

SECOND AMENDMENT TO OPERATING
SERVICES AGREEMENT

This Second Amendment to the Operating Services Agreement ("Amendment") is made as of this 2nd day of November, 2006, by and between CASELLA WASTE SYSTEMS, INC., a Delaware corporation with a place of business at 25 Greens Hill Lane, Rutland, Vermont 05702 ("Casella"), and the STATE OF MAINE, acting by and through its Executive Department, State Planning Office (the "State").

WITNESSETH:

WHEREAS, Casella and the State are parties to an Operating Services Agreement, dated as of February 5, 2004, as amended by the First Amendment to Operating Services Agreement, dated as of July 28, 2006 (the "Agreement"); and

WHEREAS, in connection with the contemplated change in the ownership of and the manner of operating the paper manufacturing facility and the biomass electric generating facility located in Old Town, Maine, FJ proposes to assign to, and Red Shield Environmental, LLC, a Delaware limited liability company ("Red Shield") proposes to assume, the FJ Commitments (as defined in the "Agreement"); and

WHEREAS, the parties wish to amend the Agreement;

NOW, THEREFORE, in consideration of the mutual promises and agreements hereinafter contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Casella and the State agree as follows:

1. The recitals and identification of the parties to this Amendment are incorporated by reference as though fully set forth herein. Capitalized terms not defined herein shall have the meaning given to them in the Agreement. Effective upon the consummation of the transactions described in the second recital above, all FJ Commitments, as defined in Section 23 of the Agreement, that refer to "FJ" or "Fort James" are hereby amended to refer to Red Shield.

2. Effective upon the consummation of the transactions described in the second recital above, Section 1 of the Agreement shall be amended as follows:

(a) The definition of "Biomass Ash" is hereby restated as follows: "Biomass Ash" shall mean the ash resulting from the operation of any Biomass Generating Facility installed and operated at the Old Town Facility to the extent the same is disposable at the Landfill under the Existing Permit and meets the definition of "special waste" as defined under Maine Environmental Law.

(b) The definition of "Old Town Mill" is hereby restated as follows: "Old Town Facility" shall mean the pulp and paper mill previously operated by FJ located in Old Town and Orono, Maine, including, without limitation, all industrial operations

conducted by any entity thereon, irrespective of the entity that owns or operates any industrial operation thereon, and all related facilities and improvements.

3. All references to "Old Town Mill" in the Agreement are hereby amended to refer to the "Old Town Facility."

4. All references to "Mill Waste" in the Agreement are hereby amended to refer to "Old Town Facility Waste."

5. Effective upon the consummation of the transactions described in the second recital above, Section 2.8(d) of the Agreement, and all cross-references thereto in the Agreement, are hereby deleted in their entirety.

6. In consideration for (i) Casella's willingness to enter into this Amendment and the Fuel Supply Agreement (the "FSA"), dated of near or even date herewith, between Casella and Red Shield, and (ii) Casella's agreement to cease accepting waste for disposal at the Pine Tree Landfill located in Hampden, Maine, on or prior to December 31, 2009, in accordance with the closure plan submitted to MDEP, and in recognition of Casella's loss of disposal capacity at the Pine Tree Landfill and its need to enter into long-term, binding commitments to accept construction and demolition waste ("C&D") and to develop and construct or expand, or otherwise gain access to one or more processing facilities within the State of Maine in order to assure its ability to produce or obtain C&D Fuel sufficient to fulfill its potential obligations hereunder and under the FSA, the State agrees that, anything to the contrary set forth in the Agreement notwithstanding, and in order to clarify the parties' understanding of the intent of the relevant provisions of the Agreement:

(a) Casella shall be entitled to source from within or outside the State of Maine sufficient quantity of C&D (as defined in the FSA) to produce, at one or more processing facilities located within the State of Maine, C&D Fuel (as defined in the FSA) to meet its delivery obligation under the FSA, and shall be entitled to dispose at the Landfill any and all residue produced in the processing of C&D, at one or more processing facilities located within the State of Maine. In accordance with Section 2.13 of the Agreement, Casella agrees to exercise commercially reasonable efforts to utilize C&D generated within the State of Maine in fulfilling its obligations under the FSA.

(b) Casella shall be entitled to dispose at the Landfill any C&D (up to 20,000 tons in any calendar year) that would have been processed, at a processing facility located within the State of Maine, in the ordinary course to produce C&D Fuel, as contemplated by Section 6(a) or Section 6(c) hereof, but for the fact that such processing facility was shut down for planned or unplanned maintenance or repair.

(c) In the event and to the extent that Red Shield fails to accept delivery of C&D Fuel that was processed at a processing facility located within the State of Maine at the maximum volumes contemplated by Section 2(b)(iii) of the FSA, or in the event that the FSA does not take effect, or the C&D Fuel Option (as defined in the FSA) is

terminated prior to thirty (30) years after the Biomass Commencement Date (as defined in the FSA), Casella shall be entitled to dispose at the Landfill any and all C&D processing residue should Casella elect to continue to produce, at one or more processing facilities located within the State of Maine, C&D Fuel to supply to alternate users.

(d) For purposes of clarification and the avoidance of doubt, no portion of any C&D sourced by Casella or any C&D residue created in the processing of C&D Fuel, in each case, as contemplated by this Section 6, shall be considered Excluded Waste, provided that such C&D and C&D residue does not contain Hazardous Waste.

This Section 6 shall be binding upon the parties irrespective of whether the transactions involving Red Shield contemplated by the second recital above are consummated.

7. Effective upon the consummation of the transactions described in the second recital above, Section 5.3 of the Agreement and all cross-references thereto in the Agreement are hereby deleted in their entirety.

8. Notwithstanding anything in the Agreement to contrary, Red Shield shall have the unrestricted right to mortgage and pledge its rights under the Agreement without Casella's consent, and encumber its rights under the Agreement with any type of security interest to secure debt, or other similar instrument creating a lien or other encumbrance on Red Shield's interest in the Agreement, regardless of the priority thereof (hereinafter, "Security Interest," and each lender with a Security Interest, a "Lender"), any assignment thereof and any modification or amendment of any of the terms thereof, including, without limitation, any extension, renewal or refinancing of any indebtedness secured thereby or an additional advance secured by any Security Interest or any additional Security Interest given to secure the same. A Lender, or its designee, or any purchaser in foreclosure proceedings (including, without limitation, an entity formed by a Lender) may become a legal owner of Red Shield's interest under the Agreement through such foreclosure proceedings or by assignment of Red Shield's interest under the Agreement in lieu of foreclosure. A Lender may enforce its rights under its Security Interest and acquire title to Red Shield's interest in the Agreement in any lawful way. The parties agree that nothing in the Agreement shall be deemed to impose any liability or obligation on (i) any mortgagee or secured party that may at any time hold a mortgage lien on or a security interest in the Agreement, or (ii) any party that becomes a mortgagee in possession, secured party in possession or receiver with respect to the Agreement. With respect to a party that is assigned the rights under the Agreement through a mortgage foreclosure, secured party sale or deed or bill of sale in lieu thereof, such party shall assume the obligations and liabilities under the Agreement first arising as of the date of such assignment.

9. In all other respects, the Agreement shall remain in full force and effect in accordance with its terms. The obligations of the State hereunder shall survive, and shall not be affected by, any termination of the FSA or closure of or cessation of operations at the Biomass Generating Facility.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed and delivered by their duly authorized representatives as of the day and year first above written.

[Signature]
Witness

CASELLA WASTE SYSTEMS, INC.

By: [Signature]
Name: Brian Alva
Title: Authorized Agent

[Signature]
Witness

STATE OF MAINE, acting by and through
Its Executive Department, State Planning
Office

By: [Signature]
Name: Martha Freeman
Title: Director

SEEN AND AGREED TO:

RED SHIELD ENVIRONMENTAL, LLC

By: [Signature]
Name: EDWARD PARLAWSKY
Title: CHAIRMAN