

**FUEL SUPPLY AGREEMENT**

This FUEL SUPPLY AGREEMENT (this “Agreement”) is made as of this 2<sup>nd</sup> 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 RED SHIELD ENVIRONMENTAL, LLC, a Delaware limited liability company with a place of business at 2 Union Street, 4th Floor, Portland, Maine 04101 (“Buyer”).

**Recitals**

1. Casella and the State of Maine entered into an Operating Services Agreement dated February 5, 2004, which Operating Services Agreement was amended by the First Amendment to Operating Services Agreement dated as of July 28, 2006 and further amended by a Second Amendment to Operating Services Agreement (the “Operating Amendment”) dated of near or even date herewith (collectively, the “Operating Agreement”). Pursuant to such Operating Agreement, Casella operates a solid-waste landfill located in Old Town, Maine (the “Landfill”).

2. Fort James Operating Company (“FJ”), a Delaware corporation, has been the owner and operator of a pulp and paper manufacturing facility located in Old Town, Maine (the “Mill”) and a related sixteen (16) megawatt electric generation facility fueled principally with biomass fuel (the “Biomass Generating Facility”). Under the Fuel Supply Agreement (the “FJFSA”), dated as of February 5, 2004, between Casella and FJ, Casella supplied to FJ certain fuel for use at the Biomass Generating Facility.

3. FJ has ceased operations at the Mill and the Biomass Generating Facility, and, on the date hereof, is conveying such facilities to the State of Maine or an agency or instrumentality of the State of Maine, which in turn, on the date hereof, is conveying such facilities to Buyer.

4. FJ’s rights and obligations under the FJFSA have been assigned to and assumed by the Buyer, and the FJFSA is hereby terminated, and Buyer wishes to arrange for the supply of certain fuel for the Biomass Generating Facility, and Casella is willing to commit to the disposal of certain solid waste consisting of construction and demolition debris (“C&D Processed Debris”) in order to provide such fuel supply, all on the terms and subject to the conditions set forth herein.

**Agreement**

In consideration of the foregoing, and the promises set forth herein, the parties agree as follows:

1. **Recitals; Definitions.** The recitals and identification of the parties to this Agreement are incorporated by reference as though fully set forth herein. Capitalized terms used but not defined herein shall have the meanings assigned to those terms in the Amendment and

Restatement of Agreement Regarding Solid Waste Disposal Facility Acquisition and Operation, dated as of February 5, 2004, between the State of Maine and FJ, as amended by the First Amendment to Amendment and Restatement of Agreement Regarding Solid Waste Disposal Facility Acquisition and Operation, dated of near or even date herewith (the "Landfill P&S"). Capitalized terms used but not defined herein or in the Landfill P&S shall have the meanings assigned to those terms in the Operating Agreement.

"C&D Fuel" means the C&D Processed Debris that meets the following criteria:

(a) Provides a minimum of 4000 BTUs per pound delivered, and a rolling average of at least 6,450 BTUs per pound delivered (HHV) and a moisture content of a maximum of 30%. The parties agree to negotiate in good faith a methodology for determining BTUs and moisture content.

(b) Meets such specifications as the DEP may require for legitimate fuel substitution;

(c) Constitutes "processed" C&D Fuel, in a form ready to burn in the Biomass Generating Facility;

(d) Restricted to the type of waste which the Biomass Generating Facility is licensed to burn, consistent with the DEP's current or future definition of "acceptable secondary materials" for C&D waste fuel and within the allowances set forth in the DEP permit for the Biomass Generating Facility; and

(e) Has a maximum size length of approximately six (6) inches.

"Leachate Agreements" means the Leachate Disposal Agreement dated as of February 5, 2005, as amended by an Amendment to Leachate Disposal Agreement made and entered into this 2nd day of November 2006, and the Old Town Leachate Disposal Agreement and entered into this 2nd day of November 2006.

**2. C&D Fuel Commitment.** (a) Subject to Buyer's requirements for C&D Fuel, and subject to the limitations set forth in Section 2(b)(iii) hereof, Casella, or its Affiliates, shall dispose of C&D Processed Debris that constitutes C&D Fuel by delivery to Buyer of sufficient quantities to meet all or any portion of Buyer's requirements for C&D Fuel, as requested by Buyer, for use at the Biomass Generating Facility ("C&D Fuel Option") under the terms and conditions set forth below:

(b) The terms and conditions of the option be as follows:

(i) The term of the C&D Fuel Option shall extend for the shorter of: (x) the term, or any extended term, of the Operating Agreement, or (y) a period of thirty (30) years following the date of commencement of operation of the Biomass Generating Facility ("Biomass Commencement Date"). For purposes of this section, reference to a "year" means the period of twelve (12) months extending from the Biomass Commencement

Date to the first anniversary thereof, or from one anniversary of the Biomass Commencement Date to another, as applicable.

(ii) Buyer shall pay, and be solely responsible for, the costs of transporting and delivering the C& D Fuel from processing facility or facilities selected by Casella from time to time to the Biomass Generating Facility (the "Transportation Costs"). Buyer agrees to use such transportation and delivery services that Casella may select from time to time for securing transportation and delivery services with respect to C&D Fuel throughout the term of the C&D Fuel Option. Casella represents and warrants that Casella does not pay any person or entity for the C&D Fuel or the materials from which the C&D Fuel is produced. Casella agrees to pay to Buyer a disposal fee per ton of C&D Fuel delivered to the Biomass Generating Facility in an amount equal to (A) the Transportation Costs, minus (B) \$4.00.

(iii) The volume of C&D Fuel to be disposed of by Casella and provided to Buyer on the terms set forth in Section 2(b)(ii) hereof is a maximum of 100,000 tons per year for the term of the C&D Fuel Option.

(iv) In the event that any State of Maine legislative or regulatory action results in (a) the loss (in whole or in part) by Casella of any of the rights to which it is entitled under Section 6 of the Operating Amendment; (b) an adverse impact on Casella's ability to process C&D Processed Debris originating from outside the State of Maine or to dispose at the Landfill of residue produced in such processing; or (c) a change in the now-existing Maine DEP fuel quality standards for C&D Fuel in a manner different from those set forth in Chapter 418 Fuel Quality Standards for C&D Wood Fuel adopted by the Maine Board of Environmental Protection on May 4, 2006, Casella and Buyer shall each be responsible for fifty percent (50%) of the incremental operating expenses incurred by Casella as a result thereof. Casella shall initially be responsible for payment of the incremental operating expenses and Buyer shall reimburse Casella (a) as to such expenses that are incurred by Casella during the first five years of the term of the Agreement, within sixty (60) days after receipt of an invoice and back-up documentation from Casella delivered within thirty (30) days after the fifth anniversary of the Agreement; and (b) as to such expenses that were incurred by Casella following the fifth anniversary of the Agreement (whether arising from such legislative or regulatory action occurring before or after such fifth anniversary (but in any case occurring after the date of this Agreement)), on an annual basis within sixty (60) days after receipt of an invoice with back-up documentation from Casella delivered within thirty (30) days of the end of such year. Casella shall provide notice to Buyer promptly upon receipt of notice of any circumstances that are reasonably likely to result in any cost sharing arrangement under this section, and the parties agree to cooperate in opposing any such actions that may result in any reimbursement under this section. Further, under no circumstances shall any such governmental action be considered a force majeure event, except such action that prohibits (as opposed to renders more costly) any activity necessary in order for Casella to perform its obligations under this Agreement.

**3. Alternative Fuel Source.** For any period during which the combination of Buyer's available bark fuel, if any, and the C&D Fuel disposed of by Casella and provided to Buyer under Section 2 do not result in a fuel mixture that enables the Biomass Generating Facility to produce 16 megawatts of power on a sustained basis, Casella and its Affiliates shall exercise their best and most diligent efforts to provide Buyer with alternative sources of fuel that will enable the Biomass Generating Facility to produce at the level specified above. Such waste fuel shall be provided to Buyer by Casella on terms then prevailing in the market. In no event shall an alleged failure by Casella to perform its obligations under this Section 3 entitle Buyer to terminate this Agreement pursuant to Section 6(k) hereof.

**4. Terms of Payment.** Payment of the disposal fees contemplated by this Agreement shall be made by Casella to Buyer net 30 days from date of invoice for each delivery of C&D Fuel or of alternative waste fuel pursuant to Section 3 hereof. In the event that either party fails to make any payment due and owing under this Agreement, the non-defaulting party may terminate this Agreement ninety (90) days after notice to the defaulting party unless the defaulting party cures such failure to pay within such ninety (90) day period.

### **5. Supply Terms.**

(a) Timing and Volume. Buyer and Casella acknowledge and agree that they shall work cooperatively and in good faith to establish a disposal and delivery schedule that will provide consistent supply of C&D Fuel hereunder as required to meet Buyer's requirements for efficient Biomass Generating Facility operation. Buyer and Casella shall meet not less often than once per month to review Buyer's projected C&D Fuel requirements for the ensuing three (3) months and establish a mutually acceptable disposal and delivery schedule. The delivery schedule shall represent a firm agreement by Buyer to accept the amount of C&D Fuel designated therein (plus or minus 25%) for the first month reflected in the disposal and delivery schedule. The remainder of the schedule will be advisory only. Buyer and Casella agree to periodically adjust the schedule between monthly meetings, as required to reflect Buyer's actual C&D Fuel requirements.

(b) Buyer shall have a period of 10 days to inspect and test each delivery for conformity to specifications. Buyer may reject all or any portion of a delivery that does not meet the specifications described herein by notification to Casella stating the reason for rejection. Casella shall cure any defect or remove any non-conforming delivery and promptly provide conforming C&D Fuel. Rejection of any individual delivery shall not constitute a termination of this Agreement. The foregoing is not intended to limit Buyer's remedies at law for dealing with non-conforming deliveries.

### **6. Miscellaneous Provisions.**

(a) This Agreement may not be assigned by either party without the prior written consent of the other, which consent may not be unreasonably conditioned, withheld, or delayed. Notwithstanding the foregoing, Casella shall have the right to assign this Agreement to any Affiliate provided that Casella remains fully liable hereunder, and Buyer (and any permitted assignee hereunder) shall be entitled to assign its rights and obligations to the transferee of the

assets constituting the Biomass Generating Facility, or any electrical generating equipment that constitutes a replacement facility at the Old Town Facility, provided that such transferee executes and delivers to Casella (or its permitted assignee) an instrument of assignment or assumption, in form reasonably satisfactory to Casella (or such permitted assignee), with respect to this Agreement and the Leachate Agreements, of all obligations of Buyer under this Agreement.

(b) Notwithstanding anything in this Agreement to contrary, Buyer shall have the unrestricted right to mortgage and pledge its rights under this Agreement without Casella's consent, and encumber this Agreement with any type of security interest to secure debt, or other similar instrument creating a lien or other encumbrance on Buyer's interest in this 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 Buyer's interest under this Agreement through such foreclosure proceedings or by assignment of Buyer's interest under this Agreement in lieu of foreclosure. A Lender may enforce its rights under its Security Interest and acquire title to Buyer's interest in this Agreement in any lawful way. The parties agree that nothing in this 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 this Agreement, or (ii) any party that becomes a mortgagee in possession, secured party in possession or receiver with respect to this Agreement. With respect to a party that is assigned the rights under this 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 this Agreement first arising as of the date of such assignment but shall have no obligation to assume obligations and liabilities under the Leachate Agreements.

(c) Captions and headings contained in this Agreement are inserted for convenience and reference only and the words contained therein shall in no way be held or deemed to define, limit, describe, explain, modify, amplify or add to the interpretation, construction or meaning of any provision or of the scope or intent of this Agreement, nor in any way to affect this Agreement.

(d) This Agreement shall not be amended, modified or changed, except pursuant to an agreement in writing signed by or on behalf of the party against whom enforcement of the amendment, modification or change is sought.

(e) Notices. All notices or other communications required or permitted hereunder shall be in writing and may be given by personal delivery, by overnight express delivery, or by registered or certified U.S. mail, postage prepaid, return receipt requested, properly addressed as follows:

To Casella:

Casella Waste Systems, Inc.  
25 Green Hill Lane  
Rutland, VT 05702-0866

To Buyer:

Red Shield Environmental, LLC  
2 Union Street, 4th Floor,  
Portland, ME 04101

Either party may change the address to which notices are required to be sent by giving notice of such change in the manner provided in this Section 6(d). All notices shall be deemed to have been received on the date of delivery if service is made in person, on the day after sent by overnight express delivery service, or on the third (3rd) business day after mailing in accordance with this Section, except that any notice of a change of address shall be effective only upon actual receipt.

(f) The failure of either party to insist on the strict performance of any of the terms, covenants and provisions of this Agreement or to exercise any right, remedy or option herein contained shall not be construed as a waiver or a relinquishment for the future of such term, covenant, condition, provision, right, remedy or option.

(g) This Agreement, including provisions of the Landfill P&S and the Operating Agreement incorporated herein, constitute the entire agreement between the parties with respect to the subject matter hereof, and supersede all prior or contemporaneous negotiations, representations, understandings and agreements, whether written or oral, between the parties with respect to the subject matter hereof.

(h) This Agreement may be executed in one or more counterparts, each of which shall be deemed an original for all purposes, but all of which together shall constitute one and the same agreement.

(i) This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Maine, without regard to the conflicts of law principles of such State.

(j) This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective legal representatives, successors (whether by sale, assignment, transfer, merger, other acquisition, operation of law, or court ruling) and/or permitted assigns. Subject to the foregoing, nothing in this Agreement shall be construed to confer any benefit on, or create any obligation, duty or liability to, or create any standard of care with respect to, any person, firm or entity not a party to this Agreement.

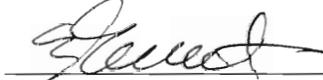
(k) Each party hereto represents and warrants that the individual who has executed this Agreement on its behalf has the full and complete authority to sign on behalf of such party for the purpose of duly binding such party to this Agreement.

(l) Buyer and Casella agree that a breach of Casella's obligations under this Agreement shall constitute a failure to perform a material obligation under the Operating Agreement and shall be treated as such for purposes of declaring default and exercising remedies under Section 16 thereof.

(m) The obligations of a party hereunder shall be suspended if and while such party is prevented from performing such obligations by storm, flood, or other act of God, by fire, war, rebellion, insurrection, riots, or as a result of some other order, rule, or regulation of any federal, state, municipal, or other governmental agency, or as the result of any cause whatsoever beyond the control of the party, whether similar to the causes specifically enumerated or not. The time of such delay or interruption shall not be counted against the parties, anything in this Agreement to the contrary notwithstanding.

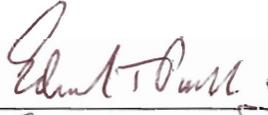
IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first above written.

Witness



Name:

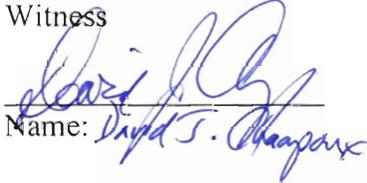
RED SHIELD ENVIRONMENTAL, LLC

By: 

Name: EDWARD T. PASLAUSKI

Its CASSELLA

Witness



Name:

CASELLA WASTE SYSTEMS, INC.

By: 

Name: Brian Oliver

Its Authorized Agent