even very small amounts of the 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, Clear Air Act and Toxic Substances Control Act. If the Company were found to be a responsible party for a CERCLA cleanup, the enforcing agency could hold the Company, or any other generator, transporter or the owner or operator of the contaminated facility, responsible for all investigative and remedial costs even if others may also be liable. CERCLA also authorizes the imposition of 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 shares of investigative and remedial costs. The Company's ability to get others to reimburse it for their allocable shares of such costs would be limited by the Company's ability to find other responsible parties and prove the extent of their responsibility and by the financial resources of such other parties.

the 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 of the landfill construction and volume per year of emissions of regulated pollutants. The EPA has promulgated new source performance standards regulating air emissions of certain regulated pollutants (methane and non-methane organic compounds) from municipal solid waste landfills. Landfills located in areas that do not comply with certain requirements of the Clean Air Act 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.

All of the Federal statutes described above contain provisions authorizing, under certain circumstances, the institution of lawsuits by private citizens to enforce the 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 parties successfully advancing such an action.

the occupational safety and health act of 1970 ("OSHA")

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

state and local regulations

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

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

In addition, 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 held unconstitutional, and therefore invalid, a local ordinance that sought to impose flow controls on taking waste out of the locality. However, certain state and local jurisdictions continue to seek to enforce such restrictions and, in certain cases, the Company may elect not to challenge such restrictions. In addition, the aforementioned proposed Federal legislation would allow states and localities to impose certain flow control restrictions. These restrictions could reduce the volume of waste going to landfills in certain areas, which may materially adversely affect the Company's ability to operate its landfills and/or affect the prices that can be charged for landfill disposal services. These restrictions may also result in higher disposal costs for the Company's collection operations. If the Company were unable to pass such higher costs through to its customers, the Company's business, financial condition and results of operations could be materially adversely affected.

There has been an increasing trend at the Federal, state and local levels to mandate or encourage both waste reduction at the source and waste recycling, and to prohibit or restrict the disposal in landfills of certain types of solid wastes, such as yard wastes, leaves and tires. The enactment of regulations reducing the volume and types of wastes available for transport to and disposal in landfills could affect the Company's ability to operate its landfill facilities.

executive officers and other key employees of the company

THE EXECUTIVE OFFICERS AND OTHER KEY EMPLOYEES OF THE COMPANY, THEIR POSITIONS, AND THEIR AGES AS OF JULY 15, 1999 ARE AS FOLLOWS:

NAME	AGE	POSITION
EXECUTIVE OFFICERS		
John W. Casella	**48**	**President, Chief Executive Officer, Chairman of the Board of Directors and Secretary**
Douglas R. Casella	**43**	**Vice Chairman of the Board of Directors**
James W. Bohlig	**53**	**Senior Vice President and Chief Operating Officer, Director**
Jerry S. Cifor	**38**	**Senior Vice President and Chief Financial Officer, Treasurer**
OTHER KEY EMPLOYEES		
Michael P. Barrett	**45**	**Vice President, Transportation, Liquid Waste and Recycling**
Christopher M. DesRoches	**41**	**Vice President, Sales and Marketing**
Joseph S. Fusco	**35**	**Vice President, Communications**
James M. Hiltner	**35**	**Regional Vice President**
Michael Holmes	**44**	**Regional Vice President**
Larry B. Lackey	**38**	**Vice President, Permits, Compliance and Engineering**
Alan N. Sabino	**39**	**Regional Vice President**
Gary Simmons	**49**	**Vice President, Fleet Management**

John W. Casella has served as President, Chief Executive Officer and Chairman of the Board of Directors of the Company since 1993, and has been Chairman of the Board of Directors of Casella Waste Management, Inc. since 1977. Mr. Casella has actively supervised all aspects of Company operations since 1976, sets overall corporate policies, and serves as chief strategic planner of corporate development. Mr. Casella is also an executive officer and director of Casella Construction, 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 Governor of Vermont on solid waste issues. Mr. Casella was an executive officer and director of Meridian Group, Inc. 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.

Douglas R. Casella founded Casella Waste Management, Inc. in 1975, and has been a director of that company since that time. He has served as Vice Chairman of the Board of Directors of the Company since 1993 and has been President of Casella Waste Management, Inc. since 1975. Since 1989, Mr. Casella has been President of Casella Construction, a company owned by Mr. Casella and John W. Casella which specializes in general contracting, soil excavation and related heavy equipment work. Mr. Casella attended the University of Wisconsin's College of Engineering continuing education programs in sanitary landfill design, ground water remediation, landfill gas and leachate management and geosynthetics. Mr. Casella is the brother of John W. Casella.

James W. Bohlig joined the Company as Senior Vice President and Chief Operating Officer in 1993 with primary responsibility for business development, acquisitions and operations. Mr. Bohlig has served as a director of the Company since 1993. From 1989 until he joined the Company, Mr. Bohlig was Executive Vice President and Chief Operating Officer of Russell Corporation, a general contractor and developer based in Rutland, Vermont. In addition, Mr. Bohlig was the President and a director of Meridian Group, Inc. Mr. Bohlig is a licensed professional engineer. Mr. Bohlig holds a Bachelor of Science in Engineering and Chemistry from the U.S. Naval Academy, and is a graduate of the Columbia University Management Program in Business Administration.

Jerry S. Cifor joined the Company as Chief Financial Officer in January 1994. From 1992 to 1993, Mr. Cifor was Vice President and Chief Financial Officer of Earthwatch Waste Systems, a waste management company based in Buffalo, New York. From 1986 to 1991, Mr. Cifor was employed by Waste Management of North America, Inc., a waste management company, in a number of financial and operational management positions. Mr. Cifor is a certified public accountant and was with KPMG Peat Marwick from 1983 until 1986. Mr. Cifor is a graduate of Hillsdale College with a Bachelor of Arts in Accounting.

Michael P. Barrett has served as Vice President, Transportation and Recycling of the Company since January 1997. In 1998 Mr. Barrett became Vice President of Liquid Waste Services. From June 1991 to January 1997, Mr. Barrett served as the Company's Division Manager for Transfer Stations, Recycling and Rutland Hauling.

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

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

James M. Hiltner has served as Regional Vice President of the Company since March 1998. From 1990 to March 1998, Mr. Hiltner was employed by Waste Management, Inc. as a region president (July 1996 through March 1998), where his responsibilities included overseeing that company's waste management operations in upstate New York and northwestern Pennsylvania, a division president (from April 1992 through July 1996) and a general manager (from November 1990 through April 1992.)

Michael Holmes has served as a Regional Vice President of the Company since January 1997. From November 1995 to January 1997, Mr. Holmes was Vice President of Superior Disposal Services, Inc., which was acquired by the Company in January 1997. From November 1993 to November 1995, he was Superintendent of Recycling and Solid Waste for the town of Weston, Massachusetts Solid Waste Department where he managed all aspects of the town's recycling and solid waste services. From June 1983 to October 1992, he served as the Division Manager of all divisions in the Binghamton, N.Y. area and the Boston, Massachusetts area for Laidlaw Waste Services, Inc. Mr. Holmes is a graduate of Broome Community College.

Larry B. Lackey joined the Company in 1993 and has served as Vice President, Permits, Compliance and Engineering since 1995. From 1984 to 1993, Mr. Lackey was an Associate Engineer for Dufresne-Henry, Inc., an engineering consulting firm. Mr. Lackey is a graduate of Vermont Technical College.

Alan N. Sabino has served as Regional Vice President of the Company since July 1996. From 1995 to July 1996, Mr. Sabino served as a Division President for Waste Management, Inc. From 1989 to 1994, he served as Region Operations Manager for Chambers Development Company, Inc., a waste management company. Mr. Sabino is a graduate of Pennsylvania State University.

Gary Simmons joined the Company in May 1997 as Vice President, Fleet Management. From 1995 to May 1997, Mr. Simmons served as National and Regional Fleet Service Manager for USA Waste Services, Inc., a waste management company. From 1977 to 1995, Mr. Simmons served in various fleet maintenance and management positions for Chambers Development Company, Inc.

ITEM 2. PROPERTIES

The principal fixed assets used by the Company in connection with its landfill operations are its landfills which are described in Item 1.

Other than the landfills, the principal fixed assets used by the Company in its solid waste collection and landfill operations included, at July 15, 1999, approximately 1,402 collection vehicles, 195 pieces of heavy equipment and 261 support vehicles. At July 15, 1999, transfer station operations included 51 transfer stations, 31 of which are owned and 20 of which are leased and/or operated under agreements expiring between 1999 and 2021.

At July 15, 1999, the Company utilized 16 recycling facilities in its service areas, of which seven are owned and nine are leased and/or operated under agreements expiring between 1999 and 2021.

The Company owns and operates a 46-acre tire processing facility located in Eliot, Maine, consisting of storage facilities, tire shredding machines and a scale and receiving area. The Company's facility in Rutland, Vermont, consisting of approximately 10,000 square feet utilized for the Company's headquarters, and its solid waste collection, maintenance and septic hauling facility located in Montpelier, Vermont, consisting of an aggregate of approximately 24,000 square feet, are leased from Casella Associates, a company owned by John and Douglas Casella.

ITEM 3. LEGAL PROCEEDINGS

legal proceedings

On or about October 30, 1997, Mr. Matthew M. Freeman commenced a civil lawsuit against the Company and two of the Company's officers and directors in the Rutland Superior Court, Rutland County, State of Vermont. In the Complaint, Mr. Freeman seeks compensation for services allegedly performed by him prior to 1995. Mr. Freeman is seeking a three-percent equity interest in the Company or the monetary equivalent thereof, as well as punitive damages. The Company and the officers and directors have answered the Complaint, denied Mr. Freeman's allegations of wrongdoing, and asserted various defenses. In order to facilitate the completion of the initial public offering of the Company's Class A Common Stock in November, 1997, certain stockholders of the Company agreed to indemnify the Company for any settlement by the Company or any award against the Company in excess of $350,000 (but not legal fees paid by or on behalf of the Company or any other third party). The Company accrued a $215,000 reserve for this claim during the year ended April 30, 1998.

On May 12, 1998, the Company filed suit in New York Supreme Court, Allegany County against the Town of Angelica, New York seeking a temporary restraining order and preliminary injunctive relief against the Town's enforcement of a recently-enacted local law which would prohibit the expansion of the Hyland landfill, would require the landfill and the operator thereof to receive an additional permit from the Town of Angelica to continue to operate, would prevent the disposal of yard waste, may preclude the disposal of certain types of industrial waste and would impose certain other restrictions on the landfill. A temporary restraining order was granted by the court on May 14, 1998 in favor of the Company, and by a decision dated July 13, 1998, the court granted the Company's motion for a preliminary injunction. On September 9, 1998, the Town of Angelica filed a Notice of Appeal but has not yet perfected that appeal. If the Company is not successful in its lawsuit, and if the Town of Angelica seeks to enforce the law by its terms, then the Company would be required to obtain an additional permit from the Town of Angelica to operate the Hyland landfill, the expansion of the landfill beyond the current permitted capacity would be prohibited, and the Company would be unable to dispose of yard waste and may be precluded from disposing of certain industrial wastes at the landfill. There can be no assurance that such limitations would not have a material adverse effect on the Company's business, financial condition and results of operations. The Company began accepting waste at the Hyland facility on July 22, 1998, and is in active settlement negotiations with the town.

The Company's wholly-owned subsidiary, North Country Environmental Services, Inc. ("NCES"), is a party to consolidated civil actions (Case No.'s. 98-E-141 and 98-E-151) against the Town of Bethlehem, New Hampshire (the "Town"), before the Grafton Superior Court in North Haverhill, New Hampshire. On October 16, 1998, NCES commenced an action for declaratory relief against the Town seeking, on a variety of grounds, to invalidate a Town zoning ordinance which purports to prohibit the expansion of NCES's landfill beyond its currently permitted capacity. The Town has taken the position that NCES may not expand the landfill beyond Stage II, Phase I, which has reached capacity. NCES sought a declaration that it requires no further approvals from the Town to expand the landfill throughout its 87-acre parcel and that certain financial exactions imposed by a 1986 Town land-use approval are invalid. In the alternative, NCES sought compensation under state law for the inverse condemnation of its property.

On October 23, 1998, the Town filed a petition for injunctive and declaratory relief against NCES. The Town's petition sought to enjoin NCES's construction of Stage II, Phase II of the landfill and to prevent any further expansion as violative of the above-noted Town zoning ordinance. The construction of Stage II, Phase II was proceeding at that time pursuant to a construction permit issued by the New Hampshire Department of Environmental Services (NHDES) on September 15, 1998. On October 30, 1998, the court entered a preliminary injunction requiring NCES to suspend construction of Stage II, Phase II. When the Town failed to post an injunction bond, however, the court permitted NCES to complete and cover the liner system in Stage II, Phase II, before the onset of winter.

On November 30, 1998, NCES and the Town proceeded to trial on eight of NCES's eleven claims for relief and on the Town's claims for permanent injunctive and declaratory relief. Earlier, the remaining three NCES claims were bifurcated for later trial, if needed. On the day of trial, the Town filed two counterclaims seeking to establish the lawfulness of the financial exactions challenged by NCES's October 16, 1998 petition.

The Grafton Superior Court issued its order on NCES's first eight claims and the Town's request for a permanent injunction and declaratory relief on February 1, 1999. The court declined to decide whether the Town's zoning ordinance is valid; rather, the court held that NCES had appropriated a 51-acre tract of land comprised of a 10-acre and a 41-acre parcel for landfilling purposes. Stage II, Phase II is within the 51-acre tract. The court also found that NCES had obtained permission to operate its landfill facility on this 51-acre tract prior to the enactment of the challenged zoning ordinance and held that the ordinance did not apply to NCES's operation of its landfill facility on this tract. Consequently, the court held that the Town lacked authority to enforce the zoning ordinance against NCES with respect to the 51-acre tract and denied the Town's petition in its entirety. The court did not decide the validity of the zoning ordinance as it relates to 36 acres adjoining the 51-acre tract after finding that NCES had not demonstrated a present intent to develop this property for landfilling. Consequently, NCES's ability to use this 36 acres for landfilling remains unresolved.

On February 10, 1999, the Town moved the Grafton Superior Court to clarify and reconsider its order. On March 22, 1999, the court denied reconsideration but offered some clarification which did not result in any substantive change in its earlier order. On April 20, 1999, the Town filed a notice of appeal with the New Hampshire Supreme Court seeking review of the superior court's order. NCES filed a notice of cross-appeal on April 29, 1999.

Concurrently, on March 24, 1999, a special interest group, Environmental Action for Northern New Hampshire, Inc. ("EANNH") sought to intervene before the superior court. The reason EANNH gave for seeking intervention was to introduce evidence which it claimed showed that there were size limitations on the landfill implicit in the land-use approvals obtained by NCES's predecessors in 1976 and 1986. The superior court denied EANNH intervention on April 22, 1999, and on May 24, 1999, EANNH appealed the denial of intervention to the New Hampshire Supreme Court.

The Town's notice of appeal centers on its argument that there were implied limitations upon the size of the landfill that could be operated by NCES and its predecessors under the land-use approvals granted by the Town in 1976 and 1986. NCES's cross-appeal seeks a determination that it has all local approvals necessary to landfill throughout the entire 87-acre parcel, that the Town's restrictive zoning ordinance is unlawful for several reasons, and that the Town's attempted enforcement of the zoning ordinance was in bad faith, entitling NCES to its attorney's fees.

The New Hampshire Supreme Court has yet to accept any of the appeals. NCES has filed a motion for summary disposition of EANNH's appeal, but there has yet to be a ruling on that motion. NCES has also learned that a second special interest group, AWARE, Inc., intends to seek AMICUS CURIAE status so it may submit briefs to the Supreme Court in support of the Town's appeal.

The sole issue remaining before the superior court is the lawfulness of the financial exactions imposed in 1986 by the Town as a condition of land-use approval. These exactions consist of a discounted tipping fee for Town solid waste and a per-ton payment to the Town for all solid waste originating from outside the Town and deposited at the landfill. NCES stopped complying with the exactions in October of 1998. NCES and the Town have filed cross-motions for summary judgment respecting the enforceability of the exactions and are awaiting a ruling. Whatever the court's decision, NCES expects an appeal.

In a separate but related matter, the Waste Management Division of NHDES ("WMD") issued operating approval to NCES for Stage II, Phase II of the landfill on March 25, 1999. NCES has been landfilling in Stage II, Phase II since that time. On April 23, 1999, EANNH appealed the operating approval to the Waste Management Council, an appellate administrative body with jurisdiction to review certain decisions of the WMD. EANNH has contended on its appeal that the operating approval should be suspended because the superior court's order in NCES's favor is on appeal and hence not final. EANNH has also argued that NCES misled the WMD into issuing the operating approval by certifying that it had all local approvals necessary to operate Stage II, Phase II when the order establishing this proposition was on appeal.

NCES has filed a motion to dismiss EANNH's appeal to the Waste Management Council on the ground that the Council lacks jurisdiction over the appeal and that EANNH lacks standing to assert it. The Office of the Attorney General of the State of New Hampshire has joined in that motion. In the alternative, NCES has sought a stay of the Council proceedings pending the outcome of the Supreme Court appeal. EANNH has agreed to a stay provided there is a suspension of the operating approval during the pendency of the Supreme Court appeal. NCES has objected to any such suspension.

The Company offers no prediction of the outcome of any of the proceedings described above.

In addition to the foregoing, the Company may periodically become subject to various judicial and administrative proceedings involving Federal, state or local agencies in the normal course of its business and as a result of the extensive governmental regulation of the waste industry. In these proceedings, an agency may seek to impose fines on the Company or to revoke, or to deny renewal of, an operating permit held by the Company. In addition, the Company may become party to various claims and suits pending for alleged damages to persons and property, alleged violation of certain laws and for alleged liabilities arising out of matters occurring during the normal operation of the waste management business. However, there is no current proceeding or litigation involving the Company that it believes will have a material adverse effect upon the Company's business, financial condition and results of operations.

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

There were no matters submitted to a vote of the security holders during the fiscal quarter ended April 30, 1999.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The Company's Class A Common Stock began trading on the Nasdaq National Market under the symbol "CWST" on October 29, 1997. Prior to such date, there was no established public trading market for the Company's Class A Common Stock. The following table sets forth the high and low sale prices of the Company's Class A Common Stock for the periods indicated as quoted on the Nasdaq National Market.

PERIOD	HIGH	LOW
FISCAL 1998		
Second quarter (commencing October 29, 1997)	**$ 22.75**	**$ 20.25**
Third quarter	**$ 26.375**	**$ 19.00**
Fourth quarter	**$ 34.00**	**$ 23.75**
FISCAL 1999		
First quarter	**$ 30.75**	**$ 24.375**
Second quarter	**$ 34.00**	**$ 24.00**
Third quarter	**$ 39.00**	**$ 24.625**
Fourth quarter	**$ 26.625**	**$ 17.25**
FISCAL 2000		
First quarter (through July 15, 1999)	**$ 26.50**	**$ 19.0625**

On July 15, 1999, the high and low sale prices per share of the Company's Class A Common Stock as quoted on the Nasdaq National Market were $26.0625 and $25.50, respectively. As of July 15, 1999 there were approximately 221 holders of record of the Company's Class A Common Stock and two holders of record of the Company's Class B Common Stock.

The closing price for the Class A Common Stock on July 15, 1999 was $26.00. For purposes of calculating the aggregate market value of the shares of common stock of the Company held by nonaffiliates, as shown on the cover page of this report, it has been assumed that all the outstanding shares were held by nonaffiliates except for the shares held by directors and executive officers of the Company. However, this should not be deemed to constitute an admission that all such persons are, in fact, affiliates of the Company, or that there are not other persons who may be deemed to be affiliates of the Company.

No dividends have ever been declared or paid on the Company's capital stock and the Company does not anticipate paying any cash dividends on the Common Stock in the foreseeable future. The Company's credit facility restricts the payment of dividends.

sales of unregistered securities

No unregistered securities of the Company were sold by the Company during the fiscal year ended April 30, 1999 that were not previously reported by the Company in its quarterly reports on Form 10-Q.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

The following selected consolidated financial and operating data set forth below with respect to the Company's consolidated statements of operations and cash flows for the fiscal years ended April 30, 1997, 1998 and 1999, and the consolidated balance sheets as of April 30, 1998 and 1999 are derived from the Company's consolidated financial statements included elsewhere in this Annual Report. The consolidated statements of operations and cash flows data for the fiscal years ended April 30, 1995 and 1996 and the consolidated balance sheet data as of April 30, 1995, 1996 and 1997 are derived in part from the Company's consolidated financial statements not included in this annual report. The Selected Historical Information presented below, has been restated to reflect mergers completed by the Company during the current fiscal year, in transactions accounted for as poolings of interests as more fully discussed in note(1) below. 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 the Company's Consolidated Financial Statements and Notes thereto included elsewhere in this Annual Report.

casella waste systems, inc.
selected consolidated financial and operating data (In thousands, except per share data)

fiscal year ended april 30, restated (1)

STATEMENT OF OPERATIONS DATA:	1995	1996	1997	1998	1999
Revenues	$ 38,633	$ 58,247	$ 102,545	$ 140,191	$ 173,418
Cost of operations	23,631	35,244	64,654	86,670	99,869
General and administrative	6,065	10,374	16,053	20,495	25,598
Merger-related costs	-	-	0	290	1,951
Depreciation and amortization	6,106	9,180	15,310	19,819	24,836
Loss on impairment of long-lived assets	-	-	0	1,571	0
Operating income	2,831	3,449	6,528	11,346	21,164
Interest expense, net	2,067	3,275	4,928	7,245	4,924
Other expense (income), net	(116)	(103)	847	(334)	(369)
Income (loss) before provision (benefit) for income taxes and extraordinary items	880	277	753	4,435	16,609
Provision (benefit) for income taxes 222	148	680	2,510	7,510	
Extraordinary items, net	-	326	-	-	-
Net income (loss)	$ 658	$ (197)	$ 73	$ 1,925	$ 9,099
Accretion of preferred stock and put warrants	(2,380)	(2,967)	(8,530)	(5,738)	(0)
Net income (loss) applicable to common stockholders	$ (1,722)	$ (3,164)	$ (8,457)	$ (3,813)	$ 9,099
Basic net income (loss) per common share	$ (0.45)	$ (0.75)	$ (1.63)	$ (0.42)	$ 0.62
Basic weighted average common shares outstanding (2)	3,822	4,201	5,185	9,184	14,782
Diluted net income (loss) per common share	$ (0.45)	$ (0.75)	$ (1.63)	$ (0.42)	$ 0.58
Diluted weighted average common shares outstanding (2)	3,822	4,201	5,185	9,184	15,637
Other Operating Data:					
Capital Expenditures	$ 4,590	$ 12,293	$ 20,050	$ 28,126	$ 47,723
Other Data:					
Cash flows from operating activities	$ 6,650	$ 9,826	$ 17,283	$ 21,100	$ 38,069
Cash flows from investing activities	($ 9,347)	($ 29,547)	($ 55,720)	($ 59,973)	($ 88,463)
Cash flows from financing activities	$ 3,178	$ 19,135	$ 39,299	$ 39,300	$ 51,180
Adjusted EBITDA (3)	$ 8,937	$ 12,629	$ 21,838	$ 32,736	$ 46,000
Balance Sheet Data:					
Cash and cash equivalents	$ 1,433	$ 847	$ 2,704	$ 3,131	$ 3,917
Working capital (deficit)	(866)	(1,907)	(4,787)	3,845	7,755
Property and equipment, net	27,215	43,138	74,906	89,582	124,377
Total assets	45,607	72,732	152,298	202,414	270,209
Long-term obligations, less current maturities	22,914	25,909	81,502	81,438	80,013
Redeemable preferred stock	0	22,896	31,426	0	0
Redeemable put warrants (4)	3,142	400	400	0	0
Total stockholders' equity (deficit)	129	(235)	3,325	83,743	150,396

(1) The Company has restated the selected historical financial information for all periods presented to reflect the mergers with Waste Stream and Northern Sanitation, consummated during the year ended April 30, 1999, accounted for as poolings of interests. The Company has restated the selected historical financial information for the fiscal years ended April 30, 1997, 1998 and 1999, to reflect the mergers with NEI and Westfield Disposal, consummated during the year ended April 30, 1999, accounted for as poolings of interests. See Note 3 of the Notes to Consolidated Financial Statements.

(2) Computed on the basis described in Note 2 of Notes to Consolidated Financial Statements.

(3) Adjusted EBITDA is defined as operating income plus depreciation and amortization and loss on impairment of long-lived assets. Adjusted EBITDA does not represent, and should not be considered as, an alternative to net income or cash flows from operating activities, each as determined in accordance with GAAP. Moreover, Adjusted EBITDA does not necessarily indicate whether cash flow will be sufficient for such items as working capital or capital expenditures, or to react to changes in the Company's industry or to the economy generally. The Company believes that adjusted EBITDA is a measure commonly used by lenders and certain investors to evaluate a company's performance in the solid waste industry. The Company also believes that adjusted EBITDA data may help to understand the Company's performance because such data may reflect the Company's ability to generate cash flows, which is an indicator of its ability to satisfy its debt service, capital expenditure and working capital requirements. Because adjusted EBITDA is not calculated by all companies and analysts in the same fashion, the adjusted EBITDA measures presented by the Company may not be comparable to similarly titled measures reported by other companies. Therefore, in evaluating adjusted EBITDA data, investors should consider, among other factors: the non-GAAP nature of adjusted EBITDA data; actual cash flows; the actual availability of funds for debt service; capital expenditures and working capital; and the comparability of the Company's adjusted EBITDA data to similarly-titled measures reported by other companies. For more information about the Company's cash flows, see the Consolidated Statement of Cash Flows in the Company's Consolidated Financial Statements.

(4) Represents warrants to purchase 100,000 shares of Class A Common Stock exercisable at $6.00 per share. Pursuant to the terms of these warrants, in September 1997, warrants to purchase 25,000 shares were exercised by the holder at $6.00 per share, and warrants to purchase 75,000 shares were called by the Company at $7.00 per share.

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

The following discussion of the Company's financial condition and results of operations should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto, and other financial Information included elsewhere in this Annual Report.

overview

The Company is a regional, integrated solid waste services company that provides collection, transfer, disposal and recycling services in Vermont, New Hampshire, Maine, upstate New York, Massachusetts and northern Pennsylvania. The Company's objective is to continue to grow by expanding its services in markets where it can be one of the largest and most profitable fully-integrated solid waste services companies.

The Company's revenues have increased from $38.6 million for the fiscal year ended April 30, 1995, to $173.4 million for the fiscal year ended April 30, 1999. From May 1, 1994 through April 30, 1999, the Company acquired 132 solid waste collection, transfer and disposal operations. Between May 1 and July 15, 1999, the Company acquired an additional nine such businesses. All but six of these acquisitions were accounted for under the purchase method of accounting for business combinations. Under the rules of purchase accounting the acquired companies' revenues and results of operations have been included together with those of Casella Waste Systems, Inc. from the actual dates of the acquisitions and will materially affect the period-to-period comparisons of the Company's historical results of operations. In December 1997 the Company acquired a waste collection and transfer operation in a transaction recorded as a pooling of interests. During the fiscal year ended April 30, 1999 the Company acquired five waste collection, transfer and disposal operations in transactions accounted for as poolings of interest. Under the rules governing poolings of interest, the prior period and year to date financial statements of the Company have been restated for all prior years to reflect the financial position, results of operations and cash flows of the merged entities as if they had been one company for all periods presented in the accompanying financial statements.

This Annual Report and other reports, proxy statements, and other communications to stockholders, as well as oral statements by the Company's officers or its agents, may contain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act, with respect to, among other things, the Company's future revenues, operating income, or earnings per share. Without limiting the foregoing, any statements contained in this Annual Report that are not statements

of historical fact may be deemed to be forward-looking statements, and the words "believes", "anticipates", "plans", "expects", and similar expressions are intended to identify forward-looking statements. There are a number of factors of which the Company is aware that may cause the Company's actual results to vary materially from those forecast or projected in any such forward-looking statement, certain of which are beyond the Company's control. These factors include, without limitation, those outlined below in the section entitled 'Certain Factors That May Affect Future Results'. The Company's failure to successfully address any of these factors could have a material adverse effect on the Company's results of operations.

general

The Company's revenues are attributable primarily to fees charged to customers for solid waste collection, disposal, transfer and recycling services. The Company derives a substantial portion of its collection revenues from commercial, industrial and municipal services that are generally performed under service agreements or pursuant to contracts with municipalities. The majority of the Company's residential collection services are performed on a subscription basis with individual households. Landfill and transfer customers are charged a tipping fee on a per ton basis for disposing of their solid waste at the Company's disposal facilities and transfer stations. The majority of the Company's landfill and transfer customers are under one-year to ten-year disposal contracts, with most having clauses for annual cost of living increases. Recycling revenues consist of revenues from the sale of recyclable commodities and from the sale of tire derived fuel. Other revenues consist primarily of revenue from waste tire tipping fees, and septic/liquid waste operations. The Company's revenues are shown net of intercompany eliminations. The Company typically establishes its intercompany transfer pricing based upon prevailing market rates.

The table below shows, for the periods indicated, the percentage of the Company's revenues attributable to services provided. The increase in the Company's collection revenues as a percentage of revenues in fiscal 1998 and fiscal 1999 is primarily attributable to the impact of the Company's acquisition of collection businesses during these periods, as well as to internal growth through price and business volume increases. The decrease in the Company's landfill revenues and in the Company's transfer revenues as a percentage of revenues in fiscal 1998 and fiscal 1999 is mainly due to a proportionately greater increase in collection and other revenues occurring as the result of acquisitions in those areas; also, as the Company acquires collection businesses from which it previously had derived transfer or disposal revenues, the acquired revenues are recorded by the Company as collection revenues.

% of revenues year ended april 30,	1997	1998	1999
Collection	**76.4%**	**77.7%**	**80.5%**
Landfill	**12.0**	**10.3**	**8.4**
Transfer	**5.1**	**4.9**	**4.6**
Recycling	**5.5**	**5.5**	**5.9**
Other	**1.0**	**1.6**	**0.6**
Total Revenues	**100.0%**	**100.0%**	**100.0%**

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

Depreciation and amortization expense includes depreciation of fixed assets over the estimated useful lives of the assets using the straight line method, amortization of landfill airspace assets under the units-of-production method, and the amortization of goodwill and other intangible assets using the straight line method. The amount of landfill amortization expense related to airspace consumption can vary materially from landfill to landfill depending upon the purchase price and landfill site and cell development costs. The Company depreciates all fixed and intangible assets, excluding non-depreciable land, down to a $0 net book value, and does not apply a salvage value to any of its fixed assets.

Certain direct landfill development costs, such as engineering, permitting, legal, construction and other costs directly associated with expansion of existing landfills, are capitalized by the Company. Additionally, the Company also capitalizes certain third party expenditures related to pending acquisitions, such as legal and engineering. The Company will have material financial obligations

relating to closure and post-closure costs of its existing landfills and any disposal facilities which it may own or operate in the future. The Company has provided and will in the future provide accruals for future financial obligations relating to closure and post-closure costs of its landfills (generally for a term of 30 years after final closure of a landfill) based on engineering estimates of consumption of permitted landfill airspace over the useful life of any such landfill. There can be no assurance that the Company's financial obligations for closure or post-closure costs will not exceed the amount accrued and reserved or amounts otherwise receivable pursuant to trust funds. The Company routinely evaluates all such capitalized costs, and expenses those costs related to projects not likely to be successful. Internal and indirect landfill development and acquisition costs, such as executive and corporate overhead, public relations and other corporate services, are expensed as incurred.

results of operations

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

% of revenue year ended april 30,	1997	1998	1999
Revenues	100.0%	100.0%	100.0%
Cost of operations	63.0	61.8	57.6
General and administrative	15.7	14.6	14.8
Merger related costs	0.0	0.2	1.1
Depreciation and amortization	14.9	14.2	14.3
Loss on impairment of long-lived assets	0.0	1.1	0.0
Operating income	6.4	8.1	12.2
Interest expense, net	4.8	5.1	2.9
Other (income) expenses, net	0.8	(0.2)	(0.2)
Provision for income taxes	0.7	1.8	4.3
Net income (loss)	0.1	1.4	5.2
Adjusted EBITDA*	21.3%	23.4%	26.5%

* See discussion and computation of adjusted EBITDA below.

fiscal year ended april 30, 1999 versus april 30, 1998

Revenues. Revenues increased $33.2 million, or 23.7%, to $173.4 million in fiscal 1999 from $140.2 million in fiscal 1998. Approximately $23.6 million of the increase was attributable to the impact of businesses acquired throughout fiscal 1998 and fiscal 1999. In addition, approximately $9.6 million of the increase was attributable to internal volume and price growth (net of the negative impact of lower average recycled commodity processing in fiscal 1999 compared to fiscal 1998).

Cost of Operations. Cost of operations increased approximately $13.2 million, or 15.2%, to $99.9 million in fiscal 1999 from $86.7 million in fiscal 1998, an increase corresponding primarily to the Company's revenue growth described above. Cost of operations as a percentage of revenues decreased to 57.6% in fiscal 1999 from 61.8% in fiscal 1998. The decrease was primarily the result of: (i) productivity improvements in the Company's collection operations as a result of better route density from acquisitions, routing efficiencies through route audits and front-end loader vehicle conversions completed throughout fiscal 1998 and 1999; (ii) margin improvements because of price increases in fiscal 1998 and 1999 and (iii) higher landfill internalization due to the Hyland landfill becoming operational in July, 1998.

General and Administrative. General and administrative expenses increased approximately $5.1 million, or 24.9%, to $25.6 million in fiscal 1999 from $20.5 million in fiscal 1998. General and administrative expenses as a percentage of revenues increased to 14.8% in fiscal 1999 from 14.6% in fiscal 1998 due primarily to an increase in management information systems spending and public company expenditures for a full year in fiscal 1999 compared to a partial year in fiscal 1998.

Merger-Related Costs. Merger-related costs consists of legal, engineering, accounting and other costs associated with the various poolings of interests consummated during fiscal 1998 and 1999. One such transaction occurred during fiscal 1998 and five occurred fiscal 1999, resulting in an increase of $1.7 million or 573%. Merger-related costs as a percentage of revenue increased from 0.2% in fiscal 1998 to 1.1% in fiscal 1999.

Depreciation and Amortization. Depreciation and amortization expense increased $5.0 million, or 25.3%, to $24.8 million in fiscal 1999 from $19.8 million in fiscal 1998. As a percentage of revenues, depreciation and amortization expense increased to 14.3% in fiscal 1999 from 14.2% in fiscal 1998. The increase in depreciation and amortization expense as a percentage of revenues was primarily the result of: (i) higher rates of disposal internalization due to the opening of the Hyland landfill, (ii) higher landfill volumes in fiscal 1999 compared to fiscal 1998, resulting in higher landfill amortization expense, and (iii) front end loader conversions resulting in double container depreciation charges at certain locations.

Loss on Impairment of Long-Lived Assets. The Company recognized losses on impairment of long-lived assets in the fourth quarter of fiscal 1998 in the amount of $1.6 million. The impairment charges were non-cash charges to write down the assets of the Company's waste tire processing facility in Eliot, Maine and the Grasslands composting facility in Malone, New York to their fair market values as of April 30, 1998.

Interest expense, net. Net interest expense decreased approximately $2.3 million, or 32.0% to $4.9 million in fiscal 1999 from $7.2 million in fiscal 1998. This decrease primarily reflects decreased average indebtedness in fiscal 1999, resulting from debt payoffs following the public stock offerings in October 1997 and July 1998, from the increased use of the Company's Class A common stock in effecting acquisitions, and from improved collections efforts. Days sales in accounts receivable was 45.3 at April 30, 1999 compared to 50.3 at April 30, 1998. The Company capitalized a total of $0.5 million in interest expense in fiscal 1999, compared to a total of $0.1 million in fiscal 1998.

Other (income) expense, net. Net other (income) expense was not material to the Company's results of operations in fiscal 1998 and 1999.

Provision for income taxes. Provision for income taxes increased approximately $5.0 million, or 199.2%, to $7.5 million in fiscal 1999 from $2.5 million in fiscal 1998. This increase reflects the Company's increase in profitability in fiscal 1999 compared to fiscal 1998. Among the factors causing income tax expense as a percentage of pre-tax net income to vary materially from year to year are: (i) the recording of a fixed asset impairment charge in fiscal 1998 which was non-deductible for income tax purposes, and (ii) poolings of interest resulting in prior period restatements of entities not liable for federal income tax due to subchapter S status.

fiscal year ended april 30, 1998 versus april 30, 1997

Revenues. Revenues increased $37.6 million, or 36.7%, to $140.2 million in fiscal 1998 from $102.5 million in fiscal 1997. Approximately $33.4 million of the increase was attributable to the impact of businesses acquired throughout fiscal 1997 and fiscal 1998. In addition, approximately $3.8 million of the increase was attributable to internal volume and price growth. The balance of the increase of approximately $400,000 was due to higher average recyclable commodity prices in fiscal 1998 compared to fiscal 1997.

Cost of operations. Cost of operations increased $22.0 million, or 34.1%, to $86.7 million in fiscal 1998 from $64.7 million in fiscal 1997, an increase corresponding primarily to the Company's revenue growth described above. Cost of operations as a percentage of revenues decreased to 61.8% in fiscal 1998 from 63.0% in fiscal 1997. The decrease was primarily the result of: (i) productivity improvements in the Company's collection operations as a result of better route density from acquisitions, routing efficiencies through route audits and front-end loader vehicle conversions completed throughout fiscal 1998, and (ii) margin improvements because of price increases in fiscal 1998.

General and administrative. General and administrative expenses increased approximately $4.4 million, or 27.7%, to $20.5 million in fiscal 1998 from $16.1 million in fiscal 1997. General and administrative expenses as a percentage of revenues decreased to 14.6% in fiscal 1998 from 15.7% in fiscal 1997 due to improved economies of scale related to the significant increase in revenues, and operating enhancements made to certain acquired operations.

Depreciation and amortization. Depreciation and amortization expense increased approximately $4.5 million, or 29.5%, to $19.8 million in fiscal 1998 compared to $15.3 million in fiscal 1997. As a percentage of revenues, depreciation and amortization expense decreased to 14.2% during fiscal 1998 from 14.9% in fiscal 1997. The decrease in depreciation and amortization expense as a percentage of revenues was primarily the result of an increase in the Company's collection operations as a percentage of total revenues in fiscal 1998, which generally have lower depreciation and amortization expenses than other operations.

Interest expense, net. Net interest expense increased approximately $2.3 million, or 47.0%, to $7.2 million in fiscal 1998 from $4.9 million in fiscal 1997. This increase primarily reflects increased indebtedness incurred in connection with acquisitions and capital expenditures.

Other (income) expense. Other (income) expense has not historically been material to the Company's results of operations. However, during fiscal 1997, the Company established a reserve of $650,000 related to a lawsuit that was settled for $450,000 in the first quarter of fiscal 1998. The Company also paid $200,000 in attorneys' fees in connection with such settlement. Additionally, the Company wrote off $283,000 for recycling facility assets that were deemed to have no value in the year ended April 30, 1997.

Provision for income taxes. Provision for income taxes increased approximately $1.8 million, or 269.1%, to $2.5 million in fiscal 1998 from $680,000 in fiscal 1997. Among the factors causing income tax expense as a percentage of pre-tax net income to vary materially from year to year are: (i) the recording of a fixed asset impairment charge in fiscal 1998 which was non-deductible for income tax purposes and (ii) poolings of interest resulting in prior period restatements of entities not liable for federal income due to subchapter S status.

liquidity and capital resources

The Company's business is capital intensive. The Company's capital requirements include acquisitions, fixed asset purchases and capital expenditures for landfill development, cell construction, and site and cell closure. The Company had positive net working capital of $7.8 million at April 30, 1999 compared to $3.8 million positive net working capital at April 30, 1998.

The Company has a $150 million revolving line of credit with a group of banks for which BankBoston, N.A. is acting as agent. This line of credit is secured by all assets of the Company, including the Company's interest in the equity securities of its subsidiaries. Subject to the following paragraph, this revolving line of credit matures in January, 2003. Funds available to the Company under the line of credit were $78 million at April 30, 1999.

As a result of its announced merger with KTI, the Company is required to obtain a new line of credit within 30 days after the closing of the merger or August 31, 1999, whichever is earlier. The Company is currently seeking a new five-year revolving line of credit of $350 million to $400 million. The syndication of this credit facility was not complete as of July 15, 1999.

In July 1998 the Company completed a follow-on public offering of 2,060,587 shares of its Class A Common Stock at $27.25 per share. In addition, as part of this same offering, 1,470,580 shares of the Company's Class A Common Stock were sold by certain selling shareholders at $27.25 per share. The Company's proceeds of the offering, net of underwriters' discounts and issuance costs were $52,231,490. The proceeds were used for debt reduction, acquisitions and other general corporate purposes.

As part of the July 1998 public stock offering the Company registered an additional 2,000,000 shares of its class A common stock as a 'shelf' registration. The intended use of these additional registered but unissued shares is as an additional source of capital for the Company's acquisition policy. As of April 30, 1999, 990,042 shares of the Company's class A common stock had been issued pursuant to this registration statement.

The Company believes that its cash provided internally from operations together with the Company's available credit facilities and anticipated new credit facility should enable it to meet its needs for working capital for the next twelve months. In addition, the Company also plans to file a new shelf registration statement following the KTI merger for use in connection with its acquisition program.

Net cash provided by operations for the fiscal years ended April 30, 1999 and April 30, 1998 was $38.1 million and $21.1 million, respectively. The increase was primarily due to the increase in the Company's net income for the 1999 fiscal year, together with an increase in depreciation and amortization and an increase in the Company's accrued closure and post closure costs. The increase in the closure/post closure accrual is due to the completion in the 1998 fiscal year of work required to close an unlined cell at the Clinton County landfill and at stage one of the Company's NCES landfill.

Net cash provided by operations in fiscal 1998 increased to $21.1 million from $17.3 million in fiscal 1997 primarily due to increases in net income, depreciation and amortization, asset impairment charges and deferred income tax provisions, offset by decreases in accrued closure/post closure costs and in the Company's working capital.

For fiscal 1999 and fiscal 1998, cash used in investing activities was $88.5 million and $60.0 million, respectively. The increase in investing activities reflects the Company's capital expenditure and capital needs for acquisitions which have increased significantly, reflecting the Company's rapid growth by acquisition and development of revenue producing assets. The Company's cash needs to fund investing activities are expected to increase further as the Company continues to complete acquisitions.

For fiscal 1999 and fiscal 1998, the Company's financing activities provided cash of $51.2 million and $39.3 million, respectively. Net cash provided by financing activities was $39.3 million in the fiscal year ended April 30, 1997. The net cash provided by financing activities in the fiscal years ended April 30, 1999 and 1998 primarily reflects the net proceeds of the public stock offerings and borrowings on the Company's credit facility, offset by repayments. Net cash provided by financing activities in fiscal 1997 reflects primarily bank borrowings and seller subordinated notes, less principal payments on debt.

seasonality

The Company's revenues have historically been lower during the months of November through March. This seasonality reflects the lower volume of waste during the late fall, winter and early spring months primarily because: (i) the volume of waste relating to construction and demolition activities decreases substantially during the winter months in the northeastern United States; and (ii) 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 the winter ski industry. Since certain of the Company's operating and fixed costs remain constant throughout the fiscal year, operating income results are therefore impacted by a similar seasonality. In addition, particularly harsh weather conditions could result in increased operating costs to certain of the Company's operations.

The Company's quarterly revenues and operating results have varied significantly in the past and are likely to vary substantially from quarter to quarter in the future. The Company establishes its expenditure levels based on its expectations as to future revenues, and, if revenue levels are below expectations, expenses can be disproportionately high. Due to a variety of factors including general economic conditions, governmental regulatory action, acquisitions, capital expenditures and other costs related to the expansion of operations and services and pricing changes, it is possible that in some future quarter, the Company's operating results will be below the expectations of public market analysts and investors. In such events, the Company's Class A Common Stock price would likely be materially and adversely affected.

inflation and prevailing economic conditions

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

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

year 2000 issues

The approach of the year 2000 has raised concerns about the ability of information technology systems and non-information technology systems, primarily computer software programs, to properly recognize and process date-sensitive information with respect to the Year 2000.

The Company has undertaken a Year 2000 project, comprised of four phases, to address these concerns. Phase one, which has been completed, consisted of awareness, Year 2000 planning, preparing a written plan, management approval and support. Phase two involved the evaluation of all systems and equipment, including hardware, software, security and voice mail, with respect to Year 2000 compliance. The completion date for phase two was June 30, 1999. Phase three involves addressing any deficiencies identified in Phase two, and the anticipated completion date is July 31, 1999. Phase four involves the validation and testing of all systems and equipment, and the anticipated completion date is August 31, 1999. The Company has performed, and continues to perform routine updates of all software and hardware systems to facilitate Year 2000 compliance.

The Company has completed numerous acquisitions in recent months, and the information systems of a limited number of these acquired operations have not yet been fully integrated with the Company's information systems. This integration of the completed acquisitions is expected to occur by July 31, 1999. The Company continues to make acquisitions as an integral component of its growth strategy. There is no assurance that the information systems of all acquired operations, particularly those acquisitions completed in the latter portion of calendar 1999, will be Year 2000 compliant by December 31, 1999.

The Company uses well-regarded nationally known software vendors for both its general accounting applications and industry-specific customer information and billing systems, and all internal productivity software. The Company has been informed by the respective vendors that all application software is fully Year 2000 compliant.

The Company's banking arrangement is with an international banking institution which has informed the Company that it is taking all necessary steps to insure its customers uninterrupted service throughout applicable Year 2000 time frames. The Company's payroll is out-sourced by the largest provider of third-party payroll services in the country, which has made a commitment of uninterrupted service to their customers throughout applicable Year 2000 time frames.

The Company is currently in the process of replacing all older personal computers and servers. There are two servers and 25 additional personal computers that will be replaced, 16 of which will be for the weight-measurement systems. The two servers will be replaced within the first quarter of fiscal 2000 (ending July 31, 1999). The Company has identified a vendor for the weight-measurement systems and is in the final stage of evaluating its software offering. The Company anticipates implementing the product within three months of acceptance of it, which the Company expects will be in the first quarter of fiscal 2000.

The Company currently plans a final testing of all systems in the second quarter of fiscal 2000 (ending October 31, 1999) and expects to be fully Year 2000 compliant by the end of that fiscal quarter.

The Company has expended approximately $1.2 million dollars over the last eighteen months to address hardware and software-related Year 2000 compliance issues, principally through the implementation of a new frame network system. A portion of this investment is attributable to integrating information systems of companies that the Company has acquired. Once the Company has finished negotiations with the weight-measurement vendor, the Company will be able to determine the remaining budget requirements for the Year 2000 compliance project. The Company will use funds from current operations or the Company's line of credit to meet Year 2000 remediation expenses.

No single customer represents more than one percent of the Company's revenues, and we do not expect any material adverse effect on the Company's revenues in the event an individual customer experiences Year 2000 problems.

In addition, the Company does not believe the Year 2000 noncompliance of the Company's suppliers of goods and services, other than as specifically discussed above, would have a material adverse effect on the Company's revenues and results of operations. Accordingly, the Company has not sought assurances of Year 2000 compliance from these other vendors.

The Company expects to begin its evaluation of its most reasonably likely worst case scenarios with respect to the Year 2000 in the second quarter of fiscal 2000. Based upon the results of that evaluation, the Company will determine an appropriate contingency plan, which the Company believes would be implemented in the second and third quarters of fiscal 2000.

adjusted ebitda

Adjusted EBITDA represents operating income (earnings before interest and taxes, or "EBIT") plus depreciation and amortization expense and loss on impairment of long-lived assets. Adjusted EBITDA is not a measure of financial performance under generally accepted accounting principles, but is provided because the Company understands that certain investors use this information when analyzing the financial position and performance of the Company.

(in thousands) fiscal year ended april 30, restated	1997	1998	1999
Operating income	$ 6,528	$11,346	$21,164
Depreciation and amortization	15,310	19,819	24,836
Loss on impairment of long-lived assets (1)	0	1,571	0
Adjusted EBITDA	$21,838	$32,736	$46,000
EBITDA as a percentage of revenues	21.3%	23.4%	26.5%

(1) See Note 2 of Notes to Consolidated Financial Statements. Analysis of the factors contributing to the change in EBITDA is included in the discussions above.

certain factors that may affect future results

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

The Company is party to an Agreement and Plan of Merger with KTI, Inc. There can be no assurance that the merger will take place on the anticipated timetable, if at all, or if it does, that management will be able to integrate KTI's operations effectively into the Company and that the merger will result in the synergies and other benefits anticipated by the two companies.

In connection with the merger with KTI, the Company will be required to obtain a new credit facility within 30 days following the earlier of the closing of the merger or August 31, 1999. Although the Company is in the process of negotiating a new credit facility, there can be no assurance that it will obtain such a credit facility in the amount, or on the timetable, sought by the Company. In the event that it is unable to obtain a sufficient credit facility, the Company would be required to repay its current credit facility. The Company does not have sufficient funds to repay the outstanding balance of the existing credit facility in the event a new credit facility is not obtained on a timely basis. If the Company cannot obtain a new credit facility on favorable terms within the required time period its acquisition program, results of operations and financial condition would be materially and adversely affected.

The Company's objective is to continue to grow by expanding its services in markets where it can be one of the largest and most profitable fully-integrated solid waste services companies. Such growth, if it were to occur, could place a significant strain on the Company's management and operational, financial and other resources.

The Company has incurred net losses in the past. There can be no assurance that the Company will be profitable in the future.

The Company's strategy envisions that a substantial part of the Company's future growth will come from making acquisitions consistent with its strategy. There can be no assurance that the Company will be able to identify suitable acquisition candidates and, once identified, to negotiate successfully their acquisition at a price or on terms and conditions favorable to the Company, or to integrate the operations of such acquired businesses with the Company. Certain of these acquisitions may be of significant size and may include assets that are outside the Company's geographic territories or are ancillary to the Company's core business strategy.

The Company is highly dependent upon the services of the members of its senior management team, the loss of any of whom may have a material adverse effect on the Company's business, financial condition and results of operations. In addition, the Company's future success depends on its continuing ability to identify, hire, train, motivate and retain highly trained personnel.

The Company anticipates that any future business acquisitions will be financed through cash from operations, borrowings under its bank line of credit, the issuance of shares of the Company's class A common stock and/or seller financing. There can be no assurance that the Company will have sufficient existing capital resources or will be able to raise sufficient additional capital resources on terms satisfactory to the Company, if at all, in order to meet its capital requirements.

The Company's operating program depends on its ability to operate and expand the landfills it owns and leases and to develop new landfill sites. Several of the Company's landfills are subject to local laws purporting to regulate their expansion and other aspects of their operations. There can be no assurance that the laws adopted by municipalities in which the Company's landfills are located will not have a material adverse effect on the Company's utilization of its landfills or that the Company will be successful in obtaining new landfill sites or expanding the permitted capacity of any of its current landfills once its remaining disposal capacity has been consumed.

The Company's results of operations could be adversely affected by changing prices or market conditions for recycled materials. The purchase and resale prices of and market demand for recycled materials has been and could continue to be volatile. These changes in the past have contributed and may in the future continue to contribute to variability in the Company's period-to-period results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSER ABOUT MARKET RISK

The Company is subject to interest rate fluctuation risk with regards to its variable rate revolving credit facility. To modify the risk from these possible interest-rate fluctuations, the Company enters into hedging transactions that have been authorized pursuant to the Company's policies and procedures. The Company does not use financial instruments for trading purposes and is not a party to any leveraged derivatives.

On January 21, 1998 the Company entered into a three-year interest rate swap agreement (the Swap Agreement) with a bank. The purpose was to effectively convert a portion of the Company's interest rate exposure on advances under its revolving credit facility from a floating rate to a fixed rate until the expiration of the Swap Agreement. The Swap Agreement effectively fixes the Company's interest rate on the notional amount of $45,000,000 at 5.8% per annum. The Company is exposed to interest rate risk on the balance of its revolving line of credit balance which exceeds the swap amount of $45,000,000. Based on the amount due on the Company's line of credit at April 30, 1999, a 1% increase in effective interest rates would reduce the Company's net income before income taxes by $273,650. In addition, in the event of nonperformance by the counterparty, the Company would be exposed to interest rate risk on the entire balance in the event the variable interest rate paid was to exceed the fixed rate paid under the terms of the swap agreement. The remainder of the Company's debt is at fixed rates and not subject to interest rate risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

report of independent public accountants

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

We have audited the accompanying consolidated balance sheets of Casella Waste Systems, Inc. (a Delaware corporation) and subsidiaries as of April 30, 1998 and 1999, and the related consolidated statements of operations, redeemable preferred stock, redeemable put warrants and stockholders' equity (deficit) and cash flows for each of the three years in the period ended April 30, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Casella Waste Systems, Inc. and subsidiaries as of April 30, 1998 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended April 30, 1999, in conformity with generally accepted accounting principles.

Arthur Andersen LLP

/s/ Arthur Andersen LLP

Boston, Massachusetts
June 18, 1999

casella waste systems, inc. and subsidiaries
consolidated balance sheets (in thousands)

ASSETS	APRIL 30, 1998 (Restated)	APRIL 30, 1999
CURRENT ASSETS:		
Cash and Cash Equivalents	$3,131	$3,917
Restricted Cash - Closure Fund Escrow	304	524
Accounts Receivable-trade, less allowance for doubtful accounts of $1,283 and $1,430.	19,602	21,809
Refundable Income Taxes	921	2,010
Prepaid Income Taxes	866	1,016
Prepaid Expenses	1,219	1,397
Other Current Assets	931	1,106
TOTAL CURRENT ASSETS	26,974	31,779
PROPERTY AND EQUIPMENT, AT COST:		
Land and Land Held for Investment	8,106	6,291
Landfills	34,276	50,736
Landfill Development	3,319	7,559
Buildings and Improvements	15,019	23,247
Machinery and Equipment	12,813	22,517
Rolling Stock	46,271	55,229
Containers	16,079	24,945
	135,883	190,524
LESS - ACCUMULATED DEPRECIATION AND AMORTIZATION	46,301	66,147
Property and Equipment, net	89,582	124,377
OTHER ASSETS:		
Intangible Assets, net	80,041	103,494
Restricted Funds - Closure Fund Escrow	3,865	4,834
Other Assets	1,952	5,725
	85,858	114,053
	$202,414	$270,209

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

casella waste systems, inc. and subsidiaries
consolidated balance sheets (in thousands except share data)

LIABILITIES AND STOCKHOLDERS EQUITY	APRIL 30, 1998 (Restated)	APRIL 30, 1999
CURRENT LIABILITIES:		
Current Maturities of Long-Term Debt	$4,249	$3,351
Current Maturities of Capital Lease Obligations	481	402
Accounts Payable	12,334	13,915
Accrued Payroll and Related Expenses	625	733
Accrued Closure and Postclosure Costs, Current Portion	374	330
Deferred Revenue	2,087	2,580
Other Accrued Expenses	2,979	2,713
Total Current Liabilities	23,129	24,024
Long-Term Debt, Less Current Maturities	80,353	78,559
Capital Lease Obligations, Less Current Maturities	1,085	1,454
Deferred Income Taxes	3,913	5,710
Accrued Closure and Postclosure Costs, less Current Portion	6,731	9,672
Other Long-Term Liabilities	3,460	394
COMMITMENTS AND CONTINGENCIES (NOTE 6)		
STOCKHOLDERS' EQUITY:		
Preferred Stock - Authorized - 1,000,000 Shares Issued and Outstanding - No shares as of April 30, 1998 and 1999, respectively.	--	--
Class A Common Stock - Authorized - 100,000,000 Shares, $.01 par value Issued and Outstanding - 11,795,000 and 14,506,000 shares, as of April 30, 1998 and 1999, respectively.	118	145
Class B Common Stock - Authorized - 1,000,000 Shares, $.01 par value; 10 Votes per Share. Issued and Outstanding - 988,000 shares, as of April 30, 1998 and 1999, respectively.	10	10
Additional Paid-In Capital	96,385	154,720
Accumulated Deficit	(12,770)	(4,479)
Total Stockholders' Equity	83,743	150,396
	$202,414	$270,209

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

casella waste systems, inc. and subsidiaries
consolidated statements of operations (in thousands, except per share data)

fiscal year ended april 30,	1997 (Restated)	1998 (Restated)	1999
REVENUES	$ 102,545	$ 140,191	$ 173,418
OPERATING EXPENSES:			
Cost of Operations	64,654	86,670	99,869
General and Administrative	16,053	20,495	25,598
Merger-Related Costs	0	290	1,951
Depreciation and Amortization	15,310	19,819	24,836
Loss on Impairment of Long-Lived Assets	0	1,571	0
	96,017	128,845	152,254
Operating Income	6,528	11,346	21,164
OTHER (INCOME) EXPENSES:			
Interest Income	(284)	(262)	(73)
Interest Expense	5,212	7,507	4,997
Other Expense (Income), net	847	(334)	(369)
	5,775	6,911	4,555
Income Before Provision for Income Taxes	753	4,435	16,609
Provision for Income Taxes	680	2,510	7,510
Net Income	73	1,925	9,099
Accretion of Preferred Stock and Put Warrants	(8,530)	(5,738)	(0)
Net Income (Loss) Applicable to Common Stockholders	($ 8,457)	($ 3,813)	$ 9,099
Basic net income (loss) per Common Share	($ 1.63)	($ 0.42)	$ 0.62
Basic weighted average Common Shares outstanding	5,185	9,184	14,782
Diluted net income (loss) per Common Share	($ 1.63)	($ 0.42)	$ 0.58
Diluted weighted average Common Shares outstanding	5,185	9,184	15,637

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

casella waste systems, inc. and subsidiaries
consolidated statement of redeemable preferred stock, redeemable put warrants and stockholders equity (deficit) (in thousands)

REDEEMABLE PREFERRED STOCK

	Series A		Series B		Series C		Series D	
	Number of Shares	Redemption Value	Number of Shares	Redemption Value	Number of Shares	Redemption Value	Number of Shares	Redemption Value
Balance, April 30, 1996	**517**	**$2,376**	**1,295**	**$5,956**	**424**	**$2,017**	**1,922**	**$12,547**
Adjustments in Connection with Poolings of Interests								
Adjusted Balance, April 30, 1996	**517**	**$2,376**	**1,295**	**$5,956**	**424**	**$2,017**	**1,922**	**$12,547**
Issuance of Class A Common Stock in various acquisitions								
Accretion of preferred stock		**1,262**		**3,162**		**204**		**3,902**
Equity Transactions/ Adjustments to Poolings								
Net Income								
Balance, April 30, 1997	**517**	**3,638**	**1,295**	**9,118**	**424**	**2,221**	**1,922**	**16,449**
Issuance of Class A Common Stock-Net of Issuance Costs								
Issuance of Class A Common Stock in Various Acquisitions, Net of Retirements								
Issuance of Class A Common Stock in Connection with Exercise of Warrants/Options								
Exercise and Call of Put Warrants								
Accretion of Preferred Stock and Issuance Costs		**707**		**1,770**		**749**		**2,287**
Conversion of Convertible Preferred Stock	**(517)**	**(4,345)**	**(1,295)**	**(10,888)**			**(1,922)**	**(18,736)**
Redemption of Mandatorily Redeemable Preferred Stock					**(424)**	**(2,970)**		
Conversion of class B common into class A								
Equity Transactions/ Adjustments to Poolings								
Net Income								
Balance, April 30, 1998	**0**	**$0**	**0**	**$0**	**0**	**$0**	**0**	**$0**
Issuance of Class A Common Stock-Net of Issuance Costs								
Exercise of Warrants/Options								
Tax Benefit of Stock Options Exercised								
Equity Transactions/ Adjustments to Poolings								
Net Income								
Balance, April 30, 1999	**0**	**$0**	**0**	**$0**	**0**	**$0**	**0**	**$0**

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

casella waste systems, inc. and subsidiaries
consolidated statement of redeemable preferred stock, redeemable put warrants and stockholders equity (deficit) (in thousands)

STOCKHOLDERS' EQUITY (DEFICIT)

	Redeemable Put Warrants	Class A Common Stock # of Shares	Class A Common Stock Par Value	Class B Common Stock # of Shares	Class B Common Stock Par Value	Additional Paid - in-Capital	Retained Earnings (Accumulated Deficit)	Total Stock-holders Equity (Deficit)
Balance, April 30, 1996	**$400**	**2,398**	**$24**	**1,000**	**$10**	**$1,087**	**$(1,996)**	**$(875)**
Adjustments in Connection with Poolings of Interests		**1,272**	**13**			**484**	**2,458**	**2,955**
Adjusted Balance, April 30, 1996	**400**	**3,670**	**37**	**1,000**	**10**	**1,571**	**462**	**2,080**
Issuance of Class A Common Stock in various acquisitions		**756**	**8**			**9,367**		**9,375**
Accretion of preferred stock							**(8,530)**	**(8,530)**
Equity Transactions/ Adjustments to Poolings		**304**	**3**			**522**	**(198)**	**327**
Net Income							**73**	**73**
Balance, April 30, 1997	**400**	**4,730**	**48**	**1,000**	**10**	**11,460**	**(8,193)**	**3,325**
Issuance of Common A Stock-Net of Issuance Costs		**3,000**	**30**			**48,428**		**48,458**
Issuance of Common A Stock-in Various Acquisitions, Net of Retirements		**103**	**1**			**1,599**		**1,600**
Issuance of Class A Common Stock in Connection with Exercise of Warrants/Options		**192**	**2**			**716**		**718**
Exercise and Call of Redeemable Put Warrants	**(400)**	**25**				**250**	**(225)**	**25**
Accretion of Preferred Stock and Issuance Costs							**(5,513)**	**(5,513)**
Conversion of Convertible Preferred Stock		**3,733**	**37**			**33,932**		**33,969**
Redemption of Mandatorily Redeemable Preferred Stock								
Conversion of class B common into class A		**12**		**(12)**				**0**
Equity Transactions/ Adjustments to Poolings							**(764)**	**(764)**
Net Income							**1,925**	**1,925**
Balance, April 30, 1998	**$0**	**11,795**	**$118**	**988**	**$10**	**$96,385**	**($12,770)**	**$83,743**
Issuance of Common A Stock-Publicly Traded-Net of Issuance Costs		**2,061**	**20**			**52,211**		**52,231**
Issuance of class A common stock in connection with exercise of warrants/ options		**582**	**6**			**3,805**		**3,811**
Tax Benefit of Stock Options Exercised						**2,220**		**2,220**
Equity Transactions/ Adjustments to Poolings		**68**	**1**			**99**	**(808)**	**(708)**
Net Income							**9,099**	**9,099**
Balance, April 30, 1999	**$0**	**14,506**	**$145**	**988**	**$10**	**$154,720**	**$(4,479)**	**$150,396**

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

casella waste systems, inc. and subsidiaries
consolidated statements of cash flow (in thousands)

fiscal year ended april 30,	1997 Restated	1998 Restated	1999
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 73	$ 1,925	$ 9,099
ADJUSTMENTS TO RECONCILE NET INCOME			
net cash provided by operating activities -			
Depreciation and amortization	15,310	19,819	24,836
Loss on impairment of long-lived assets	0	1,571	0
(Gain) loss on sale of assets	313	(335)	3
Provision for deferred income taxes	139	2,237	1,647
Non-cash employee compensation	0	60	0
Changes in assets and liabilities, net of effects of acquisitions -			
Accounts receivable	(4,106)	(1,083)	(1,630)
Refundable income taxes	(189)	(474)	(1,089)
Accounts payable	6,121	759	1,204
Accrued closure and postclosure costs	336	(1,763)	2,094
Other current assets and liabilities	(714)	(1,616)	1,905
Net cash provided by operating activities	17,283	21,100	38,069
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisitions, net of cash acquired	(35,225)	(35,793)	(33,336)
Additions to property and equipment	(20,050)	(28,126)	(47,723)
Proceeds from sale of equipment	166	1,182	587
Restricted funds - closure fund escrow	(625)	698	(1,189)
Other	14	2,066	(6,802)
Net cash used in investing activities	(55,720)	(59,973)	(88,463)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Deferred debt acquisition costs	(400)	0	0
Proceeds from issuance of common stock	525	48,455	52,231
Proceeds from exercise of stock warrants/options	0	869	3,811
Equity Transactions of pooled Entities	(245)	(701)	147
Call of redeemable put warrants	0	(525)	0
Redemption of Series C Preferred Stock	0	(2,970)	0
Proceeds from long-term borrowings	48,017	160,797	65,800
Principal payments on long-term debt	(8,598)	(166,625)	(70,809)
Net cash provided by financing activities	39,299	39,300	51,180

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

casella waste systems, inc. and subsidiaries
consolidated statements of cash flow
(in thousands)

fiscal year ended april 30,

CONTINUED -	1997 Restated	1998 Restated	1999
Net increase in cash and cash equivalents	862	427	786
Cash and cash equivalents, beginning of year	1,842	2,704	3,131
Cash and cash equivalents, end of year	$ 2,704	$ 3,131	$ 3,917
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the year for -			
Interest	$ 4,890	$ 7,857	$ 5,633
Income taxes	$ 826	$ 672	$ 6,952
Supplemental Disclosures of Non Cash Investing And Financing Activities:			
Summary of entities acquired -			
Fair market value of assets acquired	$ 67,106	$ 42,554	$ 36,210
Common stock issued	(9,374)	(1,603)	0
Cash paid, Net	(35,225)	(35,793)	(33,336)
Liabilities assumed and notes payable to sellers	$ 22,507	$ 5,158	$ 2,874

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

casella waste systems, inc. and subsidiaries
notes to consolidated financial statements

1. ORGANIZATION

Casella Waste Systems, Inc. (the Company or Casella), a Delaware corporation, is a regional, integrated, non-hazardous solid waste services company that provides collection, transfer, disposal and recycling services in Vermont, New Hampshire, Maine, upstate New York, northern Pennsylvania and Massachusetts.

As of June 18, 1999, the Company owned and/or operated five subtitle D landfills, two landfills permitted to accept construction and demolition materials, 50 transfer stations, 15 recycling processing facilities, and 39 solid and liquid waste collection divisions, which collectively serve over 500,000 commercial, industrial and residential customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a summary of the company's significant accounting policies follows:

(a) principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

(b) use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(c) revenue recognition

The Company recognizes 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.

(d) fair value of financial instruments

The Company's financial instruments consist primarily of cash and cash equivalents, trade receivables, investments in closure trust funds, trade payables and debt instruments. The book values of cash and cash equivalents, trade receivables, investments in closure trust funds and trade payables approximate their respective fair values. The Company's debt instruments that are outstanding as of April 30, 1999 have carrying values that approximate their respective fair values. See Note 4 for the terms and carrying values of the Company's various debt instruments.

(e) cash and cash equivalents

The Company considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.

(f) closure fund escrow

Restricted funds held in trust consist of amounts on deposit with various banks that support the Company's financial assurance obligations for its facilities' closure and postclosure costs.

(g) property and equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. The Company provides for depreciation 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:

ASSET CLASSIFICATION	ESTIMATED USEFUL LIFE
Buildings and improvements	**10-35 years**
Machinery and equipment	**2-15 years**
Rolling stock	**1-12 years**
Containers	**2-12 years**

The cost of maintenance and repairs is charged to operations as incurred. Depreciation expense for the years ended April 30, 1997, 1998 and 1999 was $8,544,000, $10,491,000 and $13,599,000 respectively.

Capitalized landfill costs include expenditures for land and related airspace, permitting costs and preparation costs. Landfill permitting and preparation costs represent only direct costs related to these activities, including legal, engineering and construction. Interest is capitalized on landfill permitting and construction projects and other projects under development while the assets are undergoing activities to ready them for their intended use. The interest capitalization rate is based on the Company's weighted average cost of indebtedness. Interest capitalized for the years ended April 30, 1997, 1998 and 1999 was $182,000, $136,000 and $530,000 respectively. Management routinely reviews its investment in operating landfills, transfer stations and other significant facilities to determine whether the costs of these investments are realizable.

Landfill permitting, acquisition and preparation costs, excluding the estimated residual value of land, are amortized as permitted airspace of the landfill is consumed. Landfill preparation costs include the costs of construction associated with excavation, liners, site berms and the installation of leak detection and leachate collection systems. In determining the amortization rate for these landfills, preparation costs include the total estimated costs to complete construction of the landfills' permitted and probable to be permitted capacity. Units-of-production amortization rates are determined annually for each of the Company's operating landfills. The rates are based on estimates provided by the Company's engineers and accounting personnel and consider the information provided by surveys which are performed at least annually.

(h) accrued closure and postclosure costs

Accrued closure and postclosure costs include the current and noncurrent portion of accruals associated with obligations for closure and postclosure of the Company's operating and closed landfills. The Company, based on input from its engineers and accounting personnel, estimates its future cost requirements for closure and postclosure monitoring and maintenance for solid waste landfills based on its interpretation of the technical standards of the U.S. Environmental Protection Agency's Subtitle D regulations and the air emissions standards under the Clean Air Act as they are being applied on a state-by-state basis. Closure and postclosure monitoring

and maintenance costs represent the costs related to cash expenditures yet to be incurred when a landfill facility ceases to accept waste and closes.

Accruals for closure and postclosure monitoring and maintenance requirements in the U.S. consider final capping of the site, site inspection, groundwater monitoring, leachate management, methane gas control and recovery, and operation and maintenance costs to be incurred during the period after the facility closes. Certain of these environmental costs, principally capping and methane gas control costs, are also incurred during the operating life of the site in accordance with the landfill operation requirements of Subtitle D and the air emissions standards. Reviews of the future cost requirements for closure and postclosure monitoring and maintenance for the Company's operating landfills by the Company's engineers and accounting personnel are performed at least annually and are the basis upon which the Company's estimates of these future costs and the related accrual rates are revised. The Company provides accruals for these estimated costs as the remaining permitted airspace of such facilities is consumed.

The states in which the Company operates require a certain portion of these accrued closure and postclosure obligations to be funded at any point in time. Accordingly, the Company has placed $4,169,000 and $5,357,000 at April 30, 1998 and 1999, respectively, in restricted investment accounts to fund these future obligations.

In addition, the Company has been required to post a surety bond or bank letter of credit to secure its obligations to close its landfills in accordance with environmental regulations. At April 30, 1999, the Company had provided one letter of credit totaling $1,307,000, expiring on April 15, 2000, to secure the Company's landfill closure obligations.

(i) intangible assets

Intangible assets at April 30, 1998 and 1999 consist of the following (in thousands):

april 30,	1998	1999
Goodwill	**$74,662**	**$100,037**
Covenants not to compete	**8,941**	**12,456**
Customer lists	**420**	**562**
Deferred debt acquisition costs and other	**1,879**	**1,704**
	85,902	**114,759**
Less--accumulated amortization	**5,861**	**11,265**
	$80,041	**$103,494**

Goodwill is the cost in excess of fair value of identifiable assets of acquired businesses and is amortized using the straight-line method over periods not exceeding 40 years. Covenants not to compete and customer lists are amortized using the straight-line method over their estimated useful lives, typically no more than 10 years.

Deferred debt acquisition costs are capitalized and amortized over the life of the related debt using the effective interest method.

(j) impairment of long-lived assets

In accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets To Be Disposed Of," the Company evaluates the recoverability of its carrying value of the Company's long-lived assets and certain intangible assets when events and circumstances have occurred that indicate potential impairment of such assets. The assessment is based on estimated undiscounted cash flows to be generated from each asset as compared to its carrying value. To the extent impairment is identified, the Company reduces the carrying value of such impaired assets to their fair market value.

The Casella T.I.R.E.S. plant in Eliot, Maine was established by purchasing the waste tire processing assets of the Seaward companies in June, 1996. The ongoing profitability of this location is dependent on a continuing secondary market for the product of its tire shredding operations, primarily as tire derived fuel (TDF). Due to pressures on the Company's TDF customers to meet requirements of the Clean Air Act, management projects that over the next few years these customers will replace TDF with natural gas as a fuel, and that the future undiscounted cash flows will be less than the current carrying value of the assets associated with this site.

The primary assets associated with this site include real estate, tire processing and other equipment, and goodwill. The Company recognized a $971,000 non-cash pre-tax charge related to the impairment of these assets during fiscal 1998. The impairment charge was computed as the difference between the April 30, 1998 carrying value of the affected assets, and their fair market value as of that date. The fair market value of the affected assets is computed in accordance with SFAS No. 121 as the discounted projected future net cash inflows.

In addition, during fiscal 1998, Waste Stream recognized a $600,000 non-cash pretax charge related to the impairment of certain assets located at its Grasslands facility. The impairment charge was computed as the difference between the April 30, 1998 carrying value of the affected assets, and the fair value at that time. Generally, fair value represents the Company's discounted projected future cash inflows from the use of the asset or group of assets.

(k) income taxes

The Company records income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes". Under SFAS No. 109, deferred income taxes are recognized based on the expected future tax consequences of differences between the financial statement basis and the tax basis of assets and liabilities, calculated using currently enacted tax rates.

(l) earnings per share

During 1997, the Company adopted the provisions of SFAS No. 128 "Earnings Per Share" and retroactively restated all prior periods in accordance with SFAS No. 128. In accordance with SFAS No. 128, basic earnings per share is computed by dividing net income (loss) by the weighted average number of shares of Common Stock outstanding during the year. The computation of diluted earnings per share is similar to the computation of basic earnings per share, except that the denominator is increased for the assumed exercise of dilutive options using the treasury stock method and other dilutive securities unless the effect is antidilutive. The following is a reconciliation of shares outstanding used to compute basic and diluted earnings (loss) per share (in thousands):

year ended april 30,	1997	1998	1999
Number of shares outstanding, end of period:			
Class A Common Stock	**4,729**	**11,795**	**14,506**
Class B Common Stock	**1,000**	**988**	**988**
Effect of weighting the average shares outstanding during the period	**(544)**	**(3,599)**	**(712)**
Basic shares outstanding	**5,185**	**9,184**	**14,782**
Potentially dilutive shares	**-**	**-**	**855**
Diluted shares outstanding	**5,185**	**9,184**	**15,637**

Potentially dilutive shares are excluded from diluted shares outstanding for the years ended April 30, 1997 and 1998 because they are anti-dilutive due to the losses of the Company. The number of potentially dilutive shares excluded from the earnings per share calculation was 4,480,000 and 3,045,000 for the years ended April 30, 1997 and 1998, respectively.

(m) recent accounting pronouncements

In 1997, the Financial Accounting Standards Board issued SFAS No. 130, "Reporting Comprehensive Income". Statement 130 establishes standards for reporting and presentation of comprehensive income and its components. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources and includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The Company adopted Statement 130 effective May 1, 1998 and there was no effect on the Company's financial statements upon adoption.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. SFAS No. 133 is effective for fiscal years beginning after June 15, 2000. A company may also implement SFAS No. 133 as of the beginning of any fiscal quarter after issuance (that is, fiscal quarters beginning June 16, 1998 and thereafter). The Company does not believe this statement will have a material impact on the consolidated balance sheet or statement of operations.

3. BUSINESS COMBINATIONS

(a) transactions recorded as poolings of interests

During 1999, the Company completed several mergers in business combinations recorded as pooling of interests. Accordingly, the accompanying financial statements have been restated to include these businesses for all periods presented. The Company issued the following shares of Class A Common Stock in connection with the mergers:

MERGER	DATE	SHARES ISSUED
Waste Stream	**October 29, 1998**	**701,461**
Northern Sanitation	**December 23, 1998**	**220,964**
NEI	**April 30, 1999**	**105,052(1)**
Westfield	**April 30, 1999**	**244,082**

(1) Shares issued are exclusive of up to 59,450 shares issuable following an indemnification period, as defined.

Revenues and net income have been restated for these acquisitions accounted for as poolings of interests, as presented in the following table (in thousands):

	CASELLA BEFORE POOLINGS	1999 POOLINGS	CASELLA, AS RESTATED
Year ended April 30, 1997			
Revenues	**$ 79,532**	**$ 23,013**	**$ 102,545**
Net income (loss)	**(419)**	**492**	**73**
Year ended April 30, 1998			
Revenues	**118,067**	**22,124**	**140,191**
Net income (loss)	**2,657**	**(732)**	**1,925**
Year ended April 30, 1999			
Revenues	**156,133**	**17,285**	**173,418**
Net income (loss)	**10,199**	**(1,100)**	**9,099**

All of the pooled entities had fiscal year ends of December 31 and, subsequent to the poolings, changed their year ends to conform with that of the Company. For the calendar quarter ended March 31, 1997, $480,524 in revenues and $47,034 in net income were excluded from results of operations in order to conform the accounting period of the pooled companies with that of the Company. For the month ended January 31, 1998 $717,767 in revenues and $66,485 in net income were excluded from results of operations. For the month ended January 31, 1999 $209,399 in revenues and $124,027 in net loss were excluded from results of operations. Retained earnings was increased by $47,034 and $66,485 in the fiscal years ended April 30, 1997 and 1998 respectively and decreased by $124,027 during the year ended April 30, 1999 in order to effect these changes. Cash flows resulting from the periods excluded from results of operation discussed above are immaterial and have been included in the Statement of Cash Flows.

On September 4, 1998 the Company completed its merger with Hakes C & D Disposal, Inc. (Hakes) in a business combination recorded as a pooling of interests. The Company issued 67,617 shares of its class A common stock for all of the outstanding stock of Hakes. This transaction has been accounted for as an immaterial pooling. Accordingly, retained earnings has been adjusted to reflect the accumulated deficit of Hakes on the acquisition date, and prior periods have not been restated.

(b) Transactions Recorded as Purchases

During fiscal 1997, the Company completed 25 acquisitions, including the 25-year capital lease of a landfill. During fiscal 1998, the Company acquired 33 solid waste hauling operations, exclusive of the All Cycle merger accounted for as a pooling of interests. During fiscal 1999, the Company acquired 50 solid waste hauling operations, exclusive of the pooling transactions discussed above. These transactions were accounted for as purchases. Accordingly, the operating results of these businesses are included in the 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.

The purchase prices allocated to the net assets acquired were as follows (in thousands):

fiscal year ended april 30,	1997	1998	1999
Accounts receivable and prepaid expenses	**$ 4,127**	**$ 2,923**	**$ 613**
Investments--restricted	**450**	**0**	**0**
Landfills	**8,013**	**0**	**0**
Property and equipment	**17,378**	**9,105**	**10,768**
Covenants not to compete and customer lists	**2,445**	**2,498**	**2,681**
Goodwill	**34,694**	**28,028**	**22,148**
Deferred taxes	**(73)**	**(75)**	**0**
Debt and notes payable	**(6,709)**	**(2,650)**	**(2,607)**
Other liabilities assumed	**(15,726)**	**(2,433)**	**(267)**
Total consideration	**$ 44,599**	**$ 37,396**	**$ 33,336**

The following unaudited pro forma combined information (in thousands except for per share information) shows the results of the Company's operations for the years ended April 30, 1998 and 1999 as if all of the companies acquired in 1998 and 1999 accounted for using the purchase method were acquired as of May 1, 1997.

year ended	4/30/98	4/30/99
Revenues	**$179,152**	**$184,146**
Operating Income	**13,053**	**21,918**
Net Income (Loss)	**(3,813)**	**8,996**
Diluted income (loss) per common share	**($0.42)**	**$.58**
Weighted average diluted shares outstanding	**9,184**	**15,637**

The pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the actual results of operations had the acquisitions taken place as of May 1, 1997 or the results of future operations of the Company. Furthermore, the pro forma results do not give effect to all cost savings or incremental costs that may occur as a result of the integration and consolidation of the completed acquisitions.

4. LONG-TERM DEBT

Long-term debt as of April 30, 1998 and 1999 consists of the following (in thousands):

april 30,	1998	1999
Advances on revolving credit facility, which provides for advances of up to $150,000,000, due January 12, 2003. Interest on outstanding advances accrues at the election of the Company at either the bank's base rate (7.75% at April 30, 1999), or LIBOR plus a percentage (6.03% at April 30, 1999), based on a pricing grid, payable monthly in arrears. The interest rate is subject to adjustment under the Swap Agreement described below. The debt is collateralized by all assets of the Company, whether now owned or hereafter acquired.	$64,150	$72,365

Notes payable in connection with businesses acquired, bearing interest at rates of 6% to 10% (weighted-average interest at 6.3% and 5.7%, respectively), due in monthly installments ranging from $882 to $17,500, expiring May 1999 through November 2004	5,548	3,361
Payments due to Clinton County, discounted at 4.75%, due in quarterly installments of $375,046 through March 2003	6,645	5,438
Notes payable, secured by assets purchased	8,259	746
	84,602	81,910
Less--current portion	4,249	3,351
	$80,353	$78,559

On January 21, 1998 the Company entered into a three-year interest rate swap agreement (the Swap Agreement) with a bank. The purpose was to effectively convert a portion of the Company's interest rate exposure on advances under its revolving credit facility from a floating rate to a fixed rate until the expiration of the Swap Agreement. The Swap Agreement effectively fixes the Company's interest rate on the notional amount of $45,000,000 to 5.8% per annum. Net monthly payments or monthly receipts under the Swap Agreement are recorded as adjustments to interest expense. The Company paid $163,000 and $174,000 under this agreement during the years ended April 30, 1998 and 1999, respectively. The fair market value of the the Company's interest rate swap, based on the estimated termination value at April 30, 1998 and 1999 was $1.1 million and $0.7 million, respectively. In the event of nonperformance by the counterparty, the Company would be exposed to interest rate risk on the entire amount outstanding.

The revolving credit facility contains certain covenants that, among other things, restrict dividends or stock repurchases, limit capital expenditures and annual operating lease payments, and set minimum fixed charges, interest coverage and leverage ratios and minimum consolidated adjusted net worth requirements. As of April 30, 1999, the Company was in compliance with all covenants.

As of April 30, 1999, debt matures as follows (Amounts in thousands):

year ending april 30,		
	2000	$3,351
	2001	2,328
	2002	1,767
	2003	74,148
	2004	264
	Thereafter	52
		$81,910

5. COMMITMENTS AND CONTINGENCIES

(a) leases

The following is a schedule of future minimum lease payments (in thousands), together with the present value of the net minimum lease payments under capital leases, as of April 30, 1999.

year ended april 30,	OPERATING Leases	CAPITAL Leases
2000	$658	$479
2001	527	478
2002	419	460
2003	261	460
2004	488	165
Thereafter	1,179	- 0 -
Total minimum lease payments	3,532	2,042
Less--amount representing interest		(186)
		1,856
Current maturities of capital lease obligations		402
Present value of long-term capital lease obligations		$1,454

The Company leases real estate, compactors and hauling vehicles under leases that qualify for treatment as capital leases. The assets related to these leases have been capitalized and are included in property and equipment at April 30, 1998 and 1999.

The Company leases operating facilities and equipment under operating leases with monthly payments ranging from $5 to $11,000.

Total rent expense under operating leases charged to operations was $1,298,000, $1,500,000 and $1,873,000 for each of the three years ended April 30, 1997, 1998 and 1999 respectively.

(b) legal proceedings

In the normal course of its business and as a result of the extensive governmental regulation of the waste industry, the Company may periodically become subject to various judicial and administrative proceedings involving Federal, state or local agencies. In these proceedings, an agency may seek to impose fines on the Company or to revoke, or to deny renewal of, an operating permit held by the Company. In addition, the Company may become party to various claims and suits pending for alleged damages to persons and property, alleged violation of certain laws and for alleged liabilities arising out of matters occurring during the normal operation of the waste management business. However, there is no current proceeding or litigation involving the Company that it believes will have a material adverse effect upon the Company's business, financial condition and results of operations.

(c) environmental liability

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

(d) sawyer landfill royalty payments

In connection with an acquisition, the Company agreed to pay to the seller a royalty for certain additional permitted landfill capacity. The royalty due is equal to $2.50 per ton for the first 400,280 tons of such additional capacity and $3.50 per ton thereafter. The payments are generally due as the landfill is utilized except that at the time of the successful permitting, the first 51 million of royalties becomes immediately due and payable. This amount may be taken in cash or stock or an equivalent per share price of $6.55. This option is at the election of the seller and is only available for the first royalty payment.

As of April 30, 1999, all permits required for expansion of the site have been obtained from the appropriate State of Maine authorities. The required permits and licenses have not been obtained from the Town of Hampden, Maine. Therefore, the initial Royalty Payment is not due as of April 30, 1999.

6. STOCKHOLDERS' EQUITY

(a) public offerings

In November 1997, the Company completed an initial public offering of 3,000,000 shares of its Class A Common Stock (the "IPO") for proceeds of 42,428,000, net of underwriters discount and offering expenses. In accordance with the terms of the Company's agreements: (i) the Series A and Series B Redeemable Preferred Stock with warrants exercisable for Class A Common Stock (Series A and Series B, respectively) were automatically redeemed and the redemption price was applied to the exercise price of the warrants; (ii) the Series D Convertible Preferred Stock (Series D) was converted automatically into shares of Class A Common Stock; and (iii) the Series C Mandatorily Redeemable Preferred Stock (Series C) was redeemed at its stated redemption price of $7.00 per share.

Up to the date of the IPO, the Company had been accreting the difference between the carrying value and the redemption value using the effective interest method through the earliest redemption date for the Series A, B, C and D Preferred Stock.

In July 1998 the Company completed a public offering of 2,060,587 shares of its Class A Common Stock at $27.25 per share. In addition, as part of this same offering, 1,470,580 shares of the Company's Class A Common Stock were sold by certain selling shareholders at $27.25 per share. The Company's proceeds of the offering, net of underwriter's discount and issuance costs were $52,232,000.

(b) preferred stock

The Company is authorized, with stockholder approval, to issue up to 1,000,000 shares of preferred stock in one or more series. As of April 30, 1999 and 1998, respectively, no shares of Preferred Stock are outstanding.

(c) 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.

(d) stock warrants

At April 30, 1999, the Company had issued and outstanding warrants to purchase 100,300 shares of the Company's Class A Common Stock at exercise prices between $0.01 and $7.25 per share, based on the fair market value of the underlying common stock at the time of the warrants' issuance. The warrants become exercisable upon vesting and notification and expire between July 1998 and October 2003.

(e) put warrants

In connection with an acquisition in April 1995, the Company issued 100,000 warrants to purchase one share each of Class A Common Stock exercisable at $6.00 per share. These warrants were putable to the Company at $4.00 per share or callable by the Company at $7.00 per share beginning in April 1997 and were initially recorded at their put price. These warrants were stated at their put price per share in the accompanying balance sheet as of April 30, 1998. During fiscal 1998 (but prior to the IPO), warrants to acquire 25,000 shares of Class A Common Stock for cash proceeds of $150,000 were exercised. During the same period the Company called the remaining 75,000 warrants in exchange for total cash consideration of $525,000. The difference between the put price and the call price was accreted through a charge to accumulated deficit at the time of the call.

(f) stock option plans

During 1993, the Company adopted an incentive stock option plan for officers and other key employees. The 1993 Incentive Stock Option Plan (the "1993 Option Plan") provided for the issuance of a maximum of 300,000 shares of Class A Common Stock. As of April 30, 1999, options to purchase 169,500 shares of Class A Common Stock at an average exercise price of $1.18 were outstanding under the 1993 Option Plan. No further options may be granted under this plan.

During 1994, the Company adopted a nonstatutory stock option plan for officers and other key employees. The 1994 Stock Option Plan (the "1994 Option Plan") provided for the issuance of a maximum of 150,000 shares of Class A Common Stock. Options to purchase 15,000 shares of Class A Common Stock at an average exercise price of $0.60 were outstanding under the 1994 Option Plan as of April 30, 1999. No further options may be granted under this plan.

In connection with the May 1994 Senior Note and Warrant Purchase Agreement (the "Purchase Agreement"), the Company established a nonqualified stock option pool for certain key employees. The purchase agreement established 338,000 stock options to purchase Class A Common Stock. Options to purchase 302,656 shares of Class A Common Stock at an average exercise price of $2.00 were outstanding under the Purchase Agreement as of April 30, 1999. No further options may be granted under this Agreement.

During 1996, the Company adopted a stock option plan for employees, officers and directors of, and consultants and advisors to, the Company. The 1996 Stock Option Plan (the "1996 Option Plan") provided for the issuance of a maximum of 918,135 shares of Class A Common Stock pursuant to the grant of either incentive stock options or nonstatutory options. As of April 30, 1999, a total of 392,443 options to purchase Class A Common Stock were outstanding at an average exercise price of $12.23. No further options may be granted under this plan.

On July 31, 1997, the Company adopted a stock option plan for employees, officers and directors of, and consultants and advisors to the Company. The Board of Directors has the authority to select the optionees and determine the terms of the options granted. The 1997 Stock Option Plan (the "1997 Option Plan") provides for the issuance of 2,000,000 shares of Class A Common Stock pursuant to the grant of either incentive stock options or nonstatutory options. Under the terms of the 1997 Option Plan, all authorized but unissued options under previous plans are added to the shares available under this plan. A total of 321,501 authorized but unissued shares under the 1996 Option Plan have been transferred to the 1997 Option Plan under this provision. As of April 30, 1999, options to purchase 1,081,960 shares of Class A Common Stock at an average exercise price of $26.72 were outstanding under the 1997 Option Plan.

On July 31, 1997, the Company adopted a stock option plan for non-employee directors of the Company. The 1997 Non-Employee Director Stock Option Plan provides for the issuance of a maximum of 50,000 shares of Class A Common Stock pursuant to the grant of non-statutory options. As of April 30, 1999, options to purchase 8,000 shares of Class A Common Stock at an average exercise price of $31.25 were outstanding under the Directors' Option Plan.

Stock option activity for each of the three years ended April 30, 1997, 1998 and 1999 is as follows:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, April 30, 1996	**788,000**	**$ 1.63**
Granted	**463,135**	**10.52**
Terminated	**--**	**--**
Exercised	**--**	**--**
	--	**--**
Outstanding, April 30, 1997	**1,251,135**	**4.92**
Granted	**419,500**	**19.90**
Terminated	**(31,000)**	**(15.19)**
Exercised	**(44,333)**	**(1.49)**
Outstanding, April 30, 1998	**1,595,302**	**8.75**
Granted	**870,000**	**27.68**
Terminated	**(9,033)**	**(11.17)**
Exercised	**(486,710)**	**(6.43)**
Outstanding, April 30, 1999	**1,969,559**	**$17.65**
Exercisable, April 30, 1998	**985,710**	**$ 4.26**
Exercisable, April 30, 1999	**1,346,557**	**$13.67**

Set forth is a summary of options outstanding and exercisable as of April 30, 1999:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
Range of Exercise	Number of Outstanding Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Exercisable Options	Weighted Average Exercise Price
$0.60- $2.00	**462,656**	**4.87**	**$ 1.52**	**462,656**	**$ 1.52**
$4.61-$7.00	**103,836**	**6.91**	**4.61**	**103,836**	**4.61**
$12.00-$16.00	**313,107**	**7.57**	**14.16**	**283,772**	**14.11**
$18.00-$27.00	**878,960**	**8.98**	**26.02**	**392,626**	**25.83**
OVER $27.00	**211,000**	**4.86**	**29.81**	**103,667**	**29.79**
All	**1,969,559**	**6.77**	**$17.65**	**1,346,557**	**$13.67**

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

The Company has elected to account for its stock-based compensation plans under APB Opinion No. 25. However, the Company has computed, for pro forma disclosure purposes, the value of all options granted during the years ended April 30, 1997, 1998 and 1999 using the Black-Scholes option pricing model as prescribed by SFAS No. 123, using the following weighted average assumptions for grants in the years ended April 30, 1997, 1998 and 1999.

april 30,	1997	1998	1999
Risk-free interest rate	**6.84%**	**5.78%-6.49%**	**4.6%-5.68%**
Expected dividend yield	**N/A**	**N/A**	**N/A**
Expected life	**10 Years**	**9 years**	**5 years**
Expected volatility	**N/A**	**40.39%**	**52.40%**

The total value of options granted during the years ended April 30, 1997, 1998 and 1999 would be amortized on a pro forma basis over the vesting period of the options. Options generally vest over a one to three year period. Because the method of accounting prescribed by SFAS No. 123 has not been applied to options granted prior to May 1, 1995, the resulting pro forma compensation costs may not be representative of that to be expected in future years. If the Company had accounted for these plans in accordance with SFAS No. 123, the Company's net income (loss) and net income (loss) per share would have decreased (increased) as reflected in the following pro forma amounts (in thousands, except for per share amounts):

april 30,	1997	1998	1999
Net income (loss)			
As reported	**$(8,457)**	**$(3,813)**	**$9,099**
Pro forma	**$(8,613)**	**$(4,584)**	**$5,019**
Net income (loss) per share of common stock			
As reported	**$ (1.63)**	**$ (0.42)**	**$ 0.62**
Pro forma	**$ (1.66)**	**$ (0.50)**	**$ 0.34**

The weighted-average grant-date fair value of options granted during the years ended April 30, 1997, 1998 and 1999 is $4.56, $11.94 and $14.35, respectively.

7. INCOME TAXES

The provision (benefit) for income taxes for the years ended April 30, 1997, 1998 and 1999 consists of the following (in thousands):

april 30,	1997	1998	1999
Federal--			
Current	**$306**	**$ 232**	**$4,984**
Deferred	**330**	**1,901**	**1,400**
	636	**2,133**	**6,384**
State--			
Current	**7**	**41**	**879**
Deferred	**37**	**336**	**247**
	44	**377**	**1,126**
Total	**$680**	**$2,510**	**$7,510**

The differences in the provisions for income taxes and the amounts determined by applying the Federal statutory rate of 34% to income before provision for income taxes for the years ended April 30, 1997, 1998 and 1999 are as follows (in thousands):

fiscal year ended april 30,	1997	1998	1999
Tax at statutory rate	**$256**	**$1,508**	**$5,647**
State income taxes, net of federal benefit	**42**	**248**	**894**
Meals and entertainment disallowance	**18**	**23**	**85**
Nondeductible goodwill	**134**	**114**	**590**
Other, net (mainly imputed interest income for tax purposes)	**230**	**617**	**294**
	$680	**$2,510**	**$7,510**

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, 1998 and 1999 (in thousands):

april 30,	1998	1999
Deferred tax assets--		
Allowance for doubtful accounts	**$449**	**$703**
Treatment of lease obligations	**64**	**59**
Accrued expenses	**490**	**964**
Net operating loss carry forwards	**679**	**367**
Alternative minimum tax credit carry forwards	**494**	**510**
Other tax carry forwards	**150**	**- 0 -**
Other	**526**	**575**
Total deferred tax assets	**2,852**	**3,178**
Deferred tax liabilities--		
Accelerated depreciation of property and Equipment	**(3,245)**	**(5,014)**
Amortization of intangibles	**(543)**	**(1,165)**
Other	**(2,111)**	**(1,693)**
Total deferred tax liabilities	**(5,899)**	**(7,872)**
Net deferred tax liability	**$(3,047)**	**$(4,694)**

At April 30, 1999, the Company has net operating loss carry forwards for income tax purposes of approximately $894,000 that expire through 2010. At April 30, 1999, the Company also has $510,000 of alternative minimum tax credit carry forwards available indefinitely to reduce any further federal income taxes payable.

8. EMPLOYEE BENEFIT PLANS

On May 1, 1996, the Company adopted the Casella Waste Systems, Inc. 401(k) Plan and appointed the First National Bank of Boston as trustee of the plan. The plan went into effect on July 1, 1996 and has a December 31 year end. Pending board approval, the Company may contribute up to $500 per individual per calendar year. Participants vest in employer contributions ratably over a three-year period. Employer contributions for the years ended April 30, 1997, 1998 and 1999 amounted to $146,000, $176,000 and $275,000 respectively.

In January, 1998 the Company implemented its Employee Stock Purchase Plan. Under this plan, qualified employees may purchase shares of Class A Common Stock by payroll deduction at a 15% discount from the market price. 300,000 shares of Class A Common Stock have been reserved for this purpose. At April 30, 1998, no shares of Class A Common Stock have been issued under this plan. During the year ended April 30, 1999 5,812 shares of Class A Common Stock were issued under this plan.

9. RELATED PARTY TRANSACTIONS

(a) management services agreement

As part of the Series D Preferred Stock transaction described in Note 7(a), the Company entered into a Management Services Agreement with certain shareholders of the Series A, Series B and Series C Preferred Stock. In consideration for certain advisory services to the Company, as defined, a management fee of approximately $22,300 per month was due. At the closing of the IPO, the agreement terminated and the total accrued management fees paid to the shareholders was $495,000.

(b) services

During 1997, 1998 and 1999, the Company retained the services of a related party, a company wholly owned by two of the Company's stockholders, as a contractor in closing certain landfills owned by the Company. Total purchased services charged to operations for each of the three years ended April 30, 1997, 1998 and 1999 were $2,126,000, $4,202,000 and $5,198,000 respectively, of which $0 and $50,302 were outstanding and included in accounts payable at April 30, 1998 and 1999, respectively. In 1997, the Company entered into agreements with this company, totaling $4,065,000, to close the unlined municipal landfill which is adjacent to the Subtitle D Clinton County landfill and to close a portion of another of the Company's lined landfills. In 1998, the Company entered into agreements with this company, totaling approximately $3,000,000, to construct a portion of a landfill. In 1999, the Company entered into agreements with this company, totaling approximately $4,808,000, to construct improvements or expansions at three of its landfills.

(c) leases and land purchase

On August 1, 1993, the Company entered into three leases for operating facilities with a related party, a partnership including two of the Company's stockholders. During 1997, one of the leases was terminated early for $192,000. The remaining leases are classified as capital leases in the accompanying consolidated balance sheets. The leases call for monthly payments ranging from $8,800 and $9,000 and expire in April 2003. Total interest and amortization expense charged to operations for the years ended April 30, 1997, 1998 and 1999 under these agreements was $249,000, $245,000 and $237,000 respectively.

On November 8, 1996, the Company purchased a certain plot of land from the same related party for $122,000.

(d) postclosure landfill

The Company has agreed to pay the cost of postclosure on a landfill owned by certain principal stockholders. The Company paid the cost of closing this landfill in 1992, and the postclosure maintenance obligations are expected to last until 2012. In each of the three years ended April 30, 1997, 1998 and 1999, the Company paid $9,605, $3,019 and $3,161 respectively, pursuant to this agreement. As of April 30, 1999, the Company has accrued $102,000 for costs associated with its postclosure obligations.

10. SEGMENT REPORTING

In 1997, the Financial Accounting Standards Board issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". SFAS 131 establishes standards for reporting information about operating segments in financial statements. In general, SFAS 131 requires that business entities report selected information about operating segments in a manner consistent with that used for internal management reporting.

The Company classifies its operations into three geographical regions: Eastern, Central and Western. The Company's revenues are derived from one industry segment, which includes the collection, transfer, recycling and disposal of non-hazardous solid waste. The table below reflects certain geographic information relating to the Company's operations (in thousands):
(In thousands)

year ended 4/30/97:	EASTERN	CENTRAL	WESTERN	CORP.	ELIM	TOTAL
Outside Revenue	**$ 16,659**	**$ 61,148**	**$ 24,578**	**$ 160**	**$- 0 -**	**$ 102,545**
Interco. Revenue	**1,994**	**16,779**	**453**	**(1)**	**(19,225**	**- 0 -**
Net Income(Loss)	**(808)**	**1,098**	**843**	**(1,060)**	**- 0 -**	**73**
Depreciation & Amortization	**2,847**	**10,548**	**1,615**	**300**	**- 0 -**	**15,310**
Interest Expense, Net	**1,011**	**3,190**	**1,020**	**(293)**	**- 0 -**	**4,928**
Capital Expenditures	**4,787**	**13,511**	**1,488**	**264**	**- 0 -**	**20,050**
Total Assets	**23,928**	**81,760**	**43,349**	**3,261**	**- 0 -**	**152,298**
YEAR ENDED 4/30/98:						
Outside Revenue	**$ 23,443**	**$ 69,965**	**$ 46,545**	**$ 238**	**$ - 0 -**	**$ 140,191**
Interco. Revenue	**2,241**	**22,490**	**3,206**	**(14)**	**(27,923)**	**- 0 -**
Net Income(Loss)	**(1,697)**	**4,148**	**654**	**(1,180)**	**- 0 -**	**1,925**
Depreciation & Amortization	**3,740**	**11,850**	**3,765**	**464**	**- 0 -**	**19,819**
Merger Costs	**- 0 -**	**290**	**- 0 -**	**- 0 -**	**- 0 -**	**290**
Impairment Charge	**971**	**- 0 -**	**600**	**- 0 -**	**- 0 -**	**1,571**
Interest Expense, Net	**1,287**	**3,472**	**3,103**	**(617)**	**- 0 -**	**7,245**
Capital Expenditures	**5,515**	**14,184**	**7,326**	**1,101**	**- 0 -**	**28,126**
Total Assets	**29,739**	**99,285**	**66,855**	**6,535**	**- 0 -**	**202,414**
YEAR ENDED 4/30/99:						
Outside Revenue	**$ 29,272**	**$ 81,400**	**$ 62,060**	**$ 686**	**$ - 0 -**	**$ 173,418**
Interco. Revenue	**2,218**	**28,397**	**6,711**	**(1)**	**(37,325)**	**- 0 -**
Net Income(Loss)	**1,644**	**8,368**	**2,333**	**(3,246)**	**- 0 -**	**9,099**
Depreciation & Amortization	**4,665**	**12,430**	**6,910**	**831**	**- 0 -**	**24,836**
Merger Costs	**- 0 -**	**332**	**546**	**1,073**	**- 0 -**	**1,951**
Interest Expense, Net	**1,412**	**3,933**	**4,055**	**(4,476)**	**- 0 -**	**4,924**
Capital Expenditures	**7,704**	**18,161**	**19,079**	**2,779**	**- 0 -**	**47,723**
Total Assets	**40,134**	**115,383**	**99,236**	**15,456**	**- 0 -**	**270,209**

11. SUBSEQUENT EVENTS

During the period between May 1, 1999 and June 18, 1999 the Company acquired three companies in transactions accounted for as purchases. The total value of the assets acquired was approximately $315,000, paid in cash. During this same period the Company completed one merger accounted for a pooling of interests, for which it issued 59,375 of its class A common stock.

On May 12, 1999, the Company and KTI, Inc (KTI) agreed to merge subject to a revised definitive merger agreement, originally signed on January 12, 1999, in a transaction to be accounted for as a pooling of interests. Under the terms of the revised agreement, each share of KTI will be exchanged for 0.59 shares of Casella's Class A common stock. KTI specializes in solid waste disposal and recycling, and operates manufacturing facilities utilizing recycled materials.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

Items 10, 11, 12 and 13 of Part III (except for information required with respect to executive officers of the Company which is set forth under "Executive Officers of the Company" in Item 1 of Part I of this report) have been omitted from this report, since 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. The information required by Items 10, 11, 12 and 13 of this report, which will appear in the definitive proxy statement, is incorporated by reference into Part III of this report.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

Item 14(a)(1) Consolidated Financial Statements included under Item 8:

Report of Independent Auditors

Consolidated Balance Sheets as of April 30, 1998 and 1999

Consolidated Statements of Operations for the Years Ended April 30, 1997, 1998 and 1999.

Consolidated Statements of Redeemable Preferred Stock, Redeemable Put Warrants and Stockholders Equity for the Years Ended April 30, 1997, 1998 and 1999.

Consolidated Statements of Cash Flow for the Years Ended April 30, 1997, 1998 and 1999.

Notes to Consolidated Financial Statements

Item 14(a)(2) Schedule II - Valuation and Qualifying Accounts

Schedule II - Allowance for Doubtful Accounts

Item 14(a)(3) Exhibits:

The following Exhibits are filed as part of this report under Item 14(c):

EXHIBIT NO.	DESCRIPTION
***3.1**	Amended and Restated Certificate of Incorporation of the Registrant.
***3.2**	Certificate of Amendment to Certificate of Incorporation.
***3.3**	Amended and Restated Certificate of Amendment of the Registrant.
***3.4**	Amended and Restated By-Laws of the Registrant.
***3.5**	Second Amended and Restated By-Laws of the Registrant.
***4**	Specimen Certificate for Class A Common Stock.
***10.1**	1993 Incentive Stock Option Plan.
***10.2**	1994 Nonstatutory Stock Option Plan.
***10.3**	1996 Stock Option Plan.
***10.4**	1997 Stock Incentive Plan.
***10.5**	1997 Non-Employee Director Stock Option Plan.
***10.6**	Registration Rights Agreement between the Registrant and Susan Olivieri and Robert MacNeil, dated January 3, 1996.
***10.7**	1995 Stockholders Agreement between the Registrant and the stockholders who are a party thereto, dated as of December 22, 1995.
***10.8**	1995 Registration Rights Agreement between the Registrant and the stockholders who are a party thereto, dated as of December 22, 1995.
***10.9**	1995 Repurchase Agreement between the Registrant and the stockholders who are a party thereto, dated as of December 22, 1995.
***10.10**	Management Services Agreement between the Registrant, BCI Growth III, L.P., North Atlantic Venture Fund, L.P., and Vermont Venture Capital Fund, L.P., dated as of December 22, 1995.
***10.11**	Warrant to Purchase Common Stock of the Registrant granted to John W. Casella, dated as of July 26, 1993.
***10.12**	Warrant to Purchase Common Stock of the Registrant granted to Douglas R. Casella, dated as of July 26, 1993.

***10.13** Asset Purchase Agreement by and among Kenneth H. Mead, Kerkim, Inc. and Casella Waste Management of N.Y., dated as of January 17, 1997.

***10.14** Reorganization Agreement by and among Kenneth H. Mead, Superior Disposal Services, Inc., Kensue, Inc., S.D.S. at PA, Inc. and Claws Refuse, Inc., dated as of January 17, 1997.

***10.15** Termination of Lease Agreement by and between Casella Associates and Casella Waste Management, Inc. dated September 25, 1996.

***10.16** Amended and Restated Revolving Credit and Term Loan Agreement between the Registrant and BankBoston, dated as of August 6, 1997.

***10.17** Lease Agreement, as Amended, between Casella Associates and Casella Waste Management, Inc., dated December 9, 1994 (Rutland lease).

***10.18** Lease Agreement, as Amended, between Casella Associates and Casella Waste Management, Inc., dated December 9, 1994 (Montpelier lease).

***10.19** Furniture and Fixtures Lease Renewal Agreement between Casella Associates and Casella Waste Management, Inc., dated May 1, 1994.

***10.20** Lease, Operations and Maintenance Agreement between CV Landfill, Inc. and the Registrant dated June 30, 1994

***10.21** Restated Operation and Management Agreement by and between Clinton County (N.Y.) and the Registrant dated September 9, 1996.

***10.22** Labor Utilization Agreement by and between Clinton County (N.Y.) and the Registrant dated August 7, 1996.

***10.23** Lease and Option Agreement by and between Waste U.S.A., Inc. and New England Waste Services of Vermont, Inc., dated December 14, 1995.

***10.24** Consulting and Non-Competition Agreement between the Registrant and Kenneth H. Mead, dated January 23, 1997.

***10.25** Issuance of Shares by the Registrant to National Waste Industries, Inc., dated October 19, 1994.

10.26 Registration Rights Agreement by and among the Registrant, Joseph M. Winters, Andrew B. Winters, Brigid Winters, Sean Winters and Maureen Winters (the "All Cycle Stockholders"), dated as of December 19, 1997. (Previously filed as part of the Company's Registration Statement filed on Form S-1 and declared effective on July 20, 1998 and hereby incorporated by reference.

10.27 Amendment No. 1 to Registration Rights Agreement by and among the Registrant, the All Cycle Stockholders, Winters Family Partnership and Goldman, Sachs & Co., dated as of June 3, 1998. (Previously filed as part of the Company's Annual Report on Form 10-K filed on June 25, 1998 and hereby incorporated by reference).

10.28 Amendment No. 2 to Lease Agreement, by and between Casella Associates and Casella Waste Management, Inc., dated as of
November 20, 1997 (Rutland lease). (Previously filed as part of the Company's Annual Report on Form 10-K filed on June 25, 1998 and hereby incorporated by reference).

10.29 Amended and Restated 1997 Stock Incentive Plan (Previously filed as part of the Company's Definitive Proxy Statement filed on September 21, 1998 and hereby incorporated by reference).

10.30 Agreement and Plan of Merger dated January 12, 1999, by and among Casella Waste Systems, Inc., Rutland Acquisition Sub, Inc. and KTI, Inc. (Previously filed as part of the Company's Current Report on Form 8-K filed January 21, 1999 and hereby incorporated by reference).

10.31 Amendment No. 1 to Agreement and Plan of Merger (Previously filed as part of the Company's Current Report on Form 8 K filed May 13, 1999 and hereby incorporated by reference).

10.32 Amendment No. 1 to Stock Option Agreement (Previously filed as part of the Company's Current Report on Form 8-K filed May 13, 1999 and hereby incorporated by reference).

21 Subsidiaries of the Registrant.

23.1 Consent of Arthur Andersen LLP.

27.1 Financial Data Schedule - for the year ended April 30, 1999.

27.2 Financial Data Schedule - for the year ended April 30, 1998, Restated.

27.3 Financial Data Schedule - for the year ended April 30, 1997, Restated.

* Previously filed as part of the Company's Registration Statement filed on form S-1 and declared effective on October 27, 1997 and hereby incorporated by reference.

ITEM 14(B) Reports on Form 8-K

During the quarter ended April 30, 1999 the Company filed one report on Form 8-K:

On April 16, 1999 the Company filed a report on Form 8-K including one event under Item 5, 'Other Events'. The event described was the announcement of the Company's intent to terminate its merger agreement with KTI.

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.

casella
waste systems, inc.

By: /s/ JOHN W. CASELLA
John W. Casella
President and Chief
Executive Officer

Date: July 15, 1999

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
/s/ JOHN W. CASELLA John W. Casella	President, Chief Executive Officer and Chairman	July 27, 1999
/s/ JAMES W. BOHLIG James W. Bohlig	Senior Vice President and Chief Operating Officer, Director	July 27, 1999
/s/ JERRY S. CIFOR Jerry S. Cifor	Vice President and Chief Financial Officer (Principal Accounting and Financial Officer)	July 27, 1999
/s/ DOUGLAS R. CASELLA Douglas R. Casella	Director	July 27, 1999
/s/ JOHN F. CHAPPLE III John F. Chapple III	Director	July 27, 1999
/s/ GREGORY B. PETERS Gregory B. Peters	Director	July 27, 1999

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULE

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Valuation Accounts Schedule (Schedule II), is presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

/s/ Arthur Andersen LLP

Boston, Massachusetts
June 18, 1999

financial statement schedules

schedule II valuation accounts
allowance for doubtful accounts (in thousands of dollars)

year ended april 30,	1997	1998	1999
Balance at beginning of period	**$353**	**$722**	**$1,283**
Additions - Charged to expense	**332**	**951**	**1,640**
Acquisition related	**494**	**697**	**273**
Deductions - Bad debts written off, net of Recoveries	**(457)**	**(1,087)**	**(1,766)**
Balance at end of period	**$722**	**$1,283**	**$1,430**

EXHIBIT 21

SUBSIDIARIES OF THE REGISTER

NAME	JURISDICTION OF INCORPORATION
All Cycle Waste, Inc.	Vermont
Blasdell Development Group, Inc.	New York
Bristol Waste Management, Inc.	Vermont
Casella Waste Management, Inc.	Vermont
Casella Waste Management of Pennsylvania, Inc.	Pennsylvania
Casella Waste Management of N.Y., Inc.	New York
Casella Transportation, Inc.	Vermont
Casella T.I.R.E.S., Inc.	Maine
Corning Community Disposal Service, Inc.	New York
Forest Acquisitions Inc.	New Hampshire
Grasslands, Inc.	New York
Hakes C&D Disposal, Inc.	New York
Hiram Hollow Regeneration Corp.	New York
Hyland Associates	New York
Natural Environmental, Inc.	New York
New England Waste Services of Vermont, Inc.	Vermont
New England Waste Services of N.Y., Inc.	New York
New England Waste Services, Inc.	Vermont
Newbury Waste Management, Inc.	Vermont
North Country Environmental Services, Inc.	Virginia
North Country Composting Services, Inc.	New Hampshire
Northern Sanitation, Inc.	New York
Northern Properties of Plattsburgh, Inc.	New York
Pine Tree Waste, Inc.	Maine
Portland C & D Landfill, Inc.	New York
R.A.Bronson, Inc.	New York
Resource Waste Systems, Inc.	Massachusetts
Resource Recovery of Cape Cod, Inc.	Massachusetts
Resource Transfer, Inc.	Massachusetts
Rutland Acquisition Sub, Inc.	New Jersey
Sawyer Environmental Services	Maine
Sawyer Environmental Recovery Facilities, Inc.	Maine
Schultz Landfill, Inc.	New York
Sunderland Waste Management, Inc.	Vermont
Waste Stream, Inc.	New York
Westfield Disposal Service, Inc.	New York
Winters Brothers, Inc.	Vermont

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included in this Form 10-K, into the Company's previously filed Registration Statements on Form S-8:

File No. 333-43539 pertaining to the 1993 Incentive Stock Option Plan of Casella Waste Systems, Inc., File No. 333-43537 pertaining to the 1994 Nonstatutory Stock Option Plan of Casella Waste Systems, Inc., File No. 333-43541 pertaining to the 1996 Stock Option Plan of Casella Waste Systems, Inc., File No. 333-43635 pertaining to the 1997 Stock Incentive Plan of Casella Waste Systems, Inc., File No. 333-40267 pertaining to the 1997 Employee Stock Purchase Plan of Casella Waste Systems, Inc., File No. 333-43543 pertaining to the 1997 Non-Employee Director Stock Option Plan of Casella Waste Systems, Inc. and File No. 333 67487 pertaining to the Amended and Restated 1997 Stock Incentive Plan of Casella Waste Systems, Inc.

Arthur Andersen LLP

/s/ Arthur Andersen LLP

Boston, Massachusetts
July 29, 1999

BOARD OF DIRECTORS

john w. casella, Director
Chairman & Chief Executive Officer,

james w. bohlig, Director
Senior Vice President &
Chief Operating Officer

douglas r. casella, Director
Vice-Chairman

gregory b. peters, Director
Managing General Partner,
Vermont Venture Capital Partners, L.P.

john f. chapple III, Director
President, Marlin Management
Services

OFFICERS

john casella
Chairman &
Chief Executive Officer

james bohlig
Senior Vice President &
Chief Operating Officer

jerry cifor
Senior Vice President &
Chief Financial Officer

michael barrett
Vice President,
Transportation & Recycling

christopher desroches
Vice President,
Sales & Marketing

joseph fusco
Vice President,
Communications

gerry gormley
Vice President,
Human Resources

james hiltner
Regional Vice President

michael holmes
Regional Vice President

christopher hubbard
Vice President,
Information Systems

larry lackey
Vice President
Permits, Compliance & Engineering

alan sabino
Regional Vice President

gary simmons
Vice President,
Fleet Management

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