

25 greens hill lane
rutland, vermont 05701
(802) 775-0325
(802) 775-6198 fax

casella
waste systems, inc.

May 15, 2007

Southbridge Town Council
Town Hall
41 Elm Street
Southbridge, Massachusetts 01550

Dear Councilor:

In accordance with the direction of the Council, Casella met with the Town's Full Negotiating Committee to comprehensively review the comments received from each Town Councilor as a result of the Council's discussions on April 30, 2007.

The comments received were helpful in understanding the remaining issues that the Council felt were appropriate to address, and generally fell into the following two categories: (1) comments associated with specific provisions of the Agreement; and (2) non-contractual matters appropriate to the development of a beneficial long-term relationship between Casella and the Town.

Casella and the Full Negotiating Committee carefully reviewed and considered each comment, and I am pleased to report that Casella in conjunction with the Full Negotiating Committee have negotiated changes to the Extension Agreement which we believe are fully responsive to all of the Council's concerns. This letter is written to report to the Council on the changes agreed to in response to your comments.

Contract Provisions

Broadly, the comments related to contractual provisions fell into three categories: Financial Benefits Reopener; Landfill Oversight and Surveillance Rights; and Approval of Assignment Rights. Each of these categories is discussed in further detail below.

Financial Benefits

Six of the fourteen comments received centered on ensuring that the long term financial benefits to be received by the Town under the Extension Agreement remain competitive to benefits paid to other communities elsewhere within the Commonwealth of Massachusetts over the term of the Agreement.

In order to ensure that this is the case, Casella has agreed to a repeating seven (7) year financial reopener, under which the Town may survey all publicly owned landfills in the Commonwealth that are operated by the private sector, and to adjust the remaining scheduled benefits under the Extension Agreement such that they meet or exceed the highest rate paid (on a per ton basis) anywhere else in the Commonwealth.

Casella believes that this provision is the first of its kind in the Commonwealth, and will ensure that Southbridge's long term benefits are protected from the effects of marketplace changes and inflation associated with solid waste pricing and benefits offered to any other community in the Commonwealth. The parties agreed to include a new Exhibit N in the Extension Agreement demonstrate that the currently calculated long term scheduled benefits of the Agreement is equal to \$13.37/ton. This per ton benefit currently is the highest in the Commonwealth, and in conjunction with provisions added in Section 30(d) will ensure that they remain so over the long term life of the Extension Agreement.

Landfill Surveillance, Oversight and Monitoring

Five of the fourteen comments received were related to additional Landfill Surveillance, Oversight or Monitoring rights for the Town. Each of the comments received were incorporated into revisions that will more fully ensure unrestricted access and oversight of the Landfill Facility by the Town's agents.

Specific revisions include providing unrestricted scale access and testing; continuous live access to scale transactions as they occur via a replicate computer and screen terminal; broadening of the Town's rights to increase the number of Landfill Monitors that can be named by the Town with unrestricted access to the Landfill Facility, and an agreement to allow installation of Town controlled video monitoring equipment to meet remote monitoring surveillance requirements.

One of the five comments in this category requested that the Agreement be revised to allow the Town to review Casella's compliance with the terms of the Agreement on a periodic basis. We do not believe that any revision to the Agreement is required to address this comment. As currently drafted, the Extension Agreement provides the Town with the right, at any time, to review Casella's compliance with its obligations under the Agreement, and to terminate the Agreement in the event that Casella is in material breach of those obligations.

Restricted Assignment Rights and Approval Requirements

Two of the Council's fourteen comments involved issues associated with the rights of Casella to assign the Agreement to a third party without approval by the Town. The Agreement has been revised to specifically require Town Council approval for any assignment of the Agreement, and to establish a minimum financial net worth standard for any third party assignment of the Guaranty.

Non Contractual Provisions

One of the fourteen comments requested additional warranty guarantees associated with the new access road construction.

In the event that Casella (or any of its affiliates) is awarded the contract for construction as a result of competitive bidding, Casella has agreed to extend the normal road warranty provisions to five years in length. This "Good Road Guarantee" is intended to ensure that the road is constructed to the highest quality possible.

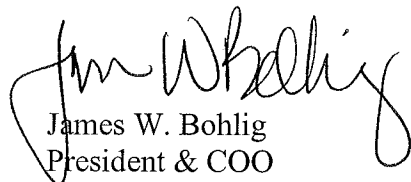
The last comment requested information on the manner in which Casella proposed to continue to meet its obligations as a member of the community through participation in charity, community donations and related good neighbor activities.

Casella is pleased to report that over the past three years it has contributed annually in excess of \$25,000 per year in goodwill and donation projects tied specifically to Southbridge economic development, recreation and education. We believe it is appropriate to formalize this commitment and to offer to work with a Southbridge Blue Ribbon Community Commission, to be appointed by the Town Council, to assist in the identification and direction for annual donations to be made to the Town by SRD (Casella).

As a minimum, we are pleased to announce that this contribution will include annual scholarship donations to worthy students studying in Environmental Sciences of \$10,000 per year, and at least \$5,000/year in donations aimed at improving the recreational facilities for the children of Southbridge. These benefits will be in addition to the scheduled benefits set forth in the Extension Agreement.

Casella is pleased to have an opportunity to address these final issues and looks forward to a long relationship with Southbridge that continues to build on its performance over the last four years.

Sincerely,



James W. Bohlig
President & COO