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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**
For the quarterly period ended March 31, 2009

OR

o **OR 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: 1-14267

REPUBLIC SERVICES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**65-0716904**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
18500 NORTH ALLIED WAY **PHOENIX, ARIZONA** (Address of principal executive offices)	**85054** *(Zip code)*

Registrant’s telephone number, including area code: **(480) 627-2700**

Indicate by check mark 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 for 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 ☑ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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 the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑	Accelerated filer o	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 ☑

On April 29, 2009, the registrant had outstanding 378,802,292 shares of Common Stock, par value $.01 per share (excluding treasury shares of 14,916,355).

REPUBLIC SERVICES, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

REPUBLIC SERVICES, INC.

CONSOLIDATED BALANCE SHEETS
(in millions, except per share amounts)

	March 31, 2009 (Unaudited)	December 31, 2008
ASSETS		
Current Assets —		
Cash and cash equivalents	$ 193.5	$ 68.7
Accounts receivable, net of allowance for doubtful accounts of $60.1 and $65.7, respectively	877.6	945.5
Prepaid expenses and other current assets	166.9	174.7
Deferred tax assets	125.9	136.8
Total Current Assets	1,363.9	1,325.7
Restricted cash and marketable securities	262.7	281.9
Property and equipment, net	6,677.8	6,738.2
Goodwill, net	10,418.3	10,521.5
Other intangible assets, net	547.2	564.1
Other assets	592.7	490.0
Total Assets	$ 19,862.6	$ 19,921.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities —		
Accounts payable	$ 552.5	$ 564.0
Notes payable and current maturities of long-term debt	457.9	504.0
Deferred revenue	350.5	359.9
Accrued landfill and environmental costs, current portion	196.1	233.4
Accrued interest	113.9	107.7
Other accrued liabilities	805.5	796.8
Total Current Liabilities	2,476.4	2,565.8
Long-term debt, net of current maturities	7,118.7	7,198.5
Accrued landfill and environmental costs, net of current portion	1,244.9	1,197.1
Deferred income taxes and other long-term tax liabilities	1,243.2	1,239.9
Self-insurance reserves, net of current portion	272.3	234.5
Other long-term liabilities	178.4	203.1
Commitments and Contingencies		
Stockholders' Equity —		
Preferred stock, par value $0.01 per share; 50.0 shares authorized; none issued	—	—
Common stock; par value $0.01 per share; 750.0 shares authorized; 393.7 and 393.4 shares issued, including shares held in treasury, respectively	3.9	3.9
Additional paid-in capital	6,267.6	6,260.1
Retained earnings	1,518.2	1,477.2
Treasury stock, at cost (14.9 and 14.9 shares, respectively)	(457.0)	(456.7)
Accumulated other comprehensive loss, net of tax	(5.5)	(3.1)
Total Republic Services, Inc. Stockholders' Equity	7,327.2	7,281.4
Noncontrolling Interests	1.5	1.1
Total Stockholders' Equity	7,328.7	7,282.5
Total Liabilities and Stockholders' Equity	$ 19,862.6	$ 19,921.4

The accompanying notes are an integral part of these financial statements.

REPUBLIC SERVICES, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(in millions, except per share amounts)

	Three Months Ended March 31,	
	2009	2008
Revenue	$ 2,060.5	$ 779.2
Expenses:		
Cost of operations	1,208.7	476.5
Depreciation, amortization and depletion	221.8	73.4
Accretion	23.3	4.4
Selling, general and administrative	217.5	82.7
Asset impairments and losses on sales of businesses	4.9	—
Restructuring charges	31.3	—
Operating Income	353.0	142.2
Interest expense	(153.5)	(21.4)
Interest income	.7	2.8
Other income (expense), net	.2	.2
Income Before Income Taxes	200.4	123.8
Provision for income taxes	87.0	47.7
Net Income	113.4	76.1
Less: Net Income Attributable to Noncontrolling Interests	(.4)	—
Net Income Attributable to Republic Services, Inc.	$ 113.0	$ 76.1
Basic Earnings Per Share Attributable to Republic Services, Inc. Stockholders:		
Basic earnings per share	$ .30	$ .41
Weighted average common shares outstanding	378.9	183.4
Diluted Earnings Per Share Attributable to Republic Services, Inc. Stockholders:		
Diluted earnings per share	$ .30	$ .41
Weighted average common and common equivalent shares outstanding	379.9	185.1
Cash dividends per common share	$ .19	$ .17

The accompanying notes are an integral part of these statements.

REPUBLIC SERVICES, INC.

UNAUDITED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (in millions)

	Republic Services, Inc. Stockholders'						
	Shares, Net	Common Stock Par Value	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss, Net of Tax	Non Controlling Interests
Balance as of December 31, 2008	378.5	$ 3.9	$ 6,260.1	$ 1,477.2	$ (456.7)	$ (3.1)	$ 1.1
Net income	—	—	—	113.0	—	—	.4
Cash dividends declared	—	—	—	(72.0)	—	—	—
Issuances of common stock	.3	—	2.8	—	—	—	—
Compensation expense for restricted stock and deferred stock units	—	—	2.7	—	—	—	—
Compensation expense for stock options	—	—	2.0	—	—	—	—
Purchases of common stock for treasury	—	—	—	—	(.3)	—	—
Change in value of derivative instruments, net of tax	—	—	—	—	—	(2.4)	—
Balance as of March 31, 2009	378.8	$ 3.9	$ 6,267.6	$ 1,518.2	$ (457.0)	$ (5.5)	$ 1.5

Comprehensive Income –

	Three Months Ended March 31, 2009
Net income	$ 113.4
Change in value of derivative instruments, net of tax	(2.4)
Comprehensive income	111.0
Less: Comprehensive income attributable to noncontrolling interests	(.4)
Comprehensive income attributable to Republic Services, Inc.	$ 110.6

The accompanying notes are an integral part of this statement.

REPUBLIC SERVICES, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Three Months Ended March 31,	
	2009	2008
Cash Provided by Operating Activities:		
Net income	$ 113.4	$ 76.1
Net income attributable to noncontrolling interests	(.4)	—
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization of property and equipment	132.6	48.1
Landfill depletion and amortization	71.8	23.7
Amortization of intangible and other assets	17.4	1.6
Accretion	23.3	4.4
Non-cash interest expense — debt	25.7	—
Non-cash interest expense — other	12.7	—
Restricted stock and deferred stock unit compensation expense	2.7	2.0
Stock option compensation expense	2.0	1.9
Deferred tax provision	31.8	9.5
Provision for doubtful accounts, net of adjustments	5.8	1.2
Income tax benefit from stock option exercises	0.3	.7
Asset impairments	1.8	—
Other non-cash items	(.2)	.5
Change in assets and liabilities, net of effects from business acquisitions and divestures:		
Accounts receivable	62.6	(8.9)
Prepaid expenses and other assets	17.7	(6.9)
Accounts payable and accrued liabilities	41.2	(37.8)
Capping, closure and post-closure expenditures	(13.6)	(1.8)
Remediation expenditures	(13.4)	(8.9)
Other liabilities	(22.8)	42.6
Cash Provided by Operating Activities	512.4	148.0
Cash Used in Investing Activities:		
Purchases of property and equipment	(193.4)	(81.6)
Proceeds from sales of property and equipment	4.9	1.0
Cash used in business acquisitions, net of cash acquired	(.1)	(11.7)
Cash proceeds from business divestitures, net of cash divested	.3	—
Change in restricted cash and marketable securities	19.2	(25.0)
Cash Used in Investing Activities	(169.1)	(117.3)
Cash Used in Financing Activities:		
Proceeds from notes payable and long-term debt	230.9	122.0
Payments of notes payable and long-term debt	(381.1)	(1.2)
Issuances of common stock	3.7	5.3
Excess income tax benefit from stock option exercises	.3	1.2
Purchases of common stock for treasury	(.3)	(97.8)
Cash dividends paid	(72.0)	(31.6)
Cash Used in Financing Activities	(218.5)	(2.1)
Increase in Cash and Cash Equivalents	124.8	28.6
Cash and Cash Equivalents at Beginning of Period	68.7	21.8
Cash and Cash Equivalents at End of Period	$ 193.5	$ 50.4

The accompanying notes are an integral part of these statements.

REPUBLIC SERVICES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(All tables in millions, except per share data)

1. BASIS OF PRESENTATION AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Republic Services, Inc. (a Delaware corporation) and its subsidiaries (also referred to collectively as Republic, we, us, our, or the company in this report) is the second largest provider of non-hazardous solid waste collection, transfer, recycling and disposal services in the United States, as measured by revenue. We manage and evaluate our operations through four geographic regions — Eastern, Midwest, Southern, and Western, which we have identified as our reportable segments.

We acquired Allied Waste Industries, Inc. (Allied) effective December 5, 2008. The accompanying financial statements include the operating results of Allied from the date of the acquisition, and have not been retroactively restated to include Allied's historical financial position, results of operations or cash flows. In accordance with the purchase method of accounting, the purchase price paid has been allocated to assets and liabilities acquired based upon their estimated fair values as of the effective date of the merger, with the excess of the purchase price over the net assets acquired being recorded as goodwill. We are in the process of valuing all of the assets and liabilities acquired in the merger, and, until we have completed our valuation process, there may be adjustments to our estimates of fair values and the resulting preliminary purchase price allocation. See Note 2, *Business Acquisitions and Divestitures, Assets Held for Sale and Restructuring Charges,* for additional information.

The accompanying unaudited consolidated financial statements include the accounts of Republic, its wholly owned and majority owned subsidiaries, and certain variable interest entities for which we have determined that we are the primary beneficiary in accordance with Financial Accounting Standards Board (FASB) Interpretation No. 46, *Consolidation of Variable Interest Entities — an interpretation of ARB No. 51* (revised December 2003). Our investments in variable interest entities are not material to our consolidated financial statements. We account for investments in entities in which we do not have a controlling financial interest under either the equity method or the cost method of accounting, as appropriate.

These unaudited consolidated financial statements have been prepared by us pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). All significant intercompany accounts and transactions have been eliminated. Certain information related to our organization, significant accounting policies and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted. In the opinion of management, these unaudited consolidated financial statements reflect all material adjustments (which include only normal recurring adjustments) necessary to fairly state the financial position and the results of operations for the periods presented, and the disclosures herein are adequate to make the information presented not misleading. Operating results for interim periods are not necessarily indicative of the results that can be expected for a full year. These interim financial statements should be read in conjunction with our audited consolidated financial statements and notes thereto appearing in our Annual Report on Form 10-K for the year ended December 31, 2008.

Management's Estimates and Assumptions

These unaudited consolidated financial statements have been prepared in accordance with GAAP and include numerous estimates and assumptions made by management that affect the accounting for and recognition and disclosure of assets, liabilities, stockholders' equity, revenue and expenses. We must make these estimates and assumptions because certain information that we use is dependent on future events, cannot be calculated with a high degree of precision from data available or simply cannot be readily calculated based on generally accepted methodologies. In some cases, these estimates are particularly difficult to determine and we must exercise significant judgment. The most difficult, subjective and complex estimates and assumptions that deal with the greatest amount of uncertainty relate to our accounting for our long-lived assets, landfill development costs, goodwill, and final capping, closure and post-closure costs, our valuation allowances for accounts receivable and deferred tax assets, our liabilities for potential litigation, claims and assessments, our liabilities for environmental remediation, employee benefit plans, deferred taxes, uncertain tax positions and self-insurance, our estimates of the fair values of the assets and liabilities acquired in our acquisition of Allied, and our estimates of the fair values of assets and liabilities to be divested. Each of these items is discussed in more detail in our description of our significant accounting policies, in Note 1, *Summary of*

Significant Accounting Policies, of Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2008. Our actual results may differ significantly from our estimates.

New Accounting Pronouncements

FSP APB 14-1 — Convertible Debt Instruments

In May 2008, the FASB issued FASB Staff Position (FSP) No. APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)* (FSP APB 14-1). FSP APB 14-1 applies to convertible debt instruments that, by their stated terms, may be settled in cash (or other assets) upon conversion, including partial cash settlement of the conversion option. FSP APB 14-1 requires bifurcation of the instrument into a debt component that is initially recorded at fair value and an equity component. The difference between the fair value of the debt component and the initial proceeds from issuance of the instrument is recorded as a component of equity. The liability component of the debt instrument is accreted to par using the effective yield method; accretion is reported as a component of interest expense. The equity component is not subsequently re-valued as long as it continues to qualify for equity treatment. FSP APB 14-1 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008 and must be applied retrospectively to all periods presented. Early adoption is not permitted. We adopted FSP APB 14-1 on January 1, 2009, and adoption of this pronouncement did not have a material effect on our financial position or results of operations.

SFAS 141(R) — Business Combinations

In December 2007, the FASB issued Statement of Accounting Financial Standard (SFAS) No.141(R), *Business Combinations (revised)* (SFAS 141(R)), which replaces SFAS No. 141, *Business Combinations* (SFAS 141). SFAS 141(R) applies to all transactions and other events in which one entity obtains control over one or more other businesses. Under SFAS 141(R), all transaction and restructuring charges are required to be recognized as expenses as incurred. The statement requires the fair value of the purchase consideration, including the issuance of equity securities, to be determined as of the acquisition date. It also requires the acquirer to recognize assets acquired, liabilities assumed, consideration paid and any noncontrolling interests acquired at their acquisition-date fair values. Changes in deferred tax asset valuation allowances and liabilities for tax uncertainties subsequent to the acquisition date that do not meet certain remeasurement criteria are also recorded in the income statement. The impact of the adoption of this statement on our consolidated financial statements is dependent on the nature and volume of future acquisitions, and, therefore, can not be determined at this time.

SFAS 141(R) is required to be applied prospectively, and, in general, will be effective for businesses we acquire on or after January 1, 2009. However, in the case of deferred tax asset valuation allowances and uncertain tax position liabilities, the provisions of SFAS 141(R) as of its effective date will apply to the accounting for all business acquisitions, whether the acquisition occurred before or after adoption.

FSP FAS 142-3 — Determination of the Useful Life of Intangible Assets

In April 2008, the FASB directed the FASB Staff to issue FSP SFAS 142-3, *Determination of the Useful Life of Intangible Assets* (FSP SFAS 142-3). FSP SFAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used for purposes of determining the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*. FSP SFAS 142-3 is intended to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141(R) and other GAAP. FSP SFAS 142-3 is effective for fiscal years beginning after December 15, 2008. Early application is not permitted. The impact of adopting FSP SFAS 142-3 did not have a material effect on our financial position or results of operations.

SFAS 157 — Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosures about fair value measurements. SFAS 157 applies to other accounting pronouncements that require or permit fair value measurements. Accordingly, SFAS 157 does not require any new fair value measurements, but, for some entities, the

application of SFAS 157 will change current practice. SFAS 157 was effective for us on January 1, 2008. However, in February 2008, the FASB issued FSP SFAS 157-2, *"Effective Date of FASB Statement No. 157,"* which delayed the effective date of SFAS 157 for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis, for one year. We adopted SFAS 157 with respect to financial assets and liabilities beginning January 1, 2008. We adopted the provisions of SFAS 157 with respect to our non-financial assets and non-financial liabilities effective January 1, 2009 pursuant to the requirements of FSP SFAS 157-2. The impact of adopting SFAS 157 and FSP SFAS 157-2 did not have a material effect on our financial position or results of operations.

SFAS 160 — Noncontrolling Interests

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51* (SFAS 160). SFAS 160 requires noncontrolling interests or minority interests to be treated as a separate component of equity, not as a liability or other item outside of permanent equity. Upon a loss of control, the interests sold, as well as any interest retained, are required to be measured at fair value, with any gain or loss recognized in earnings. Additionally, when control is obtained and a previous equity interest was held, a gain or loss will be recognized in earnings for the difference between the fair value of the previously held equity interest and its carrying value. Based on SFAS 160, assets and liabilities will not change for subsequent purchase or sale transactions with noncontrolling interests as long as control is maintained. Differences between the fair value of consideration paid or received and the carrying value of noncontrolling interests are to be recognized as an adjustment to the parent interest's equity. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008. Earlier adoption is prohibited. SFAS 160 is to be applied prospectively to all noncontrolling interests, including any that arose before the effective date except that comparative period information must be recast to classify noncontrolling interests in equity, attribute net income and other comprehensive income to noncontrolling interests, and provide other disclosures required by SFAS 160. We adopted SFAS 160 on January 1, 2009, and the implementation of this pronouncement did not have a material impact on our financial position or results of operations.

SFAS 161 — Disclosures about Derivative Instruments and Hedging Activities

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133* (SFAS 161), which requires companies to provide enhanced disclosures regarding derivative instruments and hedging activities. It requires companies to better convey the purpose of derivative use in terms of the risks that they are intending to manage. Disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133, *Accounting for Derivative Instruments*, and its related interpretations, and (c) how derivative instruments and related hedged items affect a company's financial position, results of operations or cash flows are required. This statement retains the same scope as SFAS 133 and was effective for us beginning January 1, 2009. As SFAS 161 relates specifically to disclosures, the adoption of this statement had no impact on our consolidated financial position or results of operations.

EITF 07- 5 — Determining Whether an Instrument is Indexed to an Entity's Own Stock

In June 2008, the FASB issued EITF No. 07-5, *"Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity's Own Stock*" (EITF 07-5). EITF 07-5 provides guidance for determining whether an instrument (or an embedded feature) is indexed to an entity's own stock when evaluating the instrument as a derivative under SFAS 133. An instrument that is both indexed to an entity's own stock and classified in stockholder's equity in the entity's statement of financial position is not considered a derivative for the purposes of applying the guidance in SFAS 133. EITF 07-5 provides a two-step process to determine whether an equity-linked instrument (or embedded feature) is indexed to its own stock first by evaluating the instrument's contingent exercise provisions, if any, and second, by evaluating the instrument's settlement provisions. EITF 07-5 is applicable to outstanding instruments as of the beginning of the fiscal year in which it is adopted and is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The impact of adopting EITF 07-5 did not have a material effect on our financial position or results of operations.

2. BUSINESS ACQUISITIONS AND DIVESTITURES, ASSETS HELD FOR SALE AND RESTRUCTURING CHARGES

Allocation of Purchase Price for the Acquisition of Allied

The allocation of purchase price to the fair value of the assets and liabilities acquired in the acquisition of Allied is preliminary and subject to revision. Due to the volume and complexity of the information required to assess these assets and liabilities, our valuation of certain significant balances, including property and equipment, goodwill, accrued landfill and environmental costs (which includes landfill asset retirement obligations and environmental remediation liabilities), deferred taxes and other long-term tax liabilities, and, included in other long-term liabilities, liabilities for litigation, claims and assessments, and self-insurance, has not been completed. Our purchase price allocation includes values we have finalized to date and estimates of the values we have not yet finalized. We expect our purchase price allocation for the acquisition of Allied to be completed during 2009. Adjustments after the allocation period made to assets and liabilities acquired, once we have finalized these balances, will be recorded in the consolidated statement of income.

Our allocation of purchase price is as follows:

	Allocation at December 5, 2008	Adjustments	Allocation at December 31, 2008	Adjustments	Allocation at March 31,2009
Current assets	$ 910.8	$ (0.9)	$ 909.9	$ 7.7	$ 917.6
Landfill development costs	2,600.0	—	2,600.0	—	2,600.0
Other property and equipment	2,256.8	1.9	2,258.7	1.0	2,259.7
Goodwill	9,006.3	(0.8)	9,005.5	(27.2)	8,978.3
Other intangible assets	541.0	—	541.0	—	541.0
Other assets	226.6	(1.1)	225.5	38.9	264.4
Current liabilities	(1,336.3)	—	(1,336.3)	(28.5)	(1,364.8)
Capping, closure and post-closure liabilities	(813.1)	—	(813.1)	(0.3)	(813.4)
Environmental liabilities	(208.1)	—	(208.1)	(0.2)	(208.3)
Deferred income taxes and other long-term tax liabilities	(774.1)	0.9	(773.2)	8.4	(764.8)
Other long-term liabilities	(906.9)	—	(906.9)	0.9	(906.0)
Total purchase price	$ 11,503.0	$ 0.0	$ 11,503.0	$ 0.7	$ 11,503.7

Assets Held For Sale

As a condition of the merger with Allied in December 2008, we reached a settlement with the U.S. Department of Justice (DOJ) requiring us to divest of certain operations serving fifteen metropolitan areas including Los Angeles, CA; San Francisco, CA; Denver, CO; Atlanta, GA; Northwestern Indiana; Lexington, KY; Flint, MI; Cape Girardeau, MO; Charlotte, NC; Cleveland, OH; Philadelphia, PA; Greenville-Spartanburg, SC; and Fort Worth, Houston and Lubbock, TX. The settlement requires us to divest 87 commercial waste collection routes, nine landfills and ten transfer stations, together with ancillary assets and, in three cases, access to landfill disposal capacity. We have classified the assets and liabilities we expect to divest (including accounts receivable, property and equipment, goodwill, and accrued landfill and environmental costs) as assets held for sale in our consolidated balance sheets at March 31, 2009 and December 31, 2008. The assets held for sale related to operations that were Republic's prior to the merger with Allied have been adjusted to the lower of their carrying amounts or estimated fair values less costs to sell, which resulted in us recognizing asset impairment losses of $1.8 million and $6.1 million in our consolidated statements of income for the three months ended March 31, 2009 and the year ended December 31, 2008, respectively. The assets held for sale related to operations that were Allied's prior to the merger were recorded at their estimated fair values in our consolidated balance sheets as of March 31, 2009 and December 31, 2008 in accordance with the purchase method of accounting. Changes in the estimated fair values of the assets held for sale from December 31, 2008 to March 31, 2009 are due to changes in estimates of the sales proceeds and the realignment of our segments, which impacts the allocation of goodwill to certain assets to be divested.

During the three months ended March 31, 2009, we entered into agreements to divest certain assets to Waste Connections, Inc., Advanced Disposal Services, Inc., IESI Corporation and Covanta Energy Corporation. The assets covered by the agreements include eight municipal solid waste landfills, nine collection operations and eight transfer

stations across the following twelve markets: Los Angeles, CA; San Francisco, CA; Denver, CO; Atlanta, GA; Houston, TX; Lubbock, TX; Greenville-Spartanburg, SC; Charlotte, NC; Flint, MI; Ft. Worth, TX; Cape Girardeau, MO; and Philadelphia, PA. In April and May 2009, closings were completed for the assets in the Los Angeles, CA; Denver, CO; Atlanta, GA; Houston, TX; Greenville-Spartanburg, SC; San Francisco, CA; Flint, MI; Ft. Worth, TX; Cape Girardeau, MO; and Philadelphia, PA. markets, from which we received proceeds of $364.8 million. These proceeds were used to repay amounts borrowed under our Credit Facilities. The remaining transactions under agreement are subject to closing conditions regarding due diligence, regulatory approval and other customary matters. Closing is expected to occur in the second quarter of 2009.

Assets held for sale and related liabilities recorded in our consolidated balance sheets are as follows:

	March 31, 2009	December 31, 2008
Prepaid expenses and other current assets	$ 17.0	$ 17.5
Other assets	397.2	285.1
Total assets	$ 414.2	$ 302.6
Accrued liabilities	$ 3.1	$ 3.1
Other long-term liabilities	29.2	31.0
Total liabilities	$ 32.3	$ 34.1

Restructuring Charges

During the three months ended March 31, 2009, we incurred $31.3 million of restructuring costs, $17.8 million of which consists of charges for severance and other employee termination and relocation benefits. The remainder of the restructuring charges recorded during the three months ended March 31, 2009 were primarily for consulting fees paid to outside parties related to integrating the Allied and Republic operations. Substantially all restructuring charges relate to our Corporate entities segment. As of March 31, 2009 and December 31, 2008, our liabilities recorded for restructuring charges for severance and other employee termination and relocation benefits incurred and unpaid were $43.0 million and $30.4 million, respectively. The majority of these benefit payments will be paid during the remainder of 2009.

Accrued Liabilities Related to Allied

As of March 31, 2009 and December 31, 2008, we had recorded $25.5 million and $22.6 million of accrued liabilities in purchase accounting for severance and other employee termination benefits for employees who were employed by Allied at the date of the acquisition and have subsequently been notified that their employment has been terminated. We account for costs to exit an activity of an acquired company and involuntary employee termination benefits associated with acquired businesses in accordance with EITF Issue No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination* (EITF 95-3). We include exit costs in the purchase price allocation of the acquired business if a plan to exit an activity of an acquired company exists, in accordance with the EITF 95-3 criteria, and those costs have no future economic benefit to us and will be incurred as a direct result of the exit plan, or the exit costs represent amounts to be incurred by us under a contractual obligation of the acquired entity that existed prior to the acquisition date. We recognize employee termination benefits as liabilities assumed as of the acquisition date when management approves and commits to a plan of termination, and communicates the termination arrangement to the employees, if the future service period for these employees is less than sixty days from their date of notification.

As of March 31, 2009 and December 31, 2008, we had recorded $36.1 million and $31.5 million, respectively, of accrued liabilities in purchase accounting for our estimated settlement costs related to various Allied legal matters.

We are in the process of evaluating certain operating contracts and leases acquired from Allied. During the three months ended March 31, 2009, we recorded liabilities for unfavorable contract and lease exit costs of $11.2 million and $5.2 million, respectively. The underlying lease agreements and contracts have remaining non-cancellable terms ranging from 1 to 21 years. Unfavorable contracts and lease exit liabilities recorded in our consolidated balance sheets are as follows:

	March 31, 2009	December 31, 2008
Lease exit costs	$ 5.2	$ —
Unfavorable contracts	44.2	33.3
Total	$ 49.4	$ 33.3

Other Acquisitions

There were no significant acquisitions completed during the three months ended March 31, 2009. During the first quarter of 2008, we acquired various waste businesses, including a transfer station in California for an aggregate purchase price of $11.7 million.

Other Divestitures

There were no significant divestitures completed during the three months ended March 31, 2009 and 2008.

3. PROPERTY AND EQUIPMENT, NET

Cash paid for purchases of property and equipment for the three months ended March 31, 2009 and 2008 were $193.4 million and $81.6 million, respectively.

A summary of property and equipment is as follows:

	March 31, 2009 (1)	December 31, 2008 (1)
Other land	$ 455.7	$ 464.4
Non-depletable landfill land	169.3	169.3
Landfill development costs	4,135.5	4,126.3
Vehicles and equipment	3,515.2	3,432.3
Buildings and improvements	721.4	706.0
Construction-in-progress – landfill	105.0	76.2
Construction-in-progress – other	16.9	26.3
	9,119.0	9,000.8
Less: Accumulated depreciation, depletion and amortization –		
Landfill development costs	(1,071.6)	(1,004.2)
Vehicles and equipment	(1,254.8)	(1,147.3)
Buildings and improvements	(114.8)	(111.1)
	(2,441.2)	(2,262.6)
Property and equipment, net	$ 6,677.8	$ 6,738.2

(1) Property and equipment, net excludes assets classified as held for sale of $221.3 million and $214.1 million as of March 31, 2009 and December 31, 2008, respectively.

As a result of our acquisition of Allied, we recorded $4.9 billion for property and equipment at its estimated fair value in December 2008. Our estimates have not been finalized and are subject to change. We expect to complete our valuations in 2009.

4. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill, Net

A summary of the activity and balances in goodwill, net, by operating segment is as follows:

Regions	Balance at December 31, 2008	Adjustments to Acquisitions (1)	Adjustments to Transfers to Assets Held for Sale	Balance at March 31, 2009
Eastern	$ 2,682.3	$ (10.1)	$ (15.4)	$ 2,656.8
Midwest	2,083.8	(7.2)	(1.0)	2,075.6
Southern	2,702.4	(10.7)	(49.8)	2,641.9
Western	3,053.0	(9.0)	—	3,044.0
Total	$ 10,521.5	$ (37.0)	$ (66.2)	$ 10,418.3

(1) Adjustments to acquisitions include a $9.8 million adjustment for deferred taxes pertaining to prior years' acquisitions in accordance with SFAS 109.

Regions	Balance at December 31, 2007	Adjustments to Acquisitions	Balance at March 31, 2008
Eastern	$ 510.0	$ .3	$ 510.3
Midwest	374.1	(.1)	374.0
Southern	340.7	(.5)	340.2
Western	330.9	—	330.9
Total	$ 1,555.7	$ (.3)	$ 1,555.4

The balances of goodwill, net for 2008 in the above tables have been reclassified to reflect the realignment of our regions following our acquisition of Allied. The realignment was effected during the three months ended March 31, 2009. We allocated goodwill resulting from our acquisition of Allied to our reportable segments, which are our regions, based on the relative fair value of Allied's contribution to each individual region to the total fair value of the business acquired. As a result of the realignment of our regions, we performed an interim impairment test of our goodwill in the first quarter of 2009.

Under the provisions of SFAS No. 142, the first step of our test for impairment of goodwill requires us to estimate the fair value of each reporting unit and to compare the fair value to the reporting unit's carrying value. We estimated the fair value of our reporting units using a discounted cash flow approach. The key assumptions we used in preparing our discounted cash flow analysis were (1) projected cash flows, (2) discount rate, and (3) expected long-term growth rate. We based our projected cash flows on budgeted operating results for 2009. For 2010 and future periods, we assumed a growth rate of 2.5% based on an estimate of future inflation provided by the Federal Reserve Bank of Philadelphia. We used a discount rate of 7.0% based on our weighted average cost of capital. Our reporting units carry the majority of assets and liabilities related to their operations on their respective balance sheets, except for obligations associated with debt, self-insurance, pension plans, deferred tax liabilities, and certain accrued landfill and environmental costs, as well as assets such as cash, restricted cash and marketable securities, and deferred tax assets which are primarily recorded on Corporate's balance sheet. To determine the carrying value of each reporting unit at January 1, 2009 based on the realignment, we allocated assets and liabilities accounted for within our Corporate balance sheet to each of the four reporting units based on the size of their respective operations. The corporate assets and liabilities relate to the operations of each of our four reporting units, therefore, we believe they should be allocated to each of the reporting units to determine the appropriate fair values for each of the reporting units.

In our discounted cash flow analysis, the estimated fair value for each of our reporting units exceeded their respective carrying value. Accordingly, no indication of impairment was evident.

As a test of the reasonableness of the estimated fair values for our reporting units, we compared the fair value of our reporting units under the discounted cash flow approach less outstanding debt (implied fair value of equity) to our market capitalization as of January 1, 2009. We compared the implied fair value of our Company's equity to our market

capitalization noting that the implied fair value of equity exceeded our market capitalization. We consider the excess amount of implied fair value over market capitalization to be a control premium. A control premium represents the ability of an acquirer to control the operations of the business. Our control premium determined as of January 1, 2009 appeared reasonable as it did not exceed the control premium of 9% paid by Republic to acquire Allied in December 2008. Our market capitalization fluctuated from January 1, 2009 through March 31, 2009 as a result of market-driven fluctuations in our stock trading price. These fluctuations are consistent with overall market conditions and are not a result of changes in our expectations of future cash flows. We will continue to monitor our market capitalization and expectations of future cash flows and will perform additional interim impairment testing if deemed necessary.

Other Intangible Assets

Other intangible assets includes values assigned to customer relationships, long-term contracts, covenants not to compete and tradenames, and are amortized generally on a straight-line basis over periods ranging from 2 to 10 years.

Gross Intangible Assets

	Balance at December 31, 2008	Acquisitions	Balance at March 31, 2009
Eastern	$ 139.3	$ —	$ 139.3
Midwest	97.7	—	97.7
Southern	126.7	.1	126.8
Western	220.7	.1	220.8
Corporate	31.0	—	31.0
Total	$ 615.4	$ .2	$ 615.6

	Balance at December 31, 2007	Acquisitions	Other Additions	Balance at March 31, 2008
Eastern	$ 6.3	$ —	$ —	$ 6.3
Midwest	6.8	—	—	6.8
Southern	4.6	—	—	4.6
Western	49.6	6.6	.3	56.5
Total	$ 67.3	$ 6.6	$ .3	$ 74.2

Accumulated Amortization

	Balance at December 31, 2008	Amortization Expense	Balance at March 31, 2009
Eastern	$ (5.6)	$ (3.6)	$ (9.2)
Midwest	(5.6)	(2.7)	(8.3)
Southern	(4.5)	(3.6)	(8.1)
Western	(35.0)	(5.6)	(40.6)
Corporate	(.6)	(1.6)	(2.2)
Total	$ (51.3)	$ (17.1)	$ (68.4)

	Balance at December 31, 2007	Amortization Expense	Balance at March 31, 2008
Eastern	$ (3.8)	$ (.2)	$ (4.0)
Midwest	(3.8)	(.3)	(4.1)
Southern	(2.9)	(.1)	(3.0)
Western	(30.3)	(.7)	(31.0)
Total	$ (40.8)	$ (1.3)	$ (42.1)

The other intangible asset and related accumulated amortization balances for 2008 in the above tables have been reclassified to reflect the realignment of our regions following our acquisition of Allied. The realignment was effected during the three months ended March 31, 2009.

Our intangible assets are primarily related to our allocation of identifiable other intangible assets (excluding the allocation of purchase price to landfill airspace and goodwill) recorded in connection with our acquisition of Allied, consisting of the following:

	Fair Value of Other Intangible Assets	Useful Life (in years)
Customer relationships	$ 420.0	10
Franchise agreements	60.0	9
Other municipal agreements	30.0	3
Non-compete agreements	1.0	2
Tradenames	30.0	5
Total	$ 541.0	

5. LANDFILL AND ENVIRONMENTAL COSTS

Accrued Landfill and Environmental Costs

A summary of landfill and environmental liabilities is as follows:

	March 31, 2009	December 31, 2008
Landfill final capping, closure and post-closure liabilities	$ 1,059.4	$ 1,040.6
Remediation	381.6	389.9
	1,441.0	1,430.5
Less: Current portion	(196.1)	(233.4)
Long-term portion	$ 1,244.9	$ 1,197.1

Total Available Disposal Capacity

As of March 31, 2009, we owned or operated 211 active solid waste landfills with total available disposal capacity of approximately 5.0 billion in-place cubic yards. Additionally, we currently have post-closure responsibility for 127 closed landfills.

Final Capping, Closure and Post-Closure Costs

The following table summarizes the activity in our asset retirement obligation liabilities, which include liabilities for final capping, closure and post-closure:

	Three Months Ended March 31,	
	2009	2008
Asset retirement obligation liabilities, beginning of year	$ 1,040.6	$ 277.7
Non-cash asset additions	8.7	4.4
Acquisition of Allied	(.7)	—
SFAS 143 adjustments	(.7)	—
Amounts settled during the period	(13.6)	(1.8)
Accretion expense	23.3	4.4
Transfers of liabilities related to assets held for sale	1.8	—
Asset retirement obligation liabilities, end of period	1,059.4	284.7
Less: Current portion	(117.4)	(22.1)
Long-term portion	$ 942.0	$ 262.6

We review our calculations with respect to our asset retirement obligations at least annually. If there is a significant change in the facts and circumstances related to a landfill during the year, we review the calculations for the landfill as soon as practical after the significant change has occurred.

The fair value of assets that are legally restricted for purposes of settling final capping, closure and post-closure obligations was approximately $63.4 million at March 31, 2009, and is included in restricted cash and marketable securities in our consolidated balance sheet.

Remediation

We accrue for remediation costs when they become probable and can be reasonably estimated. We believe that the amounts accrued for remediation costs are adequate. However, it is reasonably possible that we will need to adjust the liabilities recorded for remediation to reflect the effects of new or additional information, to the extent that such information impacts the costs, timing or duration of the required actions. Future changes in our estimates of the cost, timing or duration of the required actions could have a material adverse effect on our consolidated financial position, results of operations or cash flows.

The following table summarizes the activity in our environmental remediation liabilities:

	Three Months Ended March 31,	
	2009	2008
Remediation liabilities, beginning of year	$ 389.9	$ 67.5
Acquisition of Allied	.1	—
Amounts settled during the period	(13.4)	(8.9)
Accretion expense	5.0	—
Remediation liabilities, end of period	381.6	58.6
Less: Current portion	(78.7)	(20.9)
Long-term portion	$ 302.9	$ 37.7

In 2007, we were issued Final Findings and Orders (F&Os) by the Ohio Environmental Protection Agency (OEPA) related to environmental conditions at our Countywide Recycling and Disposal Facility (Countywide) in East Sparta, Ohio and we agreed to undertake certain other remedial actions with the OEPA as well. During 2008, Republic Services of Ohio II, LLC (Republic-Ohio), an Ohio limited liability company and wholly owned subsidiary of ours and parent of Countywide, entered into an Agreed Order on Consent (AOC) with the EPA requiring the reimbursement of costs incurred by the EPA and requiring Republic-Ohio to perform certain remediation activities at Countywide.

The remediation liability remaining for Countywide recorded as of March 31, 2009 is $88.5 million, of which approximately $22.5 million is expected to be paid out during the remainder of 2009. The majority of the remaining costs are expected to be paid during 2010 and 2011.

There are no other remediation liabilities recorded as of March 31, 2009 and December 31, 2008 that are individually significant. No significant amounts were charged to income for remediation costs during the periods ended March 31, 2009 or 2008.

Environmental Operating Costs

In the normal course of business, we incur various operating costs associated with environmental compliance. These costs include, among other things, leachate treatment and disposal, methane gas and groundwater monitoring and systems maintenance, interim cap maintenance, costs associated with the application of daily cover materials, and the legal and administrative costs of ongoing environmental compliance.

6. DEBT

Our notes payable, capital leases and long-term debt at March 31, 2009 and December 31, 2008 are listed in the following table, and are presented net of unamortized discounts and premiums, adjustments to fair market value related to hedging transactions and the unamortized portion of adjustments to fair value recorded in purchase accounting. The debt we acquired as part of the acquisition of Allied was recorded at fair value as of the acquisition date.

	Debt Balance at	
	March 31, 2009	December 31, 2008
$1.0 billion Revolver due 2012, borrowings	$ —	$ —
$1.75 billion Revolver due 2013, Eurodollar borrowings	595.0	665.0
Receivables secured loans	331.5	400.0
7.125% senior notes due 2009	99.3	99.3
6.50% senior notes due 2010	335.4	333.2
5.75% senior notes due 2011	374.3	371.1
6.375% senior notes due 2011	259.5	257.7
6.75% senior notes due 2011	463.0	464.2
7.875% senior notes due 2013	423.7	422.4
6.125% senior notes due 2014	372.7	370.5
7.375% senior notes due 2014	364.9	363.5
7.25% senior notes due 2015	533.8	531.7
7.125% senior notes due 2016	520.7	518.7
6.875% senior notes due 2017	647.9	645.7
9.25% debentures due 2021	92.9	92.8
6.086% senior notes due 2035	249.1	249.1
7.40% debentures due 2035	266.1	266.0
4.25% senior subordinated convertible debentures due 2034	205.0	201.3
Tax-exempt bonds and other tax-exempt financings; fixed and floating interest rates ranging from 3.25% to 11.50% maturities ranging from 2010 to 2037	1,299.7	1,308.2
Other debt unsecured and secured by real property, equipment and other assets; interest rates ranging from 5.99% to 11.90% maturing through 2042	142.1	142.1
Total debt	7,576.6	7,702.5
Less: Current portion	(457.9)	(504.0)
Long-term portion	$ 7,118.7	$ 7,198.5

Revolving Credit Facilities

Our $1.0 billion revolving credit facility due April 2012 and the $1.75 billion revolving credit facility due September 2013 (collectively, the Credit Facilities) bear interest at a Base Rate, or a Eurodollar Rate, both terms defined in the agreements, plus an applicable margin based on our Debt Ratings, also a term defined in the agreements. As of March 31, 2009, the interest rate for our borrowings under our Credit Facilities was 2.06%. The Credit Facilities are also subject to facility fees based on applicable rates defined in the agreements and the aggregate commitments, regardless of usage. At March 31, 2009, we had $595.0 million of Eurodollar Rate borrowings and $1,685.5 million of letters of credit outstanding under the Credit Facilities, leaving $469.5 million of availability under the Credit Facilities. The agreements governing the Credit Facilities require us to maintain certain financial and other covenants. We have the ability to pay dividends and to repurchase common stock provided that we are in compliance with these covenants. At March 31, 2009, we were in compliance with the covenants of the Credit Facilities. Borrowings under our new credit facility are being used for working capital, capital expenditures, letters of credit and other general corporate purposes.

REPUBLIC SERVICES, INC

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Receivables Secured Loans

We have an accounts receivable securitization program with two financial institutions that allows us to borrow up to $400.0 million on a revolving basis under loan agreements secured by receivables. The agreements include a 364-day liquidity facility secured by receivables. If we are unable to renew the liquidity facility when it matures on May 29, 2009, we will refinance any amounts outstanding with our Credit Facilities or with other long-term borrowings. Although we intend to renew the liquidity facility no later than May 29, 2009 and do not expect to repay the amounts within the next twelve months, the loan is classified as current because it has a contractual maturity of less than one year.

The borrowings are secured by our accounts receivable. These receivables are held in and owned by a wholly owned and fully consolidated subsidiary. This subsidiary is a separate corporate entity whose assets, or collateral securing the borrowings, are available first to satisfy the claims of the subsidiary's creditors. At March 31, 2009, the total amount of accounts receivable (gross) serving as collateral securing the borrowing was $486.2 million. Under SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities — a Replacement of FASB Statement 125*, the securitization program is accounted for as a secured borrowing with a pledge of collateral. The receivables and debt obligation remain on our consolidated balance sheet. At March 31, 2009, we had outstanding borrowings under this program of $331.5 million. The borrowings under this program bear interest at the financial institutions' commercial paper rate plus an applicable spread and interest is payable monthly.

Senior Notes and Debentures

As of March 31, 2009 and December 31, 2008, our senior notes and debentures totaled $5,003.3 million and $4,985.9 million, net of unamortized discounts and premiums of $27.3 million and $27.5 million, remaining unamortized adjustments to fair value recorded in purchase accounting for the acquisition of Allied of $784.2 million and $809.8 million, and adjustments to fair value related to our interest rate swap agreements of $13.8 million and $15.1 million, respectively.

Senior Subordinated Convertible Debentures

Our $230.0 million of 4.25% unsecured senior subordinated convertible debentures due 2034 are convertible into 5.1 million shares of our common stock at a conversion price of $45.03 per share. These debentures are convertible at the option of the holder anytime if certain conditions occur, as outlined in the agreement. We can elect to settle the conversion in stock, cash or a combination of stock and cash. We can elect to call the debentures at any time after April 15, 2009 at par for cash only. The holders can require us to redeem some or all of the debentures on April 15th of 2011, 2014, 2019, 2024 and 2029 at par for stock, cash or a combination of stock and cash at our option. If the debentures are redeemed in stock, the number of shares issued will be determined at the par value of the debentures divided by the average trading stock price of the preceding five-day period.

At March 31, 2009 and December 31, 2008, the unamortized adjustment to fair value recorded in purchase accounting for these debentures was $25.0 million and $28.7 million, respectively, which is being amortized to interest expense through April 15, 2011, the first date that the holders can require us to redeem the debentures.

Tax-Exempt Financings

As of March 31, 2009 and December 31, 2008, we had $1,299.7 million and $1,308.2 million, respectively, of fixed and variable rate tax-exempt financings outstanding with maturities ranging from 2010 to 2037.

Approximately two-thirds of our tax-exempt financings are remarketed weekly or daily, by a remarketing agent to effectively maintain a variable yield. These variable rate tax-exempt financings are credit enhanced with letters of credit having terms in excess of one year issued by banks with credit ratings of A or better. The holders of the bonds can put them back to the remarketing agent at the end of each interest period.

As of March 31, 2009, we had $262.7 million of restricted cash and marketable securities, of which $123.5 million were proceeds from the issuance of tax-exempt bonds and other tax-exempt financings, and will be used to fund capital

expenditures under the terms of the agreements. Restricted cash also includes amounts held in trust as a financial guarantee of our performance.

Other Debt

Other debt primarily includes capital lease liabilities of $139.9 million and $139.5 million as of March 31, 2009 and December 31, 2008, respectively, with maturities ranging from 2009 to 2042.

Guarantees

Substantially all of our subsidiaries have guaranteed our obligations under the Credit Facilities.

We and substantially all of our subsidiaries (including substantially all of the subsidiaries of Allied) guarantee nine series of senior notes issued by Allied Waste North America, Inc. (AWNA), a subsidiary of Allied (the AWNA Senior Notes). The guarantees of the AWNA Senior Notes by our subsidiaries (other than the guarantee by Allied) would be automatically released upon the release of such subsidiaries from their guarantee obligations under the Credit Facilities.

We and substantially all of our subsidiaries (including substantially all of the subsidiaries of Allied) also guarantee the 9.25% debentures due 2021 and the 7.40% debentures due 2035 issued by Browning-Ferris Industries, LLC (successor to Browning-Ferris Industries, Inc.) (BFI), another subsidiary of Allied (the BFI Debentures). The guarantees of the BFI Debentures by our subsidiaries (other than the guarantees by Allied and AWNA) would be automatically released upon the release of such subsidiaries from their guarantee obligations under the Credit Facilities.

Substantially all of our subsidiaries (including Allied and substantially all of its subsidiaries) have guaranteed our 7.125% senior notes due 2009, our 6.75% senior notes due 2011 and our 6.086% senior notes due 2035 (the Republic Senior Notes). The guarantees of the Republic Senior Notes by our subsidiaries would be automatically released upon the release of such subsidiaries from their guarantee obligations under the Credit Facilities.

We have guaranteed some of the tax-exempt bonds of our subsidiaries. If a subsidiary fails to meet its obligations associated with tax-exempt bonds as they come due, we will be required to perform under the related guarantee agreement. No additional liability has been recorded for these guarantees because the underlying obligations are reflected in our consolidated balance sheets.

Interest Paid

Interest paid was $106.4 million and $29.8 million (net of capitalized interest of $.4 million and $.3 million) for the three months ended March 31, 2009 and 2008, respectively.

Interest Rate Swap Agreements

Our ability to obtain financing through the capital markets is a key component of our financial strategy. Historically, we have managed risk associated with executing this strategy, particularly as it relates to fluctuations in interest rates, by using a combination of fixed and floating rate debt. We also entered into interest rate swap agreements to manage risk associated with fluctuations in interest rates. The swap agreements have a total notional value of $210.0 million and mature in August 2011. This maturity is identical to our unsecured notes that also mature in 2011. Under the swap agreements, we pay interest at floating rates based on changes in LIBOR and receive interest at fixed rates of 6.75%. We have designated these agreements as hedges in changes in the fair value of our fixed-rate debt and account for them in accordance with SFAS 133. We have determined that these agreements qualify for the short-cut method under SFAS 133 and, therefore, changes in the fair value of the agreements are assumed to be perfectly effective in hedging changes in the fair value of our fixed rate debt due to changes in interest rates.

As of March 31, 2009 and December 31, 2008, interest rate swap agreements are reflected at their fair value of $13.8 million and $15.1 million, respectively, and are included in other assets and as an adjustment to long-term debt in our consolidated balance sheets.

The following table summarizes the impact of changes in the fair value of our derivatives and the underlying hedged items on our results of operations for the three months ended March 31, 2009 and 2008 (in millions):

Consolidated Statement of Income Classification	Gain (Loss) on Swap Three Month Ended March 31,		Gain (Loss) on Fixed-Rate Debt Three Month Ended March 31,	
	2009	2008	2009	2008
Interest Expense	$ 2.4	$ 1.4	$ (2.4)	$ (1.4)

7. INCOME TAXES

Income taxes have been provided for the three months ended March 31, 2009 and 2008 based on our anticipated annual effective income tax rate. Income taxes paid (net of refunds received) were $70.6 million and $2.7 million for the three months ended March 31, 2009 and 2008, respectively.

At March 31, 2009 and December 31, 2008 we had approximately $456.9 million and $461.0 million, respectively, of unrecognized tax benefits (net of the federal benefit on state issues) that, if recognized, would affect the effective income tax rate in future periods.

SFAS 141(R) is effective for financial statements issued for fiscal years beginning after December 15, 2008. SFAS 141(R) significantly changes the treatment of acquired uncertain tax liabilities. Under SFAS 141, changes in acquired uncertain tax liabilities were recognized through goodwill. Under SFAS 141(R), changes in acquired unrecognized tax liabilities are recognized through the income tax provision. As of March 31, 2009, $582.9 million of the total $598.5 million of unrecognized tax benefits related to tax positions Allied had taken prior to the merger. Of the total amount of unrecognized benefits, $456.9 million, if recognized, would affect our effective tax rate.

We recognize interest and penalties as incurred within the provision for income taxes in the consolidated statements of income. Related to the unrecognized tax benefits noted above, we accrued penalties of $0.1 million and interest of $9.8 million during the three months ended March 31, 2009, and, in total as of March 31, 2009, have recognized a liability for penalties of $88.5 million and interest (including interest on penalties) of $178.6 million.

Gross unrecognized tax benefits that we expect to settle in the following twelve months are in the range of $10 million to $20 million. It is reasonably possible that the amount of unrecognized tax benefits will increase or decrease in the next twelve months.

We and our subsidiaries are subject to income tax in the U.S. and Puerto Rico, as well as income tax in multiple state jurisdictions. We have acquired Allied’s open tax periods as part of the acquisition. We are currently under examination or administrative review by various state and federal taxing authorities for certain tax years, including federal income tax audits for calendar years 2000 through 2007. We are also engaged in tax litigation related to our risk management companies which are subsidiaries of Allied. These matters are further discussed below.

We are subject to various federal, foreign, state and local tax rules and regulations. Our compliance with such rules and regulations is periodically audited by tax authorities. These authorities may challenge the positions taken in our tax filings. As such, to provide for certain potential tax exposures, we maintain liabilities for uncertain tax positions for our estimate of the final outcome of the examinations.

We believe that the liabilities for uncertain tax positions recorded are adequate. However, a significant assessment against us in excess of the liabilities recorded could have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Risk Management Companies

Prior to Allied’s acquisition of BFI in July 1999, certain BFI operating companies, as part of a risk management initiative to manage and reduce costs associated with certain liabilities, contributed assets and existing environmental and self-insurance liabilities to six fully consolidated BFI risk management companies (RMCs) in exchange for stock representing a minority ownership interest in the RMCs. Subsequently, the BFI operating companies sold that stock in

the RMCs to third parties at fair market value which resulted in a capital loss of approximately $900.0 million for tax purposes, calculated as the excess of the tax basis of the stock over the cash proceeds received.

On January 18, 2001, the Internal Revenue Service (IRS) designated this type of transaction and other similar transactions as a “potentially abusive tax shelter” under IRS regulations. During 2002, the IRS proposed the disallowance of all of this capital loss. At the time of the disallowance, the primary argument advanced by the IRS for disallowing the capital loss was that the tax basis of the stock of the RMCs received by the BFI operating companies was required to be reduced by the amount of liabilities acquired by the RMCs even though such liabilities were contingent and, therefore, not liabilities recognized for tax purposes. Under the IRS interpretation, there was no capital loss on the sale of the stock since the tax basis of the stock should have approximated the proceeds received. Allied protested the disallowance to the Appeals Office of the IRS in August 2002.

In April 2005, the Appeals Office of the IRS upheld the disallowance of the capital loss deduction. As a result, in late April 2005, Allied paid a deficiency to the IRS of $22.6 million for BFI tax years prior to the acquisition. Allied also received a notification from the IRS assessing a penalty of $5.4 million and interest of $12.8 million relating to the asserted $22.6 million deficiency. In July 2005, Allied filed a suit for refund in the United States Court of Federal Claims (CFC). The Department of Justice (DOJ) thereafter filed a counterclaim in the case for the $5.4 million penalty and $12.8 million of interest claimed by the IRS. In December 2005, the IRS agreed to suspend the collection of this penalty and interest until a decision was rendered on Allied’s suit for refund.

Another refund suit related to this same issue is currently pending in the United States District Court for the District of Arizona. In August 2008, Allied received from the IRS a Statutory Notice of Deficiency (Notice) related to its utilization of BFI’s capital loss carryforward on Allied’s 1999 tax return. Because of the high rate of interest associated with this matter, Allied previously paid all tax and interest related to this tax year. Consequently, the Notice related only to the IRS’ asserted penalty for Allied’s 1999 tax year. On October 30, 2008, Allied filed a suit for refund in the Arizona District Court. Similar to the BFI action in the CFC, the DOJ has filed a counterclaim for the asserted penalty and related penalty interest. As a consequence, we expect the IRS will suspend collection of the penalty, as occurred in connection with the BFI action. However, there can be no assurance that the IRS will suspend its collection efforts.

In December 2008, subsequent to our acquisition of Allied, a hearing was held in the CFC. At this hearing, we informed the judge of our intention to withdraw our suit from the CFC in order to continue to litigate the merits of our position exclusively in the Arizona District Court. We believe the decisional law applicable to this matter is more favorable to taxpayers there than in the CFC.

To accomplish the withdrawal from the CFC, in January 2009, we paid the government’s counterclaim for penalty and penalty interest of approximately $11.0 million. Prior to December 31, 2008, Allied had already paid $51.0 million in tax and interest relating to the 1997 through 1999 BFI tax years. As a result, all tax, interest and penalties related to the 1997 through 1999 BFI tax years have been paid. On April 28, 2009, the judge in the CFC issued an order dismissing our case with prejudice. As a consequence, the tax, interest and penalty amounts paid by us for the BFI tax years will not be recoverable in any subsequent action.

If the capital loss deduction is fully disallowed for all applicable years, we estimate that it would have a total cash impact (including amounts already paid to the IRS as described below) of approximately $451 million related to federal taxes, state taxes and interest, and, approximately $166 million related to penalty and penalty-related interest. These amounts have been fully accrued in our consolidated balance sheet, and therefore, disallowance would not materially affect our consolidated results of operations. However, a payment beyond the amounts already paid would adversely impact our cash flow in the period such payment was made. The accrual of additional interest charges through the time these matters are resolved will affect our consolidated results of operations. Due to the high rate of interest associated with this matter, we or Allied have previously paid the IRS and various state tax authorities $394 million related to capital loss deductions taken on BFI’s 1997 through 1999 and Allied’s 1999 through 2002 tax returns. In addition, we or Allied have paid approximately $11 million of penalty and penalty-related interest for the BFI 1997 — 1999 tax years. Although we have fully accrued all tax, interest, penalty, and penalty-related interest relating to this matter, we intend to vigorously prosecute our suit for refund of the tax and interest and defend against the IRS’ claims for penalties and penalty-related interest in the Arizona District Court. While there can be no assurances, we anticipate that the final resolution of the dispute, through adjudication or settlement, may be more favorable than the full amount currently accrued for tax, interest, penalty and penalty-related interest.

Exchange of Partnership Interests

In April 2002, Allied exchanged minority partnership interests in four waste-to-energy facilities for majority partnership interests in equipment purchasing businesses, which are now wholly owned subsidiaries. In November 2008, the IRS issued a formal disallowance to Allied contending that the exchange was instead a sale on which a corresponding gain should have been recognized. Although we intend to vigorously defend our position on this matter, if the exchange is treated as a sale, we estimate it could have a potential federal and state cash tax impact of approximately $156 million plus accrued interest through March 31, 2009 of approximately $51 million. In addition, the IRS has asserted a penalty of 20% of the additional income tax due. The potential tax and interest (but not penalty or penalty-related interest) of a full adjustment for this matter have been fully reserved in our consolidated balance sheet at March 31, 2009. The successful assertion by the IRS of penalty and penalty-related interest in connection with this matter could have a material adverse impact on our consolidated results of operations and cash flows.

Methane Gas

As part of its examination of Allied's 2000 through 2006 federal income tax returns, the IRS reviewed Allied's treatment of costs associated with its landfill operations. As a result of this review, the IRS has proposed that certain landfill costs be allocated to the collection and control of methane gas that is naturally produced within the landfill. The IRS' position is that the methane gas produced by a landfill is a joint product resulting from operation of the landfill and, therefore, these costs should not be expensed until the methane gas is sold or otherwise disposed.

We plan to contest this issue at the Appeals Office of the IRS. We believe we have several meritorious defenses, including the fact that methane gas is not actively produced for sale by us but rather arises naturally in the context of providing disposal services. Therefore, we believe that the subsequent resolution of this issue will not have a material adverse impact on our consolidated financial position, results of operations or cash flows.

8. EMPLOYEE BENEFIT PLANS

Stock-Based Compensation

In July 1998, we adopted the 1998 Stock Incentive Plan (1998 Plan) to provide for grants of options to purchase shares of common stock, restricted stock and other equity-based compensation to our employees and non-employee directors who are eligible to participate in the 1998 Plan. The 1998 Plan expired on June 30, 2008. In February 2007, our Board of Directors approved the 2007 Stock Incentive Plan (2007 Plan) to replace the 1998 Plan when it expired. The 2007 Plan was approved by our stockholders in May 2007. We believe that such awards better align the interests of our employees with those of our stockholders. Shares reserved for future grants under the 2007 Plan are 6.2 million as of March 31, 2009.

Options granted under the 1998 Plan and the 2007 Plan are non-qualified and are granted at a price equal to the fair market value of our common stock at the date of grant. Generally, options granted have a term of seven to ten years from the date of grant, and vest in increments of 25% per year over a four year period beginning on the first anniversary date of the grant. Options granted to non-employee directors have a term of ten years and are fully vested at the grant date.

In December 2008, the Board of Directors adopted the Republic Services, Inc. 2006 Incentive Stock Plan (previously the Allied Waste Industries, Inc. 2006 Incentive Stock Plan (the 2006 Plan)) as amended and restated effective December 5, 2008. Allied's stockholders approved the 2006 Plan in May 2006. The 2006 Plan was amended and restated effective December 5, 2008 to reflect that Republic Services, Inc. is the new sponsor of the Plan, that any references to shares of common stock is to shares of common stock of Republic Services, Inc., and to adjust outstanding awards and the number of shares available under the Plan to reflect the merger. The 2006 Plan, as amended and restated, provides for the grant of non-qualified stock options, incentive stock options, shares of restricted stock, shares of phantom stock, stock bonuses, restricted stock units, stock appreciation rights, performance awards, dividend equivalents, cash awards, or other stock-based awards. Awards granted under the 2006 Plan prior to December 5, 2008 became fully vested and nonforfeitable upon the closing of the merger. Awards may be granted under the 2006 Plan, as amended and restated, after December 5, 2008 only to employees and consultants of Allied

Waste Industries, Inc. and its subsidiaries who were not employed by Republic Services, Inc. prior to such date. At March 31, 2009, there were approximately 14.2 million shares of common stock available for award under the 2006 Plan.

Stock Options

We use a lattice binomial option-pricing model to value our stock option grants. We recognize compensation expense on a straight-line basis over the requisite service period for each separately vesting portion of the award, or to the employee's retirement eligible date, if earlier. The weighted-average estimated fair values of stock options granted during the three months ended March 31, 2009 and 2008 were $2.96 and $5.26 per option, respectively, which were calculated using the following weighted-average assumptions:

	Three Months Ended March 31,	
	2009	2008
Expected volatility	28.7%	23.2%
Risk-free interest rate	1.4%	2.4%
Dividend yield	3.2%	2.2%
Expected life (in years)	4.2	4.1
Contractual life (in years)	7.0	7.0
Expected forfeiture rate	3.0%	3.0%

The following table summarizes the stock option activity for the three months ended March 31, 2009:

	Number of Shares (In Millions)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In Millions)
Outstanding at December 31, 2008	18.7	$ 23.57		
Granted	.2	16.72		
Exercised	(.2)	15.00		$ 1.4
Cancelled	(.2)	27.07		
Outstanding at March 31, 2009	18.5	23.55	5.3	$ 9.2
Exercisable at March 31, 2009	14.5	23.57	5.0	$ 9.1

During the three months ended March 31, 2009 and 2008, compensation expense for stock options was $2.0 million and $1.9 million, respectively.

As of the effective date of the acquisition of Allied in December 2008, all of Republic's unvested stock options outstanding were vested in accordance with the change in control provisions of the 1998 and 2007 Plans.

As of March 31, 2009, total unrecognized compensation expense related to outstanding stock options was $12.6 million, which will be recognized over a weighted average period of 2.3 years.

We classified excess tax benefits of $.3 million and $1.2 million as cash flows from financing activities for the three months ended March 31, 2009 and 2008, respectively. All other tax benefits related to stock options have been presented as a component of cash flows from operating activities.

Other Stock Awards

The following table summarizes the restricted and deferred stock unit and restricted stock activity for the three months ended March 31, 2009:

	Number of Deferred Stock Units and Restricted Stock (In Thousands)	Weighted-Average Grant Date Fair Value per Share	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In Millions)
Unissued at December 31, 2008	255.6	$ 23.43		
Granted	367.8	24.32		
Cancelled	(32.0)	23.50		
Unissued at March 31, 2009	591.4	$ 23.98	1.7	$ 10.1
Vested and unissued at March 31, 2009	80.7	$ 24.72		

During the three months ended March 31, 2009 and 2008, we awarded 300,000 and 36,000 restricted and deferred stock units to our non-employee directors under our 1998 Plan. 75,000 and 36,000, respectively, of the stock units awarded vested immediately. The remaining shares awarded during 2009 vest in three equal annual installments beginning on the anniversary date of the original grant. The directors receive the underlying shares only after their board service ends or a change in control occurs, as defined by the 1998 and 2007 Plans. The stock units do not carry any voting or dividend rights, except the right to receive additional stock units in lieu of dividends.

Also during the three months ended March 31, 2009, we awarded 65,584 shares of restricted stock to executive and other officers, of which 38,670 of the shares awarded vest effective January 31, 2012. The remaining 26,914 shares awarded vest in four equal annual installments beginning on the anniversary date of the original grant except that vesting may be accelerated if certain performance targets are achieved or under certain other conditions. During the vesting period, the participants have voting rights and receive dividends declared and paid on the shares, but the shares may not be sold, assigned, transferred or otherwise encumbered. Additionally, granted but unvested shares are forfeited in the event the participant resigns employment with us for other than good reason.

During the three months ended March 31, 2008, we awarded 190,500 shares of restricted stock to our executive officers, of which 160,500 of the shares awarded were to vest in four equal annual installments beginning on the anniversary date of the original grant except that vesting may be accelerated if certain performance targets are achieved or under certain other conditions and the remaining 30,000 shares awarded had an original vesting date of December 31, 2008. As of the effective date of the acquisition of Allied in December 2008, all of Republic's unvested restricted stock outstanding were vested in accordance with the change in control provisions of the 1998 and 2007 Plans.

Our executive officers received an annual grant of 236,170 shares of restricted stock in December 2008 after the acquisition of Allied under our new annual grant program initiated in December 2008, which would have been previously granted during the three months ended March 31, 2009. During the three months ended March 31, 2009, 31,915 of these shares were cancelled. The remaining shares vest in four equal annual installments beginning on the anniversary date of the original grant except that vesting may be accelerated if certain performance targets are achieved or under certain other conditions.

The fair value of restricted and deferred stock units and restricted stock on the date of grant is amortized ratably over the vesting period, or the accelerated vesting period if certain performance targets are achieved. During the three months ended March 31, 2009 and 2008, compensation expense related to restricted and deferred stock units and restricted stock totaled $2.7 million and $2.0 million, respectively.

Multi-Employer Pension Plans

We contribute to 25 multi-employer pension plans under collective bargaining agreements covering union-represented employees. We acquired responsibility for contributions for a portion of these plans as part of our acquisition of Allied.

Approximately 22% of our total current employees are participants in these multi-employer plans. These plans generally provide retirement benefits to participants based on their service to contributing employers. We do not administer these multi-employer plans. In general, these plans are managed by a board of trustees with the unions appointing certain trustees and other contributing employers of the plan appointing certain members. We generally are not represented on the board of trustees.

We do not have current plan financial information from the plans' administrators, but based on the information available to us, it is possible that some of the multi-employer plans to which we contribute may be underfunded. The Pension Protection Act, enacted in August 2006, requires underfunded pension plans to improve their funding ratios within prescribed intervals based on the level of their underfunding. Until the plan trustees develop the funding improvement plans or rehabilitation plans as required by the Pension Protection Act, we are unable to determine the amount of assessments we may be subject to, if any. Accordingly, we cannot determine at this time the impact that the Pension Protection Act may have on our consolidated financial position, results of operations or cash flows.

Furthermore, under current law regarding multi-employer benefit plans, a plan's termination, our voluntary withdrawal, or the mass withdrawal of all contributing employers from any under-funded, multi-employer pension plan would require us to make payments to the plan for our proportionate share of the multi-employer plan's unfunded vested liabilities. It is possible that there may be a mass withdrawal of employers contributing to these plans or plans may terminate in the near future. We could have adjustments to our estimates for these matters in the near term that could have a material effect on our consolidated financial condition, results of operations or cash flows.

Incentive Compensation Plans

Our compensation program includes a management incentive plan, which uses certain performance metrics such as free cash flow, targeted earnings and return on invested capital to measure performance. In addition, in connection with our acquisition of Allied, our Board of Directors has approved an integration bonus plan subject to shareholder approval that provides compensation that depends on our achieving targeted annual synergies of approximately $150.0 million by the end of 2010. Incentive awards are payable in cash.

9. STOCKHOLDERS' EQUITY AND EARNINGS PER SHARE

From 2000 through March 31, 2009, our Board of Directors has authorized the repurchase of up to $2.6 billion of our common stock. Through March 31, 2009, we have paid $2.3 billion to repurchase 82.6 million shares of our common stock. During the second quarter of 2008, we suspended our share repurchase program as a result of the pending merger with Allied. We expect that our share repurchase program will continue to be suspended until at least 2011.

We initiated a quarterly cash dividend in July 2003. The dividend has been increased each year thereafter, with the latest increase occurring in the third quarter of 2008. Our current quarterly dividend per share is $.19. Dividends declared were $72.0 million and $31.1 million for the three months ended March 31, 2009 and 2008, respectively. As of March 31, 2009, we recorded a dividend payable of approximately $72.0 million to stockholders of record at the close of business on April 1, 2009. In April 2009, our board of directors declared a regular quarterly dividend of $.19 per share payable to stockholders of record as of July 1, 2009.

Basic earnings per share is computed by dividing net income attributable to Republic Services, Inc. by the weighted average number of common shares (including restricted stock and vested but unissued restricted and deferred stock units) outstanding during the period. Diluted earnings per share is based on the combined weighted average number of common shares and common share equivalents outstanding which include, where appropriate, the assumed exercise of employee stock options and unvested restricted stock awards. In computing diluted earnings per share, we utilize the treasury stock method.

In June 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) Emerging Issues Task Force (EITF) 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* (FSP EITF 03-6-1). FSP EITF 03-6-1 clarified that all outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends participate in undistributed earnings with common shareholders. Awards of this nature are considered participating securities and the two-class method of computing basic and diluted earnings per share must be applied. FSP EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008. Our executive officers received an annual grant of 236,170 shares of restricted stock in December

2008 under our new annual grant program initiated in December 2008. In addition, during the three months ended March 31, 2009, our executive officers received 65,584 shares of restricted stock. The shares of restricted stock are entitled to receive nonforfeitable cash dividends, and these shares vest in four equal annual installments beginning on the anniversary date of the original grant except that vesting may be accelerated under certain conditions. Under FSP EITF 03-6-1, shares of restricted stock issued to our executive officers are considered participating securities. We performed our calculations of basic and diluted earnings per share using the treasury and two-step methods as required by the FSP EITF 03-6-1, and determined that adoption of this FSP did not have any impact on basic or diluted earnings per share for the three months ended March 31, 2009.

Earnings per share for the three months ended March 31, 2009 and 2008 are calculated as follows (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2009	2008
Basic earnings per share:		
Net income attributable to Republic Services, Inc.	$ 113,000	$ 76,100
Weighted average common shares outstanding	378,949	183,411
Basic earnings per share	$ .30	$ .41
Diluted earnings per share:		
Net income attributable to Republic Services, Inc.	$ 113,000	$ 76,100
Weighted average common shares outstanding	378,949	183,411
Effect of dilutive securities:		
Options to purchase common stock	912	1,667
Unvested restricted stock awards	1	1
Weighted average common and common equivalent shares outstanding	379,862	185,079
Diluted earnings per share	$ .30	$ .41
Antidilutive securities not included in the diluted earnings per share calculations:		
Senior subordinated convertible debentures	5,108	—
Options to purchase common stock	12,634	2,460

10. OTHER COMPREHENSIVE INCOME

Fuel Hedges

We have entered into multiple option agreements designated as cash flow hedges to mitigate some of the exposure related to changes in diesel fuel prices. Under SFAS 133, the options qualified for, and were designated as, effective hedges of changes in the prices of forecasted diesel fuel purchases (fuel hedges).

The following table summarizes our outstanding fuel hedges at March 31, 2009 and 2008:

Inception Date	Commencement Date	Termination Date	Notional Amount (in Gallons per Month)	Contract Price per Gallon
September 22, 2008	January 1, 2009	December 31, 2011	150,000	$4.1600 - 4.1700
March 17, 2008	January 5, 2009	December 31, 2012	50,000	3.7200
March 17, 2008	January 5, 2009	December 31, 2012	50,000	3.7400
November 5, 2007	January 5, 2009	December 30, 2013	60,000	3.2815
January 26, 2007	January 7, 2008	December 29, 2008	500,000	2.8285
January 26, 2007	January 5, 2009	December 28, 2009	500,000	2.8270
January 26, 2007	January 4, 2010	December 27, 2010	500,000	2.8100

If the national U.S. on-highway average price for a gallon of diesel fuel (average price) as published by the Department of Energy exceeds the contract price per gallon, we receive the difference between the average price and the contract price (multiplied by the notional gallons) from the counter-party. If the national U.S. on-highway average price for a gallon of diesel fuel is less than the contract price per gallon, we pay the difference to the counter-party.

The fair values of the fuel hedges are obtained from third-party counter-parties and are determined using standard option valuation models with assumptions about commodity prices being based on those observed in underlying

markets (Level 2 in the fair value hierarchy). The aggregated fair value of the outstanding fuel hedges at March 31, 2009 and 2008 was a net liability of $14.2 million and a net asset of $14.3 million, respectively, and have been recorded in other current liabilities and other current assets in our consolidated balance sheets, respectively.

In accordance with SFAS 133, the effective portions of the changes in fair values as of March 31, 2009 and 2008, net of tax have been recorded in stockholders' equity as components of accumulated other comprehensive income. The ineffective portions of the changes in fair values as of March 31, 2009 and 2008 have been recorded in other income (expense), net in our consolidated statements of income. Realized losses related to these fuel hedges are included in cost of operations in our consolidated statements of income for the three months ended March 31, 2009 and 2008, respectively.

The following table summarizes the impact of our cash flow derivatives on our results of operations and comprehensive income for the three months ended March 31, 2009 and 2008 (in millions):

Derivatives in SFAS No. 133 Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)		Statement of Income Classification	Amount of Realized Gain or (Loss)		Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	Three months ended March 31,			Three months ended March 31,			Three months ended March 31,	
	2009	2008		2009	2008		2009	2008
Fuel hedges	$ 8.1	$ 8.6	Cost of operations	$ (2.5)	$ 1.0	Other income (expense)	$ 0.3	$ 0.3

Recycling Commodity Hedges

Our source of revenue from sales of recycling commodities is primarily from sales of old corrugated cardboard (OCC) and old newspaper (ONP). We have entered into multiple option agreements related to certain forecasted recycling commodity sales designated as cash flow hedges to mitigate some of our exposure related to changes in commodity prices. Under SFAS 133, the options qualified for, and were designated as, effective hedges of changes in the prices of certain forecasted recycling commodity sales (commodity hedges).

The following table summarizes our outstanding commodity hedges at March 31, 2009:

Inception Date	Commencement Date	Termination Date	Transaction Hedged	Notional Amount (in Short Tons per Month)	Contract Price Per Short Ton
May 16, 2008	January 1, 2009	December 31, 2010	OCC	1,000	$ 105.00
May 16, 2008	January 1, 2009	December 31, 2010	ONP	1,000	102.00
May 16, 2008	January 1, 2009	December 31, 2010	ONP	1,000	106.00
May 16, 2008	January 1, 2009	December 31, 2010	OCC	1,000	103.00
April 28, 2008	January 1, 2009	December 31, 2010	OCC	1,000	106.00
April 28, 2008	January 1, 2009	December 31, 2010	ONP	1,000	106.00
April 28, 2008	January 1, 2009	December 31, 2010	OCC	1,000	110.00
April 28, 2008	January 1, 2009	December 31, 2010	ONP	1,000	103.00

If the price per short ton of the hedging instrument (average price) as reported on the Official Board Market is less than the contract price per short ton, we receive the difference between the average price and the contract price (multiplied by the notional short tons) from the counter-party. If the price of the commodity exceeds the contract price per short ton, we pay the difference to the counter-party.

The fair values of the commodity hedges are obtained from a third-party counter-party and are determined using standard option valuation models with assumptions about commodity prices being based on those observed in underlying markets (Level 2 in the fair value hierarchy). The aggregated fair value of the outstanding commodity hedges at March 31, 2009 was an asset of $7.0 million, and has been recorded in other current assets in our consolidated balance sheets.

In accordance with SFAS 133, the effective portion of the change in fair value as of March 31, 2009, net of tax, has been recorded in stockholders' equity as a component of accumulated other comprehensive income. The ineffective portion of the change in fair value as of March 31, 2009 was immaterial, and has been recorded in other income (expense), net in our consolidated statements of income. Realized gains related to these commodity hedges are included in revenue in our consolidated statements of income for the three months ended March 31, 2009.

The following table summarizes the impact of our cash flow derivatives on our results of operations and comprehensive income for the three months ended March 31, 2009 (in millions):

Derivatives in SFAS No. 133 Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)	Statement of Income Classification	Amount of Realized Gain or (Loss)
	Three months ended March 31, 2009		Three months ended March 31, 2009
Recycling commodity hedges	$ 4.0	Revenue	$ 1.8

Fair Value Measurements

SFAS 157 provides a framework for measuring fair value and establishes a fair value hierarchy that prioritizes the inputs used to measure fair value, giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

We use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. In measuring the fair value of our assets and liabilities, we use market data or assumptions that we believe market participants would use in pricing an asset or liability, including assumptions about risk when appropriate.

As of March 31, 2009, our assets and liabilities that are measured at fair value on a recurring basis include the following (in millions):

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Commodity hedges — other current assets	$ 7.0	$ —	$ 7.0	$ —
Interest rate swaps — other assets	13.8	—	13.8	—
Total assets	$ 20.8	$ —	$ 20.8	$ —
Liabilities:				
Fuel hedges — other accrued liabilities	$ 14.2	$ —	$ 14.2	$ —

11. SEGMENT INFORMATION

Our operations are managed and evaluated through four regions: Eastern, Midwest, Southern and Western. These four regions are presented below as our reportable segments. These reportable segments provide integrated waste management services consisting of collection, transfer and disposal of domestic non-hazardous solid waste.

We completed the reorganization of our operating segments related to our acquisition of Allied in the first quarter of 2009, and are providing internal and external reporting in accordance with our reorganized structure.

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Summarized financial information concerning our reportable segments for the three months ended March 31, 2009 and 2008 is shown in the following tables (in millions):

	Gross Revenue	Intercompany Revenue(1)	Net Revenue	Depreciation, Amortization, Depletion and Accretion	Operating Income (Loss)	Capital Expenditures	Total Assets
2009:							
Eastern	$ 618.6	$ (92.1)	$ 526.5	$ 54.5	$ 116.7	$ 40.6	$ 4,441.5
Midwest	526.3	(98.1)	428.2	56.3	76.6	20.2	3,471.8
Southern	616.4	(83.8)	532.6	63.1	128.4	45.9	5,048.0
Western	670.2	(120.4)	549.8	58.1	126.1	47.3	5,633.3
Corporate entities(2)	23.4	—	23.4	13.1	(94.8)	39.4	1,268.0
Total	$ 2,454.9	$ (394.4)	$ 2,060.5	$ 245.1	$ 353.0	$ 193.4	$ 19,862.6
2008 (3):							
Eastern	$ 244.1	$ (31.3)	$ 212.8	$ 18.9	$ 48.0	$ 17.1	$ 1,165.2
Midwest	196.4	(39.9)	156.5	20.2	26.0	15.4	1,000.3
Southern	233.3	(26.3)	207.0	19.2	39.7	17.7	997.2
Western	251.9	(49.1)	202.8	17.5	48.2	14.6	927.2
Corporate entities(2)	0.1	—	0.1	2.0	(19.7)	16.8	444.5
Total	$ 925.8	$ (146.6)	$ 779.2	$ 77.8	$ 142.2	$ 81.6	$ 4,534.4

(1) Intercompany operating revenue reflects transactions within and between segments that are generally made on a basis intended to reflect the market value of such services.

(2) Corporate functions include legal, tax, treasury, information technology, risk management, human resources, corporate accounts and other typical administrative functions. Capital expenditures for Corporate Entities primarily include vehicle inventory acquired but not yet assigned to operating locations and facilities.

(3) Amounts by region for 2008 have been reclassified to conform to the current year's presentation. The changes are due to the realignment of our regions in 2009.

The following table shows our total reported revenue by service line (in millions). Intercompany revenue has been eliminated.

	Three Months Ended March 31,	
	2009	2008
Collection:		
Residential	$ 546.1	$ 204.9
Commercial	658.6	248.5
Industrial	382.9	152.9
Other	7.2	4.9
Total Collection	1,594.8	611.2
Transfer and disposal	775.8	274.9
Less: Intercompany	(389.3)	(144.5)
Transfer and Disposal, Net	386.5	130.4
Other	79.2	37.6
Revenue	$ 2,060.5	$ 779.2

12. COMMITMENTS AND CONTINGENCIES

Litigation

We are involved in routine judicial and administrative proceedings that arise in the ordinary course of business and that relate to, among other things, personal injury or property damage claims, employment matters and commercial and contractual disputes. We are subject to federal, state and local environmental laws and regulations. Due to the nature of our business, we are also often routinely a party to judicial or administrative proceedings involving governmental authorities and other interested parties related to environmental regulations or liabilities. From time to time, we may also be subject to actions brought by citizens' groups, adjacent landowners or others in connection with the permitting and licensing of our landfills or transfer stations, or alleging personal injury, environmental damage, or violations of the permits and licenses pursuant to which we operate.

The following is a discussion of certain proceedings against us. Although the ultimate outcome of any legal matter cannot be predicted with certainty, except as identified below or in Note 7, *Income Taxes*, we do not believe that the outcome of our pending legal and administrative proceedings will have a material adverse impact on our consolidated financial position, results of operations or cash flows.

Countywide Matter

On March 26, 2007, the Ohio Environmental Protection Agency (OEPA) issued Final Findings and Orders (F&Os) to Republic Services of Ohio II, LLC (Republic-Ohio), an Ohio limited liability company and our wholly owned subsidiary. The F&Os relate to environmental conditions attributed to a chemical reaction resulting from the disposal of certain aluminum production waste at the Countywide Recycling and Disposal facility (Countywide) in East Sparta, Ohio. The F&Os, and certain other remedial actions Republic-Ohio agreed with the OEPA to undertake to address the environmental conditions, include, without limitation, the following actions: (a) prohibiting leachate recirculation, (b) refraining from the disposal of solid waste in certain portions of the site, (c) updating engineering plans and specifications and providing further information regarding the integrity of various engineered components at the site, (d) performing additional data collection, (e) taking additional measures to address emissions, (f) expanding the gas collection and control system, (g) installing an isolation break, (h) removing liquids from gas extraction wells, and (i) submitting a plan to the OEPA to suppress the chemical reaction and, following approval by the OEPA, implementing such plan. Republic-Ohio has performed certain interim remedial actions required by the OEPA, but the OEPA has not approved Republic-Ohio's plan to suppress the chemical reaction.

Republic-Ohio received additional orders from the OEPA requiring certain actions to be taken by Republic-Ohio, including additional air quality monitoring and the installation and continued maintenance of gas well dewatering systems. Republic-Ohio has also entered into an Agreed Order on Consent (AOC) with the U.S. EPA requiring the reimbursement of costs incurred by the U.S. EPA and requiring Republic-Ohio to (a) design and install a temperature and gas monitoring system, (b) design and install a composite cap or cover, and (c) develop and implement an air monitoring program. The AOC became effective on April 17, 2008 and Republic-Ohio has complied with the terms of the AOC. Republic-Ohio also is in the process of constructing an isolation break under the authority and supervision of the U.S. EPA.

We had learned that the Commissioner of the Stark County Health Department (Commission) recommended that the Stark County Board of Health (Board of Health) suspend Countywide's 2007 annual operating license. We had also learned that the Commissioner intended to recommend that the Board of Health deny Countywide's license application for 2008. Republic-Ohio obtained a preliminary injunction on November 28, 2007 prohibiting the Board of Health from suspending its 2007 operating license. Republic-Ohio also obtained a preliminary injunction on February 15, 2008 prohibiting the Board of Health from denying its 2008 operating license application. The litigation with the Board of Health is pending in the Stark County Court of Common Pleas. We and the Board of Health have been participating in discussions regarding facility licensing that have resulted in an agreement whereby Republic-Ohio will secure its operating license and pay $10.3 million to resolve the issues at Countywide. The specific terms of the agreement are being finalized. Despite the settlement, Countrywide's 2009 operating license has been challenged by Tuscarawas County.

We believe that we have performed or are diligently performing all actions required under the F&Os and the AOC and that Countywide does not pose a threat to the environment. Additionally, we believe that we satisfy the rules and regulations that govern the operating license at Countywide.

We are vigorously pursuing financial contributions from third parties for our costs to comply with the F&Os and the other required remedial actions.

In a suit filed on October 8, 2008 in the Tuscarawas County Ohio Court of Common Pleas, approximately 700 plaintiffs have named Republic Services, Inc. and Republic-Ohio as defendants. The claims alleged are negligence and nuisance and arise from the operation of Countywide. Republic-Ohio has owned and operated Countywide since February 1, 1999. Waste Management, Inc. and Waste Management Ohio, Inc., previous owners and operators of Countywide, have been named as defendants as well. Plaintiffs are individuals and businesses located in the geographic area around Countywide. They claim that due to the acceptance of a specific waste stream and operational issues and conditions, the landfill has generated odors and other unsafe emissions which have allegedly impaired the use and value of their property. There are also allegations that the emissions from the landfill may have adverse health effects. The relief requested includes compensatory damages, punitive damages, costs for medical monitoring and screening, interest on damages, costs and disbursements, and reasonable attorney and expert witness fees. We intend to vigorously defend against the plaintiffs' allegations. At this time, we cannot estimate the reasonably possible range of loss in connection with this matter.

Sunrise Matter

On August 1, 2008, Republic Services of Southern Nevada (RSSN), our wholly owned subsidiary, signed a Consent Decree with the EPA, the Bureau of Land Management and Clark County, Nevada related to the Sunrise Landfill. Under the Consent Decree, RSSN has agreed to perform certain remedial actions at the Sunrise Landfill for which RSSN and Clark County were otherwise jointly and severally liable. We also paid $1.0 million in sanctions related to the Consent Decree. RSSN is currently working with the Clark County Staff and Board of Commissioners to develop a mechanism to fund the costs to comply with the Consent Decree. However, we have not recorded any potential recoveries.

It is reasonably possible that we will need to adjust the environmental remediation liabilities recorded to reflect the effects of new or additional information, to the extent that such information impacts the costs, timing or duration of the required actions. Future changes in our estimates of the costs, timing or duration of the required actions could have a material adverse effect on our consolidated financial position, results of operations or cash flows. At this time, we cannot estimate the reasonably possible range of loss we may incur in connection with any future changes in our estimates of the costs, timing or duration of the required actions.

Luri Matter

On August 17, 2007, a lawsuit was filed against us and certain of our subsidiaries relating to an alleged retaliation claim by a former employee, Ronald Luri v. Republic Services, Inc., Republic Services of Ohio Hauling LLC, Republic Services of Ohio I LLC, Jim Bowen and Ron Krall in the Cuyahoga County Common Pleas Court in Ohio. On July 3, 2008, a jury verdict was awarded against us in the amount of $46.6 million, including $43.1 million in punitive damages. On September 24, 2008, the Court awarded pre-judgment interest of $.3 million and attorney fees and litigation costs of $1.1 million. Post-judgement interest is presently accruing at a rate of 8% for 2008 and 5% for 2009. Management anticipates that post-judgement interest could accrue through the middle of 2010 for a total of $5.4 million. Post-judgment motions filed on our behalf and certain of our subsidiaries were denied, and on October 1, 2008, we filed a notice of appeal. Our appeal brief was filed on February 20, 2009. Luri's response was submitted on May 4, 2009. We expect to file our reply by June 19, 2009. It is reasonably possible that a final, non-appealable judgment of liability for compensatory and punitive damages may be assessed against us related to this matter. Although it is not possible to predict the ultimate outcome, management believes that the amount of any final, non-appealable judgment will not be material.

Forward Matter

The District Attorney for San Joaquin County filed a civil action against Forward, Inc. and Allied Waste Industries, Inc. on February 14, 2008. Forward and Allied accepted service of the complaint in October 2008, and in November 2008,

each filed answers denying all material allegations of the complaint. The complaint seeks civil penalties of $2,500 for each alleged violation, but no less than $10,000,000, and an injunction against Forward and Allied for alleged permit and regulatory violations at the Forward Landfill. The District Attorney contends that the alleged violations constitute unfair business practices under the California Business and Professions Code section 17200, et seq., by virtue of violations of Public Resources Code Division 30, Part 4, Chapter 3, Article 1, sections 44004 and 44014(b); California Code of Regulations Title 27, Chapter 3, Subchapter 4, Article 6, sections 20690(11) and 20919.5; and Health and Safety Code sections 25200, 25100, et seq., and 25500, et seq. Although the complaint is worded very broadly and does not identify specific permit or regulatory violations, the District Attorney has articulated three primary concerns in past communications, alleging that the landfill: (1) used green waste containing food as alternative daily cover, (2) exceeded its daily solid waste tonnage receipt limitations under its solid waste facility permit, and (3) received hazardous waste in violation of its permit (i.e., auto shredder waste) Additionally, it is alleged that the landfill allowed a concentration of methane gas in excess of five percent. Discovery is currently underway. We are vigorously defending against the allegations.

Sycamore Matter

On July 10, 2008, the State of West Virginia Department of Environmental Protection filed suit against Allied's subsidiary Allied Waste Sycamore Landfill, LLC (Sycamore Landfill) in Putnam County Circuit Court alleging thirty-eight violations of the Solid Waste Management Act, W. Va. Code sec. 22-15-1 et seq, the Water Pollution Control Act, W. Va. Code Sec. 22-11-1 et seq, and the Groundwater Protection Act, W. Va. Code sec. 22-12-1 et seq (collectively, the Applicable Statues) between January 2007 and August 2007. The State of West Virginia sought injunctive relief requiring the Sycamore Landfill to comply with the Applicable Statues as well to eliminate all common law public nuisances, and sought monetary sanctions of up to $25,000 per day for each violation. Pursuant to a Consent Judgment entered by the court on March 18, 2009, the parties agreed that we had complied with all Applicable Statutes and eliminated all common law public nuisances. We also agreed to pay a total penalty of $154,625.

Carter Valley Matter

On April 12, 2006, federal agents executed a search warrant at BFI Waste Systems of Tennessee, LLC's Carter Valley Landfill (the Landfill) and seized information regarding the Landfill's receipt of special waste from one of its commercial customers. On the same date, the U.S. Attorney's Office for the Eastern District of Tennessee served a grand jury subpoena on Allied seeking related documents (the 2006 Subpoena). Shortly thereafter, the government agreed to an indefinite extension of the time to respond to the subpoena, and there were no further communications between Allied and the federal government until 2008. In 2007, while the federal investigation was pending, the Tennessee Department of Environment and Conservation investigated the Landfill's receipt of the same special waste, determined that there was not a sufficient basis to conclude that the Landfill had disposed of hazardous waste, and took no enforcement action. On April 2, 2008, the US Attorney's Office issued a new grand jury subpoena seeking the same categories of documents requested in the 2006 Subpoena. We are currently producing documents in response to the 2008 subpoena. On January 21, 2009, the DOJ sent a letter to us stating that it believed, based on its initial investigation, that certain unnamed employees at the Landfill had violated the RCRA and that we were liable for these criminal violations under the theory of *respondent superior*. If convicted, pursuant to applicable law, we could be subject to a wide range of criminal or civil penalties. Criminal penalties are limited to the greater of a maximum of $50,000 for each day of violation, a calculation of twice the gross pecuniary gain from the offense or a maximum of $500,000. We could also be subject to civil penalties of $32,500 per day per violation. We are engaged in on-going discussions with the DOJ and are in the process of providing additional support to the DOJ for our position that we should not be held criminally liable for the acts of our employees at the Carter Valley Landfill.

Carbon Limestone Matter

On May 4, 2009, the Ohio Environmental Protection Agency (OEPA) issued Proposed Findings and Orders (F&Os) to Carbon Limestone Landfill, LLC, our wholly owned subsidiary. The proposed F&Os allege violations regarding the alleged acceptance of hazardous waste from two customers and allege issues regarding the site's leachate management collection system and groundwater monitoring program. The proposed F&Os would require the site to undertake various corrective actions and pay a civil penalty of $155,311. We intend to vigorously defend the claims.

Litigation Related to the Merger with Allied

On July 25, 2008, a putative class action was filed, and on August 15, 2008 was amended, in the Court of Chancery of the State of Delaware by the New Jersey Carpenters Pension and the New Jersey Carpenters Annuity Funds against us and the members of our Board of Directors, individually.

On August 21, 2008, a second putative class action was filed in the Court of Chancery of the State of Delaware by David Shade against us, the members of Republic's Board of Directors, individually, and Allied. On September 22, 2008, the New Jersey Carpenters and the Shade cases were consolidated by the Court of Chancery, and on September 24, 2008, the plaintiffs in the Delaware case, now known as In Re: Republic Services Inc. Shareholders Litigation, filed a verified consolidated amended class action complaint in the Court of Chancery of the State of Delaware.

On September 5, 2008, a putative class action was filed in the Circuit Court in and for Broward County, Florida, by the Teamsters Local 456 Annuity Fund against us and the members of Republic's Board of Directors, individually.

Both the Delaware consolidated action and the Florida action were brought on behalf of a purported class of our stockholders and primarily sought, among other things, to enjoin the proposed transaction between Republic and Allied, as well as damages and attorneys' fees. The actions also sought to compel us to accept the unsolicited proposals made by Waste Management, Inc. (Waste), or at least compel our Board of Directors to further consider and evaluate the Waste proposals, which proposals were subsequently withdrawn.

On September 24, 2008, the defendants in the Florida litigation filed a motion to stay or to dismiss the lawsuit in light of the consolidated Delaware class action.

On October 17, 2008, plaintiffs in the consolidated Delaware action filed a motion for a preliminary injunction seeking to require the defendants to make certain additional disclosures prior to the shareholder vote on the merger.

On October 29, 2008, the defendants entered into a memorandum of understanding with plaintiffs regarding the settlement of the Delaware and Florida actions. As part of this memorandum of understanding, we agreed to make certain additional disclosures to our stockholders and such disclosures were made by us in our Current Report on Form 8-K filed with the SEC on October 30, 2008. As of January 16, 2009, following completion of certain confirmatory discovery by counsel to plaintiffs, the parties executed a stipulation of settlement. The stipulation of settlement is subject to customary conditions, including court approval following notice to our stockholders. The stipulation of settlement provides that a hearing will be scheduled at which the court will consider the fairness, reasonableness and adequacy of the settlement which, if finally approved by the court, will resolve all of the claims that were or could have been brought in the actions being settled, including all claims relating to the merger transaction, the merger agreement, our rejections of the unsolicited Waste proposals, and any disclosures made in connection therewith. The stipulation of settlement also provides that plaintiffs' counsel may petition the court for an award of attorneys' fees and expenses to be paid by us. On February 20, 2009, the court preliminarily approved the settlement agreed to in the stipulation and set a final hearing to consider the fairness of the settlement for May 19, 2009. There can be no assurance that the court will approve the settlement agreed to in the stipulation of settlement. In such event, the settlement may be terminated.

On December 3, 2008, the DOJ and seven state attorneys general filed a complaint, Hold Separate Stipulation and Order, and competitive impact statement, together with a proposed final judgment, in the United States District Court for the District of Columbia, in connection with approval under the HSR Act of our merger with Allied. The court entered the Hold Separate Stipulation and Order on December 4, 2008, which terminated the waiting period under the HSR Act and allowed the parties to close the transaction subject to the conditions described in the Hold Separate Stipulation and Order. These conditions include the divestiture of certain assets. However, the final judgment can only be approved by the court after the DOJ publishes a notice in the Federal Register and considers comments it receives. During this period, if the DOJ believes that the final judgment is no longer in the public interest, the DOJ may withdraw its support of the final judgment and seek to prevent the final judgment from becoming final in its present form. Likewise, the court may, in its discretion, modify the divestitures or other relief sought by the DOJ if the court believes that such modification is in the public interest. The precise timing for the confirmation of the final judgment is not known. Management believes that the court will enter the final judgment and that modifications to the final judgment, if any, will not be material.

Lease Commitments

We lease real property, equipment and software under various operating leases with terms from one month to twenty years.

Unconditional Purchase Commitments

We have various unconditional purchase commitments, consisting primarily of long-term disposal agreements that require us to dispose of a minimum number of tons at certain third-party facilities.

Restricted Cash and Other Financial Guarantees

We are required to provide financial assurance to governmental agencies and a variety of other entities under applicable environmental regulations relating to our landfill operations for capping, closure and post-closure costs, and our performance under certain collection, landfill and transfer station contracts. We satisfy the financial assurance requirements by providing surety bonds, letters of credit, insurance policies or trust deposits. The amount of the financial assurance requirements for capping, closure and post-closure costs is determined by applicable state environmental regulations, which vary by state. The financial assurance requirements for capping, closure and post-closure costs can either be for costs associated with a portion of the landfill or the entire landfill. Generally, states will require a third-party engineering specialist to determine the estimated capping, closure and post-closure costs that are used to determine the required amount of financial assurance for a landfill. The amount of financial assurance required can, and generally will, differ from the obligation determined and recorded under GAAP. The amount of the financial assurance requirements related to contract performance varies by contract. Additionally, we are required to provide financial assurance for our self-insurance program and collateral for certain performance obligations.

We had the following financial instruments and collateral in place to secure our financial assurances (in millions):

	March 31, 2009	December 31, 2008
Letters of credit[1]	$ 1,725.6	$ 1,753.1
Surety bonds[2]	2,225.6	2,119.2

(1) The above letters of credit include $1,685.5 million and $1,686.5 million as of March 31, 2009 and December 31, 2008, respectively, outstanding under our Credit Facilities.

(2) Surety bonds expire on various dates through 2038.

These financial instruments are issued in the normal course of business and are not debt. Since we currently have no liability for this financial assurance, it is not reflected in our consolidated balance sheets. However, we have recorded capping, closure and post-closure obligations and self-insurance reserves as they are incurred. The underlying financial assurance obligations, in excess of those already reflected in our consolidated balance sheets, would be recorded if it is probable that we would be unable to fulfill our related obligations. We do not expect this to occur.

Our restricted cash deposits and marketable securities include, among other things, restricted cash held for capital expenditures under certain debt facilities, and restricted cash and marketable securities pledged to regulatory agencies and governmental entities as financial guarantees of our performance related to our final capping, closure and post-closure obligations at our landfills, as follows (in millions):

	March 31, 2009	December 31, 2008
Financing proceeds	$ 123.5	$ 133.5
Capping, closure and post-closure obligations	63.4	63.2
Other	75.8	85.2
Total restricted cash and marketable securities	$ 262.7	$ 281.9

Off-Balance Sheet Arrangements

We have no off-balance sheet debt or similar obligations, other than operating leases and the financial assurance discussed above, which are not classified as debt. We have no transactions or obligations with related parties that are not disclosed, consolidated into or reflected in our reported financial position or results of operations. We have not guaranteed any third-party debt.

Guarantees

We enter into contracts in the normal course of business that include indemnification clauses. Indemnifications relating to known liabilities are recorded in the consolidated financial statements based on our best estimate of required future payments. Certain of these indemnifications relate to contingent events or occurrences, such as the imposition of additional taxes due to a change in the tax law or adverse interpretation of the tax law, and indemnifications made in divestiture agreements where we indemnify the buyer for liabilities that relate to our activities prior to the divestiture and that may become known in the future. We do not believe that these contingent obligations will have a material effect on our consolidated financial position, results of operations or cash flows.

We have entered into agreements with property owners to guarantee the value of certain property that is adjacent to certain of our landfills. These agreements have varying terms. These agreements are accounted for in accordance with FIN 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.* We do not believe that these contingent obligations will have a material effect on our consolidated financial position, results of operations or cash flows.

Other Matters

Our business activities are conducted in the context of a developing and changing statutory and regulatory framework. Governmental regulation of the waste management industry requires us to obtain and retain numerous governmental permits to conduct various aspects of our operations. These permits are subject to revocation, modification or denial. The costs and other capital expenditures which may be required to obtain or retain the applicable permits or comply with applicable regulations could be significant. Any revocation, modification or denial of permits could have a material adverse effect on us.

We are subject to various federal, state and local tax rules and regulations. Our compliance with such rules and regulations is periodically audited by tax authorities. These authorities may challenge the positions taken in our tax filings. As such, to provide for certain potential tax exposures, we maintain liabilities for uncertain tax positions for our estimate of the final outcome of the examinations. For further information related to our liabilities for uncertain tax positions, see Note 7, *Income Taxes*.

We believe that the liabilities we have for uncertain tax positions recorded are adequate. However, a significant assessment against us in excess of the liabilities recorded could have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Self-Insurance Reserves

Our insurance programs for workers' compensation, general liability, vehicle liability and employee-related health care benefits are effectively self-insured. We carry general liability, vehicle liability, employment practices liability, pollution liability, directors and officers liability, workers' compensation and employer's liability coverage, as well as umbrella liability policies to provide excess coverage over the underlying limits contained in these primary policies. We also carry property insurance. Claims in excess of self-insurance levels are fully insured subject to policy limits.

In general, our self-insurance reserves are recorded on an undiscounted basis. However, our estimate of the self-insurance liabilities we acquired in the acquisition of Allied have been recorded at fair value, and, therefore, have been discounted to present value using a rate of 9.75%. Discounted reserves are accreted to interest expense through the period that they are paid.

Our liabilities for unpaid and incurred but not reported claims at March 31, 2009 (which includes claims for workers' compensation, general liability, vehicle liability and employee health care benefits) were $419.3 million under our current risk management program and are included in other current liabilities and other liabilities in our consolidated balance sheets. While the ultimate amount of claims incurred is dependent on future developments, in our opinion, recorded reserves are adequate to cover the future payment of claims. However, it is possible that recorded reserves may not be adequate to cover the future payment of claims. Adjustments, if any, to estimates recorded resulting from ultimate claim payments will be reflected in our consolidated statements of income in the periods in which such adjustments are known.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion should be read in conjunction with the unaudited consolidated financial statements and notes thereto included under Item 1. In addition, reference should be made to our audited consolidated financial statements and notes thereto and related *Management's Discussion and Analysis of Financial Condition and Results of Operations* appearing in our Annual Report on Form 10-K for the year ended December 31, 2008.

Overview of Our Business

We are the second largest provider of services in the domestic non-hazardous solid waste industry. We provide non-hazardous solid waste collection services for commercial, industrial, municipal and residential customers through 386 collection companies in 40 states and Puerto Rico. We also own or operate 245 transfer stations, 211 active solid waste landfills and 79 recycling facilities.

We completed our merger with Allied in December 2008. We believe that this merger creates a strong operating platform that will allow us to continue to provide quality service to our customers and superior returns to our stockholders.

Despite the challenging economic environment, our business performed well during the first quarter of 2009 due in large part to the indispensable nature of our services and the scalability of our business. Revenue during the three months ended March 31, 2009 increased by 164% to $2,060.5 million compared to $779.2 million during the comparable period in 2008. This increase in revenue is attributable to our merger with Allied. Assuming the merger with Allied had occurred on January 1, 2008, internal growth for three months ended March 31, 2009 would have been a decrease of 8.6% consisting of a 3.5% increase in core price offset by decreases of 8.0% in core volume, 2.9% in commodity prices and 1.2% in fuel charges. See " — Revenue" for a presentation of revenue for the three months ended March 31, 2008 assuming the merger had occurred on January 1, 2008. The increase in core price partially offset volume declines. This increase in price, together with cost control steps taken by our operations management to scale the business down for lower volumes, also served to moderate profit margin declines associated with rising costs and declining revenue resulting from decreases in service volumes.

We expect that the economic challenges we experienced during the latter part of 2008 and the first quarter of 2009 will continue through the remainder of 2009. We anticipate continued decreases in volumes in all lines of our business. We also anticipate that prices for recycling commodities will remain low. However, we believe that we will benefit from our cost control and pricing initiatives. Ours is a capital intensive business. Slower growth allows us to reduce capital spending, thus maintaining strong free cash flow despite a weaker economy. In addition, we intend to focus our attention on integrating our newly merged company and achieving cost synergies as a result of the merger.

Business Acquisitions and Divestitures

We make decisions to acquire, invest in or divest of businesses based on financial and strategic considerations. Businesses acquired are accounted for under the purchase method of accounting and are included in our consolidated financial statements from the date of acquisition.

Merger with Allied Waste Industries, Inc.

We completed the merger with Allied on December 5, 2008 and have accounted for the merger as an acquisition of Allied by Republic, using the purchase method of accounting in accordance with GAAP. Our consolidated financial statements include the operating results of Allied from the date of the acquisition, and have not been retroactively restated to include Allied's historical financial position or results of operations. In accordance with the purchase method of accounting, the purchase price paid has been allocated to the assets and liabilities acquired based upon their estimated fair values as of the acquisition date, with the excess of the purchase price over the net assets acquired being recorded as goodwill. Republic is in the process of valuing all of the assets and liabilities acquired in the acquisition, and, until we have completed our valuation process, there may be adjustments to our estimates of fair values and the resulting preliminary purchase price allocation.

As a condition of the merger with Allied in December 2008, we reached a settlement with the U.S. Department of Justice (DOJ) requiring us to divest of certain operations serving fifteen metropolitan areas including Los Angeles, CA; San Francisco, CA; Denver, CO; Atlanta, GA; Northwestern Indiana; Lexington, KY; Flint, MI; Cape Girardeau, MO;

Charlotte, NC; Cleveland, OH; Philadelphia, PA; Greenville-Spartanburg, SC; and Fort Worth, Houston and Lubbock, TX. The settlement requires us to divest 87 commercial waste collection routes, nine landfills and ten transfer stations, together with ancillary assets and, in three cases, access to landfill disposal capacity. We have classified the assets and liabilities we expect to divest (including accounts receivable, property and equipment, goodwill, and accrued landfill and environmental costs) as assets held for sale in our consolidated balance sheets as of March 31, 2009 and December 31, 2008. The assets held for sale related to operations that were Republic's prior to the merger with Allied have been adjusted to the lower of their carrying amounts or estimated fair values less costs to sell, which resulted in us recognizing asset impairment losses of $1.8 million and $6.1 million in our consolidated statements of income for the three months ended March 31, 2009 and the year ended December 31, 2008, respectively. The assets held for sale related to operations that were Allied's prior to the merger are recorded at their estimated fair values in our consolidated balance sheets as of March 31, 2009 and December 31, 2008 in accordance with the purchase method of accounting. Changes in the estimated fair values of the assets held for sale from December 31, 2008 to March 31, 2009 are due to changes in estimates of the sales proceeds and the realignment of our operating segments, which impacts the allocation of goodwill to certain assets to be divested.

During the three months ended March 31, 2009, we entered into agreements to divest certain assets to Waste Connections, Inc., Advanced Disposal Services, Inc., IESI Corporation and Covanta Energy Corporation. The assets covered by the agreements include eight municipal solid waste landfills, nine collection operations and eight transfer stations across the following twelve markets: Los Angeles, CA; San Francisco, CA; Denver, CO; Atlanta, GA; Houston, TX; Lubbock, TX; Greenville-Spartanburg, SC; Charlotte, NC; Flint, MI; Ft. Worth, TX; Cape Girardeau, MO; and Philadelphia, PA. In April and May 2009, closings were completed for the assets in the Los Angeles, CA; Denver, CO; Atlanta, GA; Houston, TX; Greenville-Spartanburg, SC; San Francisco, CA; Flint, MI; Ft. Worth, TX; Cape Girardeau, MO; and Philadelphia, PA. markets, from which we received proceeds of $364.8 million. These proceeds were used to repay amounts borrowed under our Credit Facilities. The remaining transactions under agreement are subject to closing conditions regarding due diligence, regulatory approval and other customary matters. Closing is expected to occur in the second quarter of 2009.

During March 31, 2009, we incurred $31.3 million of restructuring charges associated with integrating our operations with Allied. These charges primarily consist of severance and other employee termination and relocation benefits and consulting fees paid to outside parties.

Other Business Acquisitions and Divestitures

There were no significant acquisitions or divestitures completed during the three months ended March 31, 2009. During the first quarter of 2008, we acquired various waste businesses, including a transfer station in California for an aggregate purchase price of $11.7 million. There were no significant divestitures during the three months ended March 31, 2009 and 2008, respectively.

See Note 2, *Business Acquisitions and Divestitures, Assets Held for Sale and Restructuring Charges,* of the notes to our unaudited consolidated financial statements for further discussion of business acquisitions and divestitures.

Revenue

We generate revenue primarily from our solid waste collection, transfer and disposal operations.

The following table reflects our revenue by service line (in millions of dollars and as a percentage of our revenue):

	Three Months Ended March 31,			
	2009		2008	
Collection				
Residential	$ 546.1	26.5%	$ 204.9	26.3%
Commercial	658.6	32.0	248.5	31.9
Industrial	382.9	18.6	152.9	19.6
Other	7.2	.3	4.9	.6
Total Collection	1,594.8	77.4	611.2	78.4
Transfer and disposal	775.8		274.9	
Less: Intercompany	(389.3)		(144.5)	
Transfer and Disposal, Net	386.5	18.8	130.4	16.8
Other [(1)]	79.2	3.8	37.6	4.8
Revenue	$ 2,060.5	100.0%	$ 779.2	100.0%

(1) Other revenue consists primarily of revenue from sales of recycled materials and revenue from our national accounts acquired from Allied where the work has been subcontracted. National accounts revenue included in other revenue represents the portion of revenue generated from nationwide contracts in markets outside our operating areas, and, as such, the associated waste handling services are subcontracted to local operators. Consequently, substantially all of this revenue is offset related subcontract costs.

The increase in revenue during the three months ended March 31, 2009 compared to the comparable 2008 period is due to our merger with Allied. Our revenue from collection operations consists of fees we receive from commercial, industrial, municipal and residential customers. Our residential and commercial collection operations in some markets are based on long-term contracts with municipalities. We generally provide commercial and industrial collection services to individual customers under contracts with terms up to three years. Our revenue from landfill operations is from disposal or tipping fees charged to third parties. In general, we integrate our recycling operations with our collection operations and obtain revenue from the sale of recyclable materials. No one customer has individually accounted for more than 10% of our consolidated revenue or of our reportable segment revenue in any of the periods presented.

The cost of our collection operations is primarily variable and includes disposal, labor, self-insurance, fuel and equipment maintenance costs. It also includes capital costs for equipment and facilities. We seek operating efficiencies by controlling the movement of waste from the point of collection through disposal. During the three months ended March 31, 2009 and 2008, approximately 68% and 59%, respectively, of the total volume of waste we collected was disposed of at landfills that we own or operate.

Our landfill costs include daily operating expenses, costs of capital for cell development, costs for final capping, closure and post-closure, and the legal and administrative costs of ongoing environmental compliance. Daily operating expenses include leachate treatment and disposal, methane gas and groundwater monitoring and system maintenance, interim cap maintenance, and costs associated with the application of daily cover materials. We expense all indirect landfill development costs as they are incurred. We use life cycle accounting and the units-of-consumption method to recognize certain direct landfill costs related to cell development. In life cycle accounting, certain direct costs are capitalized, and charged to expense based on the consumption of cubic yards of available airspace. These costs include all costs to acquire and construct a site including excavation, natural and synthetic liners, construction of leachate collection systems, installation of methane gas collection and monitoring systems, installation of groundwater monitoring wells, and other costs associated with the acquisition and development of the site. Obligations associated with final capping, closure and post-closure are capitalized, and amortized on a units-of-consumption basis as airspace is consumed.

If there is a significant change in the facts and circumstances related to a landfill during the year, we will review our calculations for the landfill as soon as practical after the significant change has occurred. We conduct our annual reviews of our landfill asset retirement obligations during the fourth quarter of each year.

Summarized financial information concerning our reportable segments for the respective three months ended March 31, 2009 and 2008 is shown in the following table (in millions of dollars and as a percentage of our revenue):

	Net Revenue	Depreciation, Amortization, Depletion and Accretion	Operating Income (Loss)	Operating Margin
2009:				
Eastern	$ 526.5	$ 54.5	$ 116.7	22.2%
Midwest	428.2	56.3	76.6	17.9
Southern	532.6	63.1	128.4	24.1
Western	549.8	58.1	126.1	22.9
Corporate entities(1)	23.4	13.1	(94.8)	—
Total	$2,060.5	$ 245.1	$ 353.0	17.1
2008 (2)**:**				
Eastern	$ 212.8	$ 18.9	$ 48.0	22.6%
Midwest	156.5	20.2	26.0	16.6
Southern	207.0	19.2	39.7	19.2
Western	202.8	17.5	48.2	23.8
Corporate entities(1)	0.1	2.0	(19.7)	—
Total	$ 779.2	$ 77.8	$ 142.2	18.2

(1) Corporate functions include legal, tax, treasury, information technology, risk management, human resources, national accounts and other typical administrative functions.

(2) Amounts by region for 2008 have been reclassified to conform to the current year's presentation. The changes are due to the realignment of our regions in 2009.

The following table summarizes our net revenue for our reportable segments for the three months ended March 31, 2008 assuming the merger with Allied had occurred on January 1, 2008:

	Three Months ended March 31, 2008 (in millions)		
	Allied Only	Republic Only	Republic and Allied Combined (1)
Eastern Region	$ 386.1	$ 212.8	$ 598.9
Midwest Region	312.9	156.5	469.4
Southern Region	357.6	207.0	564.6
Western Region	395.9	202.8	598.7
Corporate Region	31.7	.1	31.8
Total	$ 1,484.2	$ 779.2	$ 2,263.4

(1) For the three months ended March 31, 2008, we did not eliminate the intercompany revenue of $8.0 million between Republic and Allied; therefore, the year-over-year revenue decline of 9.0% includes both the negative 8.6% of internal growth and the impact of not eliminating the intercompany revenue for 2008 of .4%.

We believe that the presentation of revenue above provides useful information to investors because it allows investors to understand increases or decreases in our revenue that are driven by changes in the operations of Republic or Allied, and not merely by the addition of Allied's revenues for periods after the merger. This information has been prepared for illustrative purposes and is not intended to be indicative of the results of operations that would have actually occurred had the acquisition been consummated at the beginning of the periods presented or the future results of the combined operations.

Our operations are managed and reviewed through four geographic regions that we designate as our reportable segments. We completed the reorganization of our operating segments related to our acquisition of Allied in the first quarter of 2009, and are providing internal and external reporting in accordance with our reorganized structure. Significant changes in the revenue and operating margins of our reportable segments for the three month period ended March 31, 2009 compared to the three month period ended March 31, 2008 are discussed below. The increase in

aggregate dollars for net revenue, depreciation, amortization, depletion and accretion, and operating income (loss) for each of our reportable segments is due to our merger with Allied. The following description of changes in revenue for each of our reportable segments assumes that our merger with Allied was effective January 1, 2008. The decreases in volumes and commodities noted below are attributable to the economic slowdown.

§ ***Eastern Region.*** Revenue in our Eastern Region benefited from price growth in all lines of business. This increase in revenue was more than offset by volume declines in all lines of business, especially landfill and industrial collection. Revenue was also lower because of a decline in commodity prices and volumes.

  Operating margin decreased during 2009 compared to 2008 primarily due to higher depreciation, amortization depletion and accretion expense related to assets recorded in the purchase price allocation associated with the acquisition of Allied. This decrease in margin is also due to higher landfill operation expense, risk insurance costs and facilities expense. This decrease in operating margin was partially offset by lower fuel costs and lower selling, general and administrative expenses.

§ ***Midwest Region.*** Our Midwest Region experienced revenue growth during 2009 because of price increases in all lines of business. This revenue growth was more than offset by volume declines in all lines of business, especially landfill and industrial collection. Lower commodity prices and volumes also contributed to the decline in revenue.

  The increase in operating margin for our Midwest Region is primarily due to lower fuel, disposal, transportation, and selling, general and administrative expenses. This increase in operating margin was partially offset by higher risk insurance, facilities expense, and depreciation, amortization, depletion and accretion expense. The increase in depreciation, amortization, depletion and accretion expense is related to assets recorded in the purchase price allocation associated with the acquisition of Allied.

§ ***Southern Region.*** Our Southern Region experienced revenue growth during 2009 because of price increases in all lines of business. This revenue growth was more than offset by lower industrial collection volumes and decreases in commodity prices and volumes.

  Operating margin increased during 2009 compared to 2008 primarily due to lower labor, fuel, disposal and transportation costs. This increase in margin was partially offset by higher landfill operating and facilities expense. It was also offset by higher depreciation, amortization, depletion and accretion expense related to assets recorded in the purchase price allocation associated with the acquisition of Allied.

§ ***Western Region.*** Our Western Region experienced price increases from all lines of business during 2009. This increase in revenue was more than offset by volume declines in all lines of business, with the exception of residential collection. A decrease in commodity prices and volumes also contributed to the decline in revenue.

  The decrease in operating margin for our Western Region primarily relates to higher franchise fees and depreciation, amortization, depletion and accretion expense. The increase in depreciation, amortization, depletion and accretion expense is related to assets recorded in the purchase price allocation associated with the acquisition of Allied. This decrease in operating margin was partially offset by lower fuel, labor, disposal, and selling, general and administrative expense.

§ ***Corporate Entities.*** The increase in net revenue for the Corporate Entities relates to Allied’s national accounts program. The increase in depreciation, amortization, depletion and accretion expense, and the increase in the operating loss at the Corporate Entities is attributable to the acquisition of Allied.

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Consolidated Results of Operations

Our net income attributable to Republic Services, Inc. was $113.0 million, or $.30 per diluted share, for the three months ended March 31, 2009, as compared to $76.1 million, or $.41 per diluted share, for the three months ended March 31, 2008.

The following table summarizes our costs and expenses for the three months ended March 31, 2009 and 2008 (in millions of dollars and as a percentage of our revenue):

	Three Months Ended March 31,			
	2009		2008	
Revenue	$ 2,060.5	100.0%	$ 779.2	100.0%
Cost of operations	1,208.7	58.7	476.5	61.2
Depreciation, amortization and depletion of property and equipment	204.4	9.9	71.8	9.2
Amortization of intangible assets	17.4	.9	1.6	.2
Accretion	23.3	1.1	4.4	.6
Selling, general and administrative expenses	217.5	10.6	82.7	10.6
Asset impairments and losses on sales of businesses	4.9	.2	—	—
Restructuring charges	31.3	1.5	—	—
Operating income	$ 353.0	17.1%	$ 142.2	18.2%

Revenue. Revenue was $2,060.5 million and $779.2 million for the three months ended March 31, 2009 and 2008, respectively. The increase in revenue is due to our acquisition of Allied in December 2008. For comparative purposes, we have presented the components of our revenue growth for the three months ended March 31, 2009 in the following table on a combined basis as if the acquisition of Allied had been effective January 1, 2008. See "— Revenue" for a presentation of revenue for the three months ended March 31, 2008 assuming the merger with Allied had occurred on January 1, 2008. The components of our revenue growth for the three months ended March 31, 2008 in the table below reflects Republic on a stand alone basis and have not been adjusted for the acquisition of Allied:

	Three Months Ended March 31,	
	2009	2008[1]
Core price	3.5%	4.3%
Fuel surcharges	(1.2)	1.1
Recycling commodities	(2.9)	.8
Total price	(.6)	6.2
Core volume	(8.0)	(2.5)
Non-core volume	—	—
Total volume	(8.0)	(2.5)
Total internal growth	(8.6)	3.7
Acquisitions, net of divestitures	—	(1.9)
Taxes	—	—
Total revenue growth	(8.6)%	1.8%

(1) Certain prior year amounts have been reclassified to conform to the current year's presentation.

During the three months ended March 31, 2009, our revenue growth from core pricing continued to benefit from a broad-based pricing initiative which we started during the fourth quarter of 2003. We anticipate that we will continue to realize this benefit throughout 2009. During the three months ended March 31, 2009, we experienced negative core volume growth in all lines of our business primarily due to the challenging economic environment. We expect to continue to experience lower volumes until economic conditions improve.

Cost of Operations. Cost of operations were $1,208.7 million and $476.5 million, or, as a percentage of revenue, 58.7% and 61.2%, for the three months ended March 31, 2009 and 2008, respectively.

The increase in cost of operations in aggregate dollars for the three months ended March 31, 2009 versus the comparable 2008 period is a result of our acquisition of Allied in December 2008.

The following table summarizes the major components of our cost of operations for the three months ended March 31, 2009 and 2008 (in millions of dollars and as a percentage of our revenue):

	Three Months Ended March 31,			
	2009		2008	
Labor and related benefits	$ 399.2	19.4%	$ 151.7	19.5%
Transfer and disposal costs	158.2	7.7	75.7	9.7
Maintenance and repairs	167.8	8.2	57.6	7.4
Transportation and subcontract costs	128.5	6.2	48.1	6.2
Fuel	76.9	3.7	51.4	6.6
Disposal and franchise fees and taxes	99.0	4.8	26.1	3.3
Landfill operating costs	31.0	1.5	6.7	.9
Risk management	58.9	2.9	25.0	3.2
Cost of goods sold	10.9	.5	12.6	1.6
Other	78.3	3.8	21.6	2.8
Total cost of operations	$ 1,208.7	58.7%	$ 476.5	61.2%

Cost of operations includes labor and related benefits, which consists of salaries and wages, health and welfare benefits, incentive compensation and payroll taxes. It also includes transfer and disposal costs representing tipping fees paid to third party disposal facilities and transfer stations; maintenance and repairs relating to our vehicles, equipment and containers, including related labor and benefit costs; transportation and subcontractor costs which include costs for independent haulers who transport our waste to disposal facilities and costs for local operators who provide waste handling services associated with our national accounts in markets outside our standard operating areas; fuel which includes the direct cost of fuel used by our vehicles, net of fuel credits; disposal franchise fees and taxes consisting of landfills taxes, municipal franchise fees, host community fees and royalties; landfill operating costs which includes landfill accretion, financial assurance, leachate disposal and other landfill maintenance costs; risk management which includes casualty insurance premiums and claims; cost of good sold which includes material costs paid to suppliers associated with recycling commodities; and other which includes expenses such as facility operating costs, equipment rent and gains or losses on sale of assets used in our operations.

The cost categories shown above may change from time to time and may not be comparable to similarly titled categories used by other companies. As such, care should be taken when comparing our cost of operations by cost component to that of other companies.

Cost of operations decreased as a percentage of revenue for the three months ended March 31, 2009 versus the comparable 2008 period primarily due to a decrease in fuel prices. Our average cost of fuel per gallon decreased by approximately 38% from $3.52 per gallon during 2008 to $2.19 per gallon during the three months ended March 31, 2009.

Depreciation, Amortization and Depletion of Property and Equipment. Depreciation, amortization and depletion expenses for property and equipment were $204.4 million, or 9.9% of revenue, for the three months ended March 31, 2009, versus $71.8 million, or 9.2% of revenue, for the comparable 2008 period. The increase in depletion, amortization and depletion expenses as a percentage of revenue is primarily due to an increase in depletion expense associated with landfills acquired from Allied.

Amortization of Intangible Assets. Expenses for amortization of intangible and other assets was $17.4 million, or .9% of revenue, for the three months ended March 31, 2009, versus $1.6 million, or .2% of revenue, for the comparable 2008 period. The increase in amortization expense in aggregate dollars and as a percentage of revenue is the result of amortizing the intangible assets we recorded in the purchase price allocation associated with the acquisition of Allied.

Accretion Expense. Accretion expense was $23.3 million, or 1.1% of revenue, for the three months ended March 31, 2009, versus $4.4 million, or .6% of revenue, for the comparable 2008 period. The increase in accretion expense in aggregate dollars and as a percentage of revenue is primarily due an increase in asset retirement obligations associated with our acquisition of Allied. The asset retirement obligations acquired from Allied were recorded using a discount rate of 9.75%, which is higher than the credit-adjusted, risk-free rate we have historically used to record such obligations. Our accretion expense in 2009 will reflect the increase in asset retirement obligations recorded in the acquisition of Allied and the impact of using a higher overall average discount rate for recording these liabilities.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were $217.5 million and $82.7 million, or, as a percentage of revenue, 10.6%, for the three months ended March 31, 2009 and 2008.

The following tables provide the components of our selling, general and administrative costs for the three months ended March 31, 2009 and 2008 (in millions of dollars and as a percentage of revenue):

	Three Months Ended March 31,			
	2009		2008	
Salaries	$ 133.3	6.5%	$ 54.4	7.0%
Provision for doubtful accounts	5.8	.3	1.2	.1
Transition and integration costs	12.7	.6	—	—
Other	65.7	3.2	27.1	3.5
Total Selling, General and Administrative Expenses	$ 217.5	10.6%	$ 82.7	10.6%

Selling, general and administrative expenses includes salaries, health and welfare benefits and incentive compensation for corporate and field general management, field support functions, sales force, accounting and finance, legal, management information systems and clerical and administrative departments. It also includes provisions for estimated uncollectable accounts receivable and other expenses such as rent and office costs, fees for professional services provided by third parties, marketing, investor and community relations, directors' and officers' insurance, general employee relocation, travel, entertainment and bank charges, but excludes any such amounts recorded as restructuring charges.

The changes in such expenses as a percentage of revenue for the three months ended March 31, 2009 versus the comparable 2008 period are primarily due to lower equity-based and long-term incentive compensation offset by and integration and transition costs. Transition and integration costs include approximately $9.0 million of integration bonus expense for the three months ended March 31, 2009. We expect to incur a similar amount of expense until the bonus is fully accrued in December 2010.

Asset Impairments and Losses on Sales of Businesses. During the three months ended March 31, 2009, we recorded $4.9 million of asset impairments and losses on sales of businesses, of which $1.8 million relates to impairment losses on assets classified as held for sale that have been adjusted to the lower of their carrying amounts or estimated fair values less costs to sell. These assets held for sale are related to operations that were Republic's prior to the merger with Allied, and are required by the Department of Justice (DOJ) to be divested. We also recorded certain legal expenses and other costs related to the DOJ-required divestitures during the three months ended March 31, 2009.

Restructuring Charges. During the three months ended March 31, 2009, we incurred $31.3 million of restructuring charges associated with integrating our operations with Allied. These charges primarily consist of severance and other employee termination and relocation benefits and consulting fees paid to outside parties.

Operating Income. Operating income was $353.0 million, or 17.1% of revenue, versus $142.2 million, or 18.2% of revenue, for the comparable 2008 period. The reduction of operating income as a percentage of revenue for the 2009 period is due to asset impairments and losses on sales of businesses and restructuring charges recorded during the three months ended March 31, 2009.

Interest Expense. Interest expense was $153.5 million for the three months ended March 31, 2009, versus $21.4 million for the comparable 2008 period. The increase in interest expense during the three months ended March 31, 2009 versus the comparable 2008 period is primarily due to the additional debt we acquired as a result of the acquisition of Allied. In addition, interest expense for the three months ended March 31, 2009 includes $38.4 million of accretion expense, of which $25.7 million is non-cash interest expense on debt primarily related to amortizing the discount to fair value recorded for the debt we acquired from Allied. This accretion expense for the three months ended March 31, 2009 also includes $9.9 million of accretion expense associated with discounts recorded on the environmental and self-insurance reserves we acquired from Allied.

Capitalized interest was $.4 million for the three months ended March 31, 2009, versus $.3 million for the comparable 2008 period.

Income Taxes. Our provision for income taxes was $87.0 million for the three months ended March 31, 2009, versus $47.7 million for the comparable 2008 period. Our effective income tax rate was 43.4% for the three ended March 31, 2009, versus 38.5% for the comparable 2008 period. Our effective tax rate for 2009 is expected to be higher than our

historic rate due to interest expense on liabilities established in accordance with FIN 48, *Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109,* and due to the non-deductibility of goodwill associated with the DOJ-required divestitures.

Landfill and Environmental Matters

Available Airspace

The following table reflects landfill airspace activity for active landfills owned or operated by us for the three months ended March 31, 2009:

	Balance as of December 31, 2008	New Expansions Undertaken	Permits Granted, Net of Closures	Airspace Consumed	Changes in Engineering Estimates(1)	Balance as of March 31, 2009
Permitted airspace:						
Cubic yards (in millions)	4,559.6	83.0	(.2)	(23.7)	.2	4,618.9
Number of sites	213		(2)			211
Probable expansion airspace:						
Cubic yards (in millions)	386.2	(36.7)	—	—	—	349.5
Number of sites	23	(3)	—			20
Total available airspace:						
Cubic yards (in millions)	4,945.8	46.3	(.2)	(23.7)	.2	4,968.4
Number of sites	213		(2)			211

(1) Changes in engineering estimates typically include minor modifications to the available disposal capacity of a landfill based on a refinement of the capacity calculations resulting from updated information.

During 2009, total available airspace increased by a net 22.6 million cubic yards primarily due to new expansions, and changes in engineering estimates, net of airspace consumed.

As of March 31, 2009, we owned or operated 211 active solid waste landfills with total available disposal capacity estimated to be 5.0 billion in-place cubic yards. Total available disposal capacity represents the sum of estimated permitted airspace plus an estimate of probable expansion airspace. These estimates are developed at least annually by engineers utilizing information provided by annual aerial surveys. As of March 31, 2009, total available disposal capacity is estimated to be 4.6 billion in-place cubic yards of permitted airspace plus .4 billion in-place cubic yards of probable expansion airspace. Before airspace included in an expansion area is determined to be probable expansion airspace and, therefore, included in our calculation of total available disposal capacity, it must meet all of our expansion criteria. See Note 5, *Landfill and Environmental Costs*, of the notes to our unaudited consolidated financial statements for further information.

As of March 31, 2009, 20 of our landfills meet all of our criteria for including probable expansion airspace in their total available disposal capacity. At projected annual volumes, these 20 landfills have an estimated remaining average site life of 31 years, including probable expansion airspace. The average estimated remaining life of all of our landfills is 43 years. Probable expansion airspace represents 7% of our total available airspace. We have other expansion opportunities that are not included in our total available airspace because they do not meet all of our criteria for probable expansion airspace.

Final Capping, Closure and Post-Closure Costs

As of March 31, 2009, accrued final capping, closure and post-closure costs were $1.1 billion, of which $117.4 million is current and $942.0 million is long-term as reflected in our unaudited consolidated balance sheet in accrued landfill and environmental costs.

Remediation and Other Charges for Landfill Matters

During the three months ended March 31, 2008, Republic Services of Ohio II, LLC (Republic-Ohio), an Ohio limited liability company and wholly owned subsidiary of ours and parent of Countywide, entered into an Agreed Order on Consent (AOC) with the U.S. EPA requiring the reimbursement of costs incurred by the U.S. EPA and requiring

Republic-Ohio to (a) design and install a temperature and gas monitoring system, (b) design and install a composite cap or cover, and (c) develop and implement an air monitoring program. The AOC became effective on April 17, 2008 and Republic-Ohio is complying with the terms of the AOC. Republic — Ohio is also in the process of constructing an isolation break under the authority and supervision of the U.S. EPA.

There are no other remediation liabilities recorded as of March 31, 2009 and December 31, 2008 that are individually significant. No other significant amounts were charged to income for remediation costs during the three months ended March 31, 2009 and 2008.

We accrue costs related to environmental remediation activities through a charge to income in the period such liabilities become probable and can be reasonably estimated. We accrue costs related to environmental remediation activities associated with acquisitions of properties through business combinations as a charge to cost in excess of fair value of net assets acquired or landfill purchase price allocated to airspace, as appropriate.

Investment in Landfills

The following table reflects changes in our investment in landfills for the three months ended March 31, 2009 (in millions):

	Balance as of December 31, 2008	Capital Additions	Non-Cash Additions for Asset Retirement Obligations	Additions Charged to Expense	Transfers and Other Adjustments	SFAS 143 Adjustments	Transfers to Held For Sale	Balance as of March 31, 2009
Non-depletable landfill land	$ 169.3	$ —	$ —	$ —	$ —	$ —	$ —	$ 169.3
Landfill development costs	4,126.3	—	8.0	—	3.7	—	(2.5)	4,135.5
Construction-in-progress – landfill	76.2	34.8	—	—	(3.8)	—	(2.2)	105.0
Accumulated depletion and amortization	(1,004.2)	—	—	(70.5)	—	(.7)	3.8	(1,071.6)
Net investment in landfill land and development costs	$ 3,367.6	$ 34.8	$ 8.0	$ (70.5)	$ (.1)	$ (.7)	$ (.9)	$ 3,338.2

The following table reflects our future expected investment in our landfills as of March 31, 2009 (in millions):

	Balance as of March 31, 2009	Expected Future Investment	Total Expected Investment
Non-depletable landfill land	$ 169.3	$ —	$ 169.3
Landfill development costs	4,135.5	6,160.7	10,296.2
Construction-in-progress – landfill	105.0	—	105.0
Accumulated depletion and amortization	(1,071.6)	—	(1,071.6)
Net investment in landfill land and development costs	$ 3,338.2	$ 6,160.7	$ 9,498.9

The following table reflects our net landfill investment excluding non-depletable land, and our depletion, amortization and accretion expense for the three months ended March 31, 2009 and 2008:

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Number of landfills owned or operated	211	58
Net investment, excluding non-depletable land (in millions)	$ 3,168.9	$ 830.6
Total estimated available disposal capacity (in millions of cubic yards)	4,968.4	1,714.5
Net investment per cubic yard	$ .64	$ .48
Landfill depletion and amortization expense (in millions)	$ 71.8	$ 23.7
Accretion expense (in millions)	23.3	4.4
	95.1	28.1
Airspace consumed (in millions of cubic yards)	23.7	8.6
Depletion, amortization and accretion expense per cubic yard of airspace consumed	$ 4.01	$ 3.27

The increase in depletion, amortization and accretion expense per cubic yard of airspace consumed is due to our acquisition of Allied.

During the three months ended March 31, 2009 and 2008, our weighted average compaction rate was approximately 1,650 and 1,600 pounds per cubic yard, respectively, based on our three-year historical moving average. Our compaction rates may continue to improve as a result of the settlement and decomposition of waste.

As of March 31, 2009, we expect to spend an estimated additional $6.2 billion on existing landfills, primarily related to cell construction and environmental structures, over their expected remaining lives. Our total expected investment, excluding non-depletable land, estimated to be $9.3 billion, or $1.88 per cubic yard, is used in determining our depletion and amortization expense based on airspace consumed using the units-of-consumption method.

Selected Balance Sheet Accounts

The following table reflects the activity in our allowance for doubtful accounts, final capping, closure, post-closure and remediation liabilities, and accrued self-insurance during the three months ended March 31, 2009 (in millions):

	Allowance for Doubtful Accounts	Final Capping, Closure and Post-Closure	Remediation	Self-Insurance
Balance, December 31, 2008	$ 65.7	$ 1,040.6	$ 389.9	$ 408.1
Non-cash asset additions	—	8.7	—	—
Acquisition of Allied	—	(.7)	.1	—
SFAS 143 Adjustments	—	(.7)	—	—
Accretion expense	—	23.3	5.0	4.9
Other additions charged to expense	5.8	—	—	125.3
Transfers to assets held for sale	(1.2)	1.8	—	—
Payments or usage	(10.2)	(13.6)	(13.4)	(119.0)
Balance, March 31, 2009	60.1	1,059.4	381.6	419.3
Less: Current portion	(60.1)	(117.4)	(78.7)	(147.0)
Long-term portion	$ —	$ 942.0	$ 302.9	$ 272.3

As of March 31, 2009, accounts receivable were $877.6 million, net of allowance for doubtful accounts of $60.1 million, resulting in days sales outstanding of 39, or 23 days net of deferred revenue. In addition, at March 31, 2009, our accounts receivable in excess of 90 days old totaled $58.7 million, or 6.3% of gross receivables outstanding.

Property and Equipment

The following tables reflect the activity in our property and equipment accounts for the three months ended March 31, 2009 (in millions):

	Gross Property and Equipment							
	Balance as of December 31, 2008	Capital Additions	Retirements	Acquisitions, Net of Divestitures	Non-Cash Additions for Asset Retirement Obligations	Transfers and Other Adjustments	Transfers to Held For Sale	Balance as of March 31, 2009
Other land	$ 464.4	$ (3.2)	$ (0.9)	$ (0.7)	$ —	$ 6.3	$ (10.2)	$ 455.7
Non-depletable landfill land	169.3	—	—	—	—	—	—	169.3
Landfill development costs	4,126.3	—	—	—	8.0	3.7	(2.5)	4,135.5
Vehicles and equipment	3,432.3	105.4	(14.5)	3.4	—	3.7	(15.1)	3,515.2
Buildings and Improvements	706.0	(16.1)	(1.1)	0.1	—	26.8	5.7	721.4
Construction-in-progress - landfill	76.2	34.8	—	—	—	(3.8)	(2.2)	105.0
Construction-in-progress - other	26.3	27.5	—	—	—	(36.9)	—	16.9
Total	$ 9,000.8	$ 148.4	$ (16.5)	$ 2.8	$ 8.0	$ (0.2)	$ (24.3)	$ 9,119.0

	Accumulated Depreciation, Amortization and Depletion						
	Balance as of December 31, 2008	Additions Charged to Expense	Retirements	Acquisitions, Net of Divestitures	SFAS 143 Adjustments	Transfers to Held For Sale	Balance as of March 31, 2009
Landfill development costs	$ (1,004.2)	$ (70.5)	$ —	$ —	$ (.7)	3.8	$ (1,071.6)
Vehicle and equipment	(1,147.3)	(124.6)	11.2	(1.8)	—	7.7	(1,254.8)
Buildings and improvements	(111.1)	(9.3)	—	—	—	5.6	(114.8)
Total	$ (2,262.6)	$ (204.4)	$ 11.2	$ (1.8)	$ (.7)	$ 17.1	$ (2,441.2)

Liquidity and Capital Resources

The major components of changes in cash flows for the three months ended March 31, 2009 and 2008 are discussed below.

Cash Flows From Operating Activities. Cash provided by operating activities was $512.4 million and $148.0 million for the three months ended March 31, 2009 and 2008, respectively. The changes in cash provided by operating activities during the periods are primarily due to our acquisition of Allied, the expansion of our business, the timing of payments received for accounts receivable, the timing of payments made for accounts payable and federal income taxes, and an increase in other assets during 2009 related to capitalized costs directly related to our merger with Allied.

We use cash flows from operations to fund capital expenditures, acquisitions, dividend payments and debt repayments.

Cash Flows Used In Investing Activities. Cash used in investing activities was $169.1 million and $117.3 million for the three months ended March 31, 2009 and 2008, respectively, and consists primarily of cash used for capital expenditures in 2009 and 2008, cash used in business acquisitions in 2008 and changes in restricted cash. Cash paid for capital expenditures was $193.4 million and $81.6 million for the three months ended March 31, 2009 and 2008, respectively.

We intend to finance capital expenditures and acquisitions through cash on hand, restricted cash held for capital expenditures, cash flow from operations, our revolving credit facilities, tax-exempt bonds and other financings. We expect to use primarily cash for future business acquisitions.

Cash Flows Used In Financing Activities. Cash used in financing activities for the three months ended March 31, 2009 and 2008 was $218.5 million and $2.1 million, respectively, and consists primarily of proceeds from and payments of notes payable and long-term debt, purchases of common stock for treasury during 2008, payments of cash dividends and proceeds from stock option exercises. During the three months ended March 31, 2009, we made net payments on our debt of $150.2 million. During the three months ended March 31, 2008, we had net borrowings on our debt of $120.8 million. Purchases of common stock for treasury were $.3 million and $97.8 million during the three months ended March 31, 2009 and March 31, 2008, respectively. Dividends paid were $72.0 million and $31.6 million during the three months ended March 31, 2009 and 2008, respectively.

From 2000 through 2009, our Board of Directors authorized the repurchase of up to $2.6 billion of our common stock. As of March 31, 2009, we had paid $2.3 billion to repurchase 82.6 million shares of our common stock. During the second quarter of 2008, we suspended our share repurchase program as a result of the pending merger with Allied. We expect that our share repurchase program will continue to be suspended until at least 2011.

We used cash on hand, cash flows from operations and proceeds from issuances of tax-exempt bonds to fund capital expenditures, repay debt and fund acquisitions. We intend to use the proceeds from asset divestitures in 2009 to repay debt, which may include purchases of our outstanding bonds in the open market or otherwise. We intend to finance future dividend payments through cash on hand, cash flows from operations, our revolving credit facilities and other financings.

Financial Condition

At March 31, 2009, we had $193.5 million of cash and cash equivalents. We also had $262.7 million of restricted cash deposits and restricted marketable securities, including $123.5 million of restricted cash held for capital expenditures under certain debt facilities.

In conjunction with the merger with Allied, we entered into an additional $1.75 billion revolving credit facility with a group of banks in September 2008. Borrowings under the new credit facility are being used for working capital, capital expenditures, letters of credit and other general corporate purposes. We also amended our existing $1.0 billion credit facility to conform certain terms of the facility to be consistent with the new $1.75 billion credit facility. We did not change the maturity date of the $1.0 billion credit facility.

The $1.0 billion revolving credit facility due April 2012 and the $1.75 billion revolving credit facility due September 2013 (collectively, the Credit Facilities) bear interest at a Base Rate, or a Eurodollar Rate, both terms defined in the agreements, plus an applicable margin based on our Debt Ratings, also a term defined in the agreements. As of March 31, 2009, the interest rate for our borrowings under our Credit Facilities was 2.06%. The Credit Facilities are also subject to facility fees based on applicable rates defined in the agreements and the aggregate commitments, regardless of usage. Borrowings under the Credit Facilities can be used for working capital, capital expenditures, letters of credit and other general corporate purposes. The agreements governing the Credit Facilities require us to maintain certain financial and other covenants. We have the ability to pay dividends and to repurchase common stock provided that we are in compliance with these covenants. At March 31, 2009, we had $595.0 million of Eurodollar Rate borrowings and $1,685.5 million of letters of credit outstanding under the Credit Facilities, leaving $469.5 million of availability under the Credit Facilities.

The agreements governing our Credit Facilities require us to maintain certain financial covenants. Compliance with these covenants is a condition for any incremental borrowings under the Credit Facilities and failure to meet these covenants would enable the lenders to require repayment of any outstanding loans (which would adversely affect our liquidity). At March 31, 2009, our EBITDA(1) to interest ratio was 3.86 compared to the 3.00 minimum required by the covenants. In addition, at March 31, 2009, our total debt to EBITDA(1) ratio was 2.98 compared to the 4.00 maximum allowed by the covenants. Therefore, we were in compliance with the covenants of the Credit Facility agreements.

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(1) EBITDA, which is a non-GAAP measure, is calculated as defined in our Credit Facility agreements. In this context, EBITDA is used solely to provide information regarding the extent to which we are in compliance with debt covenants and is not comparable to EBITDA used by other companies.

In May 1999, we sold $375.0 million of unsecured notes in the public market. The outstanding balance on these notes of $99.3 million as of March 31, 2009 bears interest at 7.125% per annum and matures in 2009. Interest on these notes

is payable semi-annually in May and November. The notes were offered at a discount of $.5 million. In March 2005, we exchanged $275.7 million of our outstanding 7.125% notes due 2009 for new notes due 2035. The new notes bear interest at 6.086%. We paid a premium of $27.6 million related to the exchange. This premium is being amortized over the life of the new notes using the effective yield method.

In August 2001, we sold $450.0 million of unsecured notes in the public market. The notes bear interest at 6.75% and mature in 2011. Interest on these notes is payable semi-annually in February and August. The notes were offered at a discount of $2.6 million.

As part of our acquisition of Allied in December 2008, we acquired Allied's then outstanding senior notes totaling $4.25 billion, with interest rates ranging from 5.75% to 7.875% and maturity dates ranging from 2010 to 2017, $99.5 million and $360.0 million of Allied's debentures with interest rates of 9.25% and 7.40% and maturity dates of 2021 and 2035, respectively, and $230.0 million of Allied's 4.25% convertible debentures due 2034. This debt was recorded at fair value in purchase accounting for the acquisition of Allied and will be accreted to face value as interest expense through maturity.

We also acquired $400.0 million of receivables secured loans, which bear interest at a market based interest rate plus a margin as defined in the agreement. As of March 31, 2009, receivables secured loans totaled $331.5 million. We intend to renew the accounts receivable securitization program when it matures in May 2009; however, if we are unable to renew this facility at favorable terms, we will refinance any then outstanding amounts with our existing credit facilities.

In order to manage risk associated with fluctuations in interest rates, we have entered into interest rate swap agreements with investment grade-rated financial institutions. Our outstanding swap agreements have a total notional value of $210.0 million and require us to pay interest at floating rates based on changes in LIBOR and receive interest at a fixed rate of 6.75%. Our swap agreements mature in August 2011.

At March 31, 2009, we had $1,299.7 million of tax-exempt bonds and other tax-exempt financings. Borrowings under these bonds and other financings bear interest based on fixed or floating interest rates at the prevailing market ranging from 3.25% to 11.50% at March 31, 2009 and have maturities ranging from 2010 to 2037. As of March 31, 2009, we had $123.5 million of restricted cash related to proceeds from tax-exempt bonds and other tax-exempt financings. This restricted cash will be used to reimburse capital expenditures under the terms of the agreements.

We intend to use excess cash on hand, cash from operating activities and proceeds from the asset divestitures to repay debt, which may include purchases of our outstanding bonds in the open market or otherwise. We believe that our excess cash, cash from operating activities and proceeds from our revolving credit facilities provide us with sufficient financial resources to meet our anticipated capital requirements and obligations as they come due. Despite the current economic conditions, we believe that we will be able to raise additional debt or equity financing, if necessary.

Credit Ratings

We have received investment grade credit ratings. As of March 31, 2009, our senior debt was rated BBB, Baa3, and BBB- by Standard & Poor's Rating Services, Inc., Moody's Investors Service, Inc. and Fitch, Inc., respectively.

Off-Balance Sheet Arrangements

We have no off-balance sheet debt or similar obligations, other than financial assurance instruments and operating leases that are not classified as debt. We do not guarantee any third-party debt.

Free Cash Flow

We define free cash flow, which is not a measure determined in accordance with GAAP, as cash provided by operating activities less purchases of property and equipment plus proceeds from sales of property and equipment as presented in our unaudited consolidated statements of cash flows. Our free cash flow for the three months ended March 31, 2009 and 2008 is calculated as follows (in millions).

	Three Months Ended March 31,	
	2009	2008
Cash provided by operating activities	$ 512.4	$ 148.0
Purchases of property and equipment	(193.4)	(81.6)
Proceeds from sales of property and equipment	4.9	1.0
Free cash flow	$ 323.9	$ 67.4

Purchases of property and equipment as reflected in our unaudited consolidated statements of cash flows and as presented in the free cash flow above represent amounts paid during the period for such expenditures. A reconciliation of property and equipment reflected in the unaudited consolidated statements of cash flows to property and equipment received during the period is as follows (in millions):

	Three Months Ended March 31,	
	2009	2008
Purchases of property and equipment presented in the unaudited consolidated statements of cash flows	$ 193.4	$ 81.6
Adjustment for property and equipment received during the prior period but paid for in the following period, net	(45.0)	(33.8)
Property and equipment received during the current period	$ 148.4	$ 47.8

The adjustments noted above do not affect either our net change in cash and cash equivalents as reflected in our unaudited consolidated statements of cash flows or our free cash flow.

We believe that the presentation of free cash flow provides useful information regarding our recurring cash provided by operating activities after expenditures for property and equipment, net of proceeds from sales of property and equipment. It also demonstrates our ability to execute our financial strategy which includes reinvesting in existing capital assets to ensure a high level of customer service, investing in capital assets to facilitate growth in our customer base and services provided, maintaining our investment grade rating and minimizing debt, paying cash dividends, and maintaining and improving our market position through business optimization. In addition, free cash flow is a key metric used to determine compensation. The presentation of free cash flow has material limitations. Free cash flow does not represent our cash flow available for discretionary expenditures because it excludes certain expenditures that are required or that we have committed to such as debt service requirements and dividend payments. Our definition of free cash flow may not be comparable to similarly titled measures presented by other companies.

Seasonality

Our operations can be adversely affected by periods of inclement weather which could increase the volume of waste collected under existing contracts (without corresponding compensation), delay the collection and disposal of waste, reduce the volume of waste delivered to our disposal sites, or delay the construction or expansion of our landfill sites and other facilities.

Contingencies

For a description of our commitments and contingencies, see Note 7, *Income Taxes,* and Note 12, *Commitments and Contingencies*, to our consolidated financial statements included under Item 1 of this Form 10-Q.

Critical Accounting Judgments and Estimates

We identified and discussed our critical accounting judgments and estimates in our Annual Report on Form 10-K for the year ended December 31, 2008 Although we believe that our estimates and assumptions are reasonable, they are

based upon information available at the time the judgment or estimate is made. Actual results may differ significantly from estimates under different assumptions or conditions.

New Accounting Standards

For a description of the new accounting standards that affect us, see Note 1, *Basis of Presentation and Recently Issued Accounting Pronouncements,* to our consolidated financial statements included under Item 1 of this Form 10-Q.

Disclosure Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains certain forward-looking information about us that is intended to be covered by the safe harbor for “forward-looking statements” provided by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that are not historical facts. Words such as “guidance,” “expect,” “will,” “may,” “anticipate,” “intend,” “can,” “could” and similar expressions are intended to identify forward-looking statements. These statements include statements about the expected benefits of the merger, our plans, strategies and prospects. Forward-looking statements are not guarantees of performance. These statements are based upon the current beliefs and expectations of our management and are subject to risk and uncertainties that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give no assurance that the expectations will prove to be correct. Among the factors that could cause actual results to differ materially from the expectations expressed in the forward-looking statements are:

- our ability to successfully integrate Allied’s and Republic’s operations and to achieve synergies or create long-term value for stockholders as expected, including the possibility that we will experience significant an unexpected transaction- and integration-related costs or that the timing of and proceeds received from the mandatory divestiture of certain assets may result in additional expenditures of money and resources or reduce the benefits of the merger;
- the impact on us of our substantial post-merger indebtedness, including our ability to obtain financing on acceptable terms to finance our operations and growth strategy and to operate within the limitations imposed by financing arrangements and that any downgrade in our bond ratings could adversely impact us;
- general economic and market conditions including, but not limited to, the current global economic and financial market crisis, inflation and changes in commodity pricing, fuel, labor, risk and health insurance and other variable costs that are generally not within our control and our exposure to credit and counterparty risk;
- whether our estimates and assumptions concerning our selected balance sheet accounts, income tax accounts, final capping, closure, post- closure and remediation costs, available airspace, and projected costs and expenses related to our landfills and property and equipment (including our estimates of the fair values of the assets and liabilities acquired in our acquisition of Allied), and labor, fuel rates, and economic and inflationary trends, turn out to be correct or appropriate;
- competition and demand for services in the solid waste industry;
- the fact that price increases may not be adequate to offset the impact of increased costs and may cause us to lose volume;
- our ability to manage growth and execute our acquisition growth strategy;
- our compliance with, and future changes in, environmental and flow control regulations and our ability to obtain approvals from regulatory agencies in connection with operating and expanding our landfills;
- our dependence on key personnel;
- our dependence on large, long-term collection, transfer and disposal contracts;
- our dependence on acquisitions for growth;
- risks associated with undisclosed liabilities of acquired businesses;
- risks associated with pending and any future legal proceedings, including our matters currently pending with the DOJ and IRS;
- severe weather conditions, which could impair our financial results by causing increased costs, loss of revenue, reduced operational efficiency or disruptions to our operations;
- compliance with existing and future legal and regulatory requirements, including limitations or bans on disposal of certain types of wastes or on the transportation of waste, which could limit our ability to conduct or grow our business, increase our costs to operate or require additional capital expenditures;

- § any litigation, audits or investigations brought by or before any governmental body;
- § workforce factors, including potential increases in our costs if we are required to provide additional funding to any multi-employer pension plan to which we contribute and the negative impact on our operations of union organizing campaigns, work stoppages or labor shortages;
- § the negative effect that trends toward requiring recycling, waste reduction at the source and prohibiting the disposal of certain types of wastes could have on volumes of waste going to landfills and waste- to-energy facilities;
- § changes by the Financial Accounting Standards Board or other accounting regulatory bodies to generally accepted accounting principles or policies;
- § acts of war, riots or terrorism, including the events taking place in the Middle East, the current military action in Iraq and the continuing war on terrorism, as well as actions taken or to be taken by the United States or other governments as a result of further acts or threats of terrorism, and the impact of these acts on economic, financial and social conditions in the United States; and
- § the timing and occurrence (or non-occurrence) of transactions and events which may be subject to circumstances beyond our control.

The risks included here are not exhaustive. Refer to “Part I, Item 1A — Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2008, for further discussion regarding our exposure to risks. Additionally, new risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor to assess the impact such risk factors might have on our business or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date hereof. Except to the extent required by applicable law or regulation, we undertake no obligation to update or publish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Fuel Cost Risk

Fuel costs represent a significant operating expense. When economically practical, we may enter into new or renewal contracts, or engage in other strategies to mitigate market risk. Where appropriate, we have implemented a fuel recovery fee that is designed to recover our fuel costs. While we charge these fees to a majority of our customers, we are unable to charge such fees to all customers. Consequently, an increase in fuel costs results in (1) an increase in our cost of operations, (2) a smaller increase in our revenue (from the fuel recovery fee) and (3) a decrease in our operating margin percentage, since the increase in revenue is more than offset by the increase in cost. Conversely, a decrease in fuel costs results in (1) a decrease in our cost of operations, (2) a smaller decrease in our revenue and (3) an increase in our operating margin percentage.

At our current consumption levels, a one-cent change in the price of diesel fuel changes our fuel costs by approximately $1.6 million on an annual basis, which would be partially offset by a smaller change in the fuel recovery fees charged to our customers. Accordingly, a substantial rise or drop in fuel costs could result in a material impact to our revenue and cost of operations.

Our operations also require the use of certain petroleum-based products (such as liners at our landfills) whose costs may vary with the price of oil. An increase in the price of oil could increase the cost of those products, which would increase our operating and capital costs. We are also susceptible to increases in indirect fuel surcharges from our vendors.

See Note 10, *Other Comprehensive Income*, of the notes to our unaudited consolidated financial statements for further discussion of our fuel hedges.

Recycling Commodities Price Risk

We market recycled products such as cardboard and newspaper from our material recycling facilities. As a result, changes in the market prices of these items will impact our results of operations. Revenue from sales of recyclable materials during the three months ended March 31, 2009 and 2008 were approximately $32.5 million and $31.9 million, respectively.

See Note 10, *Other Comprehensive Income*, of the notes to our unaudited consolidated financial statements for further discussion of our recycling commodities hedges.

Interest Rate Risk

We are subject to interest rate risk on our variable rate long-term debt. From time to time, to reduce the risk from interest rate fluctuations, we have entered into interest rate swap contracts that have been authorized pursuant to our policies and procedures. We do not use financial instruments for trading purposes and are not a party to any leveraged derivatives.

At March 31, 2009, we had $1.8 billion of floating rate debt and $.2 billion of floating interest rate swap contracts. If interest rates increased or decreased by 100 basis points, annualized interest expense and cash payments for interest would increase or decrease by approximately $20 million. This analysis does not reflect the effect that interest rates would have on other items, such as new borrowings. See Note 6, *Debt,* of the notes to our consolidated financial statements for further information regarding how we manage interest rate risk.

ITEM 4. CONTROLS AND PROCEDURES.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures, as defined in Exchange Act Rules 13a-15(e) and 15d-15(e), were effective as of the end of the period covered by this Quarterly Report.

Based on an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, there has been no change in our internal control over financial reporting during our last fiscal quarter, identified in connection with that evaluation, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

We are involved in routine judicial and administrative proceedings that arise in the ordinary course of business and that relate to, among other things, personal injury or property damage claims, employment matters and commercial and contractual disputes. We are subject to federal, state and local environmental laws and regulations. Due to the nature of our business, we are also often routinely a party to judicial or administrative proceedings involving governmental authorities and other interested parties related to environmental regulations or liabilities. From time to time, we may also be subject to actions brought by citizens' groups, adjacent landowners or others in connection with the permitting and licensing of our landfills or transfer stations, or alleging personal injury, environmental damage, or violations of the permits and licenses pursuant to which we operate.

We are subject to various federal, state and local tax rules and regulations. These rules are extensive and often complex, and we are required to interpret and apply them to our transactions. Positions taken in tax filings are subject to challenge by taxing authorities. Accordingly, we may have exposure for additional tax liabilities if, upon audit, any positions taken are disallowed by the taxing authorities.

The following is a discussion of certain proceedings against us. Although the ultimate outcome of any legal matter cannot be predicted with certainty, except as identified below, we do not believe that the outcome of our pending legal and administrative proceedings will have a material adverse impact on our consolidated, financial position, results of operations or cash flows.

Litigation Related to the Merger with Allied

On July 25, 2008, a putative class action was filed, and on August 15, 2008 was amended, in the Court of Chancery of the State of Delaware by the New Jersey Carpenters Pension and the New Jersey Carpenters Annuity Funds against us and the members of our Board of Directors, individually.

On August 21, 2008, a second putative class action was filed in the Court of Chancery of the State of Delaware by David Shade against us, the members of Republic's Board of Directors, individually, and Allied. On September 22, 2008, the New Jersey Carpenters and the Shade cases were consolidated by the Court of Chancery, and on September 24, 2008, the plaintiffs in the Delaware case, now known as In Re: Republic Services Inc. Shareholders Litigation, filed a verified consolidated amended class action complaint in the Court of Chancery of the State of Delaware.

On September 5, 2008, a putative class action was filed in the Circuit Court in and for Broward County, Florida, by the Teamsters Local 456 Annuity Fund against us and the members of Republic's Board of Directors, individually.

Both the Delaware consolidated action and the Florida action were brought on behalf of a purported class of our stockholders and primarily sought, among other things, to enjoin the proposed transaction between Republic and Allied, as well as damages and attorneys' fees. The actions also sought to compel us to accept the unsolicited proposals made by Waste, or at least compel our Board of Directors to further consider and evaluate the Waste proposals, which proposals were subsequently withdrawn.

On September 24, 2008, the defendants in the Florida litigation filed a Motion to Stay or to Dismiss the lawsuit in light of the consolidated Delaware class action.

On October 17, 2008, plaintiffs in the consolidated Delaware action filed a motion for a preliminary injunction seeking to require the defendants to make certain additional disclosures prior to the stockholder vote on the merger.

On October 29, 2008, the defendants entered into a memorandum of understanding with plaintiffs regarding the settlement of the Delaware and Florida actions. As part of this memorandum of understanding, we agreed to make certain additional disclosures to our stockholders and such disclosures were made by us in our Current Report on Form 8-K filed with the SEC on October 30, 2008. As of January 16, 2009, following completion of certain confirmatory discovery by counsel to plaintiffs, the parties executed a stipulation of settlement. The stipulation of settlement is

subject to customary conditions, including court approval following notice to our stockholders. The stipulation of settlement provides that a hearing will be scheduled at which the court will consider the fairness, reasonableness and adequacy of the settlement which, if finally approved by the court, will resolve all of the claims that were or could have been brought in the actions being settled, including all claims relating to the merger transaction, the merger agreement, our rejections of the unsolicited Waste proposals, and any disclosures made in connection therewith. The stipulation of settlement also provides that plaintiffs' counsel may petition the court for an award of attorneys' fees and expenses to be paid by us. On February 20, 2009, the court preliminarily approved the settlement agreed to in the stipulation and set a final hearing to consider the fairness of the settlement for May 19, 2009. There can be no assurance that the court will approve the settlement agreed to in the stipulation of settlement. In such event, the settlement may be terminated.

On December 3, 2008, the DOJ and seven state attorneys general filed a complaint, Hold Separate Stipulation and Order, and competitive impact statement, together with a proposed final judgment, in the United States District Court for the District of Columbia, in connection with approval under the HSR Act of our merger with Allied. The court entered the Hold Separate Stipulation and Order on December 4, 2008, which terminated the waiting period under the HSR Act and allowed the parties to close the transaction subject to the conditions described in the Hold Separate Stipulation and Order. These conditions include the divestiture of certain assets. However, the final judgment can only be approved by the court after the DOJ publishes a notice in the Federal Register and considers comments it receives. During this period, if the DOJ believes that the final judgment is no longer in the public interest, the DOJ may withdraw its support of the final judgment and seek to prevent the final judgment from becoming final in its present form. Likewise, the court may, in its discretion, modify the divestitures or other relief sought by the DOJ if the court believes that such modification is in the public interest. The precise timing for the confirmation of the final judgment is not known. Management believes that the court will enter the final judgment and that modifications to the final judgment, if any, will not be material.

Landfill and Environmental

We have been notified that we are considered a potentially responsible party at a number of sites under CERCLA or other environmental laws. In all cases, such alleged responsibility is due to the actions of companies prior to the time we acquired them. We continually review our status with respect to each site, taking into account the alleged connection to the site and the extent of the contribution to the volume of waste at the site, the available evidence connecting the entity to that site, and the number and financial soundness of other potentially responsible parties at the site. The ultimate amounts for environmental liabilities at sites where we may be a potentially responsible party cannot be determined and estimates of such liabilities made by us require assumptions about future events subject to a number of uncertainties, including the extent of the contamination, the appropriate remedy, the financial viability of other potentially responsible parties and the final apportionment of responsibility among the potentially responsible parties.

Where we have concluded that our share of potential liabilities is probable and can be reasonably estimated, a provision has been made in the consolidated financial statements. Since the ultimate outcome of these matters may differ from the estimates used in our assessments to date, the recorded liabilities are periodically evaluated as additional information becomes available to ascertain that the accrued liabilities are adequate. We have liabilities recorded for environmental matters as of March 31, 2009 of $381.6 million. It is reasonably possible that we could have adjustments to our estimates for these matters in the near term that could have a material effect on our consolidated financial position, results of operations or cash flows. For more information about our potential environmental liabilities, see Note 8, *Landfill and Environmental Costs,* to our consolidated financial statements in Item 8 of our Form 10-K for the fiscal year ended December 31, 2008.

Countywide Matter

On March 26, 2007, the Ohio Environmental Protection Agency (OEPA) issued Final Findings and Orders (F&Os) to Republic Services of Ohio II, LLC (Republic-Ohio), an Ohio limited liability company and our wholly owned subsidiary. The F&Os relate to environmental conditions attributed to a chemical reaction resulting from the disposal of certain aluminum production waste at the Countywide Recycling and Disposal facility (Countywide) in East Sparta, Ohio. The F&Os, and certain other remedial actions Republic-Ohio agreed with the OEPA to undertake to address the environmental conditions, include, without limitation, the following actions: (a) prohibiting leachate recirculation, (b) refraining from the disposal of solid waste in certain portions of the site, (c) updating engineering plans and

specifications and providing further information regarding the integrity of various engineered components at the site, (d) performing additional data collection, (e) taking additional measures to address emissions, (f) expanding the gas collection and control system, (g) installing an isolation break, (h) removing liquids from gas extraction wells, and (i) submitting a plan to the OEPA to suppress the chemical reaction and, following approval by the OEPA, implementing such plan. Republic-Ohio has performed certain interim remedial actions required by the OEPA, but the OEPA has not approved Republic-Ohio's plan to suppress the chemical reaction.

Republic-Ohio received additional orders from the OEPA requiring certain actions to be taken by Republic-Ohio, including additional air quality monitoring and the installation and continued maintenance of gas well dewatering systems. Republic-Ohio has also entered into an Agreed Order on Consent (AOC) with the U.S. EPA requiring the reimbursement of costs incurred by the U.S. EPA and requiring Republic-Ohio to (a) design and install a temperature and gas monitoring system, (b) design and install a composite cap or cover, and (c) develop and implement an air monitoring program. The AOC became effective on April 17, 2008 and Republic-Ohio has complied with the terms of the AOC. Republic-Ohio also is in the process of constructing an additional isolation break under the authority and supervision of the U.S. EPA.

We had learned that the Commissioner of the Stark County Health Department (Commission) recommended that the Stark County Board of Health (Board of Health) suspend Countywide's 2007 annual operating license. We had also learned that the Commissioner intended to recommend that the Board of Health deny Countywide's license application for 2008. Republic-Ohio obtained a preliminary injunction on November 28, 2007 prohibiting the Board of Health from suspending its 2007 operating license. Republic-Ohio also obtained a preliminary injunction on February 15, 2008 prohibiting the Board of Health from denying its 2008 operating license application. The litigation with the Board of Health is pending in the Stark County Court of Common Pleas. We and the Board of Health have been participating in discussions regarding facility licensing that have resulted in an agreement whereby Republic-Ohio will secure its operating license and pay $10.3 million to resolve the issues at Countywide. The specific terms of the agreement are being finalized. Despite the settlement, Countrywide's 2009 operation license has been challenged by Tuscarawas County.

We believe that we have performed or are diligently performing all actions required under the F&Os and the AOC and that Countywide does not pose a threat to the environment. Additionally, we believe that we satisfy the rules and regulations that govern the operating license at Countywide.

We are vigorously pursuing financial contributions from third parties for our costs to comply with the F&Os and the other required remedial actions.

In a suit filed on October 8, 2008 in the Tuscarawas County Ohio Court of Common Pleas, approximately 700 plaintiffs have named Republic Services, Inc. and Republic-Ohio as defendants. The claims alleged are negligence and nuisance and arise from the operation of Countywide. Republic-Ohio has owned and operated Countywide since February 1, 1999. Waste Management, Inc. and Waste Management Ohio, Inc., previous owners and operators of Countywide, have been named as defendants as well. Plaintiffs are individuals and businesses located in the geographic area around Countywide. They claim that due to the acceptance of a specific waste stream and operational issues and conditions, the landfill has generated odors and other unsafe emissions which have allegedly impaired the use and value of their property. There are also allegations that the emissions from the landfill may have adverse health effects. The relief requested includes compensatory damages, punitive damages, costs for medical monitoring and screening, interest on damages, costs and disbursements, and reasonable attorney and expert witness fees. We intend to vigorously defend against the plaintiffs' allegations. At this time, we cannot estimate the reasonably possible range of loss in connection with this matter.

Sunrise Matter

On August 1, 2008, Republic Services of Southern Nevada (RSSN), our wholly owned subsidiary, signed a Consent Decree with the EPA, the Bureau of Land Management and Clark County, Nevada related to the Sunrise Landfill. Under the Consent Decree, RSSN has agreed to perform certain remedial actions at the Sunrise Landfill for which RSSN and Clark County were otherwise jointly and severally liable. We also paid $1.0 million in sanctions related to the Consent Decree. RSSN is currently working with the Clark County Staff and Board of Commissioners to develop a mechanism to fund the costs to comply with the Consent Decree. However, we have not recorded any potential recoveries.

It is reasonably possible that we will need to adjust the environmental remediation liabilities recorded to reflect the effects of new or additional information, to the extent that such information impacts the costs, timing or duration of the required actions. Future changes in our estimates of the costs, timing or duration of the required actions could have a material adverse effect on our consolidated financial position, results of operations or cash flows. At this time, we cannot estimate the reasonably possible range of loss we may incur in connection with any future changes in our estimates of the costs, timing or duration of the required actions.

Luri Matter

On August 17, 2007, a lawsuit was filed against us and certain of our subsidiaries relating to an alleged retaliation claim by a former employee, Ronald Luri v. Republic Services, Inc., Republic Services of Ohio Hauling LLC, Republic Services of Ohio I LLC, Jim Bowen and Ron Krall in the Cuyahoga County Common Pleas Court in Ohio. On July 3, 2008, a jury verdict was awarded against us in the amount of $46.6 million, including $43.1 million in punitive damages. On September 24, 2008, the Court awarded pre-judgement interest of $.3 million and attorney fees and litigation costs of $1.1 million. Post-judgement interest is presently accruing at a rate of 8% for 2008 and 5% for 2009. Management anticipates that post-judgement interest could accrue through the middle of 2010 for a total of $5.4 million. Post-judgment motions filed on our behalf and certain of our subsidiaries were denied, and on October 1, 2008, we filed a notice of appeal. Our appeal brief was filed on February 20, 2009. Luri's response was submitted May 4, 2009. We expect to file our reply by June 19, 2009. It is reasonably possible that a final, non-appealable judgment of liability for compensatory and punitive damages may be assessed against us related to this matter. Although it is not possible to predict the ultimate outcome, management believes that the amount of any final, non-appealable judgment will not be material.

Forward Matter

The District Attorney for San Joaquin County filed a civil action against Forward, Inc. and Allied Waste Industries, Inc. on February 14, 2008. Forward and Allied accepted service of the complaint in October 2008, and in November 2008, each filed answers denying all material allegations of the complaint. The complaint seeks civil penalties of $2,500 for each alleged violation, but no less than $10,000,000, and an injunction against Forward and Allied for alleged permit and regulatory violations at the Forward Landfill. The District Attorney contends that the alleged violations constitute unfair business practices under the California Business and Professions Code section 17200, et seq., by virtue of violations of Public Resources Code Division 30, Part 4, Chapter 3, Article 1, sections 44004 and 44014(b); California Code of Regulations Title 27, Chapter 3, Subchapter 4, Article 6, sections 20690(11) and 20919.5; and Health and Safety Code sections 25200, 25100, et seq., and 25500, et seq. Although the complaint is worded very broadly and does not identify specific permit or regulatory violations, the District Attorney has articulated three primary concerns in past communications, alleging that the landfill: (1) used green waste containing food as alternative daily cover, (2) exceeded its daily solid waste tonnage receipt limitations under its solid waste facility permit, and (3) received hazardous waste in violation of its permit (i.e., auto shredder waste). Additionally, it is alleged that the landfill allowed a concentration of methane gas in excess of five percent. Discovery is currently underway. We are vigorously defending against the allegations.

Sycamore Matter

On July 10, 2008, the State of West Virginia Department of Environmental Protection filed suit against Allied's subsidiary, Allied Waste Sycamore Landfill, LLC (Sycamore Landfill), in Putnam County Circuit Court alleging thirty-eight violations of the Solid Waste Management Act, W. Va. Code sec. 22-15-1 et seq, the Water Pollution Control Act, W. Va. Code Sec. 22-11-1 et seq and the Groundwater Protection Act, W. Va. Code sec. 22-12-1 et seq (collectively, the Applicable Statues) between January 2007 and August 2007. The State of West Virginia sought injunctive relief requiring the Sycamore Landfill to comply with the Applicable Statutes as well to eliminate all common law public nuisances, and sought monetary sanctions of up to $25,000 per day for each violation. Pursuant to a Consent Judgment entered by the court on March 18, 2009, the parties agreed that we had complied with all Applicable Statutes and eliminated all common law public nuisances. We also agreed to pay a total penalty of $154,625.

Carter Valley Matter

On April 12, 2006, federal agents executed a search warrant at BFI Waste Systems of Tennessee, LLC's Carter Valley Landfill (the Landfill) and seized information regarding the Landfill's receipt of special waste from one of its commercial customers. On the same date, the U.S. Attorney's Office for the Eastern District of Tennessee served a grand jury subpoena on us seeking related documents (the 2006 Subpoena). Shortly thereafter, the government agreed to an indefinite extension of our time to respond to the subpoena, and there were no further communications between Allied and the federal government until 2008. In 2007, while the federal investigation was pending, the Tennessee Department of Environment and Conservation investigated the Landfill's receipt of the same special waste, determined that there was not a sufficient basis to conclude that the Landfill had disposed of hazardous waste, and took no enforcement action. On April 2, 2008, the US Attorney's Office issued a new grand jury subpoena seeking the same categories of documents requested in the 2006 Subpoena. We are currently producing documents in response to the 2008 subpoena. On January 21, 2009, the DOJ sent a letter to us stating that it believed, based on its initial investigation, that certain unnamed employees at the Landfill had violated the RCRA and that we were liable for these criminal violations under the theory of *respondent superior*. If convicted, pursuant to applicable law, we could be subject to a wide range of criminal or civil penalties. Criminal penalties may not be more than the greatest of a maximum of $50,000 for each day of violation, a calculation of twice the gross pecuniary gain from the offense or a maximum of $500,000. We could also be subject to civil penalties of $32,500 per day per violation. We are engaged in on-going discussions with the DOJ and are in the process of providing additional support to the DOJ for our position that we should not be held criminally liable for the acts of its employees at the Carter Valley Landfill.

Carbon Limestone Matter

On May 4, 2009, the Ohio Environmental Protection Agency (OEPA) issued Proposed Findings and Orders (F&Os) to Carbon Limestone Landfill, LLC, our wholly owned subsidiary. The proposed F&Os allege violations regarding the alleged acceptance of hazardous waste from two customers and allege issues regarding the site's leachate management collection system and groundwater monitoring program. The proposed F&Os would require the site to undertake various corrective actions and pay a civil penalty of $155,311. We intend to vigorously defend the claims.

Tax Matters

We and our subsidiaries are subject to income tax in the U.S. and Puerto Rico as well as income tax in multiple state jurisdictions. We acquired Allied's open tax periods as part of the acquisition. Allied is currently under examination or administrative review by various state and federal taxing authorities for certain tax years, including federal income tax audits for calendar years 2000 through 2007. We are also engaged in tax litigation as a result of our risk management companies. These matters are further discussed below.

Risk Management Companies

Prior to Allied's acquisition of BFI in July 1999, certain BFI operating companies, as part of a risk management initiative to manage and reduce costs associated with certain liabilities, contributed assets and existing environmental and self-insurance liabilities to six fully consolidated BFI risk management companies (RMCs) in exchange for stock representing a minority ownership interest in the RMCs. Subsequently, the BFI operating companies sold that stock in the RMCs to third parties at fair market value which resulted in a capital loss of approximately $900.0 million for tax purposes, calculated as the excess of the tax basis of the stock over the cash proceeds received.

On January 18, 2001, the Internal Revenue Service (IRS) designated this type of transaction and other similar transactions as a "potentially abusive tax shelter" under IRS regulations. During 2002, the IRS proposed the disallowance of all of this capital loss. At the time of the disallowance, the primary argument advanced by the IRS for disallowing the capital loss was that the tax basis of the stock of the RMCs received by the BFI operating companies was required to be reduced by the amount of liabilities acquired by the RMCs even though such liabilities were contingent and, therefore, not liabilities recognized for tax purposes. Under the IRS interpretation, there was no capital loss on the sale of the stock since the tax basis of the stock should have approximated the proceeds received. Allied protested the disallowance to the Appeals Office of the IRS in August 2002.

In April 2005, the Appeals Office of the IRS upheld the disallowance of the capital loss deduction. As a result, in late April 2005, Allied paid a deficiency to the IRS of $22.6 million for BFI tax years prior to the acquisition. Allied also

received a notification from the IRS assessing a penalty of $5.4 million and interest of $12.8 million relating to the asserted $22.6 million deficiency. In July 2005, Allied filed a suit for refund in the United States Court of Federal Claims (CFC). The DOJ thereafter filed a counterclaim in the case for the $5.4 million penalty and $12.8 million of interest claimed by the IRS. In December 2005, the IRS agreed to suspend the collection of this penalty and interest until a decision was rendered on Allied's suit for refund.

Another refund suit related to this same issue is currently pending in the United States District Court for the District of Arizona. In August 2008, Allied received from the IRS a Statutory Notice of Deficiency (Notice) related to its utilization of BFI's capital loss carryforward on Allied's 1999 tax return. Because of the high rate of interest associated with this matter, Allied previously paid all tax and interest related to this tax year. Consequently, the Notice related only to the IRS' asserted penalty for Allied's 1999 tax year. On October 30, 2008, Allied filed a suit for refund in the Arizona District Court. Similar to the BFI action in the CFC, the DOJ has filed a counterclaim for the asserted penalty and related penalty interest. As a consequence, we expect the IRS will suspend collection of the penalty, as occurred in connection with the BFI action. However, there can be no assurance that the IRS will suspend its collection efforts.

In December 2008, subsequent to our acquisition of Allied, a hearing was held in the CFC. At this hearing, we informed the judge of our intention to withdraw our suit from the CFC in order to continue to litigate the merits of our position exclusively in the Arizona District Court. We believe the decisional law applicable to this matter is more favorable to taxpayers there than in the CFC.

To accomplish the withdrawal from the CFC, in January 2009, we paid the government's counterclaim for penalty and penalty interest of approximately $11.0 million. Prior to December 31, 2008, Allied had already paid $51.0 million in tax and interest relating to the 1997 through 1999 BFI tax years. As a result, all tax, interest and penalties related to the 1997 through 1999 BFI tax years have been paid. On April 28, 2009, the judge in the CFC issued an order dismissing our case with prejudice. As a consequence, the tax, interest and penalty amounts paid by us for the BFI tax years will not be recoverable in any subsequent action.

If the capital loss deduction is fully disallowed for all applicable years, we estimate that it would have a total cash impact (including amounts already paid to the IRS as described below) of approximately $451 million related to federal taxes, state taxes and interest, and, approximately $166 million related to penalty and penalty-related interest. These amounts have been fully accrued in our consolidated balance sheet, and therefore, disallowance would not materially affect our consolidated results of operations. However, a payment beyond the amounts already paid would adversely impact our cash flow in the period such payment was made. The accrual of additional interest charges through the time these matters are resolved will affect our consolidated results of operations. Due to the high rate of interest associated with this matter, we or Allied have previously paid the IRS and various state tax authorities $394 million related to capital loss deductions taken on BFI's 1997 through 1999 and Allied's 1999 through 2002 tax returns. In addition, we or Allied have paid approximately $11 million of penalty and penalty-related interest for the BFI 1997 — 1999 tax years. Although we have fully accrued all tax, interest, penalty, and penalty-related interest relating to this matter, we intend to vigorously prosecute our suit for refund of the tax and interest and defend against the IRS' claims for penalties and penalty-related interest in the Arizona District Court. While there can be no assurances, we anticipate that the final resolution of the dispute, through adjudication or settlement, may be more favorable than the full amount currently accrued for tax, interest, penalty and penalty-related interest.

Exchange of Partnership Interests

In April 2002, Allied exchanged minority partnership interests in four waste-to-energy facilities for majority partnership interests in equipment purchasing businesses, which are now wholly owned subsidiaries. In November 2008, the IRS issued a formal disallowance to Allied contending that the exchange was instead a sale on which a corresponding gain should have been recognized. Although we intend to vigorously defend our position on this matter, if the exchange is treated as a sale, we estimate it could have a potential federal and state cash tax impact of approximately $156 million plus accrued interest through March 31, 2009 of approximately $51 million. In addition, the IRS has asserted a penalty of 20% of the additional income tax due. The potential tax and interest (but not penalty or penalty-related interest) of a full adjustment for this matter have been fully reserved in our consolidated balance sheet at March 31, 2009. The successful assertion by the IRS of penalty and penalty-related interest in connection with this matter could have a material adverse impact on our consolidated results of operations and cash flows.

ITEM 1A. RISK FACTORS.

There were no material changes during the three months ended March 31, 2009 in the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2008.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

The following table provides information relating to our purchase of shares of our common stock in the first quarter of 2009:

	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (in millions)
January 2009	—	$ —	—	$ 248.0
February 2009	12,523	22.45	12,523	247.7
March 2009	—	—	—	247.7
Total	12,523	$ 22.45	12,523	$ 247.7

The purchases reflected in the table above represent shares withheld upon vesting of restricted stock, to satisfy statutory minimum tax withholding obligations. We intend to continue to satisfy minimum tax withholding obligations in connection with the vesting of outstanding restricted stock through the withholding of shares. We suspended our share repurchase program during the second quarter of 2008, as a result of our planned merger with Allied. We expect that our share repurchase program will continue to be suspended until at least 2011.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit
10.1	First Amendment to Employment Agreement, effective as of December 5, 2008, between Republic Services, Inc. and Donald W. Slager (incorporated by reference to the registrant’s current report on Form 8-K filed on January 7, 2009).
10.2	Employment Agreement, effective as of December 5, 2008, between Republic Services, Inc. and Donald W. Slager (incorporated by reference to the registrant’s current report on Form 8-K filed on February 5, 2009).
10.3	Employment Agreement, effective as of December 5, 2008, between Republic Services, Inc. and James E. O’Connor (incorporated by reference to the registrant’s current report on Form 8-K filed on February 24, 2009).
10.4*	Amended and Restated Employment Agreement, dated May 4, 2009, between Republic Services, Inc. and Tod C. Holmes.

Exhibit Number	Description of Exhibit
10.5*	Amended and Restated Employment Agreement, dated May 4, 2009, between Republic Services, Inc. and James E. O'Connor.
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1*	Section 1350 Certification of Chief Executive Officer
32.2*	Section 1350 Certification of Chief Financial Officer

* Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant, Republic Services, Inc., has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

REPUBLIC SERVICES, INC.

By: /s/ TOD C. HOLMES
Tod C. Holmes
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: May 11, 2009

By: /s/ CHARLES F. SERIANNI
Charles F. Serianni
Senior Vice President and
Chief Accounting Officer
(Principal Accounting Officer)

Exhibit 10.4

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This AMENDED AND RESTATED EMPLOYMENT AGREEMENT by and between Republic Services, Inc. (the "Company") and TOD C. HOLMES ("Employee") shall become effective upon the date of the approval by the Company's stockholders of the Executive Incentive Plan (including the Synergy Incentive Plan) proposed in the Company's April 3, 2009 proxy statement (the "Effective Date"); provided, however, that if (a) prior to such date the Employee has notified the Company of his intention to terminate his employment, or (b) the Executive Incentive Plan (including the Synergy Incentive Plan) is not approved on or before June 30, 2009, this Amended and Restated Employment Agreement shall be null and void and the Existing Employment Agreement (defined below) shall remain in full force and effect. Employee and the Company are parties to that Employment Agreement that was entered into and effective as of February 21, 2007 (the "Existing Employment Agreement"). The parties desire to revise the Existing Employment Agreement by entering into this Amended and Restated Employment Agreement (the "Agreement").

As of the Effective Date hereof, Employee continues to be an employee of the Company and is considered a valued employee such that the Company desires to retain him in accordance with the terms of the Agreement set forth herein.

In consideration of the premises set forth above, the mutual representations, warranties, covenants and agreements contained in this Agreement and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Employment.

(a) Retention. The Company agrees to continue the employment of Employee as its Executive Vice President and Chief Financial Officer, and Employee agrees to accept such employment, subject to the terms and conditions of this Agreement.

(b) Employment Period. This Agreement shall commence on the Effective Date and, unless terminated in accordance with the terms of this Agreement shall continue in effect on a rolling two-year basis, such that at any time during the term of this Agreement there will be two years remaining (the "Employment Period"). Notwithstanding the evergreen nature of the Employment Period, the Company may terminate Employee at any time in accordance with the provisions of Section 3 of this Agreement.

(c) Duties and Responsibilities. During the Employment Period, Employee shall serve as Executive Vice President and Chief Financial Officer and shall have such authority and responsibility and perform such duties as may be assigned to him from time to time at the direction of the Board of Directors of the Company, and in the absence of such assignment, such duties as are customary to Employee's office and as are necessary or appropriate to the business and operations of the Company. During the Employment Period, Employee's employment shall be full time and Employee shall perform his duties honestly, diligently, in good faith and in the

best interests of the Company and shall use his best efforts to promote the interests of the Company.

(d) Other Activities. Except upon the prior written consent of the Company, Employee, during the Employment Period, will not accept any other employment. Employee shall be permitted to engage in any non-competitive businesses, not-for-profit organizations and other ventures, such as passive real estate investments, serving on charitable and civic boards and organizations, and similar activities, so long as such activities do not materially interfere with or detract from the performance of Employee's duties or constitute a breach of any of the provisions contained in Section 7 of this Agreement.

2. Compensation.

(a) Base Salary and Adjusted Salary. In consideration for Employee's services hereunder and the restrictive covenants contained herein, Employee shall be paid an annual base salary (the "Base Salary") of $575,000, payable in accordance with the Company's customary payroll practices. With respect to any Fiscal Year during which Employee is employed by the Company for less than the entire Fiscal Year, the Base Salary shall be prorated for the period during which the Employee is so employed. Notwithstanding the foregoing, Employee's Base Salary may be increased, but not decreased (taking into account prior increases) without Employee's consent at anytime and from time to time to levels greater than the levels set forth in the preceding sentence at the discretion of the Board of Directors of the Company to reflect merit or other increases. The term "Fiscal Year" as used herein shall mean each period of twelve (12) calendar months commencing on January 1st of each calendar year during the Employment Period and expiring on December 31st of such year.

(b) Annual Awards. In addition to the Base Salary, Employee shall be eligible to receive Annual Awards in an amount equal to a target of 100% of the Employee's Base Salary in effect for the Performance Period with respect to which such Annual Award is granted, as established pursuant to the terms of the Company's Executive Incentive Plan, as amended (the "Executive Incentive Plan"). The Annual Award shall be based on the achievement of such Performance Goals as are established by the Compensation Committee of the Board of Directors pursuant to the Executive Incentive Plan. The achievement of said Performance Goals shall be determined by the Compensation Committee of the Board of Directors. Except as otherwise provided in Sections 3 and 25, with respect to any Fiscal Year during which Employee is employed by the Company for less than the entire Fiscal Year, the Annual Award shall be prorated for the period during which Employee was so employed. The Annual Award shall be payable within sixty (60) days after the end of the Company's Fiscal Year. To the extent of any conflict between the provisions of this Agreement and the Executive Incentive Plan, the terms of this Agreement shall control.

(c) Merit and Other Bonuses. Employee shall be entitled to such other bonuses as may be determined by the Board of Directors of the Company or by a committee of the Board of Directors as determined by the Board of Directors, in its sole discretion.

(d) Existing Stock Options and Shares of Restricted Stock. The Company has issued to Employee options to purchase shares of the Company's Common Stock pursuant to the terms of various Option Agreements and the terms of the Company's 1998 Stock Incentive Plan and 2007 Stock Incentive Plan (the "Outstanding Option Grants"). The Company has also granted to Employee restricted shares of the Company's Common Stock pursuant to the terms of various Executive Restricted Stock Agreements and the terms of the Company's 1998 Stock Incentive Plan and 2007 Stock Incentive Plan (the "Outstanding Restricted Stock Grants"). The options issued or to be issued under the Outstanding Option Grants shall continue to be subject to the terms of the Option Agreements, except to the extent otherwise provided for in this Agreement. The shares of restricted stock granted or to be granted under the Outstanding Restricted Stock Grants shall continue to be subject to the terms of the Executive Restricted Stock Agreements, except to the extent otherwise provided for in this Agreement.

(e) Other Stock Options. Employee shall be entitled to participate and receive option grants under the 2007 Stock Incentive Plan and such other incentive or stock option plans as may be in effect from time-to-time, as determined by the Board of Directors of the Company.

(f) Other Compensation Programs. Employee shall be entitled to participate in the Company's incentive and deferred compensation programs and such other programs as are established and maintained for the benefit of the Company's employees or executive officers, subject to the provisions of such plans or programs.

(g) Health Insurance. The Company shall pay for Employee's and his family's health insurance including without limitation comprehensive major medical and hospitalization coverage including dental and optical coverage under all group medical plans from time to time in effect for the benefit of the Company's employees or executive officers.

(h) Life Insurance. The Company shall purchase and maintain in effect one or more term insurance policies on the life of Employee in an aggregate amount not less than two times his Base Salary in effect from time to time during the term of employment. The beneficiary of such policy shall be the person or persons who Employee designates in writing to the Company.

(i) Disability Insurance. The Company shall pay for Employee to participate in the Company's disability insurance in effect from time to time. The Company shall pay for the maximum coverage commercially available. To the extent the Company does not have a disability insurance plan or other retirement plan, then the Company shall arrange, at its expense, for Employee to participate in such plan.

(j) Other Benefits. During the term of this Agreement, Employee shall also be entitled to participate in any other health insurance programs, life insurance programs, disability programs, stock option plans, bonus plans, pension plans and other fringe benefit plans and programs as are from time to time established and maintained for the benefit of the Company's employees or executive officers, subject to the provisions of such plans and programs.

(k) Expenses. Employee shall be reimbursed for all out-of-pocket expenses reasonably incurred by him on behalf of or in connection with the business of the Company, pursuant to the normal standards and guidelines followed from time to time by the Company. Notwithstanding anything herein to the contrary or otherwise, except to the extent any expense or reimbursement described in this Section 2(k) does not constitute a "deferral of compensation" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), any expense or reimbursement described in this Section 2(k) shall meet the following requirements: (i) the amount of expenses eligible for reimbursement provided to Employee during any calendar year will not affect the amount of expenses eligible for reimbursement or in-kind benefits provided to Employee in any other calendar year, (ii) the reimbursements for expenses for which Employee is entitled to be reimbursed shall be made on or before the last day of the calendar year following the calendar year in which the applicable expense is incurred, (iii) the right to payment or reimbursement or in-kind benefits hereunder may not be liquidated or exchanged for any other benefit, and (iv) the reimbursements shall be made pursuant to objectively determinable and nondiscretionary Company policies and procedures regarding such reimbursement of expenses.

(l) Long Term Awards. On April 26, 2001, the Board of Directors adopted the Republic Services, Inc. Long Term Incentive Plan, effective January 1, 2001 to provide for long term incentive cash grants for specific employees of the Company, including Employee. Effective January 1, 2003, the Long Term Incentive Plan was amended, restated and renamed the Executive Incentive Plan to provide not only for long term incentive cash grants but also to include the Annual Awards referred to above. Employee has participated in the Long Term Incentive Plan and the Executive Incentive Plan since inception, and Employee shall be entitled to continue to participate in the Executive Incentive Plan (or any successor plan maintained by the Company) for purposes of receiving Long Term Awards pursuant to the terms of this Agreement and the Executive Incentive Plan (or such successor plan).

(m) Synergy Incentive Plan. The maximum award that the Employee is eligible to receive under the Synergy Incentive Plan is $8,000,000, subject to shareholder approval of the Executive Incentive Plan. Awards under the Synergy Incentive Plan shall not be considered Annual Awards, Long Term Awards, or equity awards or otherwise taken into account for purposes of Sections 3, 4 or 25 of this Agreement, but instead, such awards shall be governed by the terms of the Synergy Incentive Plan, except that notwithstanding any provisions in the Synergy Incentive Plan or this Agreement to the contrary, if Employee's employment is terminated by the Company without Cause or by the Employee for Good Reason, or as a result of the Employee's death or Disability, Employee shall receive 100% of the Synergy Incentive Plan award that Employee would have received if Employee remained employed until the end of the measurement period (as defined in the Synergy Incentive Plan), to be paid within ninety (90) days after the end of the measurement period.

(n) Insurance. At all times during the term of this Agreement, and for such additional periods as are provided for in this Agreement, the Employee shall be covered under the Company's directors' and officers' liability insurance.

(o) Deferred Compensation Credits. The Company shall credit $1,000,000 to Employee's Annual Account as part of the Company Contribution Account pursuant to the Company's Deferred Compensation Plan ("Additional Company Contribution Account") on January 1, 2010, provided that Employee is employed on such date ("Grant Date"). The Additional Company Contribution Account, as adjusted under the Deferred Compensation Plan shall be immediately vested on the Grant Date and the Employee shall receive the Additional Company Contribution Account, as adjusted, in accordance with the terms of the Deferred Compensation Plan.

(p) New Shares of Restricted Stock. As of the Effective Date, the Company shall grant to Employee a number of shares of Restricted Stock equal to $500,000 divided by the per share closing price on the date of grant (rounded up to the next whole share) which shall vest on the first anniversary of the grant date, except to the extent otherwise provided for in this Agreement.

3. Termination.

(a) For Cause. The Company shall have the right to terminate this Agreement and to discharge Employee for Cause (as defined below), at any time during the term of this Agreement. Termination for Cause shall mean, during the term of this Agreement, (i) Employee's engaging in conduct that constitutes willful gross misconduct with respect to his employment duties which directly results in material economic harm to the Company, (ii) Employee's conviction of or a plea of guilty or *nolo contendere* to a felony or a crime involving moral turpitude which causes or will likely cause substantial economic damage to the Company, or (iii) Employee's failure lasting at least thirty (30) consecutive calendar days to discharge his duties under this Agreement due to willful gross negligence or willful gross misconduct which causes or will likely cause substantial economic damage to the Company, provided written notice of the alleged failure was delivered to Employee and he fails to commence any action to cure such alleged failure within thirty (30) days.

Upon any determination by the Company that Cause exists to terminate Employee, the Company shall cause a special meeting of the Board of Directors to be called and held at a time mutually convenient to the Board of Directors and Employee, but in no event later than ten (10) business days after Employee's receipt of the notice that the Company intends to terminate Employee for Cause. The notice shall set forth the specific factual allegations which support the determination of Cause. Employee shall have the right to appear before such special meeting of the Board of Directors with legal counsel of his choosing to refute such allegations and shall have a reasonable period of time to cure any actions or omissions which provide the Company with a basis to terminate Employee for Cause (provided that such cure period shall not exceed 30 days). The members of the Board of Directors must affirm that Cause exists to terminate Employee by a unanimous decision (excluding the Employee if a member of the Board) based upon information and without any deference that the actions or inactions of the Employee constitute Cause by clear and convincing evidence. Notwithstanding the foregoing, no finding by the Board will prohibit Employee from contesting such determination through

appropriate legal proceedings, provided that Employee's sole remedy shall be to sue for damages, not reinstatement, and damages shall be limited to those that would be paid to Employee if he had been terminated without Cause. In the event the Company terminates Employee for Cause, the Company shall only be obligated to continue to pay in the ordinary and normal course of its business to Employee his Base Salary plus accrued but unused vacation time through the termination date and the Company shall have no further obligations to Employee under this Agreement from and after the date of termination.

(b) Resignation by Employee Without Good Reason. If Employee shall resign or otherwise terminate his employment with the Company at anytime during the term of this Agreement, other than for Good Reason (as defined below), Employee shall only be entitled to receive his accrued and unpaid Base Salary and unused vacation time through the termination date, and the Company shall have no further obligations under this Agreement from and after the date of resignation.

(c) Termination by Company Without Cause and by Employee For Good Reason. At any time during the term of this Agreement, (i) the Company shall have the right to terminate this Agreement and to discharge Employee without Cause effective upon delivery of written notice to Employee, and (ii) Employee shall have the right to terminate this Agreement for Good Reason effective upon delivery of written notice to the Company. For purposes of this Agreement, "Good Reason" shall mean: (i) the Company has materially reduced the duties and responsibilities of Employee to a level not appropriate for an officer of a publicly-traded company holding the position provided for in Section 1(a), (ii) the Company has breached any material provision of this Agreement and has not cured such breach within 30 days of receipt of written notice of such breach from Employee, (iii) Company has reduced Employee's Base Salary by more than 10% from the prior Fiscal Year (nothing in this clause implies that the Company may reduce Employee's Salary below the levels provided for in Section 2(a)), (iv) the Company has terminated Employee's participation in one or more of the Company's sponsored benefit or incentive plans and no other executive officer has had his participation terminated, (v) a failure by the Company (1) to continue any bonus plan, program or arrangement in which Employee is entitled to participate ("Bonus Plans"), provided that any such Bonus Plans may be modified at the Company's discretion from time to time but shall be deemed terminated if (x) any such plan does not remain substantially in the form in effect prior to such modification and (y) if plans providing Employee with substantially similar benefits are not substituted therefor ("Substitute Plans"), or (2) to continue Employee as a participant in the Bonus Plans and Substitute Plans on at least a basis which is substantially the same as to potential amount of the bonus Employee participated in prior to any change in such plans or awards, in accordance with the Bonus Plans and the Substitute Plans (a plan shall be considered to be on a basis substantially the same as another if the potential amount payable thereunder is at least 90% of the potential amount payable under the other plan), or (vi) Employee's office is relocated by the Company to a location which is not located within the Arizona county of Maricopa. Notwithstanding the foregoing, the Employee's termination of employment pursuant to this Agreement shall not be effective unless (i) the Employee delivers a written notice setting forth the details of the occurrence giving rise to the claim of termination for Good Reason within a period not to exceed

90 days of its initial existence and (ii) the Company fails to cure the same within a thirty (30) day period. Upon any such termination by the Company without Cause, or by Employee for Good Reason, (i) the Company shall pay to Employee all of Employee's accrued but unpaid Base Salary and accrued but unused vacation time through the date of termination in a lump sum within sixty (60) days of termination; (ii) the Company shall continue to pay or provide for Employee all health benefits in which Employee was entitled to participate at any time during the 12-month period prior to the date of termination, until the earliest to occur of the second anniversary of the date of termination, Employee's death, or the date on which Employee becomes covered by a comparable health benefit plan by a subsequent employer; provided, however, that in the event that Employee's continued participation in any health benefit plan of the Company is prohibited, the Company will arrange to provide Employee with benefits substantially similar to those which Employee would have been entitled to receive under such plan for such period on a basis which provides Employee with no additional after tax cost; (iii) all stock option grants or restricted stock grants, whether or not part of the Outstanding Option Grant or any options or grants issued during the term of this Agreement, will immediately vest and any such options will remain exercisable for the lesser of the unexpired term of the option without regard to the termination of Employee's employment or three (3) years from the date of termination of employment; (iv) all Annual Awards shall vest and be paid on a prorated basis in an amount equal to the Annual Awards payment that the Compensation Committee of the Board of Directors determines would have been paid to Employee pursuant to the Executive Incentive Plan had Employee's employment continued to the end of the Performance Period, multiplied by a fraction, the numerator of which is the number of completed months of employment during such Performance Period and the denominator of which is the total number of months in the Performance Period, within sixty (60) days after the end of the Company's Fiscal Year; (v) all Long Term Awards shall vest and be paid on a prorated basis in an amount equal to (x) the maximum Long Term Awards that would have been paid to Employee pursuant to the Executive Incentive Plan had Employee's employment continued to the end of the Performance Periods established under the Executive Incentive Plan for award periods beginning on or before January 1, 2009 and (y) the Long Term Awards payment that the Compensation Committee of the Board of Directors determines would have been paid to Employee pursuant to the Executive Incentive Plan had Employee's employment continued to the end of the Performance Period for award periods beginning after January 1, 2009, in each case, multiplied by a fraction, the numerator of which is the number of completed months of employment during such Performance Period and the denominator of which is the total number of months in the Performance Period, within sixty (60) days after the end of the Company's Fiscal Year in which the Performance Period ends; (vi) as of the termination date Employee shall be paid, in accordance with the Deferred Compensation Plan and any elections thereunder, the balance of all amounts credited or eligible to be credited to Employee's deferred compensation account (including all Company contributions, whether or not vested, and the Additional Company Contribution Account even though such termination occurs prior to the Grant Date), plus, for all such amounts credited or eligible to be credited to such account based upon Company's performance on or before December 31, 2006 whether or not such amount is actually credited to such account prior to or after such date, a gross up payment equal to the amount of $3,100,000 to reimburse Employee for all income and other taxes imposed with respect to the payment of such amounts and all

income and other taxes arising as a result of said gross up payment such that the payment of such December 31, 2006 deferral amount of Employee is made to Employee free of all taxes thereon whatsoever within sixty (60) days after termination; (vii) the Company shall provide outplacement services which may include administrative support for up to one (1) year, provided that such amount may not exceed $50,000; and (viii) the Company shall pay to Employee $1,900,000 in a lump sum within sixty (60) days after termination (collectively, the foregoing consideration payable to Employee shall be referred to herein as the "Severance Payment").

(d) Disability of Employee. This Agreement may be terminated by the Company upon the Disability of Employee. "Disability" shall mean any mental or physical illness, condition, disability or incapacity which prevents Employee from reasonably discharging his duties and responsibilities under this Agreement for a period of 180 consecutive days. In the event that any disagreement or dispute shall arise between the Company and Employee as to whether Employee suffers from any Disability, then, in such event, Employee shall submit to the physical or mental examination of a physician licensed under the laws of the State of Arizona, who is mutually agreeable to the Company and Employee, and such physician shall determine whether Employee suffers from any Disability. In the absence of fraud or bad faith, the determination of such physician shall be final and binding upon the Company and Employee. The entire cost of such examination shall be paid for solely by the Company. In the event the Company has purchased Disability insurance for Employee, Employee shall be deemed disabled if he is completely (fully) disabled as defined by the terms of the Disability policy. Disability shall not be deemed to occur unless it constitutes a "disability," as such term is defined in Code Section 409A. In the event that at any time during the term of this Agreement Employee shall suffer a Disability and the Company terminates Employee's employment for such Disability, such Disability shall be considered to be a termination by the Company without Cause or a termination by Employee for Good Reason and the Severance Payment shall be paid to Employee to the same extent and in the same manner as provided for in paragraph (c) above, except that (i) payments of Annual Salary shall be mitigated by payments under Company-sponsored disability payments, (ii) to the extent any Awards (other than the award granted under the Synergy Incentive Plan) have been granted under the Executive Incentive Plan, but, as of the date of such termination, have not been determined to be earned pursuant to the terms of the Plan, Employee shall be paid, within thirty (30) days following the date of Employee's termination due to his Disability, an amount with respect to each such open Award which is equal to the full target amount that the Compensation Committee of the Board of Directors was authorized to cause to be paid to Employee pursuant to the Executive Incentive Plan had his or her employment continued through the end of the Performance Period related to such Award and had all Performance Goals been met, and (iii) the Employee will not be entitled to outplacement services.

(e) Death of Employee. If during the term of this Agreement Employee shall die, then the employment of Employee by the Company shall automatically terminate on the date of Employee's death. In such event, Employee's death shall be considered to be a termination by the Company without Cause or a termination by Employee for Good Reason and the Severance Payment shall be paid to Employee's personal representative or estate to the same extent and in

the same manner as provided for in paragraph (c) above (except that Employee will not be entitled to outplacement services) and without mitigation for any insurance policies or other benefits held by Employee, except that to the extent any Awards have been granted under the Executive Incentive Plan (other than the award granted under the Synergy Incentive Plan), but, as of the date of such termination, have not been determined to be earned pursuant to the terms of the Executive Incentive Plan, Employee's beneficiary or estate shall be paid, within thirty (30) days following the date of Employee's death, an amount with respect to each such open Award which is equal to the full target amount that the Compensation Committee of the Board of Directors was authorized to cause to be paid to Employee pursuant to the Executive Incentive Plan had his or her employment continued through the end of the Performance Period related to such Award and had all Performance Goals been met. Once such payments have been made to Employee's personal representative, beneficiary or estate, as the case may be, the Company shall have no further obligations under this Agreement to said personal representative, beneficiary or estate, or to any heirs of Employee.

4. Change of Control.

(a) Termination Rights. Notwithstanding the provisions of Section 2 and Section 3 of this Agreement, in the event that there shall occur a Change of Control (as defined below) during the term of this Agreement and Employee's employment hereunder is terminated within two years after such Change in Control by the Company without Cause or by Employee for Good Reason, then the Company shall be required to pay to Employee (i) the Severance Payment provided in Section 3(c) at the times specified therein, and (ii) the product of three (3) multiplied by the target amount of the Annual Awards and Long Term Awards that Employee would have been eligible for under the Executive Incentive Plan with respect to the Fiscal Year in which such termination occurs, in a single lump sum within sixty (60) days of termination. To the extent that payments are owed by the Company to Employee pursuant to this Section 4, they shall be made in lieu of payments pursuant to Section 3, and in no event shall the Company be required to make payments or provide benefits to Employee under both Section 3 and Section 4.

(b) Change of Control Defined. For purposes of this Section 4, the term "Change of Control" shall mean the occurrence of any of the following on or after the Effective Date:

(i) an acquisition (other than directly from the Company) of any voting securities of the Company (the "Voting Securities") by any "Person" (as the term person is used for purposes of Section 13(d) or 14(d) of the Exchange Act), immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of fifty percent (50%) or more of the then outstanding common stock of the Company ("Shares") or the combined voting power of the Company's then outstanding Voting Securities; provided, however, in determining whether a Change of Control has occurred pursuant to this subsection (a), Shares or Voting Securities which are acquired in a "Non-Control Acquisition" (as hereinafter defined) shall not constitute an acquisition which would cause a

Change of Control. A “Non-Control Acquisition” shall mean an acquisition by (a) an employee benefit plan (or a trust forming a part thereof) maintained by (1) the Company or (2) any corporation or other Person of which a majority of its voting power or its voting equity securities or equity interest is owned, directly or indirectly, by the Company (for purposes of this definition, a “Related Entity”), (b) the Company or any Related Entity, or (c) any Person in connection with a “Non-Control Transaction” (as hereinafter defined);

(ii) the individuals who, as of the Effective Date, are members of the Board (the “Incumbent Board”), cease for any reason to constitute at least a majority of the members of the Board or, following a Merger Event which results in a Parent Corporation, the board of directors of the ultimate Parent Corporation (as defined in paragraph (iii)(1)(A) below); provided, however, that if the election, or nomination for election by the Company’s common stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Agreement, be considered as a member of the Incumbent Board; provided further, however, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of an actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a “Proxy Contest”) including by reason of any agreement intended to avoid or settle a Proxy Contest; or

(iii) the consummation of:

(1) a merger, consolidation or reorganization with or into the Company or in which securities of the Company are issued (a “Merger Event”), unless such Merger Event is a “Non-Control Transaction.” A “Non-Control Transaction” shall mean a Merger Event where:

(A) the stockholders of the Company, immediately before such Merger Event own directly or indirectly immediately following such Merger Event at least fifty percent (50%) of the combined voting power of the outstanding voting securities of (x) the corporation resulting from such Merger Event (the “Surviving Corporation”) if fifty percent (50%) or more of the combined voting power of the then outstanding voting securities of the Surviving Corporation is not Beneficially Owned, directly or indirectly by another Person (a “Parent Corporation”), or (y) if there are one or more Parent Corporations, the ultimate Parent Corporation; and,

(B) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such Merger Event constitute at least a majority of the members of the board of directors of (x) the Surviving Corporation, if there are no Parent Corporation, or (y) if there are one or more Parent Corporations, the ultimate Parent Corporation; and

(C) no Person other than (1) the Company, (2) any Related Entity, (3) any employee benefit plan (or any trust forming a part thereof) that, immediately prior to such Merger Event was maintained by the Company or any Related Entity,

or (4) any Person who, immediately prior to such Merger Event had Beneficial Ownership of fifty percent (50%) or more of the then outstanding Voting Securities or Shares, has Beneficial Ownership of fifty percent (50%) or more of the combined voting power of the outstanding voting securities or common stock of (x) the Surviving Corporation if there is no Parent Corporation, or (y) if there are one or more Parent Corporations, the ultimate Parent Corporation.

(2) a complete liquidation or dissolution of the Company; or

(3) the sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Related Entity or under conditions that would constitute a Non-Control Transaction with the disposition of assets being regarded as a Merger Event for this purpose or the distribution to the Company's stockholders of the stock of a Related Entity or any other assets).

Notwithstanding the foregoing, a Change of Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the then outstanding Shares or Voting Securities as a result of the acquisition of Shares or Voting Securities by the Company which, by reducing the number of Shares or Voting Securities then outstanding, increases the proportional number of shares Beneficially Owned by the Subject Persons, provided that if a Change of Control would occur (but for the operation of this sentence) as a result of the acquisition of Shares or Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Shares or Voting Securities which increases the percentage of the then outstanding Shares or Voting Securities Beneficially Owned by the Subject Person, then a Change of Control shall occur.

In addition, a Change of Control shall not be deemed to occur unless the event(s) that causes such Change of Control also constitutes a "change in control event," as such term is defined in Code Section 409A.

(c) Other Incentives. Upon a Change of Control, any outstanding awards under Executive Incentive Plan or the Synergy Incentive Plan shall be treated in accordance with such plans.

5. <u>Gross-Up Payment</u>.

(a) <u>Amount</u>.

(i) If any payment or benefit provided to Employee by the Company ("Base Payment") would subject the Employee to the excise tax ("Excise Tax") imposed by Section 4999 of the Code (or any other similar tax that may hereafter be imposed) and the reason for the imposition of the Excise Tax is that the Base Payment is considered to be contingent upon the Merger of Allied Waste Industries, Inc. into RS Merger Wedge, Inc., and such Excise Tax is imposed on account of such a Base Payment, the Company shall pay to the employee the "Gross-Up Payment" described in Section 5(a)(ii) below.

(ii) If the Base Payment is subject to the Excise Tax imposed by Section 4999 of the Code and the requirements of Section 5(a)(i) are met, the Company shall pay to Employee the Gross-Up Payment determined as follows: The "Gross-Up Payment" shall be equal to the sum of (1) the Excise Tax imposed with respect to the Base Payment, plus (2) the Excise Tax imposed with respect to the Gross-Up Payment, plus (3) all other taxes imposed on Employee with respect to the Gross-Up Payment, including income taxes and Employee's share of FICA, FUTA and other payroll taxes. The Gross-Up Payment shall not include the payment of any tax on the Base Payment other than the Excise Tax. The Gross-Up Payment is intended to place Employee in the same economic position Employee would have been in if the Excise Tax did not apply, and shall be calculated in accordance with such intent.

(iii) In the event that a Base Payment would subject the Employee to the Excise Tax as a result of a Change of Control and the Base Payment is less than 110% of the sum of three (3) times the "base amount" (as defined in Code Section 280G) minus $1.00 ("Safe Harbor Amount"), then any amounts payable under this Agreement shall be reduced so that the Base Payment, in the aggregate, is reduced to the Safe Harbor Amount. The reduction of the amounts payable under this Agreement shall be made by first reducing the cash payments payable under this Agreement. No reduction shall occur if the Base Payment is 110% (or more) of the Safe Harbor Amount.

(b) Tax Rates and Assumptions. For purposes of determining the amount of the Gross-Up Payment, Employee shall be deemed to pay Federal income taxes at the highest marginal rate of Federal income taxation in the calendar year in which the Gross-Up Payment is to be made, and state and local income taxes at the highest marginal rate of taxation in the state and locality of Employee's residence on the date of termination, net of the maximum reduction in Federal income taxes which could be obtained from deduction of such state and local taxes.

(c) Payment and Calculation Procedures. The Gross-Up Payment attributable to a Base Payment shall be paid to Employee in cash and at such times as such Base Payment is paid or provided pursuant to this Agreement. Simultaneously with or prior to the Company's payment of a Base Payment, the Company shall deliver to Employee a written statement specifying the total amount of the Base Payment and the Excise Tax and Gross-Up Payment relating to the Base Payment, if any, together with all supporting calculations and conclusions. If Employee disagrees with the Company's determination of the Excise Tax or Gross-Up Payment, Employee shall submit to the Company, no later than 30 days after receipt of the Company's written statement, a written notice advising the Company of the disagreement and setting forth Employee's calculation of said amounts. Employee's failure to submit such notice within such period shall be conclusively deemed to be an agreement by Employee as to the amount of the Excise Tax and Gross-Up Payment, if any. If the Company agrees with Employee's calculations, it shall pay any shortfall in the Gross-Up Payment to Employee within 20 days after receipt of such a notice from Employee. If the Company does not agree with Employee's calculations, it shall provide Employee with a written notice within 20 days after the receipt of Employee's calculations advising Employee that the disagreement is to be referred to an

independent accounting firm for resolution. Such disagreement shall be referred to a nationally recognized independent accounting firm which is not the regular accounting firm of the Company and which is designated by the Company. The Company shall be required to designate such accounting firm within 10 days after issuance of the Company's notice of disagreement. The accounting firm shall review all information provided to it by the parties and submit a written report to the parties setting forth its calculation of the Excise Tax and the Gross-Up Payment within 15 days after submission of the matter to it, and such decision shall be final and binding on all of the parties. The fees and expenses charged by said accounting firm shall be paid by the Company. If the amount of the Gross-Up Payment actually paid by the Company was less than the amount calculated by the accounting firm, the Company shall pay the shortfall to Employee within 5 days after the accounting firm submits its written report. If the amount of the Gross-Up Payment actually paid by the Company was greater than the amount calculated by the accounting firm, Employee shall pay the excess to the Company within 5 days after the accounting firm submits its written report.

(d) Subsequent Recalculation. In the event the Internal Revenue Service or other applicable governmental authority imposes an Excise Tax with respect to a Base Payment that is greater than the amount of the Excise Tax determined pursuant to the immediately preceding paragraph, the Company shall reimburse Employee for the full amount of such additional Excise Tax plus any interest and penalties which may be imposed in connection therewith, and pay to Employee a Gross-up Payment sufficient to make Employee whole and reimburse Employee for any Excise Tax, income tax and other taxes imposed on the reimbursement of such additional Excise Tax and interest and penalties, in accordance with the principles set forth above.

(e) Example. The calculation of the Gross-Up Payment is illustrated by the example set forth in Schedule 5(e), attached to this Agreement and hereby incorporated by reference. The amounts set forth in such example are for illustration purposes only and no implication shall be drawn from such example as to the amounts otherwise payable to Employee by the Company.

6. Successor To Company. The Company shall require any successor, whether direct or indirect, to all or substantially all of the business, properties and assets of the Company whether by purchase, merger, consolidation or otherwise, prior to or simultaneously with such purchase, merger, consolidation or other acquisition to execute and to deliver to Employee a written instrument in form and in substance reasonably satisfactory to Employee pursuant to which any such successor shall agree to assume and to timely perform or to cause to be timely performed all of the Company's covenants, agreements and obligations set forth in this Agreement (a "Successor Agreement"). The failure of the Company to cause any such successor to execute and deliver a Successor Agreement to Employee shall constitute a material breach of the provisions of this Agreement by the Company.

7. Restrictive Covenants. In consideration of his employment and the other benefits arising under this Agreement, Employee agrees that during the term of this Agreement, and for a

period of two (2) years (three (3) years if the termination is within two years of the Merger of Allied Waste Industries, Inc. into RS Merger Wedge, Inc. or in the event Section 4(a) is applicable) following the termination of this Agreement, Employee shall not directly or indirectly:

(a) alone or as a partner, joint venturer, officer, director, member, employee, consultant, agent, independent contractor or stockholder of, or lender to, any company or business, (i) engage in the business of solid waste collection, disposal or recycling (the "Solid Waste Services Business") in any market in which the Company or any of its subsidiaries or affiliates does business, or any other line of business which is entered into by the Company or any of its subsidiaries or affiliates during the term of this Agreement, or (ii) compete with the Company or any of its subsidiaries or affiliates in acquiring or merging with any other business or acquiring the assets of such other business; or

(b) for any reason, (i) induce any customer of the Company or any of its subsidiaries or affiliates to patronize any business directly or indirectly in competition with the Solid Waste Services Business conducted by the Company or any of its subsidiaries or affiliates in any market in which the Company or any of its subsidiaries or affiliates does business; (ii) canvass, solicit or accept from any customer of the Company or any of its subsidiaries or affiliates any such competitive business; or (iii) request or advise any customer or vendor of the Company or any of its subsidiaries or affiliates to withdraw, curtail or cancel any such customer's or vendor's business with the Company or any of its subsidiaries or affiliates; or

(c) for any reason, employ, or knowingly permit any company or business directly or indirectly controlled by him, to employ, any person who was employed by the Company or any of its subsidiaries or affiliates at or within the prior six months, or in any manner seek to induce any such person to leave his or her employment.

Notwithstanding the foregoing, the beneficial ownership of less than five percent (5%) of the shares of stock of any corporation having a class of equity securities actively traded on a national securities exchange or over-the-counter market shall not be deemed, in and of itself, to violate the prohibitions of this Section.

8. Confidentiality. Employee agrees that at all times during the term of this Agreement and after the termination of employment for as long as such information remains non-public information, Employee shall (i) hold in confidence and refrain from disclosing to any other party all information, whether written or oral, tangible or intangible, of a private, secret, proprietary or confidential nature, of or concerning the Company or any of its subsidiaries or affiliates and their business and operations, and all files, letters, memoranda, reports, records, computer disks or other computer storage medium, data, models or any photographic or other tangible materials containing such information ("Confidential Information"), including without limitation, any sales, promotional or marketing plans, programs, techniques, practices or strategies, any expansion plans (including existing and entry into new geographic and/or product markets), and any customer lists, (ii) use the Confidential Information solely in connection with

his employment with the Company or any of its subsidiaries or affiliates and for no other purpose, (iii) take all precautions necessary to ensure that the Confidential Information shall not be, or be permitted to be, shown, copied or disclosed to third parties, without the prior written consent of the Company or any of its subsidiaries or affiliates, and (iv) observe all security policies implemented by the Company or any of its subsidiaries or affiliates from time to time with respect to the Confidential Information. In the event that Employee is ordered to disclose any Confidential Information, whether in a legal or regulatory proceeding or otherwise, Employee shall provide the Company or any of its subsidiaries or affiliates with prompt notice of such request or order so that the Company or any of its subsidiaries or affiliates may seek to prevent disclosure. In addition to the foregoing Employee shall not at any time libel, defame, ridicule or otherwise disparage the Company.

9. Specific Performance; Injunction. The parties agree and acknowledge that the restrictions contained in Sections 7 and 8 are reasonable in scope and duration and are necessary to protect the Company or any of its subsidiaries or affiliates. If any provision of Section 7 or 8 as applied to any party or to any circumstance is adjudged by a court to be invalid or unenforceable, the same shall in no way affect any other circumstance or the validity or enforceability of any other provision of this Agreement. If any such provision, or any part thereof, is held to be unenforceable because of the duration of such provision or the area covered thereby, the parties agree that the court making such determination shall have the power to reduce the duration and/or area of such provision, and/or to delete specific words or phrases, and in its reduced form, such provision shall then be enforceable and shall be enforced. Employee agrees and acknowledges that the breach of Section 7 or 8 will cause irreparable injury to the Company or any of its subsidiaries or affiliates and upon breach of any provision of such Sections, the Company or any of its subsidiaries or affiliates shall be entitled to injunctive relief, specific performance or other equitable relief, without being required to post a bond; provided, however, that, this shall in no way limit any other remedies which the Company or any of its subsidiaries or affiliates may have (including, without limitation, the right to seek monetary damages).

10. Nondisparagement.

(a) The Employee shall not, at any time during his employment with the Company or thereafter, make any public or private statement to the news media, to any Company competitor or client, or to any other individual or entity, if such statement would disparage any of the Company, any of their respective businesses or any director or officer of any of them or such businesses or would have a deleterious effect upon the interests of any of such businesses or the stockholders or other owners of any of them; provided, however, that the Employee shall not be in breach of this restriction if such statements consist solely of (i) private statements made to any officers, directors or employees of any of the Company by the Employee in the course of carrying out his duties pursuant to this Agreement or, to the extent applicable, his duties as a director or officer, or (ii) private statements made to persons other than clients or competitors of any of the Company (or their representatives) or members of the press or the financial community that do not have a material adverse effect upon any of the Company; and provided

that nothing contained in this paragraph or in any other provision of this Agreement shall preclude the Employee from making any statement in good faith that is required by law, regulation or order of any court or regulatory commission, department or agency.

(b) The Company shall not, at any time during the Employee's employment with the Company or thereafter, authorize any person to make, nor shall the Company condone the making of, any statement, publicly or privately, by its officers which would disparage the Employee; provided, however, that the Company shall not be in breach of this restriction if such statements consist solely of (i) private statements made to any officers, directors or employees of the Company or (ii) private statements made to persons other than clients or competitors of any of the Company (or their representatives) or members of the press or the financial community that do not have a material adverse effect upon the Employee; and provided, further, that nothing contained in this paragraph or in any other provision of this Agreement shall preclude any officer, director, employee, agent or other representative of any of the Company from making any statement in good faith which is required by any law, regulation or order of any court or regulatory commission, department or agency.

11. Future Cooperation. The Employee agrees to make himself reasonably available to the Company and its affiliates in connection with any claims, disputes, investigations, regulatory examinations or actions, lawsuits or administrative proceedings relating to matters in which the Employee was involved during the period in which he was Chief Financial Officer of the Company, and to provide information to the Company and otherwise cooperate with the Company and its affiliates in the investigation, defense or prosecution of such actions. Employee shall be entitled to reimbursement of reasonable out of pocket costs for travel and legal costs associated therewith, approved in advance by the Company.

12. Payments Contingent on Employee's Release of Company. All of the payments and benefits to which the Employee would otherwise be entitled under Sections 3 and 4, except with respect to payments of accrued and unpaid Base Salary and vacation pay shall be contingent on the Employee's delivery to the Company of a signed and enforceable release of all claims against the Company, other than with respect to employee pension, health or medical benefit plans, rights to indemnification under the director and officer liability insurance policy, or under the bylaws or certificate of incorporation of the Company, within thirty (30) days of termination.

13. Notices. All notices, requests, demands, claims and other communications hereunder shall be in writing and shall be deemed given if delivered by hand delivery, by certified or registered mail (first class postage pre-paid), guaranteed overnight delivery or facsimile transmission if such transmission is confirmed by delivery by certified or registered mail (first class postage pre-paid) or guaranteed overnight delivery to, the following addresses and telecopy numbers (or to such other addresses or telecopy numbers which such party shall designate in writing to the other parties): (a) if to the Company, at its principal executive offices, addressed to the President, with a copy to the General Counsel; and (b) if to Employee, at the address listed on the signature page hereto.

14. Amendment. This Agreement may not be modified, amended, or supplemented, except by written instrument executed by all parties. The rights and remedies of the parties under this Agreement are in addition to all other rights and remedies, at law or equity, that they may have against each other.

15. Assignment; Third Party Beneficiary. This Agreement, and Employee's rights and obligations hereunder, may not be assigned or delegated by him. The Company may assign its rights, and delegate its obligations, hereunder to any affiliate of the Company, or any successor to the Company or its Solid Waste Services Business, specifically including the restrictive covenants set forth in Section 7 hereof. The rights and obligations of the Company under this Agreement shall inure to the benefit of and be binding upon its respective successors and assigns.

16. Severability; Survival. In the event that any provision of this Agreement is found to be void and unenforceable by a court of competent jurisdiction, then such unenforceable provision shall be deemed modified so as to be enforceable (or if not subject to modification then eliminated herefrom) to the extent necessary to permit the remaining provisions to be enforced in accordance with the parties intention. The provisions of Sections 7, 8, 10 and 11 will survive the termination for any reason of Employee's relationship with the Company.

17. Indemnification. The Company agrees to indemnify Employee during the term and after termination of this Agreement in accordance with the provisions of the Company's certificate of incorporation and bylaws and the Delaware General Corporation Law.

18. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original but all of which together shall constitute one and the same instrument.

19. Governing Law. This Agreement shall be construed in accordance with and governed for all purposes by the laws of the State of Arizona applicable to contracts executed and to be wholly performed within such State.

20. Entire Agreement. This Agreement contains the entire understanding of the parties in respect of its subject matter and supersedes all prior agreements and understandings (oral or written) between or among the parties with respect to such subject matter. Upon the execution of this Agreement the provisions of the Existing Employment Agreement shall be superseded and shall be of no further force.

21. Headings. The headings of Paragraphs and Sections are for convenience of reference and are not part of this Agreement and shall not affect the interpretation of any of its terms.

22. Construction. This Agreement shall be construed as a whole according to its fair meaning and not strictly for or against any party. The parties acknowledge that each of them has reviewed this Agreement and has had the opportunity to have it reviewed by their respective

attorneys and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Agreement. Words of one gender shall be interpreted to mean words of another gender when necessary to construe this Agreement, and in like manner words in singular may be interpreted to be in the plural, and vice versa.

23. Attorneys' Fees. If at any time following a Change of Control, there should arise any dispute as to the validity, interpretation or application of any term or condition of this Agreement, the Company agrees, upon written demand by Employee (and Employee shall be entitled upon application to any court of competent jurisdiction, to the entry of a mandatory injunction, without the necessity of posting any bond with respect thereto, compelling the Company) to promptly provide sums sufficient to pay on a current basis (either directly or by reimbursing Employee) Employee's costs and reasonable attorneys' fees (including expenses of investigation and disbursements for the fees and expenses of experts, etc.) incurred by Employee in connection with any such dispute, litigation or arbitration up to $50,000 (and additional reasonable amounts above $50,000, in the sole discretion of the Compensation Committee of the Board of Directors), and provided further that Employee shall repay any such amounts paid or advanced if Employee is not the prevailing party with respect to at least one material claim or issue in such dispute, litigation or arbitration. If at any time when there has not previously been a Change of Control, there should arise any dispute, litigation, or arbitration as to the validity, interpretation or application of any term or condition of the Agreement, the prevailing party in such dispute, litigation or arbitration shall be entitled to recover from the non-prevailing party its costs and reasonable attorneys' fees (including expenses of investigation and disbursements for the fees and expenses of experts, etc.) incurred in such dispute, litigation or arbitration. The provisions of this Section 23, without implication as to any other section hereof, shall survive the expiration or termination of this Agreement and Employee's employment hereunder.

24. Withholding. All payments made to Employee shall be made net of any applicable withholding for income taxes, Excise Tax and Employee's share of FICA, FUTA or other taxes. The Company shall withhold such amounts from such payments to the extent required by applicable law and remit such amounts to the applicable governmental authorities in accordance with applicable law.

25. Retirement Eligibility. Upon Employee's retirement after satisfying the requirements set forth below (including as applicable the 12 months advance notice of retirement), in lieu of payments under Sections 3 and 4, the Company shall pay to Employee (i) all of Employee's accrued but unpaid Base Salary through the date of retirement, (ii) the Company shall continue to pay or provide for Employee all health benefits in which Employee was entitled to participate in at any time during the 12-month period prior to the date of retirement, until the earliest to occur of the second anniversary of the date of retirement, Employee's death, or the date on which Employee becomes covered by a comparable health benefit plan by a subsequent employer; provided, however, that in the event that Employee's continued participation in any health benefit plan of the Company is prohibited, the Company will arrange to provide Employee with benefits substantially similar to those which Employee would have been entitled to receive under such plan for such period on a basis which provides

Employee with no additional after tax cost, (iii) $1,900,000 in a lump sum within sixty (60) days after retirement, (iv) the balance of all amounts credited or eligible to be credited to Employee's deferred compensation account (the "Deferred Compensation Account") under the Deferred Compensation Plan (including all Company contributions, whether or not vested, and the Additional Company Contribution Account even though such retirement occurs prior to the Grant Date), payable in accordance with the Deferred Compensation Plan and any elections thereunder, and (v) for all such amounts credited or eligible to be credited to the Deferred Compensation Account based upon Company's performance on or before December 31, 2006 whether or not such amount is actually credited to the Deferred Compensation Account prior to or after such date (the "December 31, 2006 Deferred Amount"), a gross-up payment equal to the amount of $3,100,000 to reimburse Employee for all income and other taxes imposed with respect to the payment of the December 31, 2006 Deferred Amount and all income and other taxes arising as a result of said gross up payment such that the payment of such December 31, 2006 Deferral Amount is made to Employee free of all taxes thereon whatsoever within sixty (60) days following retirement. In addition to the foregoing, for all stock option or restricted stock awards ("Equity Awards") and all monetary awards (including Annual Awards and Long Term Awards pursuant to the Executive Incentive Plan and any retirement contributions to the deferred compensation program) ("Monetary Awards"), in each case granted to Employee prior to July 26, 2006 ("Prior Awards"), such Employee shall be eligible to retire for purposes of the Prior Awards, and such Prior Awards shall fully vest in the event of such retirement, upon attaining either (a) the age of fifty-five (55) and having completed six (6) years of service with the Company or (b) the age of sixty-five (65) without regard to years of service with the Company (the "Original Retirement Policy"). For all Equity Awards and/or Monetary Awards (including the amounts listed above in subsections (iii) and (iv) of this Section 25) granted to Employee following July 26, 2006 ("Prospective Awards"), the Original Retirement Policy shall apply, and such Prospective Awards shall fully vest in the event of such retirement and/or be payable within 60 days after retirement, provided, and only to the extent that, Employee shall provide the Company with not less than twelve (12) months prior written notice of Employee's intent to retire. If James O'Connor provides a notice of his intent to retire prior to Employee providing the notice, the Employee may not provide his twelve-month notice until the earlier of (x) the date nine (9) months after the date on which James O'Connor provides the Company with his notice to retire, and (y) the actual date of James O'Connor's termination of employment. Failure by Employee to provide such written notice shall cause the Revised Retirement Policy (as hereinafter defined) to apply with respect to the vesting of Prospective Awards, but such failure shall have no effect whatsoever on the Prior Awards, all of which shall continue to be subject to the Original Retirement Policy. For purposes of this Agreement, (i) "Revised Retirement Policy" shall mean Employee has attained the age of (x) sixty (60) and has completed fifteen (15) years of continuous service with the Company or (y) sixty-five (65) with five (5) years of continuous service with the Company, and (ii) all Annual Awards and all Long Term Awards includable within the Monetary Awards to be fully vested as provided above shall include all such Awards which have been granted to Employee, but which, as of the date of his retirement, have not been determined to have been earned pursuant to the Plan and in such instance Employee shall be paid an amount with respect to each such open Award equal to (x) for award periods beginning on or before January 1, 2009, the full target amount that the

Compensation Committee of the Board of Directors was authorized to cause to be paid to Employee pursuant to the Executive Incentive Plan, within thirty (30) days following the date of Employee's retirement, and (y) for award periods beginning after January 1, 2009, the prorated portion of the Annual Awards and Long Term Awards payment that the Compensation Committee of the Board of Directors determines would have been paid to Employee pursuant to the Executive Incentive Plan had Employee's employment continued to the end of the Performance Period multiplied by a fraction, the numerator of which is the number of completed months of employment during such Performance Period and the denominator of which is the total number of months in the Performance Period, within sixty (60) days after the end of the Company's Fiscal Year in which the Performance Period ends. The 12 months advance notice as described above shall not apply on or after a Change of Control.

26. Code Section 409A.

(a) General. It is the intention of both the Company and Employee that the benefits and rights to which Employee could be entitled pursuant to this Agreement comply with Code Section 409A, to the extent that the requirements of Code Section 409A are applicable thereto, and the provisions of this Agreement shall be construed in a manner consistent with that intention. If Employee or the Company believes, at any time, that any such benefit or right that is subject to Code Section 409A does not so comply, it shall promptly advise the other and shall negotiate reasonably and in good faith to amend the terms of such benefits and rights such that they comply with Code Section 409A (with the most limited possible economic effect on Employee and on the Company).

(b) Distributions on Account of Separation from Service. If and to the extent required to comply with Code Section 409A, any payment or benefit required to be paid under this Agreement on account of termination of Employee's employment shall be made upon Employee incurring a "separation of service" within the meaning of Code Section 409A.

(c) Timing of Severance Payments. Notwithstanding anything in this Agreement to the contrary, if Employee is deemed to be a "specified employee" for purposes of Code Section 409A, no Severance Payment or other payments pursuant to, or contemplated by, this Agreement shall be made to Employee by the Company before the date that is six months after the Employee's "separation from service" (or, if earlier, the date of Employee's death) if and to the extent that such payment or benefit constitutes deferred compensation (or may be nonqualified deferred compensation) under Code Section 409A. Any payment or benefit delayed by reason of the prior sentence shall be paid out or provided in a single lump sum at the end of such required delay period in order to catch up to the original payment schedule.

(d) No Acceleration of Payments. Neither the Company nor Employee, individually or in combination, may accelerate any payment or benefit that is subject to Code Section 409A, except in compliance with Code Section 409A and the provisions of this Agreement, and no amount that is subject to Code Section 409A shall be paid prior to the earliest date on which it may be paid without violating Code Section 409A.

(e) Treatment of Each Installment as a Separate Payment. For purposes of applying the provisions of Code Section 409A to this Agreement, each separately identified amount to which Employee is entitled under this Agreement shall be treated as a separate payment. In addition, to the extent permissible under Code Section 409A, any series of installment payments under this Agreement shall be treated as a right to a series of separate payments.

(f) Reimbursements. Notwithstanding anything in this Agreement to the contrary, any payment, to the extent such payment constitutes deferral of compensation under Code Section 409A, to reimburse the Employee in an amount equal to all or a designated portion of the Federal, state, local, or foreign taxes imposed upon Employee as a result of compensation paid or made available to Employee by the Company, including the amount of additional taxes imposed upon Employee due to the Company's payment of the initial taxes on such compensation, or for other reimbursements, shall be made no later than the end of Employee's taxable year next following Employee's taxable year in which Employee remits the related taxes or incurs such expense.

(g) Continued Health Benefits. In the event that Employee receives continued health benefits pursuant to Section 3, 4, or 25 of this Agreement, such expense or reimbursement shall meet the following requirements: (i) the amount of expenses eligible for reimbursement provided to Employee during any calendar year will not affect the amount of expenses eligible for reimbursement or in-kind benefits provided to Employee in any other calendar year, (ii) the reimbursements for expenses for which Employee is entitled to be reimbursed shall be made on or before the last day of the calendar year following the calendar year in which the applicable expense is incurred, and (iii) the right to payment or reimbursement on in-kind benefits hereunder may not be liquidated or exchanged for any other benefit.

27. Beneficiary. If the Employee dies before receiving any payments due to him under Sections 3, 4, or 25 the remaining payments will be paid to his beneficiary.

28. Arbitration. Except with respect to the remedies set forth in Section 9 hereof, if in the event of any controversy or claim between the Company or any of its affiliates and the Employee arising out of or relating to this Agreement, either party delivers to the other party a written demand for arbitration of a controversy or claim then such claim or controversy shall be submitted to binding arbitration. The binding arbitration shall be administered by the American Arbitration Association under its Commercial Arbitration Rules. The arbitration shall take place in Maricopa County, Arizona. Each of the Company and the Employee shall appoint one person to act as an arbitrator, and a third arbitrator shall be chosen by the first two arbitrators (such three arbitrators, the "Panel"). The Panel shall have no authority to award punitive damages against the Company or the Employee. The arbitrator shall have no authority to add to, alter, amend or refuse to enforce any portion of the disputed agreements. The Company and the Employee each waive any right to a jury trial or to petition for stay in any action or proceeding of any kind arising out of or relating to this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

REPUBLIC SERVICES, INC., a Delaware corporation

By: ______________________________

EMPLOYEE:

____
Tod C. Holmes

Address for Notices:

____

____

Schedule 5(e)

Gross-Up Payment Example

Assume that the Company makes a Base Payment to Employee of $900,000, and that $600,000 is subject to an Excise Tax of 20%. Also assume that the maximum combined effective federal, state and local tax rate, including Employee's share of payroll taxes but not including the Excise Tax rate, is 45%. Under these circumstances, the Gross-Up Payment would be $342,857.14.

The Gross-Up Payment in this example is equal to the amount of the Base Payment subject to the Excise Tax ($600,000), multiplied by the Excise Tax rate, expressed as a decimal (.20), and divided by the remainder of 1 minus the Excise Tax rate, expressed as a decimal, and minus the effective rate of tax of Employee exclusive of the Excise Tax, expressed as a decimal (1-.20-.45). Hence, the Gross-Up Payment is $600,000 x .20 / (1-.20-.45) = $342,857.14.

The Gross-Up Payment of $342,857.14 represents the sum of the amounts referred to in clauses (1), (2) and (3) of Section 5(a)(iv) of this Agreement, as set forth below.

clause (1): Excise Tax on Base Payment (600,000 x .20)	$ 120,000.00
clause (2): Excise Tax on Gross-Up Payment (342,857.14 x .20)	68,571.43
clause (3): Other taxes on Gross-Up Payment (342,857.14 x .45)	154,285.71
Total taxes subject to gross-up	342,857.14

Exhibit 10.5

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This AMENDED AND RESTATED EMPLOYMENT AGREEMENT by and between Republic Services, Inc. (the "Company") and JAMES E. O'CONNOR ("Employee") shall become effective upon the date of the approval by the Company's stockholders of the Executive Incentive Plan (including the Synergy Incentive Plan) proposed in the Company's April 3, 2009 proxy statement (the "Effective Date"); provided, however, that if (a) prior to such date the Employee has notified the Company of his intention to terminate his employment, or (b) the Executive Incentive Plan (including the Synergy Incentive Plan) is not approved on or before June 30, 2009, this Amended and Restated Employment Agreement shall be null and void and the Existing Employment Agreement (defined below) shall remain in full force and effect.

Employee and the Company are parties to that Employment Agreement that was entered into in February 2009 and effective as of December 5, 2008 (the "Existing Employment Agreement"). The parties desire to revise the Existing Employment Agreement by entering into this Amended and Restated Employment Agreement (the "Agreement").

As of the Effective Date hereof, Employee continues to be an employee of the Company and is considered a valued employee such that the Company desires to retain him in accordance with the terms of the Agreement set forth herein.

In consideration of the premises set forth above, the mutual representations, warranties, covenants and agreements contained in this Agreement and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Employment.

(a) Retention. The Company agrees to continue the employment of Employee as its Chairman and Chief Executive Officer, and Employee agrees to accept such employment, subject to the terms and conditions of this Agreement. The Company also agrees that Employee shall continue to serve on the Company's Board of Directors until the next annual meeting of stockholders of the Company, and that he shall be nominated for election to the Board at each annual meeting of the stockholders of the Company as long as this Agreement remains in effect.

(b) Employment Period. This Agreement shall commence on the Effective Date and, unless terminated in accordance with the terms of this Agreement shall continue in effect on a rolling three-year basis, such that at any time during the term of this Agreement there will be three years remaining (the "Employment Period"). Notwithstanding the evergreen nature of the Employment Period, the Company may terminate Employee at any time in accordance with the provisions of Section 3 of this Agreement.

(c) Duties and Responsibilities. During the Employment Period, Employee shall serve as Chairman and Chief Executive Officer and shall have such authority and responsibility and perform such duties as may be assigned to him from time to time at the direction of the Board of Directors of the Company, and in the absence of such assignment, such duties as are customary to Employee's office and as are necessary or appropriate to the business and operations of the Company. During the Employment Period, Employee's employment shall be full time and Employee shall perform his duties honestly, diligently, in good faith and in the best interests of the Company and shall use his best efforts to promote the interests of the Company. All executive officers of the Company (except for the Chairman and the Vice Chairman) shall report to the Chief Executive Officer, and Employee shall in such capacity have the authority and responsibility to assign appropriate duties to such other executive officers as are necessary or appropriate for the business and operations of the Company.

(d) Other Activities. Except upon the prior written consent of the Company, Employee, during the Employment Period, will not accept any other employment. Employee shall be permitted to engage in any non-competitive businesses, not-for-profit organizations and other ventures, such as passive real estate investments, serving on charitable and civic boards and organizations, and similar activities, so long as such activities do not materially interfere with or detract from the performance of Employee's duties or constitute a breach of any of the provisions contained in Section 7 of this Agreement.

2. Compensation.

(a) Base Salary and Adjusted Salary. In consideration for Employee's services hereunder and the restrictive covenants contained herein, Employee shall be paid an annual base salary (the "Base Salary") of $1,100,000, payable in accordance with the Company's customary payroll practices. With respect to any Fiscal Year during which Employee is employed by the Company for less than the entire Fiscal Year, the Base Salary shall be prorated for the period during which the Employee is so employed. Notwithstanding the foregoing, Employee's Base Salary may be increased, but not decreased (taking into account prior increases) without Employee's consent at anytime and from time to time to levels greater than the levels set forth in the preceding sentence at the discretion of the Board of Directors of the Company to reflect merit or other increases. The term "Fiscal Year" as used herein shall mean each period of twelve (12) calendar months commencing on January 1st of each calendar year during the Employment Period and expiring on December 31st of such year.

(b) Annual Awards. In addition to the Base Salary, Employee shall be eligible to receive Annual Awards in an amount equal to a target of 130% of the Employee's Base Salary in effect for the Performance Period with respect to which such Annual Award is granted, as established pursuant to the terms of the Company's Executive Incentive Plan, as amended (the "Executive Incentive Plan"). The Annual Award shall be based on the achievement of such Performance Goals as are established by the Compensation Committee of the Board of Directors pursuant to the Executive Incentive Plan. The

achievement of said Performance Goals shall be determined by the Compensation Committee of the Board of Directors. Except as otherwise provided in Sections 3 and 25, with respect to any Fiscal Year during which Employee is employed by the Company for less than the entire Fiscal Year, the Annual Award shall be prorated for the period during which Employee was so employed. The Annual Award shall be payable within sixty (60) days after the end of the Company's Fiscal Year. To the extent of any conflict between the provisions of this Agreement and the Executive Incentive Plan, the terms of this Agreement shall control.

(c) Merit and Other Bonuses. Employee shall be entitled to such other bonuses as may be determined by the Board of Directors of the Company or by a committee of the Board of Directors as determined by the Board of Directors, in its sole discretion.

(d) Existing Stock Options and Shares of Restricted Stock. The Company has issued to Employee options to purchase shares of the Company's Common Stock pursuant to the terms of various Option Agreements and the terms of the Company's 1998 Stock Incentive Plan and 2007 Stock Incentive Plan (the "Outstanding Option Grants"). The Company has also granted to Employee restricted shares of the Company's Common Stock pursuant to the terms of various Executive Restricted Stock Agreements and the terms of the Company's 1998 Stock Incentive Plan and 2007 Stock Incentive Plan (the "Outstanding Restricted Stock Grants"). The options issued or to be issued under the Outstanding Option Grants shall continue to be subject to the terms of the Option Agreements, except to the extent otherwise provided for in this Agreement. The shares of restricted stock granted or to be granted under the Outstanding Restricted Stock Grants shall continue to be subject to the terms of the Executive Restricted Stock Agreements, except to the extent otherwise provided for in this Agreement.

(e) Other Stock Options. Employee shall be entitled to participate and receive option grants under the 2007 Stock Incentive Plan and such other incentive or stock option plans as may be in effect from time-to-time, as determined by the Board of Directors of the Company.

(f) Other Compensation Programs. Employee shall be entitled to participate in the Company's incentive and deferred compensation programs and such other programs as are established and maintained for the benefit of the Company's employees or executive officers, subject to the provisions of such plans or programs.

(g) Health Insurance. The Company shall pay for Employee's and his family's health insurance including without limitation comprehensive major medical and hospitalization coverage including dental and optical coverage under all group medical plans from time to time in effect for the benefit of the Company's employees or executive officers.

(h) Life Insurance. The Company shall purchase and maintain in effect one or more term insurance policies on the life of Employee in an aggregate amount not less than two times his Base Salary in effect from time to time during the term of employment. The

beneficiary of such policy shall be the person or persons who Employee designates in writing to the Company.

(i) Disability Insurance. The Company shall pay for Employee to participate in the Company's disability insurance in effect from time to time. The Company shall pay for the maximum coverage commercially available. To the extent the Company does not have a disability insurance plan or other retirement plan, then the Company shall arrange, at its expense, for Employee to participate in such plan.

(j) Other Benefits. During the term of this Agreement, Employee shall also be entitled to participate in any other health insurance programs, life insurance programs, disability programs, stock option plans, bonus plans, pension plans and other fringe benefit plans and programs as are from time to time established and maintained for the benefit of the Company's employees or executive officers, subject to the provisions of such plans and programs.

(k) Expenses. Employee shall be reimbursed for all out-of-pocket expenses reasonably incurred by him on behalf of or in connection with the business of the Company, pursuant to the normal standards and guidelines followed from time to time by the Company. Notwithstanding anything herein to the contrary or otherwise, except to the extent any expense or reimbursement described in this Section 2(k) does not constitute a "deferral of compensation" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), any expense or reimbursement described in this Section 2(k) shall meet the following requirements: (i) the amount of expenses eligible for reimbursement provided to Employee during any calendar year will not affect the amount of expenses eligible for reimbursement or in-kind benefits provided to Employee in any other calendar year, (ii) the reimbursements for expenses for which Employee is entitled to be reimbursed shall be made on or before the last day of the calendar year following the calendar year in which the applicable expense is incurred, (iii) the right to payment or reimbursement or in-kind benefits hereunder may not be liquidated or exchanged for any other benefit, and (iv) the reimbursements shall be made pursuant to objectively determinable and nondiscretionary Company policies and procedures regarding such reimbursement of expenses.

(l) Long Term Awards. On April 26, 2001, the Board of Directors adopted the Republic Services, Inc. Long Term Incentive Plan, effective January 1, 2001 to provide for long term incentive cash grants for specific employees of the Company, including Employee. Effective January 1, 2003, the Long Term Incentive Plan was amended, restated and renamed the Executive Incentive Plan to provide not only for long term incentive cash grants but also to include the Annual Awards referred to above. Employee has participated in the Long Term Incentive Plan and the Executive Incentive Plan since inception, and Employee shall be entitled to continue to participate in the Executive Incentive Plan (or any successor plan maintained by the Company) for purposes of receiving Long Term Awards pursuant to the terms of this Agreement and the Executive Incentive Plan (or such successor plan).

(m) Synergy Incentive Plan. The Employee is eligible to receive the maximum award under the Synergy Incentive Plan equal to $15,000,000, subject to shareholder approval of the Executive Incentive Plan. Awards under the Synergy Incentive Plan shall not be considered Annual Awards, Long Term Awards, or equity awards or otherwise taken into account for purposes of Sections 3, 4 or 25 of this Agreement, but instead, such awards shall be governed by the terms of the Synergy Incentive Plan, except that notwithstanding any provisions in the Synergy Incentive Plan or this Agreement to the contrary, if Employee's employment is terminated by the Company without Cause or by the Employee for Good Reason, or as a result of the Employee's death or Disability, Employee shall receive 100% of the Synergy Incentive Plan award that Employee would have received if Employee remained employed until the end of the measurement period (as defined in the Synergy Incentive Plan), to be paid within ninety (90) days after the end of the measurement period.

(n) Insurance. At all times during the term of this Agreement, and for such additional periods as are provided for in this Agreement, the Employee shall be covered under the Company's directors' and officers' liability insurance.

(o) Deferred Compensation Credits. The Company shall credit $2,250,000 to Employee's Annual Account as part of the Company Contribution Account pursuant to the Company's Deferred Compensation Plan ("Additional Company Contribution Account") on January 1, 2010, provided that Employee is employed on such date ("Grant Date"). The Additional Company Contribution Account, as adjusted under the Deferred Compensation Plan shall be immediately vested on the Grant Date and the Employee shall receive the Additional Company Contribution Account, as adjusted, in accordance with the terms of the Deferred Compensation Plan.

(p) New Shares of Restricted Stock. As of the Effective Date, the Company shall grant to Employee a number of shares of Restricted Stock equal to $2,000,000 divided by the per share closing price on the date of grant (rounded up to the next whole share) which shall vest on the first anniversary of the grant date, except to the extent otherwise provided for in this Agreement.

3. Termination.

(a) For Cause. The Company shall have the right to terminate this Agreement and to discharge Employee for Cause (as defined below), at any time during the term of this Agreement. Termination for Cause shall mean, during the term of this Agreement, (i) Employee's engaging in conduct that constitutes willful gross misconduct with respect to his employment duties which directly results in material economic harm to the Company, (ii) Employee's conviction of or a plea of guilty or *nolo contendere* to a felony or a crime involving moral turpitude which causes or will likely cause substantial economic damage to the Company, or (iii) Employee's failure lasting at least thirty (30) consecutive calendar days to discharge his duties under this Agreement due to willful gross negligence or willful gross misconduct which causes or will likely cause substantial economic damage to the Company, provided written notice of the alleged failure was

delivered to Employee and he fails to commence any action to cure such alleged failure within thirty (30) days.

Upon any determination by the Company that Cause exists to terminate Employee, the Company shall cause a special meeting of the Board of Directors to be called and held at a time mutually convenient to the Board of Directors and Employee, but in no event later than ten (10) business days after Employee's receipt of the notice that the Company intends to terminate Employee for Cause. The notice shall set forth the specific factual allegations which support the determination of Cause. Employee shall have the right to appear before such special meeting of the Board of Directors with legal counsel of his choosing to refute such allegations and shall have a reasonable period of time to cure any actions or omissions which provide the Company with a basis to terminate Employee for Cause (provided that such cure period shall not exceed 30 days). The members of the Board of Directors must affirm that Cause exists to terminate Employee by a unanimous decision (excluding the Employee) based upon information and without any deference that the actions or inactions of the Employee constitute Cause by clear and convincing evidence. Notwithstanding the foregoing, no finding by the Board will prohibit Employee from contesting such determination through appropriate legal proceedings, provided that Employee's sole remedy shall be to sue for damages, not reinstatement, and damages shall be limited to those that would be paid to Employee if he had been terminated without Cause. In the event the Company terminates Employee for Cause, the Company shall only be obligated to continue to pay in the ordinary and normal course of its business to Employee his Base Salary plus accrued but unused vacation time through the termination date and the Company shall have no further obligations to Employee under this Agreement from and after the date of termination.

(b) Resignation by Employee Without Good Reason. If Employee shall resign or otherwise terminate his employment with the Company at anytime during the term of this Agreement, other than for Good Reason (as defined below), Employee shall only be entitled to receive his accrued and unpaid Base Salary and unused vacation time through the termination date, and the Company shall have no further obligations under this Agreement from and after the date of resignation.

(c) Termination by Company Without Cause and by Employee For Good Reason. At any time during the term of this Agreement, (i) the Company shall have the right to terminate this Agreement and to discharge Employee without Cause effective upon delivery of written notice to Employee, and (ii) Employee shall have the right to terminate this Agreement for Good Reason effective upon delivery of written notice to the Company. For purposes of this Agreement, "Good Reason" shall mean: (i) the Company has materially reduced the duties and responsibilities of Employee to a level not appropriate for an officer of a publicly-traded company holding the position provided for in Section 1(a), (ii) the Company has breached any material provision of this Agreement and has not cured such breach within 30 days of receipt of written notice of such breach from Employee, (iii) Company has reduced Employee's Base Salary by more than 10% from the prior Fiscal Year (nothing in this clause implies that the Company may reduce Employee's Salary below the levels provided for in Section 2(a)), (iv) the

Company has terminated Employee's participation in one or more of the Company's sponsored benefit or incentive plans and no other executive officer has had his participation terminated, (v) a failure by the Company (1) to continue any bonus plan, program or arrangement in which Employee is entitled to participate ("Bonus Plans"), provided that any such Bonus Plans may be modified at the Company's discretion from time to time but shall be deemed terminated if (x) any such plan does not remain substantially in the form in effect prior to such modification and (y) if plans providing Employee with substantially similar benefits are not substituted therefor ("Substitute Plans"), or (2) to continue Employee as a participant in the Bonus Plans and Substitute Plans on at least a basis which is substantially the same as to potential amount of the bonus Employee participated in prior to any change in such plans or awards, in accordance with the Bonus Plans and the Substitute Plans (a plan shall be considered to be on a basis substantially the same as another if the potential amount payable thereunder is at least 90% of the potential amount payable under the other plan), or (vi) Employee's office is relocated by the Company to a location which is not located within the Arizona county of Maricopa. Notwithstanding the foregoing, the Employee's termination of employment pursuant to this Agreement shall not be effective unless (i) the Employee delivers a written notice setting forth the details of the occurrence giving rise to the claim of termination for Good Reason within a period not to exceed 90 days of its initial existence and (ii) the Company fails to cure the same within a thirty (30) day period. Upon any such termination by the Company without Cause, or by Employee for Good Reason, (i) the Company shall pay to Employee all of Employee's accrued but unpaid Base Salary and accrued but unused vacation time through the date of termination in a lump sum within sixty (60) days of termination; (ii) the Company shall continue to pay or provide for Employee all health benefits in which Employee was entitled to participate at any time during the 12-month period prior to the date of termination, until the earliest to occur of the third anniversary of the date of termination, Employee's death, or the date on which Employee becomes covered by a comparable health benefit plan by a subsequent employer; provided, however, that in the event that Employee's continued participation in any health benefit plan of the Company is prohibited, the Company will arrange to provide Employee with benefits substantially similar to those which Employee would have been entitled to receive under such plan for such period on a basis which provides Employee with no additional after tax cost; (iii) all stock option grants or restricted stock grants, whether or not part of the Outstanding Option Grant or any options or grants issued during the term of this Agreement, will immediately vest and any such options will remain exercisable for the lesser of the unexpired term of the option without regard to the termination of Employee's employment or three (3) years from the date of termination of employment; (iv) all Annual Awards shall vest and be paid on a prorated basis in an amount equal to the Annual Awards payment that the Compensation Committee of the Board of Directors determines would have been paid to Employee pursuant to the Executive Incentive Plan had Employee's employment continued to the end of the Performance Period, multiplied by a fraction, the numerator of which is the number of completed months of employment during such Performance Period and the denominator of which is the total number of months in the Performance Period, within sixty (60) days after the end of the Company's Fiscal Year; (v) all Long Term Awards shall vest and be paid on a prorated basis in an amount equal to (x) the maximum Long

Term Awards that would have been paid to Employee pursuant to the Executive Incentive Plan had Employee's employment continued to the end of the Performance Periods established under the Executive Incentive Plan for award periods beginning on or before January 1, 2009 and (y) the Long Term Awards payment that the Compensation Committee of the Board of Directors determines would have been paid to Employee pursuant to the Executive Incentive Plan had Employee's employment continued to the end of the Performance Period for award periods beginning after January 1, 2009, in each case, multiplied by a fraction, the numerator of which is the number of completed months of employment during such Performance Period and the denominator of which is the total number of months in the Performance Period, within sixty (60) days after the end of the Company's Fiscal Year in which the Performance Period ends; (vi) as of the termination date Employee shall be paid, in accordance with the Deferred Compensation Plan and any elections thereunder, the balance of all amounts credited or eligible to be credited to Employee's deferred compensation account (including all Company contributions, whether or not vested, and the Additional Company Contribution Account even though such termination occurs prior to the Grant Date), plus, for all such amounts credited or eligible to be credited to such account based upon Company's performance on or before December 31, 2006 whether or not such amount is actually credited to such account prior to or after such date, a gross up payment equal to the amount of $5,200,000 to reimburse Employee for all income and other taxes imposed with respect to the payment of such amounts and all income and other taxes arising as a result of said gross up payment such that the payment of such December 31, 2006 deferral amount of Employee is made to Employee free of all taxes thereon whatsoever within sixty (60) days after termination; and (vii) the Company shall pay to Employee $4,800,000 in a lump sum within sixty (60) days after termination (collectively, the foregoing consideration payable to Employee shall be referred to herein as the "Severance Payment").

(d) Disability of Employee. This Agreement may be terminated by the Company upon the Disability of Employee. "Disability" shall mean any mental or physical illness, condition, disability or incapacity which prevents Employee from reasonably discharging his duties and responsibilities under this Agreement for a period of 180 consecutive days. In the event that any disagreement or dispute shall arise between the Company and Employee as to whether Employee suffers from any Disability, then, in such event, Employee shall submit to the physical or mental examination of a physician licensed under the laws of the State of Arizona, who is mutually agreeable to the Company and Employee, and such physician shall determine whether Employee suffers from any Disability. In the absence of fraud or bad faith, the determination of such physician shall be final and binding upon the Company and Employee. The entire cost of such examination shall be paid for solely by the Company. In the event the Company has purchased Disability insurance for Employee, Employee shall be deemed disabled if he is completely (fully) disabled as defined by the terms of the Disability policy. Disability shall not be deemed to occur unless it constitutes a "disability," as such term is defined in Code Section 409A. In the event that at any time during the term of this Agreement Employee shall suffer a Disability and the Company terminates Employee's employment for such Disability, such Disability shall be considered to be a termination by the Company without Cause or a termination by Employee for Good Reason and the

Severance Payment shall be paid to Employee to the same extent and in the same manner as provided for in paragraph (c) above, except that (i) to the extent any Awards (other than the award granted under the Synergy Incentive Plan) have been granted under the Executive Incentive Plan, but, as of the date of such termination, have not been determined to be earned pursuant to the terms of the Plan, Employee shall be paid, within thirty (30) days following the date of Employee's termination due to his Disability, an amount with respect to each such open Award which is equal to the full target amount that the Compensation Committee of the Board of Directors was authorized to cause to be paid to Employee pursuant to the Executive Incentive Plan had his or her employment continued through the end of the Performance Period related to such Award and had all Performance Goals been met, and (ii) payments of Annual Salary shall be mitigated by payments under Company-sponsored disability payments.

(e) Death of Employee. If during the term of this Agreement Employee shall die, then the employment of Employee by the Company shall automatically terminate on the date of Employee's death. In such event, Employee's death shall be considered to be a termination by the Company without Cause or a termination by Employee for Good Reason and the Severance Payment shall be paid to Employee's personal representative or estate to the same extent and in the same manner as provided for in paragraph (c) above without mitigation for any insurance policies or other benefits held by Employee, except that to the extent any Awards have been granted under the Executive Incentive Plan (other than the award granted under the Synergy Incentive Plan), but, as of the date of such termination, have not been determined to be earned pursuant to the terms of the Executive Incentive Plan, Employee's beneficiary or estate shall be paid, within thirty (30) days following the date of Employee's death, an amount with respect to each such open Award which is equal to the full target amount that the Compensation Committee of the Board of Directors was authorized to cause to be paid to Employee pursuant to the Executive Incentive Plan had his or her employment continued through the end of the Performance Period related to such Award and had all Performance Goals been met. Once such payments have been made to Employee's personal representative, beneficiary or estate, as the case may be, the Company shall have no further obligations under this Agreement to said personal representative, beneficiary or estate, or to any heirs of Employee.

4. Change of Control.

(a) Termination Rights. Notwithstanding the provisions of Section 2 and Section 3 of this Agreement, in the event that there shall occur a Change of Control (as defined below) during the term of this Agreement and Employee's employment hereunder is terminated by the Company within two years after the Change of Control without Cause or by Employee for Good Reason, then the Company shall be required to pay to Employee (i) the Severance Payment provided in Section 3(c) at the times specified therein, and (ii) the product of three (3) multiplied by the target amount of the Annual Awards and Long Term Awards that Employee would have been eligible for under the Executive Incentive Plan with respect to the Fiscal Year in which such termination occurs, in a single lump sum within sixty (60) days of termination. To the extent that

payments are owed by the Company to Employee pursuant to this Section 4, they shall be made in lieu of payments pursuant to Section 3, and in no event shall the Company be required to make payments or provide benefits to Employee under both Section 3 and Section 4.

(b) Change of Control Defined. For purposes of this Agreement, the term “Change of Control” shall mean the occurrence of any of the following on or after the Effective Date:

(i) an acquisition (other than directly from the Company) of any voting securities of the Company (the “Voting Securities”) by any “Person” (as the term person is used for purposes of Section 13(d) or 14(d) of the Exchange Act), immediately after which such Person has “Beneficial Ownership” (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of fifty percent (50%) or more of the then outstanding common stock of the Company (“Shares”) or the combined voting power of the Company’s then outstanding Voting Securities; *provided, however,* in determining whether a Change of Control has occurred pursuant to this subsection (a), Shares or Voting Securities which are acquired in a “Non-Control Acquisition” (as hereinafter defined) shall not constitute an acquisition which would cause a Change of Control. A “Non-Control Acquisition” shall mean an acquisition by (a) an employee benefit plan (or a trust forming a part thereof) maintained by (1) the Company or (2) any corporation or other Person of which a majority of its voting power or its voting equity securities or equity interest is owned, directly or indirectly, by the Company (for purposes of this definition, a “Related Entity”), (b) the Company or any Related Entity, or (c) any Person in connection with a “Non-Control Transaction” (as hereinafter defined);

(ii) the individuals who, as of the Effective Date, are members of the Board (the “Incumbent Board”), cease for any reason to constitute at least a majority of the members of the Board or, following a Merger Event which results in a Parent Corporation, the board of directors of the ultimate Parent Corporation (as defined in paragraph (iii)(1)(A) below); *provided, however*, that if the election, or nomination for election by the Company’s common stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Agreement, be considered as a member of the Incumbent Board; *provided further, however*, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of an actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a “Proxy Contest”) including by reason of any agreement intended to avoid or settle a Proxy Contest; or

(iii) the consummation of:

(1) a merger, consolidation or reorganization with or into the Company or in which securities of the Company are issued (a “Merger Event”), unless such Merger Event is a “Non-Control Transaction.” A “Non-Control Transaction” shall mean a Merger Event where:

(A) the stockholders of the Company, immediately before such Merger Event own directly or indirectly immediately following such Merger Event at least fifty percent (50%) of the combined voting power of the outstanding voting securities of (x) the corporation resulting from such Merger Event (the "Surviving Corporation") if fifty percent (50%) or more of the combined voting power of the then outstanding voting securities of the Surviving Corporation is not Beneficially Owned, directly or indirectly by another Person (a "Parent Corporation"), or (y) if there are one or more Parent Corporations, the ultimate Parent Corporation; and,

(B) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such Merger Event constitute at least a majority of the members of the board of directors of (x) the Surviving Corporation, if there are no Parent Corporation, or (y) if there are one or more Parent Corporations, the ultimate Parent Corporation; and

(C) no Person other than (1) the Company, (2) any Related Entity, (3) any employee benefit plan (or any trust forming a part thereof) that, immediately prior to such Merger Event was maintained by the Company or any Related Entity, or (4) any Person who, immediately prior to such Merger Event had Beneficial Ownership of fifty percent (50%) or more of the then outstanding Voting Securities or Shares, has Beneficial Ownership of fifty percent (50%) or more of the combined voting power of the outstanding voting securities or common stock of (x) the Surviving Corporation if there is no Parent Corporation, or (y) if there are one or more Parent Corporations, the ultimate Parent Corporation.

(2) a complete liquidation or dissolution of the Company; or

(3) the sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Related Entity or under conditions that would constitute a Non-Control Transaction with the disposition of assets being regarded as a Merger Event for this purpose or the distribution to the Company's stockholders of the stock of a Related Entity or any other assets).

Notwithstanding the foregoing, a Change of Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the then outstanding Shares or Voting Securities as a result of the acquisition of Shares or Voting Securities by the Company which, by reducing the number of Shares or Voting Securities then outstanding, increases the proportional number of shares Beneficially Owned by the Subject Persons, provided that if a Change of Control would occur (but for the operation of this sentence) as a result of the acquisition of Shares or Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Shares or Voting Securities which increases the percentage of the then outstanding Shares or Voting Securities Beneficially Owned by the Subject Person, then a Change of Control shall occur.

In addition, a Change of Control shall not be deemed to occur unless the event(s) that causes such Change of Control also constitutes a “change in control event,” as such term is defined in Code Section 409A.

(c) Other Incentives. Upon a Change of Control, any outstanding awards under Executive Incentive Plan or the Synergy Incentive Plan shall be treated in accordance with such plans.

5. Gross-Up Payment.

(a) Amount.

(i) If any payment or benefit provided to Employee by the Company (“Base Payment”) would subject the Employee to the excise tax (“Excise Tax”) imposed by Section 4999 of the Code (or any other similar tax that may hereafter be imposed), and the reason for the imposition of the Excise Tax is that the Base Payment is considered to be contingent upon the Merger of Allied Waste Industries, Inc. into RS Merger Wedge, Inc., and such Excise Tax is imposed on account of such a Base Payment, then the Company shall pay to the employee the “Gross-Up Payment” described in Section 5(a)(ii) below.

(ii) If the Base Payment is subject to the Excise Tax imposed by Section 4999 of the Code and the requirements of Section 5(a)(i) are met, the Company shall pay to Employee the Gross-Up Payment determined as follows: The “Gross-Up Payment” shall be equal to the sum of (a) the Excise Tax imposed with respect to the Base Payment, plus (b) the Excise Tax imposed with respect to the Gross-Up Payment, plus (c) all other taxes imposed on Employee with respect to the Gross-Up Payment, including income taxes and Employee’s share of FICA, FUTA and other payroll taxes. The Gross-Up Payment shall not include the payment of any tax on the Base Payment other than the Excise Tax. The Gross-Up Payment is intended to place Employee in the same economic position Employee would have been in if the Excise Tax did not apply, and shall be calculated in accordance with such intent.

(iii) In the event that a Base Payment would subject the Employee to the Excise Tax as a result of a Change of Control and the Base Payment is less than 110% of the sum of three (3) times the “base amount” (as defined in Code Section 280G) minus $1.00 (“Safe Harbor Amount”), then any amounts payable under this Agreement shall be reduced so that the Base Payment, in the aggregate, is reduced to the Safe Harbor Amount. The reduction of the amounts payable under this Agreement shall be made by first reducing the cash payments payable under this Agreement. No reduction shall occur if the Base Payment is 110% (or more) of the Safe Harbor Amount.

(b) Tax Rates and Assumptions. For purposes of determining the amount of the Gross-Up Payment, Employee shall be deemed to pay Federal income taxes at the highest marginal rate of Federal income taxation in the calendar year in which the Gross-Up Payment is to be made, and state and local income taxes at the highest marginal rate of

taxation in the state and locality of Employee's residence on the date of termination, net of the maximum reduction in Federal income taxes which could be obtained from deduction of such state and local taxes.

(c) Payment and Calculation Procedures. The Gross-Up Payment attributable to a Base Payment shall be paid to Employee in cash and at such times as such Base Payment is paid or provided pursuant to this Agreement. Simultaneously with or prior to the Company's payment of a Base Payment, the Company shall deliver to Employee a written statement specifying the total amount of the Base Payment and the Excise Tax and Gross-Up Payment relating to the Base Payment, if any, together with all supporting calculations and conclusions. If Employee disagrees with the Company's determination of the Excise Tax or Gross-Up Payment, Employee shall submit to the Company, no later than 30 days after receipt of the Company's written statement, a written notice advising the Company of the disagreement and setting forth Employee's calculation of said amounts. Employee's failure to submit such notice within such period shall be conclusively deemed to be an agreement by Employee as to the amount of the Excise Tax and Gross-Up Payment, if any. If the Company agrees with Employee's calculations, it shall pay any shortfall in the Gross-Up Payment to Employee within 20 days after receipt of such a notice from Employee. If the Company does not agree with Employee's calculations, it shall provide Employee with a written notice within 20 days after the receipt of Employee's calculations advising Employee that the disagreement is to be referred to an independent accounting firm for resolution. Such disagreement shall be referred to a nationally recognized independent accounting firm which is not the regular accounting firm of the Company and which is designated by the Company. The Company shall be required to designate such accounting firm within 10 days after issuance of the Company's notice of disagreement. The accounting firm shall review all information provided to it by the parties and submit a written report to the parties setting forth its calculation of the Excise Tax and the Gross-Up Payment within 15 days after submission of the matter to it, and such decision shall be final and binding on all of the parties. The fees and expenses charged by said accounting firm shall be paid by the Company. If the amount of the Gross-Up Payment actually paid by the Company was less than the amount calculated by the accounting firm, the Company shall pay the shortfall to Employee within 5 days after the accounting firm submits its written report. If the amount of the Gross-Up Payment actually paid by the Company was greater than the amount calculated by the accounting firm, Employee shall pay the excess to the Company within 5 days after the accounting firm submits its written report.

(d) Subsequent Recalculation. In the event the Internal Revenue Service or other applicable governmental authority imposes an Excise Tax with respect to a Base Payment that is greater than the amount of the Excise Tax determined pursuant to the immediately preceding paragraph, the Company shall reimburse Employee for the full amount of such additional Excise Tax plus any interest and penalties which may be imposed in connection therewith, and pay to Employee a Gross-up Payment sufficient to make Employee whole and reimburse Employee for any Excise Tax, income tax and other taxes imposed on the reimbursement of such additional Excise Tax and interest and penalties, in accordance with the principles set forth above.

(e) Example. The calculation of the Gross-Up Payment is illustrated by the example set forth in Schedule 5(e), attached to this Agreement and hereby incorporated by reference. The amounts set forth in such example are for illustration purposes only and no implication shall be drawn from such example as to the amounts otherwise payable to Employee by the Company.

6. Successor To Company. The Company shall require any successor, whether direct or indirect, to all or substantially all of the business, properties and assets of the Company whether by purchase, merger, consolidation or otherwise, prior to or simultaneously with such purchase, merger, consolidation or other acquisition to execute and to deliver to Employee a written instrument in form and in substance reasonably satisfactory to Employee pursuant to which any such successor shall agree to assume and to timely perform or to cause to be timely performed all of the Company's covenants, agreements and obligations set forth in this Agreement (a "Successor Agreement"). The failure of the Company to cause any such successor to execute and deliver a Successor Agreement to Employee shall constitute a material breach of the provisions of this Agreement by the Company.

7. Restrictive Covenants. In consideration of his employment and the other benefits arising under this Agreement, Employee agrees that during the term of this Agreement, and for a period of three (3) years following the termination of this Agreement, Employee shall not directly or indirectly:

(a) alone or as a partner, joint venturer, officer, director, member, employee, consultant, agent, independent contractor or stockholder of, or lender to, any company or business, (i) engage in the business of solid waste collection, disposal or recycling (the "Solid Waste Services Business") in any market in which the Company or any of its subsidiaries or affiliates does business, or any other line of business which is entered into by the Company or any of its subsidiaries or affiliates during the term of this Agreement, or (ii) compete with the Company or any of its subsidiaries or affiliates in acquiring or merging with any other business or acquiring the assets of such other business; or

(b) for any reason, (i) induce any customer of the Company or any of its subsidiaries or affiliates to patronize any business directly or indirectly in competition with the Solid Waste Services Business conducted by the Company or any of its subsidiaries or affiliates in any market in which the Company or any of its subsidiaries or affiliates does business; (ii) canvass, solicit or accept from any customer of the Company or any of its subsidiaries or affiliates any such competitive business; or (iii) request or advise any customer or vendor of the Company or any of its subsidiaries or affiliates to withdraw, curtail or cancel any such customer's or vendor's business with the Company or any of its subsidiaries or affiliates; or

(c) for any reason, employ, or knowingly permit any company or business directly or indirectly controlled by him, to employ, any person who was employed by the

Company or any of its subsidiaries or affiliates at or within the prior six months, or in any manner seek to induce any such person to leave his or her employment.

Notwithstanding the foregoing, the beneficial ownership of less than five percent (5%) of the shares of stock of any corporation having a class of equity securities actively traded on a national securities exchange or over-the-counter market shall not be deemed, in and of itself, to violate the prohibitions of this Section.

8. Confidentiality. Employee agrees that at all times during the term of this Agreement and after the termination of employment for as long as such information remains non-public information, Employee shall (i) hold in confidence and refrain from disclosing to any other party all information, whether written or oral, tangible or intangible, of a private, secret, proprietary or confidential nature, of or concerning the Company or any of its subsidiaries or affiliates and their business and operations, and all files, letters, memoranda, reports, records, computer disks or other computer storage medium, data, models or any photographic or other tangible materials containing such information (“Confidential Information”), including without limitation, any sales, promotional or marketing plans, programs, techniques, practices or strategies, any expansion plans (including existing and entry into new geographic and/or product markets), and any customer lists, (ii) use the Confidential Information solely in connection with his employment with the Company or any of its subsidiaries or affiliates and for no other purpose, (iii) take all precautions necessary to ensure that the Confidential Information shall not be, or be permitted to be, shown, copied or disclosed to third parties, without the prior written consent of the Company or any of its subsidiaries or affiliates, and (iv) observe all security policies implemented by the Company or any of its subsidiaries or affiliates from time to time with respect to the Confidential Information. In the event that Employee is ordered to disclose any Confidential Information, whether in a legal or regulatory proceeding or otherwise, Employee shall provide the Company or any of its subsidiaries or affiliates with prompt notice of such request or order so that the Company or any of its subsidiaries or affiliates may seek to prevent disclosure. In addition to the foregoing Employee shall not at any time libel, defame, ridicule or otherwise disparage the Company.

9. Specific Performance; Injunction. The parties agree and acknowledge that the restrictions contained in Sections 7 and 8 are reasonable in scope and duration and are necessary to protect the Company or any of its subsidiaries or affiliates. If any provision of Section 7 or 8 as applied to any party or to any circumstance is adjudged by a court to be invalid or unenforceable, the same shall in no way affect any other circumstance or the validity or enforceability of any other provision of this Agreement. If any such provision, or any part thereof, is held to be unenforceable because of the duration of such provision or the area covered thereby, the parties agree that the court making such determination shall have the power to reduce the duration and/or area of such provision, and/or to delete specific words or phrases, and in its reduced form, such provision shall then be enforceable and shall be enforced. Employee agrees and acknowledges that the breach of Section 7 or 8 will cause irreparable injury to the Company or any of its subsidiaries or affiliates and upon breach of any provision of such Sections, the Company or any of its

subsidiaries or affiliates shall be entitled to injunctive relief, specific performance or other equitable relief, without being required to post a bond; provided, however, that, this shall in no way limit any other remedies which the Company or any of its subsidiaries or affiliates may have (including, without limitation, the right to seek monetary damages).

10. Nondisparagement.

(a) The Employee shall not, at any time during his employment with the Company or thereafter, make any public or private statement to the news media, to any Company competitor or client, or to any other individual or entity, if such statement would disparage any of the Company, any of their respective businesses or any director or officer of any of them or such businesses or would have a deleterious effect upon the interests of any of such businesses or the stockholders or other owners of any of them; provided, however, that the Employee shall not be in breach of this restriction if such statements consist solely of (i) private statements made to any officers, directors or employees of any of the Company by the Employee in the course of carrying out his duties pursuant to this Agreement or, to the extent applicable, his duties as a director or officer, or (ii) private statements made to persons other than clients or competitors of any of the Company (or their representatives) or members of the press or the financial community that do not have a material adverse effect upon any of the Company; and provided that nothing contained in this paragraph or in any other provision of this Agreement shall preclude the Employee from making any statement in good faith that is required by law, regulation or order of any court or regulatory commission, department or agency.

(b) The Company shall not, at any time during the Employee’s employment with the Company or thereafter, authorize any person to make, nor shall the Company condone the making of, any statement, publicly or privately, by its officers which would disparage the Employee; provided, however, that the Company shall not be in breach of this restriction if such statements consist solely of (i) private statements made to any officers, directors or employees of the Company or (ii) private statements made to persons other than clients or competitors of any of the Company (or their representatives) or members of the press or the financial community that do not have a material adverse effect upon the Employee; and provided, further, that nothing contained in this paragraph or in any other provision of this Agreement shall preclude any officer, director, employee, agent or other representative of any of the Company from making any statement in good faith which is required by any law, regulation or order of any court or regulatory commission, department or agency.

11. Future Cooperation. The Employee agrees to make himself reasonably available to the Company and its affiliates in connection with any claims, disputes, investigations, regulatory examinations or actions, lawsuits or administrative proceedings relating to matters in which the Employee was involved during the period in which he was Chief Executive Officer of the Company, and to provide information to the Company and otherwise cooperate with the Company and its affiliates in the investigation, defense or prosecution of such actions. Employee shall be entitled to reimbursement of reasonable

out of pocket costs for travel and legal costs associated therewith, approved in advance by the Company.

12. Payments Contingent on Employee's Release of Company. All of the payments and benefits to which the Employee would otherwise be entitled under Sections 3 and 4, except with respect to payments of accrued and unpaid Base Salary and vacation pay shall be contingent on the Employee's delivery to the Company of a signed and enforceable release of all claims against the Company, other than with respect to employee pension, health or medical benefit plans, rights to indemnification under the director and officer liability insurance policy, or under the bylaws or certificate of incorporation of the Company, within thirty (30) days of termination.

13. Notices. All notices, requests, demands, claims and other communications hereunder shall be in writing and shall be deemed given if delivered by hand delivery, by certified or registered mail (first class postage pre-paid), guaranteed overnight delivery or facsimile transmission if such transmission is confirmed by delivery by certified or registered mail (first class postage pre-paid) or guaranteed overnight delivery to, the following addresses and telecopy numbers (or to such other addresses or telecopy numbers which such party shall designate in writing to the other parties): (a) if to the Company, at its principal executive offices, addressed to the President, with a copy to the General Counsel; and (b) if to Employee, at the address listed on the signature page hereto.

14. Amendment. This Agreement may not be modified, amended, or supplemented, except by written instrument executed by all parties. The rights and remedies of the parties under this Agreement are in addition to all other rights and remedies, at law or equity, that they may have against each other.

15. Assignment; Third Party Beneficiary. This Agreement, and Employee's rights and obligations hereunder, may not be assigned or delegated by him. The Company may assign its rights, and delegate its obligations, hereunder to any affiliate of the Company, or any successor to the Company or its Solid Waste Services Business, specifically including the restrictive covenants set forth in Section 7 hereof. The rights and obligations of the Company under this Agreement shall inure to the benefit of and be binding upon its respective successors and assigns.

16. Severability; Survival. In the event that any provision of this Agreement is found to be void and unenforceable by a court of competent jurisdiction, then such unenforceable provision shall be deemed modified so as to be enforceable (or if not subject to modification then eliminated herefrom) to the extent necessary to permit the remaining provisions to be enforced in accordance with the parties intention. The provisions of Sections 7, 8, 10 and 11 will survive the termination for any reason of Employee's relationship with the Company.

17. Indemnification. The Company agrees to indemnify Employee during the term and after termination of this Agreement in accordance with the provisions of the Company's certificate of incorporation and bylaws and the Delaware General Corporation Law.

18. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original but all of which together shall constitute one and the same instrument.

19. Governing Law. This Agreement shall be construed in accordance with and governed for all purposes by the laws of the State of Arizona applicable to contracts executed and to be wholly performed within such State.

20. Entire Agreement. This Agreement contains the entire understanding of the parties in respect of its subject matter and supersedes all prior agreements and understandings (oral or written) between or among the parties with respect to such subject matter. Upon the execution of this Agreement the provisions of the Existing Employment Agreement shall be superseded and shall be of no further force.

21. Headings. The headings of Paragraphs and Sections are for convenience of reference and are not part of this Agreement and shall not affect the interpretation of any of its terms.

22. Construction. This Agreement shall be construed as a whole according to its fair meaning and not strictly for or against any party. The parties acknowledge that each of them has reviewed this Agreement and has had the opportunity to have it reviewed by their respective attorneys and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Agreement. Words of one gender shall be interpreted to mean words of another gender when necessary to construe this Agreement, and in like manner words in singular may be interpreted to be in the plural, and vice versa.

23. Attorneys' Fees. If at any time following a Change of Control, there should arise any dispute as to the validity, interpretation or application of any term or condition of this Agreement, the Company agrees, upon written demand by Employee (and Employee shall be entitled upon application to any court of competent jurisdiction, to the entry of a mandatory injunction, without the necessity of posting any bond with respect thereto, compelling the Company) to promptly provide sums sufficient to pay on a current basis (either directly or by reimbursing Employee) Employee's costs and reasonable attorneys' fees (including expenses of investigation and disbursements for the fees and expenses of experts, etc.) incurred by Employee in connection with any such dispute, litigation or arbitration up to $50,000 (and additional reasonable amounts above $50,000, in the sole discretion of the Compensation Committee of the Board of Directors), and provided further that Employee shall repay any such amounts paid or advanced if Employee is not the prevailing party with respect to at least one material claim or issue in such dispute, litigation or arbitration. If at any time when there has not previously been a Change of Control, there should arise any dispute, litigation, or arbitration as to the validity,

interpretation or application of any term or condition of the Agreement, the prevailing party in such dispute, litigation or arbitration shall be entitled to recover from the non-prevailing party its costs and reasonable attorneys' fees (including expenses of investigation and disbursements for the fees and expenses of experts, etc.) incurred in such dispute, litigation or arbitration. The provisions of this Section 23, without implication as to any other section hereof, shall survive the expiration or termination of this Agreement and Employee's employment hereunder.

24. Withholding. All payments made to Employee shall be made net of any applicable withholding for income taxes, Excise Tax and Employee's share of FICA, FUTA or other taxes. The Company shall withhold such amounts from such payments to the extent required by applicable law and remit such amounts to the applicable governmental authorities in accordance with applicable law.

25. Retirement Eligibility. Upon Employee's retirement after satisfying the requirements set forth below (including as applicable the 12 months advance notice of retirement), in lieu of payments under Sections 3 and 4, the Company shall pay to Employee (i) all of Employee's accrued but unpaid Base Salary through the date of retirement, (ii) the Company shall continue to pay or provide for Employee all health benefits in which Employee was entitled to participate in at any time during the 12-month period prior to the date of retirement, until the earliest to occur of the third anniversary of the date of retirement, Employee's death, or the date on which Employee becomes covered by a comparable health benefit plan by a subsequent employer; provided, however, that in the event that Employee's continued participation in any health benefit plan of the Company is prohibited, the Company will arrange to provide Employee with benefits substantially similar to those which Employee would have been entitled to receive under such plan for such period on a basis which provides Employee with no additional after tax cost, (iii) $4,800,000 in a lump sum within sixty (60) days after retirement, (iv) the balance of all amounts credited or eligible to be credited to Employee's deferred compensation account (the "Deferred Compensation Account") under the Deferred Compensation Plan (including all Company contributions, whether or not vested, and the Additional Company Contribution Account even though such retirement occurs prior to the Grant date), payable in accordance with the Deferred Compensation Plan and any elections thereunder, and (v) for all such amounts credited or eligible to be credited to the Deferred Compensation Account based upon Company's performance on or before December 31, 2006 whether or not such amount is actually credited to the Deferred Compensation Account prior to or after such date (the "December 31, 2006 Deferred Amount"), a gross-up payment equal to the amount of $5,200,000 to reimburse Employee for all income and other taxes imposed with respect to the payment of the December 31, 2006 Deferred Amount and all income and other taxes arising as a result of said gross up payment such that the payment of such December 31, 2006 Deferral Amount is made to Employee free of all taxes thereon whatsoever within sixty (60) days following retirement. In addition to the foregoing, for all stock option or restricted stock awards ("Equity Awards") and all monetary awards (including Annual Awards and Long Term Awards pursuant to the Executive Incentive Plan and any retirement contributions to the deferred compensation program)

("Monetary Awards"), in each case granted to Employee prior to July 26, 2006 ("Prior Awards"), such Employee shall be eligible to retire for purposes of the Prior Awards, and such Prior Awards shall fully vest in the event of such retirement, upon attaining either (a) the age of fifty-five (55) and having completed six (6) years of service with the Company or (b) the age of sixty-five (65) without regard to years of service with the Company (the "Original Retirement Policy"). For all Equity Awards and/or Monetary Awards (including the amounts listed above in subsections (iii) and (iv) of this Section 25) granted to Employee following July 26, 2006 ("Prospective Awards"), the Original Retirement Policy shall apply, and such Prospective Awards shall fully vest in the event of such retirement and/or be payable within 60 days after retirement, provided, and only to the extent that, Employee shall provide the Company with not less than twelve (12) months prior written notice of Employee's intent to retire. If Tod Holmes provides a notice of his intent to retire prior to Employee providing the notice, the Employee may not provide his twelve-month notice until the earlier of (x) the date nine (9) months after the date on which Tod Holmes provides the Company with his notice to retire, and (y) the actual date of Tod Holmes's termination of employment. Failure by Employee to provide such written notice shall cause the Revised Retirement Policy (as hereinafter defined) to apply with respect to the vesting of Prospective Awards, but such failure shall have no effect whatsoever on the Prior Awards, all of which shall continue to be subject to the Original Retirement Policy. For purposes of this Agreement, (i) "Revised Retirement Policy" shall mean Employee has attained the age of (x) sixty (60) and has completed fifteen (15) years of continuous service with the Company or (y) sixty-five (65) with five (5) years of continuous service with the Company, and (ii) all Annual Awards and all Long Term Awards includable within the Monetary Awards to be fully vested as provided above shall include all such Awards which have been granted to Employee, but which, as of the date of his retirement, have not been determined to have been earned pursuant to the Plan and in such instance Employee shall be paid an amount with respect to each such open Award equal to (x) for award periods beginning on or before January 1, 2009, the full target amount that the Compensation Committee of the Board of Directors was authorized to cause to be paid to Employee pursuant to the Executive Incentive Plan, within thirty (30) days following the date of Employee's retirement, and (y) for award periods beginning after January 1, 2009, the prorated portion of the Annual Awards and Long Term Awards payment that the Compensation Committee of the Board of Directors determines would have been paid to Employee pursuant to the Executive Incentive Plan had Employee's employment continued to the end of the Performance Period multiplied by a fraction, the numerator of which is the number of completed months of employment during such Performance Period and the denominator of which is the total number of months in the Performance Period, within sixty (60) days after the end of the Company's Fiscal Year in which the Performance Period ends. The 12 months advance notice as described above shall not apply on or after a Change of Control.

26. Code Section 409A.

(a) General. It is the intention of both the Company and Employee that the benefits and rights to which Employee could be entitled pursuant to this Agreement comply with Code Section 409A, to the extent that the requirements of Code Section 409A are

applicable thereto, and the provisions of this Agreement shall be construed in a manner consistent with that intention. If Employee or the Company believes, at any time, that any such benefit or right that is subject to Code Section 409A does not so comply, it shall promptly advise the other and shall negotiate reasonably and in good faith to amend the terms of such benefits and rights such that they comply with Code Section 409A (with the most limited possible economic effect on Employee and on the Company).

(b) Distributions on Account of Separation from Service. If and to the extent required to comply with Code Section 409A, any payment or benefit required to be paid under this Agreement on account of termination of Employee's employment shall be made upon Employee incurring a "separation of service" within the meaning of Code Section 409A.

(c) Timing of Severance Payments. Notwithstanding anything in this Agreement to the contrary, if Employee is deemed to be a "specified employee" for purposes of Code Section 409A, no Severance Payment or other payments pursuant to, or contemplated by, this Agreement shall be made to Employee by the Company before the date that is six months after the Employee's "separation from service" (or, if earlier, the date of Employee's death) if and to the extent that such payment or benefit constitutes deferred compensation (or may be nonqualified deferred compensation) under Code Section 409A. Any payment or benefit delayed by reason of the prior sentence shall be paid out or provided in a single lump sum at the end of such required delay period in order to catch up to the original payment schedule.

(d) No Acceleration of Payments. Neither the Company nor Employee, individually or in combination, may accelerate any payment or benefit that is subject to Code Section 409A, except in compliance with Code Section 409A and the provisions of this Agreement, and no amount that is subject to Code Section 409A shall be paid prior to the earliest date on which it may be paid without violating Code Section 409A.

(e) Treatment of Each Installment as a Separate Payment. For purposes of applying the provisions of Code Section 409A to this Agreement, each separately identified amount to which Employee is entitled under this Agreement shall be treated as a separate payment. In addition, to the extent permissible under Code Section 409A, any series of installment payments under this Agreement shall be treated as a right to a series of separate payments.

(f) Reimbursements. Notwithstanding anything in this Agreement to the contrary, any payment, to the extent such payment constitutes deferral of compensation under Code Section 409A, to reimburse the Employee in an amount equal to all or a designated portion of the Federal, state, local, or foreign taxes imposed upon Employee as a result of compensation paid or made available to Employee by the Company, including the amount of additional taxes imposed upon Employee due to the Company's payment of the initial taxes on such compensation, or for other reimbursements, shall be made no later than the end of Employee's taxable year next following Employee's taxable year in which Employee remits the related taxes or incurs such expense.

(g) Continued Health Benefits. In the event that Employee receives continued health benefits pursuant to Section 3, 4, or 25 of this Agreement, such expense or reimbursement shall meet the following requirements: (i) the amount of expenses eligible for reimbursement provided to Employee during any calendar year will not affect the amount of expenses eligible for reimbursement or in-kind benefits provided to Employee in any other calendar year, (ii) the reimbursements for expenses for which Employee is entitled to be reimbursed shall be made on or before the last day of the calendar year following the calendar year in which the applicable expense is incurred, and (iii) the right to payment or reimbursement on in-kind benefits hereunder may not be liquidated or exchanged for any other benefit.

27. Beneficiary. If the Employee dies before receiving any payments due to him under Sections 3, 4, or 25 the remaining payments will be paid to his beneficiary.

28. Arbitration. Except with respect to the remedies set forth in Section 9 hereof, if in the event of any controversy or claim between the Company or any of its affiliates and the Employee arising out of or relating to this Agreement, either party delivers to the other party a written demand for arbitration of a controversy or claim then such claim or controversy shall be submitted to binding arbitration. The binding arbitration shall be administered by the American Arbitration Association under its Commercial Arbitration Rules. The arbitration shall take place in Maricopa County, Arizona. Each of the Company and the Employee shall appoint one person to act as an arbitrator, and a third arbitrator shall be chosen by the first two arbitrators (such three arbitrators, the “Panel”). The Panel shall have no authority to award punitive damages against the Company or the Employee. The arbitrator shall have no authority to add to, alter, amend or refuse to enforce any portion of the disputed agreements. The Company and the Employee each waive any right to a jury trial or to petition for stay in any action or proceeding of any kind arising out of or relating to this Agreement.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

REPUBLIC SERVICES, INC., a Delaware corporation

By:

EMPLOYEE:

____
James E. O’Connor

Address for Notices:

____

____

Schedule 5(e)

Gross-Up Payment Example

Assume that the Company makes a Base Payment to Employee of $900,000, and that $600,000 is subject to an Excise Tax of 20%. Also assume that the maximum combined effective federal, state and local tax rate, including Employee's share of payroll taxes but not including the Excise Tax rate, is 45%. Under these circumstances, the Gross-Up Payment would be $342,857.14.

The Gross-Up Payment in this example is equal to the amount of the Base Payment subject to the Excise Tax ($600,000), multiplied by the Excise Tax rate, expressed as a decimal (.20), and divided by the remainder of 1 minus the Excise Tax rate, expressed as a decimal, and minus the effective rate of tax of Employee exclusive of the Excise Tax, expressed as a decimal (1-.20-.45). Hence, the Gross-Up Payment is $600,000 x .20 / (1-.20-.45) = $342,857.14.

The Gross-Up Payment of $342,857.14 represents the sum of the amounts referred to in clauses (1), (2) and (3) of Section 5(a)(iv) of this Agreement, as set forth below.

clause (1):	$120,000.00
Excise Tax on Base Payment (600,000 x .20) clause (2):	68,571.43
Excise Tax on Gross-Up Payment (342,857.14 x .20) clause (3):	154,285.71
Other taxes on Gross-Up Payment (342,857.14 x .45)	
Total taxes subject to gross-up	342,857.14

EXHIBIT 31.1

**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James E. O'Connor, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Republic Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ James E. O'Connor
James E. O'Connor
Chairman and Chief Executive Officer

Date: May 11, 2009

EXHIBIT 31.2

**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Tod C. Holmes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Republic Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ TOD C. HOLMES

Tod C. Holmes
Senior Vice President and
Chief Financial Officer

Date: May 11, 2009

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Republic Services, Inc. (the Company) for the period ended March 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, James E. O’Connor, Chairman and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James E. O’Connor
James E. O’Connor
Chairman and Chief Executive Officer

Date: May 11, 2009

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Republic Services, Inc. (the Company) for the period ended March 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Tod C. Holmes, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Tod C. Holmes
Tod C. Holmes
Executive Vice President and Chief Financial Officer

Date: May 11, 2009