CASELLA WASTE SYSTEMS INC
Form 10-K
June 20, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

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

For the fiscal year ended April 30, 2008

Or

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

For the transition period from to

Commission file number 000-23211

CASELLA WASTE SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

None.

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

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

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 ý No o

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 ý

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

Large accelerated filer o	Accelerated filer ý	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of the common equity held by non-affiliates of the registrant, based on the last reported sale price of the registrant's Class A common stock on the NASDAQ Stock Market at the close of business on October 31, 2007 was $337,114,669. The Company does not have any non-voting common stock outstanding.

There were 24,465,693 shares of Class A common stock, $.01 par value per share, of the registrant outstanding as of May 31, 2008. There were 988,200 shares of Class B common stock, $.01 par value per share, of the registrant outstanding as of May 31, 2008.

Documents Incorporated by Reference

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

CASELLA WASTE SYSTEMS, INC.

ANNUAL REPORT ON FORM 10-K

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PART I

Forward Looking Statements

This Annual Report on Form 10-K and, in particular, the section containing this management's discussion and analysis of financial condition and results of operations contain or incorporate a number of forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Exchange Act of 1934, as amended (the "Exchange Act"), including statements regarding:

- expected future revenues, operations, expenditures and cash needs;
- fluctuations in the commodity pricing of our recyclables, increases in landfill tipping fees and fuel costs, and general economic and weather conditions;
- projected future obligations related to capping, closure and post-closure costs of our existing landfills and any disposal facilities which we may own or operate in the future;
- the projected development of additional disposal capacity;
- estimates of the potential markets for our products and services, including the anticipated drivers for future growth;
- sales and marketing plans;
- potential business combinations; and
- projected improvements to our infrastructure and impact of such improvements on our business and operations.

In addition, any statements contained in or incorporated by reference into this report that are not statements of historical fact should be considered forward-looking statements. You can identify these forward-looking statements by the use of the words "believes", "expects", "anticipates", "plans", "may", "will", "would", "intends", "estimates" and other similar expressions, whether in the negative or affirmative. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry and markets in which we operate as well as management's beliefs and assumptions, and should be read in conjunction with our consolidated financial statements and notes to consolidated financial statements included in this report. We cannot guarantee that we actually will achieve the plans, intentions or expectations disclosed in the forward-looking statements made. There are a number of important risks and uncertainties that could cause our actual results to differ materially from those indicated by such forward-looking statements. These risks and uncertainties include, without limitation, those detailed in Item 1A, "Risk Factors" of this Annual Report on Form 10-K. We do not intend to update publicly any forward-looking statements whether as a result of new information, future events or otherwise, except as otherwise required by law.

ITEM 1. BUSINESS

Overview

Founded in 1975 with a single truck, Casella Waste Systems, Inc. is a vertically-integrated company. We provide resource management expertise and services to residential, commercial, municipal, and industrial customers, primarily in the areas of solid waste collection, transfer, disposal and recycling services. Our Company now operates in fifteen states we operate vertically integrated solid waste operations in Vermont, New Hampshire, New York, Massachusetts, and Maine; and stand alone materials processing facilities in Connecticut, Pennsylvania, New Jersey, North Carolina, South Carolina, Tennessee, Georgia, Florida, Michigan, and Wisconsin.

As of May 31, 2008, the Company owned and/or operated 34 solid waste collection operations, 30 transfer stations, 38 recycling facilities, eight Subtitle D landfills, two landfills permitted to accept construction and demolition materials, , and one waste-to-energy facility, as well as a 50% interest in a joint venture that manufactures, markets and sells cellulose insulation made from recycled fiber and a 16.2% interest in a company that markets an incentive based recycling service.

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

Strategy

After making significant progress with our landfill development growth initiative during fiscal year 2007, we entered the next phase of our long-term business strategy in fiscal year 2008. Our primary focus shifted from new landfill development projects to: (1) generating cash flows from these landfill investments; (2) improving the performance of our base operations; and (3) deploying capital to the highest return opportunities in our base operations while selectively pursuing growth opportunities that meet emerging customer and market needs.

Our operating and financial objectives going forward are to generate free cash flow and increase shareholder returns by balancing profitable revenue growth, cost reductions, operational improvements, investments in innovation, and efficient capital deployment.

Landfill Development Initiative

Five years ago, we set an initiative to add disposal capacity to our solid waste franchise both to strengthen our market position and to create a sustainable long-term foundation for the business.

From fiscal year 2003 through fiscal year 2008, we have made strides in executing our landfill development growth initiative by adding significant total and annual permitted disposal capacity within our solid waste footprint, primarily through our partnership model. Total and annual disposal capacity additions resulted from: (1) the addition of four landfills (Southbridge landfill in Massachusetts; Ontario County landfill in New York; Juniper Ridge landfill in Maine; and Chemung County landfill in New York); and (2) permit expansions at our existing landfills. Since April 30, 2003, we have added 62.2 million tons of permitted and permittable total landfill capacity to our solid waste business, bringing the total landfill capacity to 92.4 million tons as of April 30, 2008.

During this same period, we added 1.9 million tons of annual disposal capacity bringing the total to 3.3 million as of April 30, 2008. In fiscal year 2008, we successfully expanded the annual permitted capacity at the Hakes and the Ontario County landfills by an aggregate of approximately 450,000 tons per year.

With the addition of this total disposal capacity, the strategic emphasis shifted in fiscal year 2008 to a focus on harvesting free cash flow and generating an enhanced return on invested capital at the new and existing landfill sites. To increase the return on invested capital, we are: seeking regulatory approval to convert one C&D (construction and demolition) landfill to a MSW (municipal solid waste) landfill; seeking permit modifications to increase annual permitted capacity; and optimizing flows of waste across the northeast to obtain better integration and profitability of our assets.

Base Operations Performance

We are focused on four main areas to improve the performance of our base operations: (1) profitably growing revenues; (2) reducing costs and increasing operating efficiencies; (3) linking sustainability solutions with core offerings; and (4) selectively reorganizing assets.

Over the past three years we realigned the sales organization, including the introduction of a new sales program in late fiscal year 2007. Key elements of the program are: pricing models for new and existing collection customers with profitability analysis at the account level; a restructured account turnover tracking system; the introduction of a prospect database management system; and realigned incentive compensation for the sales team. The sales programs yielded positive benefits in fiscal year 2008 and we expect that the programs will continue to add value through disciplined pricing at the account level and structured organic growth targets.

During fiscal year 2008 we furthered our efforts towards driving cost reductions and increased efficiency with select operating initiatives, rationalization of our procurement system, and the reorganization of several operating units into market areas.

We began the process of consolidating select divisions into a market area management structure during the fourth quarter of fiscal year 2007. As the company grew through acquisitions over a 20 year period, separate divisional management teams were maintained for many entities, adding cost and complexity to our business structure. The market area reorganization: (1) enables our managers to better manage waste flows and service customers; (2) reduces management and accounting overhead costs; and (3) streamlines the accounting process and simplifies internal controls testing.

The procurement rationalization program launched in fiscal year 2008 yielded positive cost savings through the consolidation of vendors, adjustment of service needs as necessary, and contract restructuring. The positive results from this initiative will show full year results in fiscal year 2009; however the organizational benefits yielded from the rigorous review will continue to impact purchasing behaviors into the future.

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

The focal point of the continuous improvement programs is the emphasis on building our people at all levels in the business. We have invested significant time and corporate resources in recruiting, hiring and training highly skilled people, and creating incentives to retain and reward our key employees. Specific programs in leadership development, selection, driver and mechanic training, and safety have given our people the right skills and tools to excel in their roles.

We believe that continuous improvement goes beyond what we are doing today as an organization to make the workplace safer and to reduce costs; the concept is broader, and extends to the challenge of continually adding value for our customers, employees, communities, and shareholders into the future. To drive innovation at all levels of the organization, we have created an infrastructure to capitalize on the innovative ideas of all employees.

As a charter member of the U.S. EPA Climate Leaders Program, we have made a commitment to reduce our greenhouse gas emissions by 10% from 2005 to 2012. Participation in the Climate Leaders Program has added an additional environmental filter to our decision making process.

In another effort to reduce our environmental impact while also reducing operating costs, we installed an on-board oil refining technology on over 800 of our collection vehicles during the third and fourth quarters of fiscal year 2008. The on-board oil refining system is expected to significantly extend the interval between oil changes and filter replacements, reducing our usage of oil lubricants by an estimated 45,000 gallons per year. The system is expected to result in economic savings from reduced oil and maintenance costs and is expected to reduce greenhouse gas emissions by avoiding the manufacturing, transportation, and disposal of oil lubricants and oil filters.

Our first hybrid diesel electric collection vehicle was put into service on an organics recycling route in early May 2008. We expect the vehicle to reduce fuel consumption by 30 to 40 percent and reduce greenhouse gas emissions by 65 percent. This is an early example of how emerging technologies in hybrid trucks will help to reduce the fuel consumption and greenhouse gas emissions of our fleet. We plan to work with multiple vendors throughout fiscal year 2009 to road-test hybrid trucks that could be used in many more applications throughout our business.

One of our key success factors over the past several years has been our ability to link recycling and environmental approaches to meet the constantly evolving resource management needs of communities, businesses and homeowners throughout our operating regions. One of the most successful and innovative programs that we have introduced is the SEED (Sustainable Environmental Economic Development) program. The SEED program seeks to align the interests of all stakeholders around the development of a sustainable solid waste infrastructure. We have successfully utilized this concept to win four landfill operating lease contracts during the past four years, which have helped to build a long-term landfill franchise in our solid waste footprint. Using this same partnership approach defines our outlook for building sustainable solid waste and resource transformation infrastructure into the future.

Capital Deployment

Our deployment of capital has evolved with our business strategy during the past two years from investments primarily in long-term landfill capacity to an approach that balances free cash flow generation from our base operations with selective investment in resource transformation solutions.

Our capital strategy was focused in three main areas during fiscal year 2008: (1) improving the mix of base operations through divestitures, swaps or closures; (2) reducing growth capital expenditures associated with existing landfill development; and (3) pursuing select strategic investment opportunities in waste transformation and resource optimization.

During the fourth quarter of fiscal year 2007, we announced a plan to divest, swap, or close underperforming and non-strategic operations amounting to over $22.0 million of annual revenues. With the sale of the Holliston, Massachusetts transfer station on April 30, 2007, the sale of the Buffalo, New York transfer station, hauling operation and related equipment on October 31, 2007, the termination of operations at MTS Environmental soils processing facility in Epsom, New Hampshire during the fourth quarter of fiscal year 2008, and the pending first quarter of fiscal year 2009 sale of the Greenville, South Carolina FCR materials processing facility, we substantially completed our targeted divestiture and closure program of low margin operations that do not fit our long-term strategic plan.

We invested approximately $200.0 million of capital from fiscal year 2003 to fiscal year 2007 to acquire and develop strategically located landfill capacity. Capital spending was elevated during this period as we built-out 25 to 30-year infrastructure and met contractual obligations associated with operating leases at the landfill facilities. The heightened growth capital investment for existing landfill development projects was largely completed by the end of fiscal year 2007 and our focus shifted during fiscal year 2008 to extracting appropriate returns from the invested capital. The landfill capacity added to our business is the foundation of today's integrated solid waste strategy, and these sites will serve as a platform for emerging resource transformation programs into the future.

We plan to pursue a similar capital strategy in fiscal year 2009: (1) auctioning capital to the highest return opportunities; (2) continuing our initiative to align our asset mix to effectively meet our long-term operating strategy; and (3) selectively investing growth capital in operations that enhance our ability to support emerging customer and market needs in waste transformation and resource optimization.

Innovation and long-term strategic investments remain important to the organization, especially within the context of the growing trend in society and business to recognize the importance of sustainability and managing natural resources. We have built our business over the past 30 years by continually meeting customer needs with solutions that add value to their businesses and communities. Our investment strategy seeks to leverage our core competencies in materials processing to create additional value from the waste stream. Investments in resource management programs such as: single-stream recycling, landfill gas-to-energy projects, glass beneficiating, and incentive based recycling, position our Company well for the evolution of our industry from waste management to resource management.

Solid Waste Operations

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

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

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

Material Recycling Facilities. Our material recycling facilities, or MRFs, receive, sort, bale and resell recyclable materials originating from the municipal solid waste stream, including newsprint, cardboard, office paper, containers and bottles. Through FCR, we operate 19 MRFs in geographic areas not served by our collection divisions or disposal facilities and four in geographic areas served by our collection divisions. Revenues are received from municipalities and customers in the form of processing fees, tipping fees and commodity sales. These MRFs are large-scale, high-volume facilities that process recycled materials delivered to them by municipalities and commercial customers under long-term contracts. We also operate MRFs as an integral part of our core solid waste operations, which generally process recyclables collected from our various residential collection operations. This latter group is concentrated primarily in Vermont, as the public sector in other states within our core solid waste services market area has generally maintained primary responsibility for recycling efforts.

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

Landfills. The following table (in thousands) reflects landfill capacity and airspace changes, as measured in tons, as of April 30, 2006, 2007 and 2008, for landfills we operated during the years then ended:

	April 30, 2006			April 30, 2007			April 30, 2008		
	Estimated Remaining Permitted Capacity in Tons (1)	Estimated Additional Permittable Capacity in Tons (1)(2)	Estimated Total Capacity	Estimated Remaining Permitted Capacity in Tons (1)	Estimated Additional Permittable Capacity in Tons (1)(2)	Estimated Total Capacity	Estimated Remaining Permitted Capacity in Tons(1)	Estimated Additional Permittable Capacity in Tons (1)(2)	Estimated Total Capacity
Balance, beginning of year	25,681	56,008	81,689	24,076	62,577	86,653	37,152	56,969	94,121
Acquisitions(3)	1,243	3,288	4,531						
New expansions pursued(4)		2,182	2,182		10,283	10,283		1,693	1,693
Permits granted(5)	349	(349)		15,467	(15,864)	(397)			
Airspace consumed	(2,889)		(2,889)	(2,904)		(2,904)	(3,274)		(3,274)
Changes in engineering estimates	(308)	1,448	1,140	513	(27)	486	(859)	742	(117)
Balance, end of year	24,076	62,577	86,653	37,152	56,969	94,121	33,019	59,404	92,423

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

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

(3) The increase in fiscal year 2006 acquired airspace capacity is due to our Chemung landfill operating contract.

(4) The increase in fiscal year 2006 is due to a determination of additional permittable airspace capacity at our Southbridge and Clinton County landfills. The increase in fiscal year 2007 is primarily due to a determination of additional permittable airspace capacity at our Ontario and Clinton County landfills. The increase in fiscal year 2008 is primarily due to a determination of additional permittable airspace capacity at our Hakes construction and demolition landfill.

(5) The increase in permitted airspace capacity in fiscal 2007 is associated with permits received at our Hyland, Hakes, Pine Tree and Waste USA landfill facilities.

NCES. The North Country Environmental Services ("NCES") landfill located in Bethlehem, New Hampshire serves the wastesheds of New Hampshire and certain contiguous Vermont, Maine and Massachusetts wastesheds. The facility is currently permitted to accept municipal solid waste and C&D material with no annual permit cap. Since the purchase of this landfill in 1994, we have experienced opposition from the local town through enactment of restrictive local zoning and planning ordinances. In each case, in order to access additional capacity, we have been required to assert our rights through litigation in the New Hampshire court system. In August 2005, we received approval for additional permitted capacity within the original 51 acres, which we expect to last into fiscal year 2010. The site also includes, as permittable airspace, an additional 1.1 million tons within the existing 51 acre footprint. This will extend the site life by approximately eight years to 2018.

In addition, although we received state approval for an additional use of approximately 1.1 million tons, outside the original 51 acres, our right to use that capacity has been limited by both a ruling of the New Hampshire Supreme Court, which remains subject to litigation as a result of a partial remand of certain outstanding issues back to the trial court, and the adoption of an ordinance by the Town in March 2005 prohibiting expansion outside the original 51 acres, which is also the subject of on-going litigation.

Waste USA. The Waste USA landfill is located in Coventry, Vermont and serves the major wastesheds throughout Vermont. The landfill is permitted to accept residential and commercially produced municipal solid waste, including pre-approved sludges, and construction and demolition debris. Since our purchase of this landfill in 1995, we have expanded its capacity which we expect to last through approximately fiscal year 2030. In fiscal year 2005, the annual permit was increased from 240,000 to 370,000 tons.

Clinton County. The Clinton County landfill, located in Schuyler Falls, New York, is leased from Clinton County and the landfill serves the principal wastesheds of Clinton, Franklin, Essex, Warren, Washington, and Saratoga Counties in New York, and certain selected contiguous Vermont wastesheds. Permitted waste accepted includes MSW, C&D debris, and special waste which is approved by regulatory agencies. The facility is currently pursuing a multi-year landfill expansion permitting process which, if successful, would provide considerable additional volume. We have modified the lease agreement with the town and county to accommodate permitted and permittable airspace.

Pine Tree. The Pine Tree landfill is located in Hampden, Maine. It is a secure, special waste landfill, permitted to accept construction and demolition debris, ash from municipal solid waste incinerators and fossil fuel boilers, sandblast grits, oily waste and oil spill debris, non-friable asbestos, and other approved special wastes. There are no tonnage limitations at Pine Tree Landfill. In November 2006 a phased closure of the landfill was approved by the Town of Hampden and the Maine Department of Environmental Protection, which will require cessation of waste acceptance by December 31, 2009. As of May 1, 2007, potentially odiferous waste has been excluded from the landfill, including sludge, front-end processing residues ("FEPR"), and bypass MSW.

Juniper Ridge. On February 5, 2004, we completed transactions with the State of Maine and Georgia-Pacific, pursuant to which the State of Maine took ownership of the landfill located in West Old Town, Maine, formerly owned by Georgia Pacific, and we became the operator of that facility under a 30-year operating and services agreement between us and the State of Maine. The landfill was originally licensed in 1993 as a generator-owned landfill for disposal of pulp and papermaking residuals generated by the Georgia-Pacific Mill, with an approved capacity of 3.3 million cubic yards. The Maine DEP permitted 6.9 million cubic yards of capacity in fiscal year 2005. The site is located on a 780-acre parcel of property with 68 acres currently dedicated for waste disposal. The site has sufficient acreage within the 780 acres to permit the additional airspace required for the term of the 30-year operating and services agreement. The site is currently permitted to take construction and demolition debris, ash from municipal solid waste incinerators and fossil fuel boilers, FEPR and bypass MSW from waste-to-energy facilities, treatment plant sludge and biosolids sandblast grits, oily waste and oil spill debris, and other approved special wastes from within the state of Maine. There are no annual tonnage limitations at Juniper Ridge landfill.

Southbridge. On November 25, 2003, we acquired Southbridge Recycling and Disposal Park, Inc. ("Southbridge Recycling and Disposal"). Southbridge Recycling and Disposal has a contract with the Town of Southbridge, Massachusetts to maintain and operate a 13-acre C&D recycling facility and a 52-acre landfill currently permitted to accept residuals from the recycling facility and a limited amount of municipal solid waste. The contract has a remaining life of eight years and is renewable by us for four additional five-year terms or until the landfill has reached full capacity, whichever is greater. In May, 2007, we finalized an amendment to our contract with the Town of Southbridge which would allow us to seek approvals to convert the landfill from C&D to municipal solid waste. In June 2008 we received a positive vote from the Southbridge, Massachusetts Board of Health to amend the landfill site assignment allowing the site to receive municipal solid waste from communities other than Southbridge, and to expand the annual permit to 405,600 tons per year from 180,960 tons per year.

Maine Energy Waste-to-Energy Facility. We own a waste-to-energy facility, Maine Energy, which generates electricity by processing non-hazardous solid waste. This waste-to-energy facility provides us with important additional disposal capacity and generates power for sale. The facility receives solid waste from municipalities under long-term waste handling agreements and also receives raw materials from commercial and private waste haulers and municipalities with short-term contracts, as well as from our collection operations. Maine Energy is contractually required to sell all of the electricity generated at its facility to Florida Power and Light, an electric utility, and guarantees 100% of its net electric generating capacity to FPL Energy Power Marketing, Inc.

Hyland. The Hyland landfill, located in Angelica, New York, serves certain Western region wastesheds located throughout western New York. The facility is permitted to accept all residential and commercial municipal solid waste, construction and demolition debris and special waste which is approved by regulatory agencies. The facility is located on a 600-acre property, which represents considerable additional expansion capabilities. During 2004 the town passed the required permissive referendum related to the future expansion of the site and a permit was issued in December 2006 for approximately 11.0 million cubic yards. The landfill is currently permitted to accept approximately 312,000 tons annually, and we are currently seeking a minor modification to expand annual permitted tonnage by an incremental 153,000 tons per year.

Ontario. We have entered into a 25-year operation, management and lease agreement with the Ontario County Board of Supervisors for the Ontario County Landfill, which is located in the Town of Seneca, New York. We commenced operations on December 8, 2003. This landfill serves the central New York wasteshed and is strategically situated to accept long haul volume from both Eastern and downstate markets. The site consists of a 387-acre landfill and in fiscal year 2005 we received a permit modification for an additional 3.9 million tons. Additional potential expansions amount to an estimated 13.1 million tons. During fiscal year 2008 we successfully requested and received a minor modification to increase our annual allowance of placed tons over the original permit of 612,000 tons to 917,604 tons. The Ontario site also houses a single stream recycling facility, a glass beneficiating plant and a landfill-gas-to energy plant producing seven mgw/hr of power.

Hakes. The Hakes construction and demolition landfill, located in Campbell, New York, is permitted to accept only construction and demolition material. The landfill serves the principal rural wastesheds of western New York. The lead state permitting agency has accepted the final supplemental environmental impact statement and all permits were received in November 2006 representing an additional 5.8 million cubic yards or approximately 3.7 million tons. We have entered into a revised long-term host community agreement related to the expansion of the facility. During fiscal year 2008 we successfully requested and received a minor modification to increase our annual allowance of placed tons over the original permit of 306,000 tons to 457,164 tons.

Chemung. We have entered into a 25-year operation, management and lease agreement with Chemung County for certain facilities located within the county utilized in the collection, management and disposal of solid waste including the Chemung County Landfill, which is located in the Town of Chemung, New York. We commenced operations on September 19, 2005. This landfill serves the central and southern tier New York wastesheds and is strategically situated to accept long haul volume from both eastern and downstate markets. The site consists of 37.8 active acres permitted to accept 120,000 tons of municipal solid waste per year and 12.8 active acres permitted to accept 20,400 tons of construction and demolition material per year. We are pursuing an increase in annual permitted volumes through a minor modification to the existing permit which could expand municipal solid waste volumes by 60,000 tons annually. The landfill has further expansion capabilities of an additional 25 acres and an estimated 5.1 million cubic yards, representing approximately 3.3 million tons.

Closure Projects and Closed Landfills

In April 2005, we started operations at the Worcester, Massachusetts landfill, a closure project with approximately 2.3 million tons of available capacity as of April 30, 2008. In January 2006, we assumed the closure contract for this landfill. Purchase consideration was comprised of forgiveness of receivables and assumption of certain liabilities amounting to $4.6 million.

In addition, in December 2005, through an agreement with the Town of Colebrook, New Hampshire, we began accepting non hazardous waste to shape, cap, and close that Town's landfill site. Approximately 70,000 tons of capacity remains as of April 30, 2008.

The Worcester and Colebrook landfills are not included in the above table of remaining landfill capacity. In addition, we own and/or operated six unlined landfills and one lined landfill which are not currently in operation. All of these landfills have been closed and capped to applicable environmental regulatory standards by us.

The Hardwick landfill, which was acquired in March 2003, located in Hardwick, Massachusetts, was closed following the defeat of a proposed amendment to the Hardwick zoning bylaws at a Hardwick Town Meeting held in January 2007. Following such closure, we reviewed its options available and efforts to overturn the adverse decisions of the Town of Hardwick and its Zoning Board of Appeals, including our pending litigation and its efforts to effect a reconsideration of the adverse Town Meeting votes. In connection with such review, we assessed the likelihood of a successful outcome in relation to the expected costs of those efforts, and on the basis of the assessment we decided to cease such efforts. As a result, we recorded an impairment charge of $26.9 million which reflects the write-off of the net book value of the facility and includes an estimated $8.2 million in future cash expenditures on capping, closure and post closure of the landfill, $2.3 million of which had been previously accrued as part of normal operations. In the fourth quarter of fiscal year 2008 we recorded a $1.4 million charge associated with additional future cash expenditures on capping, closure and post-closure activities at the landfill.

Operating Segments

We manage our solid waste operations on a geographic basis through four regions, which we have designated as the North Eastern, South Eastern, Central and Western regions and which each include a full range of solid waste services, and FCR, which comprises our larger-scale non-solid waste recycling and our brokerage operations (See Note 20 to our Consolidated Financial Statements included under Item 8 of this Form 10-K for a summary of revenues, profitability and total assets of our five operating segments).

Within each geographic region, we organize our solid waste services around smaller areas that we refer to as "wastesheds." A wasteshed is an area that comprises the complete cycle of activities in the solid waste services process, from collection to transfer operations and recycling to disposal in either landfills or waste-to-energy facilities, some of which may be owned and operated by third parties. We typically operate several divisions within each wasteshed, each of which provides a particular service, such as collection, recycling, disposal or transfer. Each of these divisions is managed as a separate profit center, but operates interdependently with the other divisions within the wasteshed. Each wasteshed generally operates autonomously from adjoining wastesheds. During the fourth quarter of fiscal year 2007, we began the process of consolidating select divisions into a market area management structure. Through its 23 material recycling facilities and 1 transfer station, FCR services 22 anchor contracts, which are long-term commitments of five years or greater which guarantee the delivery of all recycled residential recyclables to FCR. These contracts may include a minimum volume guarantee by the municipality. We also have service agreements with individual towns and cities and commercial customers, including small solid waste companies and major competitors that do not have processing capacity within a specific geographic region. The 23 FCR material recycling facilities process recyclables collected from approximately 3.0 million households, representing a population of approximately 10.2 million people.

The following table provides information about each solid waste region and FCR (as of May 31, 2008 except revenue information, which is for the fiscal year ended April 30, 2008).

	North Eastern Region	South Eastern Region	Central Region	Western Region	FCR Recycling
Revenues (in millions)	$ 118.2	$ 67.4	$ 127.1	$ 106.4	$ 128.4
Solid waste collection operations	7	6	11	10	
Transfer stations	3	3	14	9	1
Recycling facilities	5	2	5	3	23
Subtitle D landfills	Pine Tree Juniper Ridge		NCES Waste USA Clinton County	Hyland Ontario Chemung	
Other disposal facilities(1)	Maine Energy	Southbridge		Hakes	

(1) In addition to the disposal facilities shown above, in April 2005, we started operations at the Worcester, Massachusetts landfill, a closure project with approximately 2.3 million tons of available capacity as of April 30, 2008. In December, 2005, through an agreement with the Town of Colebrook, New Hampshire, we began accepting non-hazardous waste to shape, cap, and close that Town's landfill site. Approximately 70,000 tons of capacity remains as of April 30, 2008.

North Eastern region. The North Eastern region consists of wastesheds located in Maine. These wastesheds generally have been affected by the regional constraints on disposal capacity imposed by the public policies of New Hampshire, Maine and Massachusetts which have, over the past 10 years, either limited new landfill development or precluded development of additional capacity from existing landfills. Consequently, the North Eastern region relies more heavily on non-landfill waste-to-energy disposal capacity than our other regions. Maine Energy is one of four waste-to-energy facilities in the North Eastern region.

We entered the State of Maine in 1996 with our purchase of the assets comprising New England Waste Services of ME, Inc. in Hampden, Maine, which included the Pine Tree landfill. Our acquisition of KTI in 1999 significantly improved our disposal capacity in this region as the acquisition included the Maine Energy waste-to-energy facility and provided an alternative internalization option for our solid waste assets in eastern Massachusetts. In 2004, we obtained the right to operate the Juniper Ridge landfill under a 30-year agreement with the State of Maine. Our major competitor in the State of Maine is Waste Management, Inc., and we also compete with smaller local competitors.

South Eastern region. We entered eastern Massachusetts in fiscal year 2000 with the acquisition of assets that were divested by Allied Waste Industries, Inc. and through the acquisition of smaller independent operators. In this region, we rely to a large extent on third party disposal capacity. We believe we have a greater opportunity to increase our internalization rates and operating efficiencies in the South Eastern region through our operating contract with the Town of Southbridge to operate the Southbridge landfill which is currently permitted to accept 156,000 tons of construction and demolition material and 24,960 tons of municipal solid waste annually. In May 2007 we and the town agreed to amend the operating contract to allow the Company to seek approvals to convert the landfill from C&D to municipal solid waste and to increase the annual tonnage to 405,000 tons per year of municipal solid waste. The operation of the facility as outlined in the amended agreement remains subject to the receipt of necessary permits.

Our primary competitors in eastern Massachusetts are Waste Management, Inc., Allied Waste Industries, Inc., and smaller independent operators.

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

The Central region has become our most mature operating platform, as we have operated in this region since our inception in 1975. We have achieved a high degree of vertical integration of the waste stream in this region, resulting in stable cash flow performance. In the Central region, we also have a market leadership position.

Our primary competition in the Central region comes from Waste Management, Inc. and Allied Waste Industries, Inc. in the larger population centers (primarily southern New Hampshire and eastern New York) and from smaller independent operators in the more rural areas. As our most mature region, we believe that future operating efficiencies will be driven primarily by improving our core operating efficiencies, offering increased recycling capabilities such as single stream processing, and providing enhanced customer service.

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

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

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

FCR Recycling. FCR Recycling is one of the largest processors and marketers of recycled materials in the eastern United States, comprising 23 material recycling facilities that process and then market recyclable materials that municipalities and commercial customers deliver to it under long-term contracts. Nine of FCR's facilities are leased, eight are owned and six are operated under contracts. In fiscal year 2008, FCR processed and marketed approximately 1.3 million tons of recyclable materials. FCR's facilities are principally located in key urban markets, including: Connecticut, North Carolina, New Jersey, Florida, Tennessee, Georgia, Michigan, New York, South Carolina, Massachusetts, Wisconsin, Maine, and Pennsylvania.

A significant portion of the material provided to FCR is delivered pursuant to 22 anchor contracts, which are long-term contracts. The anchor contracts generally have an original term of five to ten years and expire at various times between 2008 and 2028. The terms of each of the contracts vary, but all of the contracts provide that the municipality or a third party delivers materials to our facility. In approximately one-third of the contracts, the municipalities agree to deliver a guaranteed tonnage and the municipality pays a fee for the amount of any shortfall from the guaranteed tonnage. Under the terms of the individual contracts, we charge the municipality a fee for each ton of material delivered to us. Some contracts contain revenue sharing arrangements under which the municipality receives a specified percentage of the revenues from the sale by us of the recovered materials.

FCR derives a significant portion of its revenues from the sale of recyclable materials. The purchase and sale prices of recyclable materials, particularly newspaper, corrugated containers, plastics, ferrous and aluminum, can fluctuate based upon market conditions. We use long-term supply contracts with customers with floor price arrangements to reduce the commodity risk for certain recyclables, particularly newspaper, cardboard, plastics, aluminum and metals. Under such contracts, we obtain a guaranteed minimum price for the recyclable materials along with a commitment to receive additional amounts if the current market price rises above the floor price. The contracts are generally with large domestic companies that use the recyclable materials in their manufacturing process, such as paper, packaging and consumer goods companies. In fiscal year 2008, 62% of the revenues from the sale of recyclable materials of the residential recycling segment were derived from sales under long-term contracts with floor prices. We also hedge against fluctuations in the commodity prices of recycled paper and corrugated containers in order to mitigate the variability in cash flows and earnings generated from the sales of recycled materials at floating prices. As of April 30, 2008, we were party to 28 commodity hedge contracts. These contracts expire between May 2008 and May 2014.

GreenFiber Cellulose Insulation Joint Venture

We are a 50% partner in US GreenFiber LLC ("GreenFiber"), a joint venture with Louisiana-Pacific Corporation. GreenFiber, which we believe is the largest manufacturer of high quality cellulose insulation for use in residential dwellings and manufactured housing, was formed through the combination of our cellulose operations, which we acquired in our acquisition of KTI, with those of Louisiana-Pacific. Based in Charlotte, North Carolina, GreenFiber has a national manufacturing and distribution capability and sells to contractors, manufactured home builders and retailers, including Home Depot, Inc. GreenFiber has twelve manufacturing facilities, located in Atlanta, Georgia; Charlotte, North Carolina; Delphos, Ohio; Elkwood, Virginia; Norfolk, Nebraska; Phoenix, Arizona; Sacramento, California; Tampa, Florida; Albany, New York; Waco, Texas; East St. Louis, IL; and Salt Lake City, UT. GreenFiber utilizes a hedging strategy to help stabilize its exposure to fluctuating newsprint costs, which generally represent approximately 64% of its raw material costs, and is a major purchaser of FCR Recycling fiber material produced at various facilities. GreenFiber, which we account for under the equity method, had revenues of $151.6 million for the twelve months ended April 30, 2008. For the same period, we recognized equity loss from GreenFiber of $4.1 million.

RecycleRewards

In January 2006, the Company acquired an interest in the common stock of RecycleBank, LLC ("RecycleBank"), a company that markets an incentive based recycling service for total consideration of $3.0 million. During fiscal year 2007, RecycleBank borrowed $2.0 million from the Company under a convertible loan agreement. In accordance with the terms of the agreement, the Company converted this note to equity thereby increasing the Company's investment. Additional investments in RecycleBank were made during fiscal year 2007 increasing the Company's total common stock ownership interest to 20.5% at April 30, 2007. In April 2008, RecycleBank completed an equity offering to third party investors that reduced the Company's interest to 16.2%. As a result of an internal reorganization by RecycleBank, the Company's investment is now held in RecycleRewards, Inc. ("RecycleRewards") the parent entity of RecycleBank. The Company's investment in RecycleRewards amounted to $6.3 million and $4.4 million at April 30, 2007 and 2008, respectively. Effective April

2008, the Company accounts for its investment in RecycleRewards under the cost method of accounting. Prior to April 2008 the Company accounted for this investment under the equity method of accounting. The Company recognized equity losses associated with its investment in RecycleRewards amounting to $0.1 million, $1.1 million and $2.0 million in fiscal years 2006, 2007 and 2008, respectively.

Competition

The solid waste services industry is highly competitive. We compete for collection and disposal volume primarily on the basis of the quality, breadth and price of our services. From time to time, competitors may reduce the price of their services in an effort to expand market share or to win a competitively bid municipal contract. These practices may also lead to reduced pricing for our services or the loss of business. In addition, competition exists within the industry not only for collection, transportation and disposal volume, but also for potential acquisition candidates.

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

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

Marketing and Sales

We have a coordinated marketing and sales strategy, which is formulated at the corporate level and implemented at the divisional level. We seek to differentiate ourselves in the marketplace by offering customers value-added resource management solutions and quality service. Our business strategy has been tied to creating a sustainable resource management model for over thirty years and we continue to emphasize these value-added services today.

The sales and marketing organization has been realigned during the past three ears to incorporate standardized pricing models, provide enhanced sales tools, and to further build Casella brand equity. The realigned sales program integrates: an updated sales incentive program tied to customer profitability, new sales, and account turnover; standardized pricing models for new and existing collection customers with profitability analysis at the account level; a restructured account turnover tracking system; and the introduction of a prospect database management system. The prospect database enables the sales force to identify and sell to new collection customers at a profitable level as well as increasing the density of existing routes. The prospect database is augmented by traditional sales techniques, such as leads developed from new building permits, business licenses and other public records.

We market our services locally through division managers and direct sales representatives who focus on commercial, industrial, municipal and residential customers. Maintenance of a local presence and identity is an important aspect of our marketing plan, and many of our managers are involved in local governmental, civic and business organizations. Our name and logo, or, where appropriate, that of our divisional operations, are displayed on all of our containers and trucks. We attend and make presentations at municipal and state conferences and advertise in governmental associations' membership publications. Additionally, each division generally advertises in the yellow pages and other local business print media that cover its service area.

Employees

As of May 31, 2008, we employed approximately 2720 people, including approximately 520 professionals or managers, sales, clerical, information systems or other administrative employees and approximately 2,200 employees involved in collection, transfer, disposal, recycling or other operations. Approximately 134 of our employees are covered by collective bargaining agreements. We believe relations with our employees to be satisfactory.

Risk Management, Insurance and Performance or Surety Bonds

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

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

Effective July 1, 1999, we established a captive insurance company, Casella Insurance Company, through which we are self-insured for workers' compensation and, effective May 1, 2000, automobile coverage. Our maximum exposure in fiscal 2008 under the workers' compensation and automobile plan is $1.0 million and $0.8 million, respectively, per individual event, after which reinsurance takes effect.

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

Customers

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

Maine Energy is contractually required to sell all of the electricity generated at its facilities to Florida Power and Light , an electric utility, and guarantees 100% of its electricity generating capacity to FPL Energy Power Marketing, Inc., both pursuant to a contract that expires April 30, 2009.

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

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

Raw Materials

Maine Energy received approximately 20% of its solid waste in fiscal year 2008 from 18 Maine municipalities under long-term waste handling agreements. Maine Energy also receives raw materials from commercial and private waste haulers and municipalities with short-term contracts, as well as from our own collection operations.

In fiscal year 2008, FCR received approximately 56% of its material under long-term agreements with municipalities. These contracts generally provide that all recyclables collected from the municipal recycling programs shall be delivered to a facility that is owned or operated by us. The quantity of material delivered by t