

## SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into in the State of Maine, effective as of March 1, 2007, by and among the City of Biddeford, Maine, a municipal corporation, hereinafter called "Municipality," Maine Energy Recovery Company, Limited Partnership, a Maine limited partnership, hereinafter called "Maine Energy", and KTI, Inc., a New Jersey Corporation hereinafter called "KTI" and Casella Waste Systems, Inc., a Vermont corporation, hereinafter called "Casella". Municipality, Maine Energy, KTI and Casella are referred to collectively as the "Parties" and individually as a "Party". Maine Energy, KTI and Casella are referred to collectively as the "Maine Energy Parties".

**WHEREAS**, Municipality is a plaintiff in a lawsuit against the Maine Energy Parties, entitled *Inhabitants of the City of Biddeford v. Maine Energy Recovery Company, KTI, Inc. and Casella Waste Systems, Inc.*, currently pending in Maine Superior Court, York County, Docket No. CV-02-009 (the "Action"); and

**WHEREAS**, Maine Energy has filed property tax abatement appeals for the property tax years commencing April 1, 2002 through April 1, 2006 seeking refunds of property taxes and statutory interest with respect to the real property located in Biddeford, Maine owned by Maine Energy (Municipality's property tax Map 72, Lot 2) (the "Property"); and

**WHEREAS**, the Parties wish to resolve all uncertainties relating to the assessed valuation of the Property and the abatement applications relating to the same; and

**WHEREAS**, the Parties deem it to be in their best interests to settle the Action among themselves without further litigation, and to settle any and all other claims and causes of action which Municipality and the Maine Energy Parties may now have against each other, including, without limitation, any claims or causes of action which could have been alleged in the Action; and

**WHEREAS**, Municipality and the Maine Energy Parties deem it to be in their best interests to resolve all of the claims and/or potential claims identified in a certain 60-Day Notice of Intent to Sue Under the Clean Air Act Pursuant to 42 U.S.C. § 7604(b)(1)(A), dated May 25, 2004, received by Maine Energy and Casella from Jeffrey A. Meyers, Esq., in his capacity as counsel for Municipality (the "Clean Air Act Claims"); and

**WHEREAS**, Municipality and Maine Energy deem it to be in their best interests to settle and resolve the dispute over the variable rate tipping fee calculation under the Host Municipalities' Waste Handling Agreement between Municipality and Maine Energy, dated June 7, 1991 (the "1991 WHA"), which dispute involves application of the variable rate calculations to the costs associated with Maine Energy's alterations to its waste processing line during 2001, which increased the quantity of Front End Processing Residue ("FEPR") production; and

**WHEREAS**, Municipality and Maine Energy deem it to be in their best interests to terminate in its entirety the 1991 WHA, effective March 1, 2007, and to replace the 1991 WHA with a Waste Handling Agreement among the Parties hereto, having a term commencing as of March 1, 2007, and expiring on June 30, 2012 (the "WHA").

**NOW THEREFORE**, in consideration of the foregoing and of the mutual promises and undertakings contained in this Agreement and other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the Parties do hereby agree as follows:

1. This Agreement and the documents attached as Exhibits A (WHA), B (Mutual Release), and C (Stipulation of Dismissal) hereto, when duly executed and delivered by the respective parties thereto, constitute the "Settlement Documents". Upon execution of this Agreement, the Parties agree to execute and deliver the other Settlement Documents.

2. Upon execution of all Settlement Documents:

(a) Counsel for Maine Energy and Municipality shall file a Stipulation of Dismissal with prejudice and without costs or a Joint Motion to Dismiss Municipality's claims with the York County Superior Court dismissing the Action, and

(b) Counsel for Maine Energy shall withdraw all property tax abatement applications/appeals now pending before the City of Biddeford Board of Assessment Review, and

(c) Municipality shall execute a release of the Clean Air Act Claims against the Maine Energy Parties identified in the 60 day Notice of Intent to Sue letter dated May 25, 2004 (alternatively, Municipality's release of the Clean Air Act Claims may be included within the Mutual Release to be executed by the Parties), and

(d) The above referenced Variable Tip Fee Dispute is terminated and released by both Maine Energy and Municipality. No party will owe any refund, fee, cost or surcharge to the other for those tip fee calculations and charges through March 1, 2007 other than those set forth in a written summary to be provided to Municipality by Maine Energy promptly following the execution of this Agreement, except to the extent objected to in writing by Municipality within ninety (90) days of its receipt of such summary (the "Variable Tip Fee Payment"). The parties agree that Municipality's obligations, as of March 1, 2007, to pay Maine Energy to resolve the Variable Tip Fee Dispute shall not exceed \$395,000.00. The Municipality and the Maine Energy Parties further agree that the \$1,521,305.00 EVOD payment due Municipality shall be reduced by the Variable Tip Fee Payment, as set forth in Article VI.A of the WHA. Any disagreement with respect to such proposed adjustments under the WHA shall be resolved in accordance with Article XVII of the WHA, and

(e) Within sixty (60) days, Maine Energy shall pay the sum of \$150,000 into a Mill Redevelopment Fund created by the Biddeford Saco Area Economic Development Corporation for the redevelopment of the Mill District Properties located in Biddeford.

3. Municipality and the Maine Energy Parties shall each pay their own expenses, costs and attorneys' fees incurred in all Actions.

4. (a) Except as otherwise provided in this Agreement, Maine Energy for itself, and its successors and assigns, agrees that no application for abatement, appeal, or petition for review of the assessments of the Property for the property tax years commencing April 1, 2002 through the earlier of (i) termination of the WHA (other than in the event of a termination arising out of a breach by Maine Energy, in which case the relevant period shall extend until the originally scheduled expiration date of the WHA) or (ii) permanent cessation of operation of the facility located on the Property together with any ancillary facilities which are now or may hereafter be owned by Company or any affiliate of Company and used for or in conjunction with the handling of acceptable waste (the "Relevant Tax Period"), shall be initiated or pursued. Maine Energy agrees to withdraw its appeals/abatement applications filed with respect to the property tax years April 1, 2002 through April 1, 2006 on the condition, however, that the Tipping Fees paid by Municipality under the WHA commencing with the Tipping Fees with respect to periods beginning on and after April 1, 2007 shall be adjusted in accordance with the Property Tax Agreement Adjustment provisions contained in Articles I and VI.A of the WHA. The Municipality and the Maine Energy Parties agree that the \$1,521,305.00 EVOD payment shall be reduced by \$237,986.90 in full satisfaction of the Property Tax Agreement Adjustment for the prorated 2006 tax year (the "2006 Property Tax Adjustment"), as set forth in Article VI.A of the WHA. Nothing in this Agreement shall affect or impair in any respect the rights of Maine Energy, or of its successors and assigns (including, without limitation, the rights, individually or

collectively, of Maine Energy or its successors and assigns) to seek a property tax abatement or appeal or petition for review of property tax assessments on the Property or on any personal property, with respect to any property tax year if this Section 4 is held invalid or unenforceable in whole or in part, Municipality or its Assessor, individually or collectively and as the case may be, fail to comply with any term or provision in this Agreement (including, without limitation, on the basis that any provision of this Agreement is void or otherwise unenforceable), or Maine Energy is unable to make the related adjustment to the tipping fees payable by Municipality as provided in the WHA, whether as a result of the termination or expiration of the WHA or otherwise. In any such event, and in addition to any other rights or remedies Maine Energy may have under this Agreement or otherwise, Maine Energy may seek an abatement and pursue any related proceeding for any property tax year for which an abatement request would be timely pursuant to Title 36, Chapter 105.

(b) Except for the adjustments provided below, the total assessed valuation of all of Maine Energy's Property ("Real Property") shall be \$51,576,000 ("Real Property Base Value") and the total assessed valuation of all of Maine Energy's taxable personal property ("Personal Property") shall be \$1,200,000 ("Personal Property Base Value") commencing with the tax year beginning April 1, 2007 (which tax year corresponds to the municipal fiscal year July 1, 2007-June 30, 2008 with taxes due October 2007 and April 2008), and continuing throughout the remainder of the Relevant Tax Period. The parties further agree and acknowledge that the Real Property Base Value has been established as part of numerous economic provisions resolving and compromising claims between the parties, and does not necessarily reflect the actual fair market value of Maine Energy's property. Municipality represents, warrants and agrees that no request shall be made pursuant to 36 M.R.S.A. § 706 (or any successor or comparable provision) with respect to any tax year for which this Section is in effect unless such request is also made to

other businesses within the City as part of City-wide revaluation. Anything to the contrary contained herein notwithstanding, the Real Property Base Value established in accordance with this Section shall be subject to increase or decrease without a corresponding Property Tax Agreement Adjustment in the event (1) that the principal use of the Property is materially changed from its present use (including without limitation material damage to or destruction of the Real Property or the facilities located thereon) and (2) such increase or decrease in the Real Property Base Value reasonably reflects the value, nature and extent of such change and any additions, retirements or removals at the Facility. In addition, the Personal Property Base Value established by the Section shall be subject to increase or decrease without a corresponding Property Tax Agreement Adjustment in the event and to the extent that such increase or decrease reasonably reflects any personal property additions, retirements or removals at the Facility and any increase is limited only to the extent any addition adds to value.

For purposes of this Section 4(b) (including determining any adjustment permitted under this Section 4(b)) and determining any Property Tax Agreement Adjustment (as defined in Article I of the WHA), the following property classifications shall apply for the tax year beginning April 1, 2007 and each subsequent property tax year throughout the remainder of the Relevant Tax Period:

(i) all property assessed as real property (land and buildings, including all machinery and equipment currently assessed as "Building") for the April 1, 2006 property tax year by reference to Municipality's property tax Map 72, Lot 2 and any other property in the future that is similar to such property shall be classified and assessed as real property and part of Maine Energy's Real Property; and

(ii) all property assessed as personal property for the April 1, 2006 property tax year by reference to the Municipality's PP Acct #990367 and any property in the future that

is similar to such property shall be classified and assessed as personal property and part of Maine Energy's Personal Property.

(c) The Parties acknowledge and agree that the provisions of Section 4 of this Agreement are, individually and collectively, a material inducement of the Parties' entering into this Agreement and that the Parties are reasonably relying upon such provisions in executing this Agreement and that the Parties would not enter into this Agreement without each of such provisions.

5. The Parties agree that this Agreement and the Settlement Documents shall in no event be construed as or constitute evidence of an admission or a concession on the part of any Party with respect to any claim or cause of action, or with respect to any fault or liability, which fault and liability the Parties expressly deny. The Maine Energy Parties expressly deny any and all liability of any kind whatsoever in connection with the Action and the Clean Air Act Claims, and do not concede any infirmity in the defenses which they have asserted or intended to assert in the Action or in response to the Clean Air Act Claims. The Parties are entering into this Agreement and the Settlement Documents in order to avoid further expense, inconvenience and delay, and to dispose of and/or avoid expensive, burdensome and protracted litigation in the Action and with respect to the Clean Air Act Claims.

6. It is understood and agreed by the Parties that neither Section 4 of this Agreement nor its contents shall apply in respect of any property tax year after the end of the Relevant Tax Period (or any given property tax year for which Maine Energy may seek an abatement as provided in Section 4 hereof), nor shall Section 4 of the Agreement or its contents be admissible in any abatement, appeal or other proceeding relating to any property tax year after the end of the Relevant Tax Period (or any prior property tax year for which Maine Energy may seek an abatement as provided in Section 4 hereof).

7. No amendments to this Agreement may be made, except in writing signed by each party.

8. In the event any term, covenant, condition or provision of this Agreement is held to be invalid or unenforceable by a final judgment of a court of competent jurisdiction, the invalidity or unenforceability thereof shall in no way affect any of the other terms, covenants, conditions or provisions hereof; provided, however, that such remaining terms, covenants, conditions and provisions can hereafter be applicable and effective without materially changing the obligations of any party.

9. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors or assignees. No partner, whether general or limited, of Maine Energy, nor any director, officer, employee or agent of any of them, or of Casella, shall have any personal liability for the payment or performance of any obligation of Maine Energy or Casella hereunder, any such liability being forever, waived, released and discharged by Municipality. No municipal official, officer, agent or employee of Municipality shall have any personal liability for the payment or performance of any obligation of Municipality hereunder, any such liability being forever waived, released and discharged by Maine Energy and Casella.

10. Each party promises and agrees to execute and deliver any instruments and to perform any act which may be necessary or reasonably required in order to give full effect hereto.

11. This Agreement may be executed in more than one counterpart, each of which shall be deemed an original and all of which together shall constitute the same Agreement.

12. This Agreement, together with the other Settlement Documents, are intended by the Parties to integrate all prior discussions and writings, including memoranda and e-mail messages, term sheets, and similar expressions of intent into a single, complete statement of the

understandings of the parties with respect to the matters covered by this Agreement and the other Settlement Documents. Accordingly, the Parties agree that this Agreement together with the other Settlement Documents supercede all prior agreements and understandings between the Parties with respect to their subject matter and constitute a complete and exclusive statement of the terms of the agreement between the Parties with respect to their subject matter. The Parties further agree and acknowledge that:

- (i) this Agreement has not been entered into under undue time pressure, and that each party has had an adequate opportunity to review this Agreement with counsel;
- (ii) there are no oral conditions or promises that supplement or modify this Agreement;
- (iii) this paragraph does not constitute "boiler plate", but rather is a critical substantive provision of this Agreement; and
- (iv) there are no third party beneficiaries to this Agreement.

13. Each party enters into this Agreement and each of the other Settlement Documents freely, voluntarily, and in good faith, and with the advice of independent counsel. Municipality warrants that the person(s) executing this Agreement and the Settlement Documents has the authority to do so, and that such authority is granted pursuant to the normal and appropriate process consistent with the charters, laws, ordinances, and regulations of Municipality and the State of Maine. The Maine Energy Parties warrant that the person(s) executing this Agreement and the Settlement Documents has the authority to do so. Further, each party acknowledges that the terms of this Agreement and the Settlement Documents are fair, reasonable, and a good faith settlement of the Action, the Clean Air Act Claims, and all other matters addressed herein and by the Settlement Documents.

14. The law of the State of Maine shall govern the validity, interpretation, construction and performance of this Agreement and the other Settlement Documents.

Dated: May 4, 2007

City of Biddeford, Maine  
By: John D. Bubier  
Its: CITY MANAGER

STATE OF MAINE

York, ss.

May 4, 2007

Personally appeared the above-named John D. Bubier, in his/her capacity as City Manager of The City of Biddeford, Maine, and made oath that the foregoing Settlement Agreement signed by him/her is his/her own free act and deed and the free act and deed of the City of Biddeford, Maine.

Before me,  
[Signature]  
Notary Public Attorney at Law  
Printed name: Kim R. Jacques

Dated: May 4, 2007

Maine Energy Recovery Company,  
Limited Partnership

By: [Signature]  
Its: General Manager

STATE OF MAINE

York, ss.

May 4, 2007

Personally appeared the above-named Kenneth W. Robbins, in his/her capacity as General Manager of Maine Energy Recovery Company, Limited Partnership, and made oath that the foregoing Settlement Agreement signed by him/her is his/her own free act and deed and the free act and deed of Maine Energy Recovery Company, Limited Partnership.

Before me,

David J. Chapman  
Notary Public Attorney at Law  
Printed name: David J. Chapman

Dated: May 4, 2007

KTI, Inc.

By: Bol  
Its: Region Vice President

STATE OF MAINE

York, ss.

May 4, 2007

Personally appeared the above-named Brian Oliver, in his/her capacity as Regional V.P. of KTI, Inc., and made oath that the foregoing Settlement Agreement signed by him/her is his/her own free act and deed and the free act and deed of KTI, Inc.

Before me,

David J. Chapman  
Notary Public Attorney at Law  
Printed name: David J. Chapman

Dated: May 4, 2007

Casella Waste Systems, Inc.

By: Bol  
Its: Region Vice President

STATE OF MAINE

York, ss.

May 4, 2007

Personally appeared the above-named Brian Oliver, in his/her capacity as Regional Vice President of Casella Waste Systems, Inc., and made oath that the foregoing Settlement Agreement signed by him/her is his/her own free act and deed and the free act and deed of Casella Waste Systems, Inc.

Before me,

David J. Cheapey  
Notary Public Attorney at Law  
Printed name: David T. Cheapey