

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

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  
(State of Incorporation)

65-0716904  
(I.R.S. Employer Identification No.)

REPUBLIC SERVICES, INC.  
110 S.E. 6TH STREET, 28TH FLOOR  
FORT LAUDERDALE, FLORIDA  
(Address of Principal Executive Offices)

33301  
(Zip Code)

Registrant's telephone number, including area code: (954) 769-2400

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class  
COMMON STOCK, PAR VALUE \$.01 PER SHARE

Name of Each Exchange on which Registered  
THE NEW YORK STOCK EXCHANGE

Securities registered pursuant to Section 12(g) of the Act: NONE

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes  No

As of June 28, 2002, the aggregate market value of the shares of the Common Stock held by non-affiliates of the registrant was approximately \$3,150,628,043.

As of March 21, 2003, the registrant had outstanding 161,261,590 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Part III Portions of the Registrant's Proxy Statement relative to the 2003 Annual Meeting of Stockholders.

Part IV Portions of previously filed reports and registration statements.

INDEX  
TO FORM 10-K

PAGE NUMBER ----- Item 1.

Business.....	1	Item 2.	
Properties.....	18	Item 3. Legal	
Proceedings.....	19	Item 4. Submission of Matters to a Vote of Security Holders.....	19
		Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters.....	20
		Item 6. Selected Financial Data.....	21
		Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (including Item 7A).....	22
		Item 8. Financial Statements and Supplementary Data.....	48
		Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.....	80
		Item 10. Directors and Executive Officers of the Registrant.....	81
		Item 11. Executive Compensation.....	81
		Item 12. Security Ownership of Certain Beneficial Owners and Management.....	81
		Item 13. Certain Relationships and Related Transactions.....	81
		Item 14. Controls and Procedures.....	81
		Item 15. Exhibits, Financial Statement Schedule and Reports on Form 8-K.....	82
		Signatures and Certifications.....	85

## PART I

### ITEM 1. BUSINESS

#### COMPANY OVERVIEW

We are a leading 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 142 collection companies in 22 states. We also own or operate 90 transfer stations, 56 solid waste landfills and 33 recycling facilities.

As of December 31, 2002, our operations were organized into five regions whose boundaries may change from time to time: Eastern, Central, Southern, Southwestern and Western. Each region is organized into several operating areas and each area contains a group of operating locations. Each of our regions and substantially all our areas provide collection, transfer, recycling and disposal services. We believe that this organizational structure facilitates the integration of our operations within each region, which is a critical component of our operating strategy. See Note 10 of the Notes to Consolidated Financial Statements for further discussion of operating segments.

We had revenue of \$2,365.1 million and \$2,257.5 million and operating income of \$459.5 million and \$283.5 million for the years ended December 31, 2002 and 2001, respectively. The \$107.6 million, or 4.8%, increase in revenue from 2001 to 2002 is primarily attributable to the successful execution of our operating and growth strategies described below. The \$176.0 million, or 62.1%, increase in operating income from 2001 to 2002 is primarily attributable to a charge of \$132.0 million on a pre-tax basis that we recorded during the fourth quarter of 2001 related to completed and planned divestitures and closings of certain core and non-core businesses, asset impairments, downsizing our compost, mulch and soil business and related inventory adjustments, an increase in self-insurance reserves and an increase in bad debt expense related to the economic slowdown. The remaining increase in operating income of \$44.0 million is primarily attributable to the elimination of \$43.0 million of goodwill amortization upon adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

Our presence in high growth markets throughout the Sunbelt, including Florida, Georgia, Nevada, California and Texas, and in other domestic markets that have experienced higher than average population growth during the past several years, supports our internal growth strategy. We believe that our presence in these markets positions our company to experience growth at rates that are generally higher than the industry's overall growth rate.

While we believe that we are well positioned to continue to increase our revenue and operating income in the longer term, the economic slowdown has had a negative impact on certain aspects of our business. However, the aspects of our business that we believe are "recession resilient" have continued to perform well. These include our residential and commercial collection operations which are flat-rate businesses and are not subject to the volatility we experience in our industrial collection and disposal businesses. We continue to focus on enhancing stockholder value by implementing our financial, operating and growth strategies as described below.

#### INDUSTRY OVERVIEW

Based on analysts' reports and industry trade publications, we believe that the United States non-hazardous solid waste services industry generates annual revenue of approximately \$43.0 billion, of which approximately 47% is generated by publicly-owned waste companies, 29% is generated by privately-held waste companies, and 24% is generated by municipal and other local governmental authorities. Three companies generate the substantial majority of the publicly-owned companies' total revenue. However, according to industry data, the domestic non-hazardous waste industry remains highly fragmented as privately-held companies and municipal and other local governmental authorities generate approximately 53% of total industry revenue. In general, growth in the solid waste industry is proportional to growth in the overall economy.

The solid waste industry has experienced a period of rapid consolidation. During this time we were able to grow significantly through acquisitions. However, growth in the industry by virtue of acquisitions has slowed considerably since late 1999. Despite this, we believe that the opportunity to grow through acquisitions still exists, albeit at a slower pace than experienced in previous years, as a result of the following factors:

**Subtitle D Regulation.** Subtitle D of the Resource Conservation and Recovery Act of 1976, as currently in effect, and similar state regulations have significantly increased the amount of capital, technical expertise, operating costs and financial assurance obligations required to own and operate a landfill and other solid waste facilities. Many of the smaller participants in our industry have found these costs difficult, if not impossible, to bear. Large publicly-owned companies, like our company, have greater access to, and a lower cost of, the capital necessary to finance such increased capital expenditures and costs relative to many of the privately-owned companies in the industry. Additionally, the required permits for landfill development, expansion or construction have become more difficult, time-consuming and costly to acquire. Consequently, many smaller, independent operators have decided to either close their operations or sell them to larger operators that have greater access to capital.

**Integration of Solid Waste Businesses.** By being able to control the waste stream in a market through the collection, transfer and disposal process, integrated solid waste companies gain a further competitive advantage over non-integrated operators. The ability of the integrated companies to both collect and dispose of solid waste, coupled with access to significant capital resources necessary for acquisitions, has created an environment in which large publicly-owned, integrated companies can operate more cost effectively and competitively than non-integrated operators.

**Municipal Privatization.** The trend toward consolidation in the solid waste services industry is further supported by the increasing tendency of a number of municipalities to privatize their waste disposal operations. Privatization of municipal waste operations is often an attractive alternative to funding the changes required by Subtitle D.

These developments, as well as the fact that there are a limited number of viable exit strategies for many of the owners and principals of numerous privately-held companies in the industry, have contributed to the overall consolidation trend in the solid waste industry.

#### FINANCIAL STRATEGY

A key component of our financial strategy is our ability to generate free cash flow. Our definition of free cash flow is cash provided by operating activities less purchases of property and equipment plus proceeds from the sale of equipment as presented in our consolidated statement of cash flows. We believe that free cash flow is the best measure of our financial performance because strong, sustainable free cash flow is indicative of high quality earnings. Consequently, we have developed incentive programs and we conduct monthly field operating reviews that help focus our entire company on the importance of increasing free cash flow.

We manage our free cash flow primarily by ensuring that capital expenditures and operating asset levels are appropriate in light of our existing business and growth opportunities and by closely managing our working capital which consists primarily of accounts receivable and accounts payable.

We have used and will continue to use our cash flow to maximize stockholder value as well as our return on investment. This includes the following:

- **CUSTOMER SERVICE.** We will continue to reinvest in our existing fleet of vehicles, equipment, landfills and facilities to ensure a high level of service to our customers.
- **INTERNAL GROWTH.** Growth through increases in our customer base and services provided is the most capital efficient means for us to build our business. This includes not only investing in trucks and containers, but also includes investing in information tools and training needed to ensure high productivity and quality service throughout all functional areas of our business.
- **STRATEGIC ACQUISITIONS.** We have and will continue to pursue strategic acquisitions that augment our existing business platform.

- SHARE REPURCHASE. If we are unable to identify opportunities that satisfy our growth strategy, we intend to use our free cash flow to repurchase shares of our common stock at prices that provide value to our stockholders. As of December 31, 2002, we repurchased a total of 17.2 million shares, or approximately 10% of our common stock outstanding at the commencement of our share repurchase program in 2000, for \$300.1 million. In October 2002, our board of directors authorized the repurchase of up to an additional \$150.0 million of our common stock. We believe that our share repurchase program will continue to enhance stockholder value.
- DIVIDENDS. Depending upon the availability of strategic acquisitions, in addition to using our free cash flow to repurchase shares of our common stock, we may consider declaring a cash dividend if we believe that it will enhance stockholder value.
- MINIMIZE BORROWINGS. To the extent that the opportunities to enhance stockholder value mentioned above are not available, we also intend to continue to use our free cash flow to minimize our borrowings.

Another key component of our financial strategy includes maintaining an investment grade rating on our senior debt. This has allowed us to secure favorable, long-term, fixed-rate financing that reduces our exposure to changing interest rates. This has also allowed us, and will continue to allow us, to readily access capital markets.

For certain risks related to our financial strategy, see "Risk Factors."

#### OPERATING STRATEGY

We seek to leverage existing assets and revenue growth to increase operating margins and enhance stockholder value. Our operating strategy to accomplish this goal is to:

- utilize the extensive industry knowledge and experience of our executive management,
- utilize a decentralized management structure in overseeing day-to-day operations,
- integrate waste operations,
- improve operating margins through economies of scale, cost efficiencies and asset utilization,
- achieve high levels of customer satisfaction, and
- utilize systems to improve consistency in financial and operational performance.

For certain risks related to our operating strategy, see "Risk Factors."

- EXPERIENCED EXECUTIVE MANAGEMENT TEAM. We believe that we have one of the most experienced executive management teams in the solid waste industry.

James E. O'Connor, who has served as our Chief Executive Officer since December 1998 and became our Chairman in January 2003, also worked at Waste Management, Inc. from 1972 to 1978 and from 1982 to 1998. During that time, he served in various management positions, including Senior Vice President in 1997 and 1998, and Area President of Waste Management of Florida, Inc. from 1992 to 1997. Mr. O'Connor has over 28 years of experience in the solid waste industry.

Michael J. Cordesman, who has served as our Chief Operating Officer since March 2002 and also as our President since February 2003, has over 22 years of experience in the solid waste industry. He joined us in June 2001 as our Eastern Region Vice President. From 1999 to 2001, Mr. Cordesman served as Vice President of the Central Region for Superior Services Inc. From 1980 to 1999, he served in various positions with Waste Management, including Vice President of the Mid-Atlantic Region from 1992 to 1999.

The other corporate officers with responsibility for our operations have an average of over 20 years of management experience in the solid waste industry. Our five regional vice presidents and our 23 area presidents have an average of 22 years of experience in the industry.

In addition, our former Chairman and a current Director, H. Wayne Huizenga, has over 28 years of experience in the solid waste industry. After several years of owning and operating private waste collection companies in Florida, he co-founded Waste Management in 1971. From 1971 to 1984, he served in various executive capacities with Waste Management, including President and Chief Operating Officer. By then, Waste Management had become the world's largest integrated solid waste services company. Furthermore, Harris W. Hudson, who has served as our Vice Chairman since our initial public offering, has over 38 years of experience in the solid waste industry, including 11 years with Waste Management and 19 years with private waste collection companies.

- DECENTRALIZED MANAGEMENT STRUCTURE. We maintain a relatively small corporate headquarters staff, relying on a decentralized management structure to minimize administrative overhead costs and to manage our day-to-day operations more efficiently. Our local management has extensive industry experience in growing, operating and managing solid waste companies and has substantial experience in their local geographic markets. In early 2001, we added a sales, maintenance and operations manager to each of our regional management teams, which previously consisted of a regional vice president and a regional controller. We believe that strengthening our regional management teams allows us to more effectively and efficiently drive our company's initiatives and helps ensure consistency throughout our organization. Our regional management teams and our area presidents have extensive authority, responsibility and autonomy for operations within their respective geographic markets. Compensation for regional and area management teams is primarily based on the improvement in operating income produced and the cash flow generated in each manager's geographic area of responsibility. In addition, through long-term incentive programs, including stock options, we believe we have one of the lowest turnover levels in the industry for our local management teams. As a result of retaining experienced managers with extensive knowledge of and involvement in their local communities, we are proactive in anticipating our customers' needs and adjusting to changes in our markets. We also seek to implement the best practices of our various regions and areas throughout our operations to improve operating margins.
- INTEGRATED OPERATIONS. We seek to achieve a high rate of internalization by controlling waste streams from the point of collection through disposal. We expect that our fully integrated markets generally will have a lower cost of operations and more favorable cash flows than our non-integrated markets. Through acquisitions and other market development activities, we create market-specific, integrated operations typically consisting of one or more collection companies, transfer stations and landfills. We consider acquiring companies that own or operate landfills with significant permitted disposal capacity and appropriate levels of waste volume. We also seek to acquire solid waste collection companies in markets in which we own or operate landfills. In addition, we generate internal growth in our disposal operations by developing new landfills and expanding our existing landfills from time to time in markets in which we have significant collection operations or in markets that we determine lack sufficient disposal capacity. During the three months ended December 31, 2002, approximately 53% of the total volume of waste that we collected was disposed of at landfills we own or operate. In a number of our larger markets, we and our competitors are required to take waste to government-controlled disposal facilities. This provides us with an opportunity to effectively compete in these markets without investing in landfill capacity. Because we do not have landfill facilities or government-controlled disposal facilities for all markets in which we provide collection services, we believe that through landfill and transfer station acquisitions and development we have the opportunity to increase our waste internalization rate and further integrate our operations. By further integrating operations in existing markets through acquisitions and development of landfills and transfer stations, we are able to reduce our disposal costs.
- ECONOMIES OF SCALE, COST EFFICIENCIES AND ASSET UTILIZATION. To improve operating margins, our management focuses on achieving economies of scale and cost efficiencies. The consolidation of acquired businesses into existing operations reduces costs by decreasing capital and expenses used for routing, personnel, equipment and vehicle maintenance, inventories and back-office administration. Generally, we consolidate our acquired administrative centers to reduce our general and administrative

costs. Our goal is to maintain our selling, general and administrative costs in the range of 10% of revenue which we feel is appropriate given our existing business platform. In addition, our size allows our company to negotiate volume discounts for certain purchases, including waste disposal rates at landfills operated by third parties. Furthermore, we have taken steps to increase utilization of our assets. For example, to reduce the number of collection vehicles and maximize the efficiency of our fleet, we have instituted a grid productivity program which allows us to benchmark the performance of all of our drivers. In our larger markets, we also use a route optimization program to minimize drive times and improve operating density. By using assets more efficiently, operating expenses can be significantly reduced.

- HIGH LEVELS OF CUSTOMER SATISFACTION. Our goal of maintaining high levels of customer satisfaction complements our operating strategy. Our personalized sales process is oriented towards maintaining relationships and ensuring that service is being properly provided.
- UTILIZE SYSTEMS TO IMPROVE CONSISTENCY IN FINANCIAL AND OPERATIONAL REPORTING. We continue to focus on systems and training initiatives that complement our operating strategy. These initiatives include contact management, billing, productivity, maintenance and general ledger systems. These systems provide us with detailed information, prepared in a consistent manner, that will allow us to quickly analyze and act upon trends in our business.

#### GROWTH STRATEGY

Our strategy focuses on increasing revenue, gaining market share and enhancing stockholder value through internal growth and acquisitions. For certain risks related to our growth strategy, see "Risk Factors."

- INTERNAL GROWTH. Our internal growth strategy focuses on retaining existing customers and obtaining commercial, municipal and industrial customers through our well-managed sales and marketing activities.

Long-Term Contracts. We seek to obtain long-term contracts for collecting solid waste in high-growth markets. These include exclusive franchise agreements with municipalities as well as commercial and industrial contracts. By obtaining such long-term agreements, we have the opportunity to grow our contracted revenue base at the same rate as the underlying population growth in these markets. For example, we have secured exclusive, long-term franchise agreements in high-growth markets such as Los Angeles, Orange and Contra Costa Counties in California, Las Vegas, Nevada, Arlington, Texas and many areas of Florida. We believe that this positions our company to experience internal growth rates that are generally higher than our industry's overall growth rate. In addition, we believe that by securing a base of long-term recurring revenue in growth markets, we are better able to protect our market position from competition and our business may be less susceptible to downturns in economic conditions.

Sales and Marketing Activities. We seek to manage our sales and marketing activities to enable our company to capitalize on our leading positions in many of the markets in which we operate. We currently have approximately 500 sales and marketing employees in the field, who are compensated using a commission structure that is focused on generating high levels of quality revenue. For the most part, these employees directly solicit business from existing and prospective commercial, industrial, municipal and residential customers. We emphasize our rate and cost structures when we train new and existing sales personnel. In addition, we utilize a contact management system that assists our sales people in tracking leads. It also tracks renewal periods for potential commercial, industrial and franchise contracts.

- ACQUISITION GROWTH. During the late 1990's, the solid waste industry experienced a period of rapid consolidation. We were able to grow significantly through acquisitions during this period. However, the rate of consolidation in the industry has slowed considerably. Despite this, we continue to look to acquire businesses that complement our existing business platform. Our acquisition growth strategy focuses on privately-held solid waste companies and municipal and other local governmental authorities. We believe that our ability to acquire privately-held companies is enhanced by increasing competition in the solid waste industry, increasing capital requirements as a result of changes in solid

waste regulatory requirements, and the limited number of exit strategies for these privately-held companies' owners and principals. We also seek to acquire operations and facilities from municipalities that are privatizing, which occurs for many of the same reasons that privately-held companies sell their solid waste businesses. In addition, we will continue to evaluate opportunities to acquire operations and facilities that may be divested by other publicly-owned waste companies. In sum, our acquisition growth strategy focuses on:

- acquiring businesses that position our company for growth in existing and new markets,
- acquiring well-managed companies and, when appropriate, retaining local management,
- acquiring operations and facilities from municipalities that are privatizing and publicly-owned companies that are divesting of assets.

For certain risks involved with our acquisition growth strategy, see "Risk Factors -- We may be unable to execute our acquisition growth strategy," " -- We may be unable to manage our growth effectively," and " -- Businesses we acquire may have undisclosed liabilities."

**Acquire Businesses Positioning the Company for Growth.** In making acquisitions, we principally target high quality businesses that will allow our company to be, or provide our company favorable prospects of becoming, a leading provider of integrated solid waste services in markets with favorable demographic growth. Generally, we have acquired, and will continue to seek to acquire, solid waste collection, transfer and disposal companies that:

- have strong operating margins,
- are in growth markets,
- are among the largest or have a significant presence in their local markets, and
- have long-term contracts or franchises with municipalities and other customers.

Once we have a base of operations in a particular market, we focus on acquiring trucks and routes of smaller businesses that also operate in that market and surrounding markets, which are typically referred to as "tuck-in" acquisitions. We seek to consolidate the operations of such tuck-in businesses into our existing operations in that market. We also seek to acquire landfills, transfer stations and collection companies that operate in markets that we are already servicing in order to fully integrate our operations from collection to disposal. In addition, we have in the past and may continue in the future to exchange businesses with other solid waste companies if by doing so there is a net benefit to our business platform. These activities allow us to increase our revenue and market share, lower our cost of operations as a percentage of revenue, and consolidate duplicative facilities and functions to maximize cost efficiencies and economies of scale.

**Acquire Well-Managed Companies.** We also seek to acquire businesses that have experienced management teams that are willing to join the management of our company. We generally seek to maintain continuity in management of larger acquired companies in order to capitalize on their local market knowledge, community relations and name recognition, and to instill their entrepreneurial drive at all levels of our operations. By furnishing the local management of such acquired companies with our financial and marketing resources and technical expertise, we believe that the acquired companies are better able to secure additional municipal franchises and other contracts.

**Privatize Municipal Operations and Acquire Divested Operations.** We also seek to acquire solid waste collection operations, transfer stations and landfills that municipalities and other governmental authorities are privatizing. Many municipalities are seeking to outsource or sell these types of solid waste operations, as they lack the capital, technical expertise and/or operational resources necessary to comply with increasingly stringent regulatory standards and/or to compete effectively with private-sector companies. In addition, we have acquired, and will continue to seek to acquire, operations and facilities that may be divested by other publicly-owned waste companies.



## OPERATIONS

Our operations primarily consist of the collection and disposal of non-hazardous solid waste.

**Collection Services.** We provide solid waste collection services to commercial, industrial, municipal and residential customers in 22 states through 142 collection companies. In 2002, 75% of our revenue was derived from collection services consisting of approximately 30% from services provided to municipal and residential customers, 39% from services provided to commercial customers and 31% from services provided to industrial and other customers.

Our residential collection operations involve the curbside collection of refuse from small containers into collection vehicles for transport to transfer stations or directly to landfills. Residential solid waste collection services are typically performed under contracts with municipalities, which we generally secure by competitive bid and which give our company exclusive rights to service all or a portion of the homes in their respective jurisdictions. These contracts or franchises usually range in duration from one to five years, although some of our exclusive franchises are for significantly longer periods. Residential solid waste collection services may also be performed on a subscription basis, in which individual households contract directly with our company. The fees received for subscription residential collection are based primarily on market factors, frequency and type of service, the distance to the disposal facility and cost of disposal. In general, subscription residential collection fees are paid quarterly in advance by the residential customers receiving the service.

In our commercial and industrial collection operations, we supply our customers with waste containers of varying sizes. We also rent compactors to large waste generators. Commercial collection services are generally performed under one- to three-year service agreements, and fees are determined by such considerations as:

- market factors,
- collection frequency,
- type of equipment furnished,
- the type and volume or weight of the waste collected,
- the distance to the disposal facility and
- the cost of disposal.

We rent waste containers to construction sites and also provide waste collection services to industrial and construction facilities on a contractual basis with terms generally ranging from a single pickup to one year or longer. We collect the containers or compacted waste and transport the waste either to a landfill or a transfer station for disposal.

We own or operate 90 transfer stations. We deposit waste at these stations, as do other private haulers and municipal haulers, for compaction and transfer to trailers for transport to disposal sites or recycling facilities.

Also, we currently provide recycling services in certain markets primarily to comply with local laws or obligations under our franchise agreements. These services include the curbside collection of residential recyclable waste and the provision of a variety of recycling services to commercial and industrial customers.

**Disposal Services.** As of December 31, 2002, we owned or operated 56 landfills, which had approximately 7,697 permitted acres and total available permitted and probable expansion disposal capacity of approximately 1.7 billion in-place cubic yards. The in-place capacity of our landfills is subject to change based on engineering factors, requirements of regulatory authorities and the ability to expand our sites successfully. Some of our landfills accept non-hazardous special waste, including utility ash, asbestos and contaminated soils. See "-- Properties."

Most of our existing landfill sites have the potential for expanded disposal capacity beyond the currently permitted acreage. We monitor the availability of permitted disposal capacity at each of our landfills and evaluate whether to pursue expansion at a given landfill based on estimated future waste volumes and prices, market needs, remaining capacity and likelihood of obtaining an expansion. To satisfy future disposal demand,

we are currently seeking to expand permitted capacity at certain of our landfills, although no assurances can be made that all future expansions will be permitted as designed.

Other Services. We have 33 materials recovery facilities and other recycling operations, which are generally required to fulfill our obligations under long-term municipal contracts for residential collection services. These facilities primarily sort recyclable paper, aluminum, glass and other materials. Most of these recyclable materials are internally collected by our residential collection operations. In some areas, we receive commercial and industrial solid waste that is sorted at our facilities into recyclable materials and non-recyclable waste. The recyclable materials are salvaged, repackaged and sold to third parties and the non-recyclable waste is disposed of at landfills or incinerators. Wherever possible, our strategy is to reduce our exposure to fluctuations in recyclable commodity prices by utilizing third party facilities, thereby minimizing our recycling investment.

We provide remediation and other heavy construction services primarily through our subsidiary located in Missouri. During March 2001, this subsidiary agreed to act as a subcontractor on a project awarded by the Army Corps of Engineers to dredge a portion of the Blue River. Revenue from this contract, which was completed in 2002, was approximately \$9.0 million. During 2002, our subsidiary was awarded a contract to assist on the Riverside Levy Project in Missouri. Revenue from this project, which is scheduled to be completed in 2004, is expected to be approximately \$50.0 million of which approximately \$17.0 has already been recorded.

We also have a Texas based compost, mulch and soil business at which yard, mill and other waste is processed, packaged and sold as various products.

#### SALES AND MARKETING

We seek to provide quality services that will enable our company to maintain high levels of customer satisfaction. We derive our business from a broad customer base which we believe will enable our company to experience stable growth. We focus our marketing efforts on continuing and expanding business with existing customers, as well as attracting new customers.

We employ approximately 500 sales and marketing employees. Our sales and marketing strategy is to provide high-quality, comprehensive solid waste collection, recycling, transfer and disposal services to our customers at competitive prices. We target potential customers of all sizes, from small quantity generators to large "Fortune 500" companies and municipalities.

Most of our marketing activity is local in nature. However, in 2000 we initiated a national accounts program in response to our customers' needs.

We generally do not change the tradenames of the local businesses we acquire, and therefore we do not operate nationally under any one mark or tradename. Rather, we rely on the goodwill associated with the acquired companies' local tradenames as used in each geographic market in which we operate.

#### CUSTOMERS

We provide services to commercial, industrial, municipal and residential customers. No one customer has individually accounted for more than 10% of the consolidated revenue of any of our reportable segments in any of the last three years.

#### COMPETITION

We operate in a highly competitive industry. Entry into our business and the ability to operate profitably in the industry requires substantial amounts of capital and managerial experience.

Competition in the non-hazardous solid waste industry comes from a few large, national publicly-owned companies, including Waste Management and Allied Waste Industries, several regional publicly- and privately-owned solid waste companies, and thousands of small privately-owned companies. Some of our competitors have significantly larger operations, and may have significantly greater financial resources, than

we do. In addition to national and regional firms and numerous local companies, we compete with municipalities that maintain waste collection or disposal operations. These municipalities may have financial advantages due to the availability of tax revenues and tax-exempt financing.

We compete for collection accounts primarily on the basis of price and the quality of our services. From time to time, our competitors may reduce the price of their services in an effort to expand market share or to win a competitively bid municipal contract. This may have an impact on our future revenue and profitability.

In each market in which we own or operate a landfill, we compete for landfill business on the basis of disposal costs, geographical location and quality of operations. Our ability to obtain landfill business may be limited by the fact that some major collection companies also own or operate landfills to which they send their waste. There also has been an increasing trend at the state and local levels to mandate waste reduction at the source and to prohibit the disposal of certain types of wastes, such as yard wastes, at landfills. This may result in the volume of waste going to landfills being reduced in certain areas, which may affect our ability to operate our landfills at their full capacity and/or affect the prices that we can charge for landfill disposal services. In addition, most of the states in which we operate landfills have adopted plans or requirements that set goals for specified percentages of certain solid waste items to be recycled.

## REGULATION

Our facilities and operations are subject to a variety of federal, state and local requirements that regulate the environment, public health, safety, zoning and land use. Operating and other permits, licenses and other approvals are generally required for landfills and transfer stations, certain solid waste collection vehicles, fuel storage tanks and other facilities that we own or operate, and these permits are subject to revocation, modification and renewal in certain circumstances. Federal, state and local laws and regulations vary, but generally govern wastewater or stormwater discharges, air emissions, the handling, transportation, treatment, storage and disposal of hazardous and non-hazardous wastes, and the remediation of contamination associated with the release or threatened release of hazardous substances. These laws and regulations provide governmental authorities with strict powers of enforcement, which include the ability to obtain injunctions and/or impose fines or penalties in the case of violations, including criminal penalties. The U.S. Environmental Protection Agency and various other federal, state and local environmental, public and occupational health and safety agencies and authorities administer these regulations, including the Occupational Safety and Health Administration of the U.S. Department of Labor.

We strive to conduct our operations in compliance with applicable laws and regulations. However, in the existing climate of heightened environmental concerns, from time to time, we have been issued citations or notices from governmental authorities that have resulted in the need to expend funds for remedial work and related activities at various landfills and other facilities. There is no assurance that citations and notices will not be issued in the future despite our regulatory compliance efforts. We have established a reserve that we believe, based on currently available information, will be adequate to cover any potential regulatory costs. However, we cannot assure you that actual costs will not exceed our reserve.

Federal Regulation. The following summarizes the primary environmental, public and occupational health and safety-related statutes of the United States that affect our facilities and operations:

(1) The Solid Waste Disposal Act, as amended, including the Resource Conservation and Recovery Act. RCRA and its implementing regulations establish a framework for regulating the handling, transportation, treatment, storage and disposal of hazardous and non-hazardous solid wastes, and require states to develop programs to ensure the safe disposal of solid waste in sanitary landfills.

Subtitle D of RCRA establishes a framework for regulating the disposal of municipal solid waste. Regulations under Subtitle D currently include minimum comprehensive solid waste management criteria and guidelines, including location restrictions, facility design and operating criteria, closure and post-closure requirements, financial assurance standards, groundwater monitoring requirements and corrective action standards, many of which had not commonly been in effect or enforced in the past in connection with municipal solid waste landfills. Each state was required to submit to the U.S. EPA a

permit program designed to implement Subtitle D regulations by April 9, 1993. All of the states in which we operate have implemented permit programs pursuant to RCRA and Subtitle D. These state permit programs may include landfill requirements which are more stringent than those of Subtitle D.

All of our planned landfill expansions or new landfill development projects have been engineered to meet or exceed Subtitle D requirements. Operating and design criteria for existing operations have been modified to comply with these new regulations. Compliance with Subtitle D regulations has resulted in increased costs and may in the future require substantial additional expenditures in addition to other costs normally associated with our waste management activities.

(2) The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended. CERCLA, among other things, provides for the cleanup of sites from which there is a release or threatened release of a hazardous substance into the environment. CERCLA may impose strict, joint and several liability for the costs of cleanup and for damages to natural resources upon current owners and operators of the site, parties who were owners or operators of the site at the time the hazardous substances were disposed of, parties who transported the hazardous substances to the site and parties who arranged for the disposal of the hazardous substances at the site. Under the authority of CERCLA and its implementing regulations, detailed requirements apply to the manner and degree of investigation and remediation of facilities and sites where hazardous substances have been or are threatened to be released into the environment. Liability under CERCLA is not dependent upon the existence or disposal of only "hazardous wastes" but can also be based upon the existence of small quantities of more than 700 "substances" characterized by the U.S. EPA as "hazardous," many of which may be found in common household waste.

Among other things, CERCLA authorizes the federal government to investigate and remediate sites at which hazardous substances have been or are threatened to be released into the environment or to order (or offer an opportunity to) persons potentially liable for the cleanup of the hazardous substances to do so. In addition, the U.S. EPA has established a National Priorities List of sites at which hazardous substances have been or are threatened to be released and which require investigation or cleanup.

Liability under CERCLA is not dependent upon the intentional disposal of hazardous wastes or hazardous substances. It can be founded upon the release or threatened release, even as a result of unintentional, non-negligent or lawful action, of thousands of hazardous substances, including very small quantities of such substances. Thus, even if our landfills have never knowingly received hazardous wastes as such, it is possible that one or more hazardous substances may have been deposited or "released" at our landfills or at other properties which we currently own or operate or may have owned or operated. Therefore, we could be liable under CERCLA for the cost of cleaning up such hazardous substances at such sites and for damages to natural resources, even if those substances were deposited at our facilities before we acquired or operated them. The costs of a CERCLA cleanup can be very expensive. Given the difficulty of obtaining insurance for environmental impairment liability, such liability could have a material impact on our business and financial condition. For a further discussion, see "--Liability Insurance and Bonding."

(3) The Federal Water Pollution Control Act of 1972, as amended. This Act regulates the discharge of pollutants from a variety of sources, including solid waste disposal sites, into streams, rivers and other waters of the United States. Point source runoff from our landfills and transfer stations that is discharged into surface waters must be covered by discharge permits that generally require us to conduct sampling and monitoring, and under certain circumstances, reduce the quantity of pollutants in those discharges. Storm water discharge regulations under this Act require a permit for certain construction activities and discharges from industrial operations and facilities, which may affect our operations. If a landfill or transfer station discharges wastewater through a sewage system to a publicly-owned treatment works, the facility must comply with discharge limits imposed by that treatment works. In addition, states may adopt groundwater protection programs under this Act or the Safe Drinking Water Act that could affect solid waste landfills. Furthermore, development which alters or affects wetlands must generally be permitted

prior to such development commencing, and certain mitigation requirements may be required by the permitting agencies.

(4) The Clean Air Act, as amended. The Clean Air Act imposes limitations on emissions from various sources, including landfills. In March 1996, the U.S. EPA promulgated regulations that require large municipal solid waste landfills to install landfill gas monitoring systems. These regulations apply to landfills that commenced construction, reconstruction or modification on or after May 30, 1991, and, principally, to landfills that can accommodate 2.5 million cubic meters or more of municipal solid waste. The regulations apply whether the landfill is active or closed. The date by which each affected landfill is required to have a gas collection and control system installed and made operational varies depending upon calculated emission rates at the landfill. Many state regulatory agencies also currently require monitoring systems for the collection and control of certain landfill gas. We do not expect that compliance with any new state regulations will have a material effect on us.

(5) The Occupational Safety and Health Act of 1970, as amended. This Act authorizes the Occupational Safety and Health Administration of the U.S. Department of Labor to promulgate occupational safety and health standards. A number of these standards, including standards for notices of hazardous chemicals and the handling of asbestos, apply to our facilities and operations.

State Regulation. Each state in which we operate has its own laws and regulations governing solid waste disposal, water and air pollution, and, in most cases, releases and cleanup of hazardous substances and liability for such matters. States also have adopted regulations governing the design, operation, maintenance and closure of landfills and transfer stations. Our facilities and operations are likely to be subject to these types of requirements. In addition, our solid waste collection and landfill operations may be affected by the trend in many states toward requiring the development of solid waste reduction and recycling programs. For example, several states have enacted laws that require counties or municipalities to adopt comprehensive plans to reduce, through solid waste planning, composting, recycling or other programs, the volume of solid waste deposited in landfills. Additionally, laws and regulations restricting the disposal of certain wastes, including yard waste, newspapers, beverage containers, unshredded tires, lead-acid batteries and household appliances, in solid waste landfills have been promulgated in several states and are being considered in others. Legislative and regulatory measures to mandate or encourage waste reduction at the source and waste recycling also are or have been under consideration by the U.S. Congress and the U.S. EPA, respectively.

In order to construct, expand and operate a landfill, one or more construction or operating permits, as well as zoning and land use approvals, must be obtained. These are difficult and time-consuming to obtain, are often opposed by neighboring landowners and citizens' groups, may be subject to periodic renewal and are subject to modification and revocation by the issuing agency. In connection with our acquisition of existing landfills, it may be and on occasion has been necessary for our company to expend considerable time, effort and money to bring the acquired facilities into compliance with applicable requirements and to obtain the permits and approvals necessary to increase their capacity.

Many of our facilities own and operate underground storage tanks which are generally used to store petroleum-based products. These tanks are generally subject to federal, state and local laws and regulations that mandate their periodic testing, upgrading, closure and removal, and that, in the event of leaks, require that polluted groundwater and soils be remediated. We believe that all of our underground storage tanks currently meet all applicable regulations. If underground storage tanks we own or operate leak, and the leakage migrates onto the property of others, we could be liable for response costs and other damages to third parties. We are unaware of facts indicating that issues of compliance with regulations related to underground storage tanks will have a material adverse effect on our business or financial condition.

Finally, with regard to our solid waste transportation operations, we are subject to the jurisdiction of the Surface Transportation Board and are regulated by the Federal Highway Administration, Office of Motor Carriers, and by regulatory agencies in each state. Various states have enacted or promulgated, or are considering enacting or promulgating, laws and regulations that would restrict the interstate transportation and processing of solid waste. In 1978, the U.S. Supreme Court ruled that a law that restricts the importation of out-of-state solid waste was unconstitutional; however, states have attempted to distinguish proposed laws

from that involved in and implicated by that ruling. In 1994, the Supreme Court ruled that a flow control law, which attempted to restrict solid waste from leaving its place of generation, imposed an impermissible burden upon interstate commerce, and, therefore, was unconstitutional; however, states have also attempted to distinguish proposed laws from that involved in and implicated by that ruling. In response to these Supreme Court rulings, the U.S. Congress has considered passing legislation authorizing states and local governments to restrict the free movement of solid waste in interstate commerce. If federal legislation authorizing state and local governments to restrict the free movement of solid waste in interstate commerce is enacted, such legislation could adversely affect our operations.

We have established a reserve for landfill and environmental costs, which includes landfill site closure and post-closure costs. We periodically reassess such costs based on various methods and assumptions regarding landfill airspace and the technical requirements of Subtitle D of RCRA and adjust our rates used to expense closure and post-closure costs accordingly. Based on current information and regulatory requirements, we believe that our reserves for such landfill and environmental expenditures are adequate. However, environmental laws may change, and there can be no assurance that our reserves will be adequate to cover requirements under existing or new environmental laws and regulations, future changes or interpretations of existing laws and regulations or the identification of adverse environmental conditions previously unknown to us. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Landfill and Environmental Matters" and "Risk Factors -- Compliance with environmental regulation may impede our growth."

#### LIABILITY INSURANCE AND BONDING

The nature of our business exposes our company to the risk of liabilities arising out of our operations, including possible damages to the environment. Such potential liabilities could involve, for example, claims for remediation costs, personal injury, property damage and damage to the environment in cases where we may be held responsible for the escape of harmful materials; claims of employees, customers or third parties for personal injury or property damage occurring in the course of our operations; or claims alleging negligence in the planning or performance of work. We could also be subject to fines and civil and criminal penalties in connection with alleged violations of regulatory requirements. Because of the nature and scope of the possible environmental damages, liabilities imposed in environmental litigation can be significant. Our solid waste operations have third party environmental liability insurance with limits in excess of those required by permit regulations, subject to certain limitations and exclusions. However, we cannot assure you that the limits of such environmental liability insurance would be adequate in the event of a major loss, nor can we assure you that we would continue to carry excess environmental liability insurance should market conditions in the insurance industry make such coverage costs prohibitive.

We have general liability, vehicle liability, employment practices liability, pollution liability, directors and officers liability, worker's 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. Although we try to operate safely and prudently and while we have, subject to limitations and exclusions, substantial liability insurance, no assurance can be given that we will not be exposed to uninsured liabilities which could have a material adverse effect on our financial condition, results of operations or cash flows.

Our insurance programs for worker's compensation, general liability, vehicle liability and employee-related health care benefits are effectively self-insured. Claims in excess of self-insurance levels are fully insured subject to policy limits. Accruals are based on claims filed and estimates of claims incurred but not reported.

In the normal course of business, we may be required to post performance bonds, insurance policies, letters of credit and/or cash deposits in connection with municipal residential collection contracts, the operation, closure or post-closure of landfills, certain remediation contracts, certain environmental permits, and certain business licenses and permits. Bonds issued by surety companies operate as a financial guarantee

of our performance. To date, we have satisfied financial responsibility requirements by making cash deposits or by obtaining bank letters of credit, insurance policies or surety bonds.

#### EMPLOYEES

As of December 31, 2002, we employed approximately 12,700 full-time employees, approximately 3,300 of whom were covered by collective bargaining agreements. Our management believes that we have good relations with our employees.

#### COMPENSATION

We believe that our compensation program effectively aligns our field and corporate management team with the company's overall goal of generating increasing amounts of free cash flow while achieving targeted earnings and returns on invested capital. This is done by utilizing simple and measurable metrics on which incentive pay is based. At the field level, these metrics are based upon free cash flow, earnings and return on invested capital for each manager's geographic area of responsibility. Great effort is taken to ensure that these individual goals agree to the overall goals of the company. Incentive compensation at the corporate level is based on the obtainment of our company's overall goals. In addition, certain field and corporate employees also participate in a long-term incentive program. We believe this program aligns our company's short- and long-term goals and helps ensure that the long-term success of our company is not sacrificed for the obtainment of short-term goals.

#### CORPORATE HISTORY

We were incorporated as a Delaware corporation in 1996 by our former parent company, AutoNation, Inc. In 1998, AutoNation separated its non-hazardous solid waste services division from its other businesses and we completed an initial public offering of shares of our common stock. In 1999, AutoNation sold substantially all of its remaining interest in our company in a secondary public offering.

#### AVAILABILITY OF REPORTS AND OTHER INFORMATION

Our corporate website is <http://www.republicservices.com>. We make available on this website, free of charge, access to our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statement on Schedule 14A and amendments to those materials filed or furnished pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934 as soon as reasonably practicable after we electronically submit such material to the Securities and Exchange Commission. In addition, the Commission's website is <http://www.sec.gov>. The Commission makes available on this website, free of charge, reports, proxy and information statements, and other information regarding issuers, such as us, that file electronically with the Commission. Information on our website or the Commission's website is not part of this document.

#### RISK FACTORS

This Annual Report on Form 10-K includes "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, including, in particular, certain statements about our plans, strategies and prospects. Although we believe that our plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, we cannot assure you that such plans, intentions or expectations will be achieved. Important factors that could cause our actual results to differ materially from our forward-looking statements include those set forth in this Risk Factors section. All forward-looking statements attributable to us or any persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth below. Unless the context requires otherwise, all references to the "company," "we," "us" or "our" include Republic Services, Inc. and its subsidiaries.

If any of the following risks, or other risks not presently known to us or that we currently believe to not be significant, develop into actual events, then our business, financial condition, results of operations, cash flows or prospects could be materially adversely affected.

WE OPERATE IN A HIGHLY COMPETITIVE INDUSTRY AND MAY BE UNABLE TO COMPETE EFFECTIVELY.

We operate in a highly competitive business environment. Some of our competitors have significantly larger operations and may have significantly greater financial resources than we do. In addition, the solid waste industry is constantly changing as a result of rapid consolidation which may create additional competitive pressures in our business environment.

We also compete with municipalities that maintain their own waste collection or disposal operations. These municipalities may have a financial advantage over us as a result of the availability of tax revenue and tax-exempt financing.

We compete for collection accounts primarily on the basis of price and the quality of services. From time to time our competitors may reduce the price of their services in an effort to expand their market share or to win a competitively bid municipal contract.

In each market in which we own or operate a landfill, we compete for solid waste volume on the basis of disposal or "tipping" fees, geographical location and quality of operations. Our ability to obtain solid waste volume for our landfills may be limited by the fact that some major collection companies also own or operate landfills to which they send their waste. In markets in which we do not own or operate a landfill, our collection operations may operate at a disadvantage to fully integrated competitors.

As a result of these factors, we may have difficulty competing effectively from time to time.

ECONOMIC CONDITIONS MAY CONTINUE TO ADVERSELY AFFECT OUR BUSINESS, OPERATIONS AND INTERNAL GROWTH.

During 2001, the economic slowdown reduced recycling commodity prices which negatively impacted our operating margins. The economic slowdown also negatively impacted the portion of our business servicing the manufacturing sector and the non-residential construction industry. Landfill volumes attributable to manufacturing and construction activity began to weaken. Furthermore, the portion of our business that services the residential construction industry was negatively impacted toward the latter part of 2001. During 2002, landfill volumes attributable to manufacturing and construction activity continued to weaken. A continued slowdown in the economy could further adversely affect volumes, pricing and operating margins in our collection, transfer and disposal operations.

AN INCREASE IN THE PRICE OF FUEL MAY ADVERSELY AFFECT OUR BUSINESS.

Our operations are dependent upon fuel, which we purchase in the open market on a daily basis. During 2000, we experienced an increase in the cost of fuel. A portion of this increase was passed on to our customers. To date in 2003, we have experienced a significant increase in the cost of fuel. However, because of the competitive nature of the waste industry, there can be no assurances that we will be able to pass on the recent or any future increases in fuel prices to our customers. Due to prospects of war and political instability in oil producing countries, fuel prices may continue to increase significantly in 2003. A significant increase in fuel costs could adversely affect our business.

WE MAY BE UNABLE TO EXECUTE OUR FINANCIAL STRATEGY.

Our ability to execute our financial strategy is dependent upon our ability to maintain an investment grade rating on our senior debt. The credit rating process is contingent upon a number of factors, many of which are beyond our control.

Our financial strategy is also dependent upon our ability to generate sufficient cash flow to reinvest in our existing business, to fund our internal growth, to acquire other solid waste businesses, repurchase shares of our common stock, minimize our borrowings and take other actions to enhance stockholder value. We cannot assure you that we will generate sufficient cash flow to execute our financial strategy, that we will be able to repurchase our common stock or that we will declare any cash dividends.



#### WE MAY BE UNABLE TO EXECUTE OUR ACQUISITION GROWTH STRATEGY.

Our ability to execute our growth strategy still depends in part on our ability to identify and acquire desirable acquisition candidates as well as our ability to successfully consolidate acquired operations into our business. The consolidation of our operations with the operations of acquired companies, including the consolidation of systems, procedures, personnel and facilities, the relocation of staff, and the achievement of anticipated cost savings, economies of scale and other business efficiencies, presents significant challenges to our management, particularly if several acquisitions occur at the same time. In short, we cannot assure you that:

- desirable acquisition candidates exist or will be identified,
- we will be able to acquire any of the candidates identified,
- we will effectively consolidate companies which are acquired and fully or timely realize the expected cost savings, economies of scale or business efficiencies, or
- any acquisitions will be profitable or accretive to our earnings.

Additional factors may negatively impact our acquisition growth strategy. Our acquisition strategy requires spending significant amounts of capital. If we are unable to obtain additional needed financing on acceptable terms, we may need to reduce the scope of our acquisition growth strategy, which could have a material adverse effect on our growth prospects. The intense competition among our competitors pursuing the same acquisition candidates may increase purchase prices for solid waste businesses and increase our capital requirements and/or prevent us from acquiring certain acquisition candidates. If any of the aforementioned factors force us to alter our growth strategy, our financial condition, results of operations and growth prospects could be adversely affected.

#### WE MAY BE UNABLE TO MANAGE OUR GROWTH EFFECTIVELY.

Our growth strategy places significant demands on our financial, operational and management resources. In order to continue our growth, we will need to add administrative and other personnel, and make additional investments in operations and systems. We cannot assure you that we will be able to find and train qualified personnel, or do so on a timely basis, or expand our operations and systems to the extent, and in the time, required.

#### BUSINESSES WE ACQUIRE MAY HAVE UNDISCLOSED LIABILITIES.

In pursuing our acquisition strategy, our investigations of the acquisition candidates may fail to discover certain undisclosed liabilities of the acquisition candidates. If we acquire a company having undisclosed liabilities, as a successor owner we may be responsible for such undisclosed liabilities. We typically try to minimize our exposure to such liabilities by obtaining indemnification from each seller of the acquired companies, by deferring payment of a portion of the purchase price as security for the indemnification and by acquiring only specified assets. However, we cannot assure you that we will be able to obtain indemnifications or that they will be enforceable, collectible or sufficient in amount, scope or duration to fully offset any undisclosed liabilities arising from our acquisitions.

#### WE DEPEND ON KEY PERSONNEL.

Our future success depends on the continued contributions of several key employees and officers. We do not maintain key man life insurance policies on any of our officers. The loss of the services of key employees and officers, whether such loss is through resignation or other causes, or the inability to attract additional qualified personnel, could have a material adverse effect on our financial condition, results of operations and growth prospects.

COMPLIANCE WITH ENVIRONMENTAL AND OTHER LAWS AND REGULATIONS MAY IMPEDE OUR GROWTH.

We may need to spend considerable time, effort and capital to keep our facilities in compliance with federal, state and local requirements regulating health, safety, environment, zoning, land use and transportation. In addition, some of our waste operations that cross state boundaries could be adversely affected if the federal government, or the state or locality in which these waste operations are located, imposes fees on, or otherwise limits or prohibits, the transportation or disposal of solid waste. If environmental laws become more stringent, our environmental capital expenditures and costs for environmental compliance may increase in the future. In addition, due to the possibility of unanticipated events or regulatory developments, the amounts and timing of future environmental expenditures could vary substantially from those we currently anticipate. Because of the nature of our operations, we have in the past, currently are, and may in the future be named as a potentially responsible party in connection with the investigation or remediation of environmental conditions. We cannot assure you that the resolution of any such investigations will not have a material adverse effect on our financial condition, results of operations or cash flows. A significant judgment or fine against our company, or our loss of significant permits or licenses, could have a material adverse effect on our financial condition, results of operations, cash flows or prospects.

REGULATORY APPROVAL TO DEVELOP OR EXPAND OUR LANDFILLS AND TRANSFER STATIONS MAY BE DELAYED OR DENIED.

Our plans include developing new landfills and transfer stations, as well as expanding the disposal and transfer capacities of certain of our landfills and transfer stations, respectively. Various parties, including citizens' groups and local politicians, sometimes challenge these projects. Responding to these challenges has, at times, increased our costs and extended the time associated with establishing new facilities and expanding existing facilities. In addition, failure to receive regulatory approval may prohibit us from establishing new facilities and expanding existing facilities.

OUR FINANCIAL STATEMENTS ARE BASED UPON ESTIMATES AND ASSUMPTIONS THAT MAY DIFFER FROM ACTUAL RESULTS.

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States and necessarily include amounts based on estimates and assumptions made by us. Actual results could differ from these amounts. Significant items subject to such estimates and assumptions include the carrying value of long-lived assets, the depletion and amortization of landfill development costs, accruals for closure and post-closure costs, valuation allowances for accounts receivable, liabilities for potential litigation, claims and assessments, and liabilities for environmental remediation, deferred taxes and self-insurance.

We currently accrue for landfill closure and post-closure costs based on consumption of landfill airspace. As of December 31, 2002, assuming that all available landfill capacity is used, we expect to expense approximately \$541.3 million of landfill closure and post-closure costs over the remaining lives of these facilities. We cannot assure you that our reserves for landfill and environmental costs will be adequate to cover the requirements of existing environmental regulations, future changes or interpretations of existing regulations, or the identification of adverse environmental conditions previously unknown to us.

SEASONAL CHANGES MAY ADVERSELY AFFECT OUR BUSINESS AND OPERATIONS.

Our operations may be adversely affected by periods of inclement weather which could delay the collection and disposal of waste, reduce the volume of waste generated, or delay the construction or expansion of our landfill sites and other facilities.

WE MAY BE UNABLE TO EXTEND THE MATURITY OF OUR REVOLVING SHORT-TERM CREDIT FACILITY.

We have a revolving short-term credit facility in the principal amount of \$300.0 million which expires in July 2003. We anticipate extending the maturity of this credit facility until July 2004. However, we cannot assure you that we will receive such extension and, if so, whether such extension will be on terms as favorable to us as those currently contained in the credit facility.

THE OUTCOME OF AUDITS BY THE INTERNAL REVENUE SERVICE MAY ADVERSELY AFFECT OUR COMPANY.

Through the date of our initial public offering in July 1998, we filed consolidated federal income tax returns with AutoNation. The Internal Revenue Service is auditing AutoNation's consolidated tax returns for fiscal years 1995 through 1999. In accordance with the tax sharing agreement we have with AutoNation, we may be liable for certain assessments imposed by the Internal Revenue Service for the periods through June 1998 resulting from this audit. In addition, the Internal Revenue Service is auditing our consolidated tax returns for fiscal years 1998 and 1999. No assurance can be given with respect to the outcome of this audit or the effect it may have on us, or that our reserves with respect thereto are adequate. A significant assessment against us could have a material adverse effect on our financial position, results of operations or cash flows.



22 National Serv-

All..... Fort Wayne,  
Indiana Central 458 204 12 Nine Mile  
Road..... St.  
Augustine, Florida Southern 354 28 -  
- North  
County.....  
Houston, Texas Southwestern 100 31 9  
Northwest  
Tennessee..... Union  
City, Tennessee Central 600 120 76  
Oak  
Grove.....  
Winder, Georgia Southern 324 60 --  
Ohio County  
Balefill(1)..... Beaver  
Dam, Kentucky Central 908 178 126  
Pepperhill.....  
North Charleston, South Carolina  
Southern 37 22 -- Pine  
Grove.....  
Amanda, Ohio Eastern 734 112 72 Pine  
Ridge.....  
Griffin, Georgia Southern 515 196  
151  
Potrero.....  
Suisan, California Western 1,400 190  
90  
Presidio(1).....  
Presidio, Texas Southwestern 10 10 6  
Republic/Alpine(1).....  
Alpine, Texas Southwestern 80 74 67  
Republic/CSC.....  
Avalon, Texas Southwestern 467 190  
127  
Republic/Maloy.....  
Campbell, Texas Southwestern 455 195  
124 San  
Angelo(1).....  
San Angelo, Texas Southwestern 257  
232 111 Savannah  
Regional.....  
Savannah, Georgia Southern 123 56 42  
Seabreeze  
Landfill..... Clute,  
Texas Southwestern 846 161 23  
Seagull.....  
Avalon, California Western 6 3 --  
Southern Illinois  
Regional..... DeSoto, Illinois  
Central 349 113 13 Swiftcreek  
Landfill..... Macon,  
Georgia Southern 836 85 18 Tay-  
Ban.....  
Birch Run, Michigan Central 90 40 6  
Tri-K  
Landfill.....  
Stanford, Kentucky Central 612 64 33  
Union  
County.....  
Cross Anchor, South Carolina  
Southern 600 83 74 United  
Refuse..... Fort  
Wayne, Indiana Central 305 77 15  
Upper Piedmont  
Environmental..... Roxboro,  
North Carolina Southern 614 70 39  
Uwharrie  
Landfill(1)..... Mt.  
Gilead, North Carolina Southern 967  
118 56 Valley View  
Landfill..... Sulphur,  
Kentucky Central 894 109 46 Vasco  
Road.....  
Livermore, California Western 435  
246 89 Victory  
Environmental..... Terre  
Haute, Indiana Central 1,013 303 165  
Wabash  
Valley.....  
Wabash, Indiana Central 303 69 7  
West Contra Costa  
County..... Contra Costa,  
California Western 350 188 --  
Whitefeather.....

Pinconning, Michigan Central 639 57

26

Worthington.....

Worthington, Indiana Central 338 97

28 -----

Total.....

27,824 7,697 3,846 =====

=====

- - - - -

- (1) Operated but not owned by us.
- (2) Total acreage includes permitted acreage, probable expansion acreage, other acreage available for future disposal that has not been permitted, buffer land and other land owned by our company.
- (3) Permitted acreage consists of all acreage at the landfill encompassed by an active permit to dispose of waste.
- (4) Unused permitted acreage consists of all acreage at the landfill encompassed by an active permit on which disposal operations have not commenced.

ITEM 3. LEGAL PROCEEDINGS

We are and will continue to be involved in various administrative and legal proceedings in the ordinary course of business. We can give you no assurance regarding the outcome of these proceedings or the effect their outcomes may have, or that our insurance coverages or reserves are adequate. A significant judgment against our company, the loss of significant permits or licenses, or the imposition of a significant fine could have a material adverse effect on our financial position, results of operations, cash flows or prospects.

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

No matters were submitted to our stockholders during the fourth quarter of 2002.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION, HOLDERS AND DIVIDENDS

Our common stock began trading on the New York Stock Exchange on July 1, 1998.

The following table sets forth the range of the high and low sales prices of our common stock for the periods indicated:

	HIGH	LOW	
Quarter.....			2002 First
	\$20.00	\$16.45	Second
Quarter.....			2002 Third
	21.77	18.60	Fourth
Quarter.....			2001 First
	22.26	18.76	Second
Quarter.....			2001 Third
	\$19.10	\$13.75	Fourth
Quarter.....			2002 First
	19.95	17.45	Second
Quarter.....			2002 Third
	20.90	15.60	Fourth
Quarter.....			2002 Fourth
	20.60	15.25	

On March 21, 2003 the last reported sales price of our common stock was \$19.86.

There were approximately 91 record holders of our common stock at March 21, 2003.

We did not pay cash dividends on our common stock in 2001 and 2002. We intend to retain all earnings for use in the operation and expansion of our business. However, if we are unable to expand our business by acquiring businesses that satisfy our acquisition growth strategy, we intend to use a portion of our future earnings to repurchase our common stock and we may consider declaring a cash dividend.

During 2000, 2001 and 2002, our board of directors authorized the repurchase of up to \$150.0 million, \$125.0 million and \$175.0 million, respectively, of our common stock. As of December 31, 2002, we paid \$300.1 million to repurchase approximately 17.2 million shares of our stock, of which approximately 8.0 million shares were acquired during 2002 for \$150.0 million.

The information required by Item 201(d) of Regulation S-K is included with Item 12 of Part III of this Form 10-K, which is incorporated by reference to our Proxy Statement for our 2003 Annual Meeting of Stockholders.



ITEM 6. SELECTED FINANCIAL DATA (IN MILLIONS, EXCEPT PER SHARE DATA)

The following Selected Financial Data should be read in conjunction with our Consolidated Financial Statements and notes thereto as of December 31, 2002 and 2001 and for each of the three years in the period ended December 31, 2002 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Annual Report on Form 10-K. The selected statement of income data and the other operating data for the years 1999 and 1998 and the selected balance sheet data at December 31, 2000 and 1999 were derived from our Consolidated Financial Statements, which have been audited by Arthur Andersen LLP, independent certified public accountants. Certain amounts in the historical Consolidated Financial Statements have been reclassified to conform to the 2002 presentation. See Notes 1, 3 and 7 of the Notes to our Consolidated Financial Statements for a discussion of basis of presentation, business combinations and stockholders' equity and their effect on comparability of year-to-year data.

YEARS ENDED DECEMBER 31,	-----	-----	-----	-----	-----	-----	-----
	2002	2001	2000	1999	1998		
	----- STATEMENT OF INCOME DATA:						
Revenue.....	\$2,365.1	\$2,257.5	\$2,103.3	\$1,869.3	\$1,375.0		
Expenses: Cost of operations.....	1,472.9	1,422.5	1,271.3	1,131.9	848.6		
Depreciation, amortization and depletion.....	199.6	215.4					
Selling, general and administrative.....	238.7	236.5	193.9				
Other charges.....	176.7	135.8					
(income).....	(5.6)	99.6	6.7				
	6.9						
	----- Operating						
income.....	459.5						
Interest expense.....	(77.0)						
Interest income.....	4.3	4.4					
Other income (expense), net.....	(.3)	1.5	2.3	(3.4)			
Income before income taxes.....	386.5						
Provision for income taxes.....	146.9	83.8	135.4				
Net income.....	\$ 239.6	\$ 125.5	\$ 221.0	\$ 200.8	\$ 153.7		
Basic and diluted earnings per share(a).....	\$ 1.13	\$ 1.44	\$ .73	\$ 1.26	\$ 1.14		
Weighted average diluted common and common equivalent shares outstanding(a).....	166.7	171.1	175.0	175.7	135.6		

YEARS ENDED DECEMBER 31,	-----	-----	-----	-----	-----	-----	-----
	2002	2001	2000	1999	1998		
	----- OTHER OPERATING DATA:						
Cash flows from operating activities.....	\$ 569.7	\$ 459.2	\$ 461.8	\$ 323.8	\$ 271.1		
Capital expenditures (b).....	258.6	249.3	208.0				
Proceeds from the sale of equipment.....	14.6	8.7	12.6	4.9	10.6		
EBITDA(c).....	659.1	498.9	631.4	553.8	390.6		
EBITDA margin (d).....	27.9%	22.1%					
	30.0%	29.6%	28.4%				

DECEMBER 31,	-----	-----	-----	-----	-----
	2002	2001	2000	1999	1998
	----- BALANCE SHEET DATA:				
Cash and cash equivalents.....	\$ 141.5	\$ 16.1	\$ 2.0	\$ 13.1	
Restricted cash.....					
Total assets.....	175.0	142.3	84.3	10.3	
Total debt.....	4,209.1	3,856.3	3,561.5	3,288.3	
Total stockholders' equity.....	1,442.1	1,367.7	1,256.7	1,209.3	
	1,881.1				
	1,755.9	1,674.9	1,502.7		

- 
- (a) Prior to our initial public offering on July 1, 1998, we had 100 shares of common stock outstanding, all of which were owned by AutoNation. Historical share and per share data have been retroactively adjusted for the recapitalization of our 100 shares of common stock into 95.7 million shares of common stock in July 1998.
  - (b) During 2002, we also paid \$72.6 million to purchase equipment originally placed into service pursuant to an operating lease.
  - (c) EBITDA represents operating income plus depreciation, amortization and depletion. While EBITDA data should not be construed as a substitute for operating income, net income or cash flows from operations in analyzing our operating performance, financial position and cash flows, we have included EBITDA data, which is not a measure of financial performance calculated in accordance with accounting principles generally accepted in the United States, because we believe that this data is commonly used by certain investors to evaluate a company's performance in the solid waste industry. Due to the fact that not all companies calculate non-GAAP measures in the same manner, the EBITDA presentation herein may not be comparable to similarly titled measures reported by other companies.
  - (d) EBITDA margin represents EBITDA divided by revenue.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with our Consolidated Financial Statements and their Notes contained in this Annual Report on Form 10-K.

### 2002 FINANCIAL OBJECTIVES

In January 2002, we publicly announced our objectives for the year. These objectives included the following:

- Increasing free cash flow by over 10%.
- Growing revenue by 1.5% to 2.0%, with 1.0% from price increases and .5% to 1.0% from volume growth.
- Generating earnings per share of \$1.37 to \$1.39.
- Using free cash flow to enhance shareholder value by completing strategic acquisitions and repurchasing up to \$125.0 million of our stock.

### 2002 BUSINESS PERFORMANCE

We exceeded all four of our financial objectives for 2002 despite a weak economy.

The economic slowdown which began in 2001 continued to negatively impact the portion of our business servicing the manufacturing sector and non-residential construction activity during 2002. Volumes attributable to manufacturing and construction activity continued to weaken during 2002.

Despite the weakness we experienced in the aspects of our business noted above, our internal growth from core operations for 2002 was 3.0% with 1.4% from price increases and 1.6% from volume growth. During 2002, we secured several long-term franchise and municipal contracts. We also benefited from the geographic mix of our business which favors high growth markets. As a result, during 2002 we were able to exceed the internal growth objectives we established at the beginning of the year.

In addition to the impact of the economic slowdown discussed above, during 2002 our operating margins were also negatively impacted by increased costs for risk and health insurance, increased depreciation expense primarily associated with capital additions, and increased revenue from municipal contracts and transfer stations which have lower margins than our other lines of business.

This decrease in operating margins was partially offset by an increase in recycling commodity prices, a decrease in fuel costs and the termination of our operating lease facility. During 2001, we began a number of initiatives designed to increase efficiencies and reduce costs including the implementation of a number of management information systems such as route optimization, customer relationship tracking and equipment maintenance software. We continued to realize benefits from these initiatives in 2002.

Notwithstanding the impact of the economic slowdown and the increase in certain expenses, our earnings per share for the year ended December 31, 2002 was \$1.42, excluding a gain on sale of certain assets, which exceeded the objective we established at the beginning of the year. We were also able to exceed our free cash flow objective for the year.

During 2002 our board of directors increased our previously authorized share repurchase program from \$125.0 million to \$150.0 million. We used our free cash flow during 2002 to repurchase 8.0 million shares of our common stock for \$150.0 million.

## 2003 FINANCIAL OBJECTIVES

Our financial objectives for 2003 assume no deterioration or improvement in the overall economy from that experienced during the fourth quarter 2002. Specific guidance is as follows:

- Our goal is to generate free cash flow of approximately 90.0% of 2003 net income. We define free cash flow as cash provided by operating activities less purchases of property and equipment plus proceeds from the sale of equipment as presented in our Consolidated Statement of Cash Flows.
- We anticipate using our free cash flow to repurchase shares of our common stock under our \$150.0 million share repurchase program approved by our board of directors in October 2002.
- We anticipate earnings per share of \$1.46 to \$1.48, including an estimated \$.03 of additional landfill costs associated with the adoption of Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations," and a change in accounting associated with methane gas collection systems.
- We anticipate internal growth from core operations to be 2.0% to 3.0%, with approximately 1.0% to 1.5% attributable to price increases and 1.0% to 1.5% attributable to volume growth.

## BUSINESS INITIATIVES

Our business initiatives for 2003 are generally a continuation of those initiated in the prior two years and are dependent on standardizing our business processes and improving our systems. Ensuring that our people understand our initiatives and processes and are trained on our new systems is essential to the overall success of our initiatives. Our business initiatives for 2003 are as follows:

- Improve the quality of our revenue. The first step in this process was completed in 2001 and included installing a standardized billing and operating system. This system enables us to, among other things, stratify our customers to determine how our rates compare to current market pricing. During 2002, we implemented the second generation of this software which we call RSI 1.0. RSI 1.0, our company's core business system, provides a variety of functionalities including customer service, dispatch, billing, sales analysis, account retention and route productivity analysis.

We currently monitor our return on investment by market place and are in the process of instituting a return on investment pricing model. This model will eventually allow us to track our return on investment by customer.

During 2001, we also implemented a customer relationship management system. This system improves the productivity of our sales force by helping to establish marketing priorities and track sales leads. It also tracks renewal periods for potential commercial, industrial and franchise contracts. Our focus during 2003 will be to ensure our sales force is properly trained on this system and using it as intended.

- Improve the productivity of our operations. We have instituted a grid productivity program that enables us to benchmark the performance of our drivers. In addition, in our larger markets, we use a route optimization program to minimize drive times and improve operational density. During 2003, we will continue to update our disposal optimization reviews. These reviews determine which local disposal option maximizes our return on invested capital and cash flow.
- Improve fleet management and procurement. In February 2002, we selected Dossier as our fleet management and procurement system. Among other features, this system will track parts inventories, generate automatic quantity order points and log all maintenance work. It will allow us to capture and review information to ensure our preventive maintenance programs comply with manufacturers' warranties. In addition, the purchase order module within this system will allow us to cross-reference purchasing information with our inventory. We expect to have Dossier implemented at all of our hauling and landfill operations by the end of 2003.
- Enhance operational and financial reporting systems. We currently have several initiatives underway aimed at improving our operational and financial reporting systems. The overall goal of these initiatives

is to provide us with detailed information, prepared in a consistent manner, that will allow us to quickly analyze and act upon trends in our business.

The most significant of these systems is our enterprise-wide general ledger package. We successfully converted all of our locations to Lawson general ledger software in 2002 and we are currently in the process of converting all of our locations to Lawson fixed asset software.

All of the system initiatives mentioned above will provide us with more consistent and detailed information, thus allowing us to make quicker and more informed business decisions. In addition, during 2001, all of our significant software applications were standardized and centralized at our data center in Fort Lauderdale, Florida. This standardization and centralization provides us with consolidated information concerning our operations across a variety of operational and financial disciplines. It also significantly enhances our ability to execute our disaster recovery plan, if necessary.

- Expand our safety training programs. As part of our ongoing emphasis on safe work practices and in light of the recent increase in insurance costs, we expanded our safety training programs in 2002. We have signed a multi-year agreement with DuPont Safety Resources to assist in successfully completing this initiative.

## OUR BUSINESS

We are a leading provider of non-hazardous solid waste collection and disposal services in the United States. We provide solid waste collection services for commercial, industrial, municipal and residential customers through 142 collection companies in 22 states. We also own or operate 90 transfer stations, 56 solid waste landfills and 33 recycling facilities.

We generate revenue primarily from our solid waste collection operations, and our remaining revenue is from landfill disposal services and other services, including recycling and compost, mulch and soil operations.

The following table reflects our total revenue by source for the years ended December 31, 2002, 2001 and 2000 (in millions):

2002	2001	2000	-----		
-----					
----- Collection:					
Residential.....					
\$ 530.7	22.4%	\$ 479.7	21.2%	\$	
		434.6	20.6%		
Commercial.....					
696.7	29.5	686.0	30.4	627.8	
		29.9			
Industrial.....					
501.6	21.2	509.6	22.6	486.5	
		23.1			
Other.....					
50.8	2.1	47.5	2.1	47.6	2.3
-----					
----- Total					
collection.....		1,779.8	75.2		
1,722.8	76.3	1,596.5	75.9	-----	
-----					
Transfer and					
disposal.....		854.1	780.8		
		717.4	Less:		
Intercompany.....					
(428.5)	(405.0)	(364.5)	-----		
-----					
Transfer					
and disposal, net...		425.6			
18.0	375.8	16.7	352.9	16.8	
Other.....					
159.7	6.8	158.9	7.0	153.9	7.3
-----					
----- Total					
revenue.....		\$2,365.1			
	100.0%	\$2,257.5	100.0%		
\$2,103.3	100.0%	=====	=====	=====	=====
=====	=====	=====	=====	=====	=====

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 industrial and commercial collection operations 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 5% of our consolidated revenue in any of the last three years.

The cost of our collection operations is primarily variable and includes disposal, labor, fuel and equipment maintenance costs. We try to be more efficient by controlling the movement of waste streams from the point of

collection through disposal. During the three months ended December 31, 2002, approximately 53% of the total volume of waste we collected was disposed of at landfills we own or operate.

Our landfill cost of operations includes daily operating expenses, costs of capital for cell development, accruals for closure and post-closure costs, and the legal and administrative costs of ongoing environmental compliance. 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. In life cycle accounting, certain direct costs are capitalized or accrued, and charged to expense based upon the consumption of cubic yards of available airspace. These costs include all costs to acquire, construct, close and maintain a site during the post-closure period.

Cost and airspace estimates are developed annually by independent engineers together with our engineers. These estimates are used by our operating and accounting personnel to annually adjust our rates used to expense capitalized costs and accrue closure and post-closure costs. Changes in these estimates primarily relate to changes in available airspace, inflation and applicable regulations. Changes in available airspace include changes in design and changes due to the addition of airspace lying in expansion areas that we believe has a probable likelihood of being permitted.

#### CRITICAL ACCOUNTING POLICIES AND DISCLOSURES

Our Consolidated Financial Statements have been prepared using accounting principles generally accepted in the United States and necessarily include certain estimates and judgments made by management. In the past, we significantly expanded our accounting disclosures in a number of areas that require subjective or complex judgments including landfill accounting, fixed assets and the activity in various balance sheet accounts such as closure and post-closure accruals, self-insurance reserves and allowance for doubtful accounts. As part of our continuing commitment to reliable and transparent financial reporting that allows the users of our financial statements to make more informed decisions, we have prepared the following list of accounting policies that we believe are the most critical in understanding our company's financial condition, results of operations and cash flows, and may require management to make subjective or complex judgments about matters that are inherently uncertain.

The following policies related to our landfill accounting are effective through December 31, 2002. On January 1, 2003, certain of our policies will change upon the adoption of Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations." See Note 2, Summary of Significant Accounting Policies, of the Notes to our Consolidated Financial Statements for further information.

SUBJECTIVE  
OR  
DISCLOSURE  
POLICY  
DESCRIPTION  
COMPLEX  
JUDGMENTS  
REFERENCE  
LANDFILL  
ACCOUNTING:  
Life Cycle  
Accounting  
We use life  
cycle Cost  
and airspace  
Management's  
accounting  
and the  
estimates  
are  
Discussion  
and units-  
of-  
consumption  
developed  
annually by  
Analysis of  
Financial  
method to  
recognize  
independent  
and/or  
Condition  
and Results  
certain

landfill  
company  
engineers.  
of costs  
over the  
life Changes  
in these  
Operations -  
- Landfill  
of the site.  
In life  
estimates  
could and  
Environmental  
cycle  
accounting,  
all  
significantly  
affect  
Matters.  
costs to  
acquire, our  
amortization,  
construct,  
close and  
depletion,  
closure Note  
4, Accrued  
maintain a  
site and  
post-closure  
Landfill,  
during post-  
closure  
expense.  
Environmental  
and are  
capitalized  
or Legal  
Costs in the  
accrued, and  
charged  
Consolidated  
to expense  
based upon  
Financial  
Statements.  
the  
consumption  
of cubic  
yards of  
available  
airspace.



SUBJECTIVE OR  
DISCLOSURE  
POLICY  
DESCRIPTION  
COMPLEX  
JUDGMENTS  
REFERENCE  
Probable  
Expansion We  
include in  
our We have  
developed six  
Management's  
Airspace  
calculation  
of total  
criteria that  
must be  
Discussion  
and available  
airspace met  
before an  
Analysis of  
Financial  
expansion  
areas that  
expansion  
area is  
Condition and  
Results we  
believe have  
a designated  
as of  
probable  
likelihood  
probable  
expansion  
Operations --  
Landfill that  
the expansion  
airspace. We  
believe and  
Environmental  
area will  
ultimately  
that  
satisfying  
each Matters.  
be permitted.  
of these  
criteria  
demonstrates  
a high Note  
4, Accrued  
likelihood  
that  
Landfill,  
expansion  
airspace  
Environmental  
and that is  
incorporated  
Legal Costs  
in the in our  
landfill  
Consolidated  
costing will  
be Financial  
Statements.  
permitted.  
However,  
because some  
of these  
criteria are  
judgmental,  
they may  
exclude  
expansion  
airspace that  
will  
eventually be  
permitted or

include expansion airspace that will not be permitted. In either of these scenarios, our amortization, depletion, closure and post-closure expense could change significantly. Closure and Post- Costs for final Total future costs Management's Closure closure of our for closure and Discussion and landfills and costs post-closure are Analysis of Financial for providing developed annually by Condition and Results required post-closure independent and the of monitoring and company's engineers. Operations -- Landfill maintenance are Changes in these and Environmental charged to cost of estimates could Matters operations based upon affect our closure and - - Selected consumed airspace and post- closure Balance Sheet using the units-of-expense. Accounts. consumption method. These costs are not Note 4, Accrued inflated or Landfill, discounted to the Environmental and present value of Legal Costs in the total estimated Consolidated costs.



SUBJECTIVE  
OR  
DISCLOSURE  
POLICY  
DESCRIPTION  
COMPLEX  
JUDGMENTS  
REFERENCE  
SELF-  
INSURANCE:  
Our  
insurance  
Estimates of  
claims  
Management's  
programs for  
worker's  
development  
and  
Discussion  
and  
compensation,  
general  
claims  
incurred but  
Analysis of  
Financial  
liability,  
vehicle not  
reported are  
Condition  
and Results  
liability  
and  
developed by  
us and of  
employee-  
related by  
our  
independent  
Operations -  
- Selected  
health care  
benefits  
actuary. If  
actual  
Balance  
Sheet are  
effectively  
claims  
experience  
or Accounts.  
self-  
insured.  
development  
is Self-  
insurance  
significantly  
Note 12,  
Commitments  
accruals are  
based on  
different  
than our and  
Contingencies  
in claims  
filed and  
estimates,  
our the  
Consolidated  
estimates of  
claims self-  
insurance  
Financial  
Statements.  
incurred but  
not expense  
would  
change.  
reported.  
PROPERTY AND  
EQUIPMENT:

Expenditures  
for  
Expenditures  
for Whether  
certain  
Management's  
Improvements,  
Repairs  
major  
additions  
and  
expenditures  
improve  
Discussion  
and and  
Maintenance  
improvements  
to an asset  
or lengthen  
Analysis of  
Financial  
facilities  
are its  
useful life  
is Condition  
and Results  
capitalized.  
All subject  
to our of  
expenditures  
for  
judgment.

Operations -  
- Selected  
maintenance  
and  
Accordingly,  
the Balance  
Sheet  
repairs are  
expensed  
actual  
useful lives  
Accounts  
when  
incurred. of  
our assets  
could and --  
Property and  
differ from  
our  
Equipment.  
estimates.

Note 2,  
Summary of  
Significant  
Accounting  
Policies in  
the  
Consolidated  
Financial  
Statements.  
Useful Lives  
Property and  
Our  
estimates  
Management's  
equipment  
are  
regarding  
the useful  
Discussion  
and recorded  
at cost.

lives of our  
Analysis of  
Financial  
Depreciation  
and  
depreciable  
assets  
Condition  
and Results  
amortization  
expense are

based on our  
of is  
provided  
over the  
judgment.  
Operations -  
- Selected  
estimated  
useful  
Accordingly,  
actual  
Balance  
Sheet lives  
of the  
useful lives  
could  
Accounts  
applicable  
assets  
differ from  
our and --  
Property and  
using the  
estimates.  
Equipment.  
straight-  
line method.  
The  
estimated  
useful Note  
2, Summary  
of lives are  
twenty to  
Significant  
forty years  
for  
Accounting  
Policies  
buildings  
and in the  
Consolidated  
improvements,  
five to  
Financial  
Statements.  
twelve years  
for  
vehicles,  
seven to ten  
years for  
most  
landfill  
equipment,  
five to  
fifteen  
years for  
all other  
equipment,  
and five to  
ten years  
for  
furniture  
and  
fixtures.

SUBJECTIVE OR  
DISCLOSURE  
POLICY  
DESCRIPTION  
COMPLEX  
JUDGMENTS  
REFERENCE  
Capitalized  
Interest We  
capitalize  
Capitalizing  
too  
Management's  
interest on  
landfill little  
or too much  
Discussion and  
cell  
construction  
and interest  
expense  
Analysis of  
Financial other  
construction  
could lead to a  
Condition and  
Results  
projects in  
misstatement of  
of accordance  
with interest  
expense in  
Operations --  
Selected  
Statement of  
the statement  
of Balance  
Sheet Financial  
Accounting  
income. In  
order to  
Accounts and  
Standards No.  
34, minimize  
this risk, --  
Property and  
"Capitalization  
of construction  
projects  
Equipment.  
Interest Cost."  
must meet the  
Note 2, Summary  
of following  
criteria  
Significant  
before interest  
is Accounting  
Policies  
capitalized: in  
the  
Consolidated 1.  
Total  
construction  
Financial  
Statements.  
costs are  
\$50,000 or  
greater, 2. the  
construction  
phase is one  
month or  
longer, and 3.  
the assets have  
a useful life  
of one year or  
longer. REVENUE  
AND ACCOUNTS  
RECEIVABLE:  
Revenue  
consists  
Establishing

reserves  
Management's  
primarily of  
against  
specific  
Discussion and  
collection fees  
from accounts  
receivable  
Analysis of  
Financial  
various  
customer and  
the overall  
Condition and  
Results types  
and transfer  
adequacy of our  
of and landfill  
disposal  
accounts  
receivable  
Operations --  
Selected fees  
charged to  
third reserve  
is a matter  
Balance Sheet  
parties.  
Advance of  
judgment. If  
our Accounts.  
billings are  
recorded  
judgment and as  
deferred  
revenue.  
estimates  
concerning Note  
2, Summary of  
Revenue is  
recognized the  
adequacy of our  
Significant  
over the period  
in reserve for  
accounts  
Accounting  
Policies which  
services are  
receivable is  
in the  
Consolidated  
provided. No  
one incorrect,  
bad debt  
Financial  
Statements.  
customer has  
expense would  
change.  
individually  
accounted for  
more than 10.0%  
of our  
consolidated  
revenue of any  
of our  
reportable  
segments in any  
of the past  
three years.  
Reserves for  
accounts  
receivable are  
provided when a  
receivable is  
believed to be  
uncollectible  
or generally  
when a  
receivable is  
in excess of 90  
days old.





SUBJECTIVE  
OR  
DISCLOSURE  
POLICY  
DESCRIPTION  
COMPLEX  
JUDGMENTS  
REFERENCE

DERIVATIVES:  
From time to time, we The  
hedging  
Management's  
use  
derivatives  
to  
relationships

we have  
Discussion  
and limit  
our exposure  
to entered  
into are  
Analysis of  
Financial  
fluctuations  
in expected  
to be either  
Condition  
and Results  
diesel fuel  
prices 100%  
effective or  
of and  
interest  
rates.  
highly  
effective  
and

Operations -  
- Financial  
These  
derivatives  
have been  
determined  
Condition  
and -- Fuel  
have been  
accounted to  
meet the  
criteria  
Hedge. for  
in  
accordance  
for hedge  
accounting.  
with

Statement of  
If, in the  
future, Note  
5, Notes  
Payable  
Financial  
Accounting  
these  
relationships  
and Long-  
Term Debt  
Standards  
No. 133, are  
no longer  
and Note 11,  
Fuel

"Accounting  
for expected  
to be 100%  
Hedge in the  
Derivative  
or highly  
effective,  
Consolidated  
Instruments

and or if  
they no  
longer  
Financial  
Statements.  
Hedging  
Activities."  
meet the  
criteria for  
hedge  
accounting,  
our results  
of  
operations  
could  
change.

SUBJECTIVE OR  
DISCLOSURE  
POLICY  
DESCRIPTION  
COMPLEX  
JUDGMENTS  
REFERENCE LONG-  
LIVED ASSET  
IMPAIRMENTS:  
Long-lived  
assets Our  
estimates of  
Management's  
consist  
primarily of  
future cash  
flows and  
Discussion and  
property,  
equipment, fair  
values are  
based Analysis  
of Financial  
goodwill and  
other on our  
judgment.  
Condition and  
Results  
intangible  
assets. We  
Accordingly, we  
could of  
periodically  
evaluate  
designate  
certain  
Operations --  
Property  
whether events  
and assets as  
impaired and  
Equipment.  
circumstances  
have that are  
not and fail  
occurred (as  
further to  
identify  
certain Note 2,  
Summary of  
described in  
Note 2 impaired  
assets.  
Significant of  
the  
Consolidated  
Accounting  
Policies  
Financial  
Statements) in  
the  
Consolidated  
that may  
warrant  
Financial  
Statements.  
revision of the  
estimated  
useful life of  
long-lived  
assets or  
whether the  
remaining  
balance of  
these assets  
should be  
evaluated for  
possible  
impairment. We  
use an estimate  
of the  
undiscounted

cash flow over the remaining life of the assets in assessing their recoverability.

In addition, goodwill is tested for impairment on an annual basis or more frequently if indicators of impairment arise. In testing for impairment, we estimate the fair value of each operating segment of our business and compare the fair values with the carrying values. We measure impairment loss as the amount by which the carrying amount of the asset or operating segment exceeds its fair value.

#### BUSINESS COMBINATIONS

We make decisions to acquire or invest in 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.

We acquired various solid waste businesses during the year ended December 31, 2002. The aggregate purchase price we paid for these transactions was \$55.8 million.

We acquired various solid waste businesses during the year ended December 31, 2001. The aggregate purchase price we paid for these transactions was \$287.7 million. The aggregate purchase price paid, less cash and restricted cash acquired plus debt assumed, was \$247.5 million.

In July 1999, we entered into a definitive agreement with Allied Waste Industries to acquire certain solid waste assets. In 2000, we had completed the purchase of these assets for approximately \$105.5 million in cash, \$85.8 million of which were acquired during 2000. In October 1999, we entered into a definitive agreement with Allied for the simultaneous purchase and sale of certain other solid waste assets. In 2000, we and Allied had completed the purchase and sale of these assets of which annual revenue was approximately \$145.0 million. Our net proceeds from the cash portion of the exchange of assets were \$30.7 million. All of these transactions have been accounted for under the purchase method of accounting.

In addition to the acquisitions from Allied, we also acquired various other solid waste businesses during the year ended December 31, 2000. The aggregate purchase price we paid in these transactions was \$102.5 million in cash.

Cost in excess of fair value of net assets acquired for 2002 acquisitions totaled approximately \$40.1 million. As of December 31, 2002 we had intangible assets, net of accumulated amortization, of \$1,569.9 million, which consist primarily of the cost in excess of fair value of net assets acquired.

During 2002, \$5.1 million of the total purchase price paid for acquisitions and contingent payments to former owners was allocated to landfill airspace. As of December 31, 2002, we had \$1,026.3 million of landfill development costs which includes purchase price allocated to landfill airspace as well as other capitalized landfill costs. When a landfill is acquired as part of a group of assets, purchase price is allocated to airspace based upon the discounted expected future cash flows of the landfill relative to the other assets within the acquired group and is adjusted for other non-depletable landfill assets and liabilities acquired (primarily closure and post-closure liabilities). Landfill purchase price is amortized using the units-of-consumption method over total available airspace which includes probable expansion airspace where appropriate.

Cost in excess of fair value of net assets acquired for 2001 acquisitions totaled approximately \$223.3 million. As of December 31, 2001, we had intangible assets, net of accumulated amortization, of \$1,551.6 million, which consists primarily of the cost in excess of fair value of net assets acquired. In addition, during 2001, \$62.6 million of the total purchase price for acquisitions and contingent payments to former owners was allocated to landfill airspace.

Cost in excess of fair value of net assets acquired for 2000 acquisitions totaled approximately \$253.4 million. As of December 31, 2000, we had intangible assets, net of accumulated amortization, of \$1,435.0 million, which consists primarily of the cost in excess of fair value of net assets acquired. In addition, during 2000, \$30.9 million of the total purchase price for acquisitions and contingent payments to former owners was allocated to landfill airspace.

#### CONSOLIDATED RESULTS OF OPERATIONS

Years Ended December 31, 2002, 2001 and 2000

Our net income was \$239.6 million for the year ended December 31, 2002, as compared to \$125.5 million in 2001 and \$221.0 million in 2000. Our operating results for the years ended December 31, 2002, 2001 and 2000 include other charges (income) described below.

The following table summarizes our costs and expenses in millions of dollars and as a percentage of our revenue for 2002 through 2002:

	2002	2001	2000						
				\$	%	\$	%	\$	%
Revenue	\$2,365.1	100.0%	\$2,257.5	100.0%	\$2,103.3				
100.0% Cost of operations	1,472.9	62.3	1,422.5	63.0	1,271.3	60.5			
Depreciation, amortization and depletion of property and equipment	168.3	7.4	157.0	7.5	193.5	8.2			
Amortization of intangible assets	2.1	40.4	1.9	6.1	.2	47.1			
Selling, general and administrative expenses	238.7	10.1	236.5	10.5	193.9	9.2			
Other charges (income)	(5.6)	(.2)	99.6	4.4	6.7	.3			
Operating income	19.4%	\$ 283.5	12.6%	\$ 434.0	20.6%	\$ 459.5			

Revenue. Revenue was \$2,365.1 million, \$2,257.5 million and \$2,103.3 million for the years ended December 31, 2002, 2001 and 2000, respectively. Revenue increased by \$107.6 million, or 4.8%, from 2001 to 2002. Revenue increased by \$154.2 million, or 7.3%, from 2000 to 2001. The following table reflects the components of our revenue growth for the years ended December 31, 2002, 2001 and 2000:

	2002	2001	2000					
price	1.4%	1.9%	2.5%	Core				
commodities				Recycling	.4	(1.1)		
price				Total	1.8	.8	2.5	
volume				Core				
volume	1.5	3.5		Non-core		1.6		
volume				Total	.4	.8		
volume	2.0	2.3	3.5	Total internal				
growth	3.8	3.1	6.0					
Acquisitions		.8	4.2	6.5				
Taxes(a)	.2							
growth				Total revenue	4.8%	7.3%	12.5%	

(a) Represents new taxes levied on landfill volumes in certain states that are passed on to customers.

The economic slowdown which began in 2001 continued to negatively impact the portion of our business servicing the manufacturing sector and non-residential construction industry during 2002. Volumes attributable to manufacturing and construction activity continued to weaken during 2002.

The weakness in our business attributable to the economic slowdown was partially offset by an increase in recycling commodity prices in the early part of 2002.

Despite the weakness we experienced in the aspects of our business noted above, our internal growth from core operations for 2002 was 3.0%. During 2002, we secured several long-term franchise and municipal contracts. We also benefited from the geographic mix of our business which favors high growth markets.

During the first and second quarters of 2001, our revenue was negatively impacted by weakness in recycling commodity prices. In addition, during the second quarter of 2001, we began to see a slowdown in revenue from the manufacturing sector, particularly in the Midwestern and Mid-Atlantic states.

During the third quarter of 2001, the economic slowdown began to impact our industrial business servicing the non-residential construction industry. Landfill volumes attributable to manufacturing and construction activity began to weaken. In addition, the slowdown we began to experience in the second quarter in the manufacturing sector became more acute as we experienced significant shift reductions and plant closings in the Southeastern United States, particularly in the textile and home furnishing industries in the Carolinas. These conditions were reflected in our internal growth numbers, which were approximately half of what we experienced in prior quarters.



During the fourth quarter of 2001, we continued to see a weakening in waste volumes from the manufacturing sector. We also continued to see a slowdown in commercial construction and special waste activity which resulted in both volume reductions and price sensitivity for these services. Furthermore, we began to see a softening in residential construction activity.

We anticipate internal growth from core operations to be 2.0% to 3.0% during 2003 assuming no deterioration or improvement in the overall economy from that experienced during the fourth quarter of 2002. However, our price and volume growth may remain flat or may decline in 2003 depending upon the severity and duration of the economic slowdown.

**Cost of Operations.** Cost of operations was \$1,472.9 million, \$1,422.5 million and \$1,271.3 million, or, as a percentage of revenue, 62.3%, 63.0% and 60.5%, for the years ended December 31, 2002, 2001 and 2000, respectively.

The increase in aggregate dollars from 2001 to 2002 is primarily a result of the expansion of our operations through acquisitions and internal growth. During the fourth quarter of 2001, we recorded a charge of \$86.1 million on an after-tax basis, or \$132.0 million on a pre-tax basis. Of this pre-tax amount, \$24.2 million was recorded to cost of operations which relates primarily to the downsizing of our compost, mulch and soil business and related inventory adjustments and an increase in self-insurance reserves.

Excluding the impact of this charge, cost of operations for 2001 was \$1,398.3 million, or 61.9% as a percent of revenue. The increase in adjusted cost of operations as a percentage of revenue from 2001 to 2002 is primarily the result of the economic slowdown, higher costs for risk and health insurance, and increased revenue from municipal contracts and transfer stations which have higher operating costs. These increases in cost of operations were partially offset by improved operating efficiencies, higher recycling commodity prices, lower fuel costs and the termination of our operating lease facility.

The increase in aggregate dollars from 2000 to 2001 is primarily a result of the expansion of our operations through acquisitions and internal growth. The increase in cost of operations as a percentage of revenue from 2000 to 2001, excluding the impact of the charge recorded in the fourth quarter of 2001, is primarily a result of the economic slowdown, lower recycling commodity prices, higher labor costs and higher costs for risk and health insurance partially offset by improved operating efficiencies and revenue mix. In addition, during the third quarter of 2001 we continued to be successful in attracting municipal customers; however, these customers generally produce lower margins than other customers.

To date in 2003, we have experienced a significant increase in fuel prices. We believe that cost of operations as a percentage of revenue may continue to remain high or increase further depending upon the cost of fuel, health insurance, risk insurance and other key components of our cost structure and the severity and duration of the economic slowdown.

**Depreciation, Amortization and Depletion of Property and Equipment.** Depreciation, amortization and depletion expenses for property and equipment were \$193.5 million, \$168.3 million and \$157.0 million, or, as a percentage of revenue, 8.2%, 7.4% and 7.5%, for the years ended December 31, 2002, 2001 and 2000, respectively. The increase in aggregate dollars for all periods presented is primarily due to acquisitions and capital expenditures. The increase as a percentage of revenue from 2001 to 2002 is primarily due to higher depreciation expense resulting from capital expenditures, acquisitions and the purchase of equipment originally placed into service pursuant to an operating lease. The decrease as a percentage of revenue from 2000 to 2001 is primarily due to lower depletion expense at our landfills resulting from higher compaction and more cost efficient cell construction.

**Amortization of Intangible Assets.** Intangible assets consist primarily of cost in excess of fair value of net assets acquired, but also includes values assigned to long-term contracts and covenants not to compete. Expenses for amortization of intangible assets were \$6.1 million, \$47.1 million and \$40.4 million, or, as a percentage of revenue, .2%, 2.1% and 1.9%, for the years ended December 31, 2002, 2001 and 2000, respectively. The decrease in aggregate dollars and as a percent of revenue from 2001 to 2002 is due to the adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," effective January 1, 2002 under which most of our intangible assets are no longer subject to amortization. The

increase in aggregate dollars and as a percentage of revenue from 2000 to 2001 is primarily due to an increase in the aggregate dollar amount of acquisitions accounted for using the purchase method of accounting.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses were \$238.7 million, \$236.5 million and \$193.9 million, or, as a percentage of revenue, 10.1%, 10.5% and 9.2%, for the years ended December 31, 2002, 2001 and 2000, respectively. The increases in aggregate dollars are primarily a result of the expansion of our operations through acquisitions and internal growth.

During the fourth quarter of 2001, we recorded a charge of \$86.1 million on an after-tax basis, or \$132.0 million on a pre-tax basis. Of this pre-tax amount, \$8.2 million was recorded to selling, general and administrative expenses which relates primarily to an increase in bad debt expense resulting from the economic slowdown. Excluding the impact of this charge, selling, general and administrative expenses for 2001 were \$228.3 million, or 10.1% as a percent of revenue, which is consistent with 2002. The increase in selling, general and administrative expenses as a percentage of revenue from 2000 to 2001 is primarily due to the strengthening of our regional management structure and various systems and training initiatives. We believe that selling, general and administrative expenses in the range of 10% of revenue is appropriate for 2003 given our business platform. However, selling, general and administrative expenses as a percentage of revenue may increase depending upon the severity and duration of the economic slowdown.

**Other Charges.** During the fourth quarter of 2002, we recorded a \$5.6 million gain on the sale of certain assets for amounts exceeding estimates originally made during the fourth quarter of 2001.

During the fourth quarter of 2001, we recorded a charge of \$86.1 million on an after-tax basis, or \$132.0 million on a pre-tax basis. Of this pre-tax amount, \$99.6 million was recorded to other charges which relates primarily to completed and planned divestitures and closings of certain core and non-core businesses and asset impairments.

Other charges were \$6.7 million for the year ended December 31, 2000. These charges relate primarily to the early closure of a landfill in south Texas.

**Operating Income.** Operating income was \$459.5 million, \$283.5 million and \$434.0 million, or, as a percentage of revenue, 19.4%, 12.6% and 20.6%, for the years ended December 31, 2002, 2001 and 2000, respectively. Excluding the impact of the other charges (income) we recorded in the fourth quarters of 2002 and 2001, our operating income was \$453.9 million, or 19.2%, and \$415.5 million, or 18.4%, for the years ended December 31, 2002 and 2001, respectively.

**Interest Expense.** We incurred interest expense on our revolving credit facility, unsecured notes and tax-exempt bonds. Interest expense was \$77.0 million, \$80.1 million and \$81.6 million for the years ended December 31, 2002, 2001 and 2000, respectively. The decrease in interest expense is due to a general market decrease in interest rates and an increase in tax-exempt financings which generally bear interest at lower rates than our unsecured notes. The decrease in interest expense is also due to interest rate swap agreements that we entered into during 2001 and 2002.

Capitalized interest was \$2.5 million, \$3.3 million and \$2.9 million for the years ended December 31, 2002, 2001 and 2000, respectively.

**Interest and Other Income (Expense), Net.** Interest and other income, net of other expense, was \$4.0 million, \$5.9 million and \$4.0 million for the years ended December 31, 2002, 2001 and 2000, respectively. The variances during the periods are primarily due to fluctuations in cash balances on hand and related interest income and net gains on the disposition of assets during 2000 and 2001.

**Income Taxes.** Our provision for income taxes was \$146.9 million, \$83.8 million and \$135.4 million for the years ended December 31, 2002, 2001 and 2000, respectively. Our effective income tax rate was 38.0%, 40.0% and 38.0% for the years ended December 31, 2002, 2001 and 2000, respectively. The increase in our effective tax rate from 2000 to 2001 is the result of certain non-tax-deductible items included in the charge that we recorded during the fourth quarter of 2001. Excluding the impact of this charge, our effective tax rate for 2001 was 38.0%.

Consolidated Results of Operations. Our net income for the year ended December 31, 2002 was \$239.6 million. Our adjusted net income was \$236.1 million for the year ended December 31, 2002. Our adjusted operating results exclude a \$5.6 million pre-tax, or a \$3.5 million after-tax, gain we recorded during the fourth quarter of 2002 on the sale of certain assets for amounts exceeding estimates originally made during the fourth quarter of 2001.

LANDFILL AND ENVIRONMENTAL MATTERS

Among our most significant investments and most valuable assets are our landfills. The additional disclosures included in this section provide the users of our financial statements with a clearer understanding of our investment in our landfills and various accounting principles that are unique to landfill operations.

Available Airspace

The following tables reflect landfill airspace activity for landfills owned or operated by us for the years ended December 31, 2000, 2001 and 2002:

BALANCE AS OF NEW  
 LANDFILLS CHANGES IN  
 BALANCE AS OF  
 DECEMBER 31,  
 EXPANSIONS ACQUIRED,  
 NET PERMITS AIRSPACE  
 ENGINEERING DECEMBER  
 31, 1999 UNDERTAKEN  
 OF DIVESTITURES  
 GRANTED CONSUMED  
 ESTIMATES 2000 -----  
 -----  
 -----  
 -----  
 -----

Permitted airspace:  
 Cubic yards (in  
 millions).....  
 1,304.1 -- 8.8 74.6  
 (32.5) .1 1,355.1  
 Number of  
 sites.....  
 55 (2) -- 53

Expansion airspace:  
 Cubic yards (in  
 millions)..... 369.7  
 31.4 (27.1) (74.6) -  
 - -- 299.4 Number of  
 sites.....  
 20 2 (1) (4) 17 -----  
 -----  
 -----

- Total available  
 airspace: Cubic  
 yards (in  
 millions).....  
 1,673.8 31.4 (18.3)  
 -- (32.5) .1 1,654.5  
 =====  
 =====  
 =====  
 ===== Number of  
 sites.....  
 55 (2) 53 =====  
 =====

BALANCE AS OF NEW  
 LANDFILLS CHANGES IN  
 CHANGES DECEMBER 31,  
 EXPANSIONS ACQUIRED, NET  
 PERMITS AIRSPACE  
 ENGINEERING IN 2000  
 UNDERTAKEN OF  
 DIVESTITURES GRANTED  
 CONSUMED ESTIMATES  
 DESIGN -----  
 -----  
 -----  
 ----- Permitted  
 airspace: Cubic yards  
 (in millions) 1,355.1 --  
 7.5 .7 (32.5) (1.8) --  
 Number of

sites..... 53 1 -  
- Expansion airspace:  
Cubic yards (in  
millions).....  
299.4 34.7 (26.5) -- --  
.9 51.1 Number of  
sites..... 17 4  
(1) -- -----  
-----

---- Total available  
airspace: Cubic yards  
(in millions) 1,654.5  
34.7 (19.0) .7 (32.5)  
(.9) 51.1 =====  
=====

==== Number of  
sites..... 53 1  
=====

BALANCE AS OF DECEMBER  
31, 2001 -----

Permitted airspace:  
Cubic yards (in  
millions) 1,329.0 Number  
of sites..... 54  
Expansion airspace:  
Cubic yards (in  
millions).....  
359.6 Number of  
sites..... 20 ---

---- Total available  
airspace: Cubic yards  
(in millions) 1,688.6

===== Number of  
sites..... 54  
=====

BALANCE AS OF NEW  
LANDFILLS CHANGES IN  
CHANGES DECEMBER 31,  
EXPANSIONS ACQUIRED, NET  
PERMITS AIRSPACE  
ENGINEERING IN 2001  
UNDERTAKEN OF  
DIVESTITURES GRANTED  
CONSUMED ESTIMATES  
DESIGN -----

-----  
----- Permitted  
airspace: Cubic yards  
(in  
millions).....  
1,329.0 -- 4.9 45.1  
(34.6) 13.1 .4 Number of  
sites..... 54 1 1

Expansion airspace:  
Cubic yards (in  
millions).....  
359.6 4.3 -- (35.7) --  
(2.1) 27.2 Number of  
sites..... 20 2 -  
(2) -- -----  
-----

--- Total available  
airspace: Cubic yards  
(in  
millions).....  
1,688.6 4.3 4.9 9.4  
(34.6) 11.0 27.6 =====  
=====

==== Number of  
sites..... 54 1  
1 =====

BALANCE AS OF DECEMBER  
31, 2002 -----

Permitted airspace:  
Cubic yards (in  
millions).....  
1,357.9 Number of  
sites..... 56

Expansion airspace:  
Cubic yards (in  
millions).....  
353.3 Number of  
sites..... 20 ---

---- Total available  
airspace: Cubic yards  
(in  
millions).....  
1,711.2 ===== Number  
of sites.....  
56 =====

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. Changes in design typically include significant modifications to a landfill's footprint or vertical slopes.

During 2000, we actively pursued obtaining landfill permits which resulted in adding over twice as much permitted airspace during the year than was consumed. During 2001, total available airspace increased by 34.1 million cubic yards primarily due to changes in design partially offset by consumption. During 2002, total available airspace increased by 22.6 million cubic yards primarily due to the opening of a greenfield site in South Carolina, and changes in engineering estimates partially offset by consumption.

As of December 31, 2002, we owned or operated 56 solid waste landfills with total available disposal capacity estimated to be 1.7 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 annually by independent engineers together with our engineers utilizing information provided by annual aerial surveys. As of December 31, 2002, total available disposal capacity is estimated to be 1.4 billion in-place cubic yards of permitted airspace plus .3 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 our expansion criteria. See Note 4, Accrued Landfill, Environmental and Legal Costs of the Notes to our Consolidated Financial Statements for further information.

As of December 31, 2002, twenty of our landfills meet the criteria for including probable expansion airspace in their total available disposal capacity. At projected annual volumes, these twenty landfills have an estimated remaining average site life of 32 years, including probable expansion airspace. The average estimated remaining life of all of our landfills is 34 years.

As of December 31, 2002, five of our landfills that meet the criteria for including expansion airspace had obtained approval from local authorities and are proceeding into the state permitting process. Also, as of December 31, 2002, nine of our twenty landfills that meet the criteria for including expansion airspace had submitted permit applications to state authorities. The remaining six landfills that meet the criteria for including expansion airspace are in the process of obtaining approval from local authorities and have not identified any fatal flaws or impediments associated with the expansions at either the local or state level.

Closure and Post-Closure Costs

The following table reflects our closure and post-closure expense per cubic yard of airspace consumed for the years ended December 31, 2002, 2001 and 2000:

2002	2001	2000	-----	-
-----	-----	-----	Closure and	
			post-closure expense	
			(in	
millions).....				
\$26.1	\$22.9	\$23.4		
			Cubic yards of	
			airspace consumed (in	
millions).....				
34.6	32.5	32.5	Closure	
			and post-closure	
			expense per cubic	
yard.....			yard.....	\$
.75	\$ .70	\$ .72		

As of December 31, 2002, accrued closure and post-closure costs were \$255.8 million. The current portion of these costs of \$22.1 million is reflected in our Consolidated Balance Sheets in other current liabilities. The long-term portion of these costs of \$233.7 million is reflected in our Consolidated Balance Sheets in accrued landfill, environmental and legal costs. As of December 31, 2002, assuming that all available landfill capacity is used, we expect to expense approximately \$541.3 million of additional closure and post-closure costs over the remaining lives of our facilities.

Our estimates for closure and post-closure do not take into account discounts for the present value of total estimated costs. If total estimated costs were discounted to present value, they would be lower.

Investment in Landfills

The following tables reflect changes in our investment in landfills for the years ended December 31, 2000, 2001 and 2002 and the future expected investment as of December 31, 2002 (in millions):

LANDFILLS BALANCE AS OF ACQUIRED, TRANSFERS IMPAIRED ADDITIONS BALANCE AS OF DECEMBER 31, CAPITAL NET OF AND ASSET CHARGED TO DECEMBER 31, 1999 ADDITIONS DIVESTITURES ADJUSTMENTS WRITE-DOWN EXPENSE 2000 - ----- ----- -----					
----- Non- depletable landfill land.....	\$ 46.4	\$ .5	\$ 1.1	\$ (.8)	
	\$ --	\$ --	\$ 47.2		Landfill development
costs.....	827.6	7.6	(16.0)	58.0	
	(11.7)	--	865.5		
Construction in progress -- landfill.....	62.1	(.1)	(59.7)	--	44.3
	46.6				Accumulated depletion and amortization.....
	(135.1)	--	10.5	.2	6.8
	(61.9)	(179.5)	-----	---	
-----					
----- Net investment in landfill land and development costs.....	\$783.2	\$70.2	\$ (4.5)	\$	
	(2.3)	\$ (4.9)	\$ (61.9)	\$	
	779.8	=====	=====	=====	
	=====	=====	=====	=====	

LANDFILLS BALANCE AS OF ACQUIRED, TRANSFERS IMPAIRED ADDITIONS DECEMBER 31, CAPITAL NET OF AND ASSET CHARGED TO 2000 ADDITIONS RETIREMENTS DIVESTITURES ADJUSTMENTS WRITE-DOWN EXPENSE ----- ----- -----					
----- Non-depletable landfill land.....	\$ 47.2	\$ 5.1	\$ (.9)	\$	
	2.3	\$ (2.2)	\$ (1.0)	\$ --	
					Landfill development
costs.....	865.5	5.0	--	30.7	86.8
	(29.2)	--			Construction in progress --
landfill.....	46.6	58.4	--	(.4)	(87.0)
	--	--			Accumulated depletion and amortization.....
	(179.5)	--	--	3.9	.3
	(.2)	(61.5)	-----	-----	
-----					
----- Net investment in landfill land and development costs.....	\$779.8	\$68.5	\$ (.9)	\$	
	36.5	\$ (2.1)	\$ (30.4)	\$	
	(61.5)	=====	=====	=====	

```

=====
BALANCE AS OF DECEMBER
31, 2001 -----
Non-depletable landfill
land.....
    $ 50.5 Landfill
    development
costs.....
    958.8 Construction in
    progress --
landfill.....
    17.6 Accumulated
    depletion and
amortization.....
(237.0) ----- Net
investment in landfill
land and development
costs.....
    $ 789.9 =====

```

```

LANDFILLS BALANCE AS OF
ACQUIRED, TRANSFERS
ADDITIONS BALANCE AS OF
DECEMBER 31, CAPITAL NET
OF AND CHARGED TO
DECEMBER 31, 2001
ADDITIONS RETIREMENTS
DIVESTITURES ADJUSTMENTS
EXPENSE 2002 -----
-----
-----
Non-depletable landfill
land.....
    $ 50.5 $ 3.3 $ -- $ -- $
    .2 $ -- $ 54.0 Landfill
    development
costs.....
958.8 18.1 -- 5.1 44.3 --
1,026.3 Construction in
progress --
landfill.....
17.6 56.0 -- -- (41.3) --
    32.3 Accumulated
    depletion and
amortization.....
(237.0) -- -- -- .3
(67.4) (304.1) -----
-----
----- Net
investment in landfill
land and development
costs.....
$789.9 $77.4 $ -- $ 5.1 $
    3.5 $ (67.4) $ 808.5
=====
=====
=====

```

```

BALANCE AS OF DECEMBER EXPECTED TOTAL
31, FUTURE EXPECTED 2002 INVESTMENT
INVESTMENT -----
----- Non-depletable landfill
land..... $
54.0 $ -- $ 54.0 Landfill development
costs.....
1,026.3 1,146.4 2,172.7 Construction
in progress --
landfill..... 32.3
-- 32.3 Accumulated depletion and
amortization.....
(304.1) -- (304.1) -----
----- Net investment in landfill
land and development costs..... $
808.5 $1,146.4 $ 1,954.9 =====
=====

```

The following table reflects our net investment in our landfills, excluding non-depletable land, and our depletion and amortization expense for the years ended December 31, 2002, 2001 and 2000:



	2002	2001	2000	-----	-----	-----	Number of
landfills owned or operated.....							56 54
53 Net investment, excluding non-depletable land (in millions).....							
\$ 754.5 \$ 739.4 \$ 732.6 Total estimated available disposal capacity (in millions of cubic yards).....							1,711.2
1,688.6 1,654.5 Net investment per cubic yard.....							\$ .44 \$ .44 \$ .44
Landfill depletion and amortization expense (in millions).....							
\$ 67.4 \$ 61.5 \$ 61.9 Airspace consumed (in millions of cubic yards).....							34.6 32.5 32.5
Depletion and amortization per cubic yard of airspace consumed.....							
	\$ 1.95	\$ 1.89	\$ 1.90				

During 2002, our weighted average compaction rate for converting cubic yards to tons was approximately 1,500 pounds per cubic yard.

As of December 31, 2002, we expect to spend an estimated additional \$1,146.4 million on existing landfills, primarily related to cell construction and environmental structures, over their expected remaining lives. Our total expected gross investment, excluding non-depletable land, estimated to be \$1.9 billion, or \$1.11 per cubic yard, is used in determining our depletion and amortization expense based upon airspace consumed using the units-of-consumption method. Our estimates for expected future investment in landfills do not take into account inflation or discounts for the present value of total estimated costs. For further information, see "Closure and Post-Closure Costs."

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 also accrue costs related to environmental remediation activities associated with properties acquired 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. No material amounts were charged to expense during the years ended December 31, 2002, 2001 and 2000.

#### FINANCIAL CONDITION

One of our key financial objectives is to maintain a simple, cost-effective and transparent capital structure.

At December 31, 2002, we had \$141.5 million of cash and cash equivalents. We also had \$175.0 million of restricted cash, of which \$139.7 million relates to proceeds from tax-exempt bonds and other tax-exempt financing that will be used to fund capital expenditures. At December 31, 2002, we had \$378.2 million of tax-exempt bonds and other tax-exempt financing outstanding at favorable interest rates.

In July 1998, we entered into a \$1.0 billion unsecured revolving credit facility with a group of banks. \$500.0 million of the credit facility was scheduled to expire in July 2002 and the remaining \$500.0 million was scheduled to expire in July 2003. As a result of our strong financial position and liquidity, in February 2002 we reduced the short- and long-term portions of our credit facility to \$300.0 million and \$450.0 million, respectively. In July 2002, we renewed the short- and long-term portions of our credit facility on substantially the same terms and conditions. The short-term portion of the facility expires in July 2003 and the long-term portion expires in July 2007. Borrowings under the credit facility bear interest at LIBOR-based rates. We use our operating cash flow and proceeds from our credit facilities to finance our working capital, capital expenditures, acquisitions, share repurchases and other requirements. As of December 31, 2002, we had \$437.7 million available under our credit facility.

In May 1999, we sold \$600.0 million of unsecured notes in the public market. \$225.0 million of these notes bear interest at 6 5/8% per annum and mature in 2004. The remaining \$375.0 million bear interest at 7 1/8% per annum and mature in 2009. Interest on these notes is payable semi-annually in May and November. The \$225.0 million and \$375.0 million in notes were offered at a discount of \$1.0 million and \$.5 million, respectively. Proceeds from the notes were used to repay our revolving credit facility.

In December 1999, we entered into an operating lease facility established to finance the acquisition of operating equipment consisting primarily of revenue-producing vehicles. In July 2002, we exercised our right to purchase the equipment underlying this facility by paying \$72.6 million using our excess cash, which was the balance outstanding under the facility at that time.

In August 2001, we sold \$450.0 million of unsecured notes in the public market. The notes bear interest at 6 3/4% 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. Proceeds from the notes were used to repay our revolving credit facility.

In order to manage risk associated with fluctuations in interest rates, in September 2001 and October 2002, we entered into interest rate swap agreements with investment grade rated financial institutions. The swap agreements have total notional values of \$225.0 million and \$75.0 million, respectively, and require our

company to pay interest at floating rates based upon changes in LIBOR and receive interest at fixed rates of 6 5/8% and 6 3/4%, respectively. The swap agreements terminate in May 2004 and August 2011, respectively.

At December 31, 2002, we had \$378.2 million of tax-exempt bonds and other tax-exempt financings outstanding of which approximately \$96.5 million was obtained during fiscal 2002. Borrowings under these bonds and other financings bear interest based on fixed or floating interest rates at the prevailing market ranging from 1.45% to 5.25% at December 31, 2002 and have maturities ranging from 2003 to 2032. As of December 31, 2002, we had \$139.7 million of restricted cash related to proceeds from tax-exempt bonds and other tax-exempt financings. This restricted cash will be used to fund capital expenditures under the terms of the agreements.

We plan to extend the maturity of our revolving short-term credit facility prior to its expiration in July 2003 to July 2004. We believe that such an extension would provide us with sufficient financial resources to meet our anticipated capital requirements and obligations as they come due. We believe that we would be able to raise additional debt or equity financing, if necessary, to fund special corporate needs or to complete acquisitions. However, we cannot assure you that we would be able to obtain additional financing under favorable terms or to extend the existing short-term credit facility on the same terms.

SELECTED BALANCE SHEET ACCOUNTS

We were the first in our industry to provide the users of our financial statements with additional disclosures regarding selected balance sheet accounts. These additional disclosures include schedules that show the activity in our available airspace, investment in landfills, property and equipment, and other selected balance sheet accounts. We believe that these disclosures permit the readers of our financial statements to gain a better understanding of our company's financial condition, results of operations and cash flows.

The following tables reflect the activity in our allowance for doubtful accounts, accrued closure and post-closure, accrued self-insurance and amounts due to former owners during the years ended December 31, 2000, 2001 and 2002 (in millions):

CLOSURE, POST-CLOSURE ALLOWANCE FOR AND AMOUNTS DUE TO DOUBTFUL ACCOUNTS REMEDIATION SELF-INSURANCE FORMER OWNERS -----			
-----			
-----	Balance, December 31,		
1999.....	\$ 14.2	\$152.3	\$
38.4	\$ 47.0	Additions charged to	
expense.....	11.8	23.4	100.1 -
-	Additions due to acquisitions,		
	net of		
divestitures.....	2.1	9.1 -- 7.0	Payments or
	usage.....	(14.9)	
(17.2)	(97.4)	(38.7)	-----
-----	Balance, December 31,		
2000.....	13.2	167.6	41.1
	15.3	Current	
portion.....	13.2		
16.8	22.1	15.3	-----
-----	-----	Long-term	
portion.....	\$ --		
\$150.8	\$ 19.0	\$ --	=====
			=====

CLOSURE, ALLOWANCE FOR POST- CLOSURE AMOUNTS DUE TO DOUBTFUL ACCOUNTS AND REMEDIATION SELF- INSURANCE FORMER OWNERS -----			
-----			
-----	Balance,		
December 31, 2000.....	\$		
13.2	\$167.6	\$ 41.1	\$ 15.3
	Additions charged to		
expense.....	22.8	22.9	130.2 -
-	Additions due to acquisitions,		
	net of		
divestitures.....	1.5	69.3 -- 18.8	Payments or
	usage.....	(18.5)	
(20.3)	(113.7)	(28.1)	-----
-	-----	Balance, December	

31, 2001.....	19.0	239.5	
	57.6	6.0	Current
portion.....			19.0
21.1	38.4	6.0	-----
			----- Long-term
portion.....			\$ --
\$218.4	\$ 19.2	\$ --	=====
			=====

CLOSURE, ALLOWANCE FOR POST-			
CLOSURE AMOUNTS DUE TO DOUBTFUL			
ACCOUNTS AND REMEDIATION SELF-			
INSURANCE FORMER OWNERS -----			
-----			
----- Balance,			
December 31, 2001..... \$			
19.0	\$239.5	\$ 57.6	\$ 6.0
Additions			
charged to expense..... 11.2			
26.1	138.1	--	Additions due to
acquisitions, net of			
divestitures.....			
.2	5.0	--	4.2 Payments or
usage..... (11.4)			
(14.8)	(120.7)	(2.7)	-----
----- Balance, December			
31, 2002..... 19.0 255.8			
75.0	7.5	Current	
portion..... 19.0			
22.1	33.9	7.5	-----
----- Long-term			
portion..... \$ --			
\$233.7	\$ 41.1	\$ --	=====
			=====

Our expense related to doubtful accounts as a percentage of revenue for 2000, 2001 and 2002 was .6%, 1.0% and .5%, respectively.

As of December 31, 2002, accounts receivable were \$238.6 million, net of allowance for doubtful accounts of \$19.0 million, resulting in days sales outstanding of 36 days, or 23 days net of deferred revenue. In addition, at December 31, 2002, our trade receivables in excess of 90 days old totaled \$13.8 million, or 5.4% of gross receivables outstanding.

Our expense for self-insurance as a percentage of revenue for 2000, 2001 and 2002 was 4.8%, 5.8% and 5.8%, respectively. The increases are primarily due to overall increases in insurance costs that we experienced during 2001 and 2002.

#### PROPERTY AND EQUIPMENT

The following tables reflect the activity in our property and equipment accounts for the years ended December 31, 2000, 2001 and 2002 (in millions):

GROSS PROPERTY AND			
EQUIPMENT -----			
-----			
-----			
----- BALANCE			
AS OF ACQUISITIONS,			
IMPAIRED BALANCE AS OF			
DECEMBER 31, CAPITAL NET			
OF TRANSFERS AND ASSET			
DECEMBER 31, 1999			
ADDITIONS RETIREMENTS			
DIVESTITURES ADJUSTMENTS			
WRITE-DOWN 2000 -----			
-----			
-----			
----- Other			
land.....	\$		
82.8	\$ .5	\$ (.5)	\$ 7.2
1.5	\$ --	\$ 91.5	Non-
depletable landfill			
land.....			
46.4	.5	--	1.1 (.8) --
47.2 Landfill			
development			
costs.....			
827.6	7.6	--	(16.0) 58.0
(11.7)	865.5	Vehicles	
and equipment..... 961.3			
64.0	(41.2)	(2.5)	37.3 -
- 1,018.9 Buildings and			
improvements.....			
187.5	10.7	(.8)	.2 29.7
(.2)	227.1	Construction	
in progress --			
landfill.....	44.3	62.1	

```

-- (.1) (59.7) -- 46.6
Construction in progress
-- other..... 24.4
62.6 -- (1.9) (67.1) --
18.0 -----
-----
-----
Total.....
$2,174.3 $208.0 $(42.5)
$(12.0) $ (1.1) $(11.9)
$2,314.8 =====
=====
=====
=====

```

```

ACCUMULATED
DEPRECIATION,
AMORTIZATION AND
DEPLETION -----
-----
-----
-----
-----
BALANCE AS OF ADDITIONS
IMPAIRED BALANCE AS OF
DECEMBER 31, CHARGED TO
TRANSFERS AND ASSET
DECEMBER 31, 1999
EXPENSE RETIREMENTS
DIVESTITURES
ADJUSTMENTS WRITE-DOWN
2000 -----
-----
-----
-----
- Landfill development
costs.....
$ (135.1) $ (61.9) $ --
$ 10.5 $ .2 $ 6.8 $
(179.5) Vehicles and
equipment.... (399.9)
(88.1) 30.1 27.8 1.2 --
(428.9) Buildings and
improvements.....
(33.8) (7.0) .4 1.9
(.1) -- (38.6) -----
-----
-----
Total..... $
(568.8) $ (157.0) $
30.5 $ 40.2 $ 1.3 $ 6.8
$ (647.0) =====
=====
=====
=====

```

GROSS PROPERTY AND  
EQUIPMENT -----

-----  
-----  
----- BALANCE  
AS OF ACQUISITIONS,  
IMPAIRED BALANCE AS OF  
DECEMBER 31, CAPITAL NET  
OF TRANSFERS AND ASSET  
DECEMBER 31, 2000  
ADDITIONS RETIREMENTS  
DIVESTITURES ADJUSTMENTS  
WRITE-DOWN 2001 -----  
-----  
-----

----- Other			
land.....	\$		
91.5	\$ 1.3	\$ (1.6)	\$ 5.4
\$ --	\$ (2.3)	\$ 94.3	Non-
depletable landfill			
land.....			
47.2	5.1	(.9)	2.3 (2.2)
(1.0)	50.5	Landfill	
development			
costs.....			
865.5	5.0	--	30.7 86.8
(29.2)	958.8	Vehicles	
and equipment.....			
1,018.9	113.4	(31.0)	
17.8	37.0	(2.9)	1,153.2
Buildings and			
improvements.....			
227.1	9.1	(2.2)	7.6 15.3
(.5)	256.4	Construction	
in progress --			
landfill.....	46.6	58.4	
--	(.4)	(87.0)	-- 17.6
Construction in progress			
-- other.....	18.0		
57.0	--	--	(51.5) --
23.5	-----	-----	-----
-----			
Total.....			
\$2,314.8	\$ 249.3	\$(35.7)	
\$ 63.4	\$ (1.6)	\$(35.9)	
\$2,554.3	=====		
=====	=====	=====	
=====	=====	=====	

ACCUMULATED  
DEPRECIATION,  
AMORTIZATION AND  
DEPLETION -----

-----  
-----  
-----  
----- BALANCE AS OF ADDITIONS  
IMPAIRED BALANCE AS OF  
DECEMBER 31, CHARGED TO  
TRANSFERS AND ASSET  
DECEMBER 31, 2000  
EXPENSE RETIREMENTS  
DIVESTITURES  
ADJUSTMENTS WRITE-DOWN  
2001 -----  
-----  
-----  
-----

- Landfill development			
costs.....			
\$ (179.5)	\$ (61.5)	\$ --	
\$ 3.9	\$ .3	\$ (.2)	\$
(237.0)	Vehicles and		
equipment.... (428.9)			
(98.2)	26.6	3.0	1.2 .6
(495.7)	Buildings and		
improvements.....			

(38.6) (8.6) .6 -- --  
 (.1) (46.7) -----  
 -----  
 -----  
 Total..... \$  
 (647.0) \$ (168.3) \$  
 27.2 \$ 6.9 \$ 1.5 \$ .3 \$  
 (779.4) =====  
 =====  
 =====

GROSS PROPERTY AND EQUIPMENT ----  
 -----  
 -----

----- BALANCE AS OF  
 ACQUISITIONS, BALANCE AS OF  
 DECEMBER 31, CAPITAL NET OF  
 TRANSFERS AND DECEMBER 31, 2001  
 ADDITIONS RETIREMENTS  
 DIVESTITURES ADJUSTMENTS 2002 ---  
 -----  
 -----

----- Other

land.....  
 \$ 94.3 \$ 5.1 \$ (2.5) \$ (7.0) \$  
 (.2) \$ 89.7 Non-depletable  
 landfill land..... 50.5  
 3.3 -- -- .2 54.0 Landfill  
 development costs.....  
 958.8 18.1 -- 5.1 44.3 1,026.3  
 Vehicles and  
 equipment.....  
 1,153.2 220.8 (47.8) 15.1 15.5  
 1,356.8 Buildings and  
 improvements..... 256.4  
 12.6 (2.3) (3.4) 7.6 270.9  
 Construction in progress --  
 landfill.... 17.6 56.0 -- --  
 (41.3) 32.3 Construction in  
 progress -- other..... 23.5  
 15.3 -- -- (29.7) 9.1 -----  
 -----  
 -----  
 Total.....  
 \$2,554.3 \$331.2 \$(52.6) \$ 9.8 \$  
 (3.6) \$2,839.1 =====  
 =====

ACCUMULATED DEPRECIATION,  
 AMORTIZATION AND DEPLETION ---  
 -----  
 -----

----- BALANCE AS OF ADDITIONS  
 BALANCE AS OF DECEMBER 31,  
 CHARGED TO TRANSFERS AND  
 DECEMBER 31, 2001 EXPENSE  
 RETIREMENTS DIVESTITURES  
 ADJUSTMENTS 2002 -----  
 -----  
 -----

---- Landfill development  
 costs..... \$ (237.0) \$  
 (67.4) \$ -- \$ -- \$ .3 \$  
 (304.1) Vehicles and  
 equipment.....  
 (495.7) (116.5) 36.9 1.8 3.4  
 (570.1) Buildings and  
 improvements.....  
 (46.7) (9.6) 1.2 .3 (.1)  
 (54.9) -----  
 -----

Total.....  
 \$ (779.4) \$ (193.5) \$ 38.1 \$  
 2.1 \$ 3.6 \$ (929.1) =====  
 =====  
 =====

Capital additions for 2002 include \$72.6 million used to purchase equipment consisting primarily of revenue-producing vehicles originally placed into service pursuant to an operating lease.



## LIQUIDITY AND CAPITAL RESOURCES

The major components of changes in cash flows for the years ended December 31, 2002, 2001 and 2000 are discussed below.

**Cash Flows From Operating Activities.** Cash flows provided by operating activities were \$569.7 million, \$459.2 million and \$461.8 million for the years ended December 31, 2002, 2001 and 2000, respectively. The changes in cash provided by operating activities during the periods are due to the expansion of our business, deferred taxes and timing of receipts and payments from accounts receivable and accounts payable, respectively.

We use cash flow from operations to fund capital expenditures, acquisitions, share repurchases and debt repayments.

Cash Flows Used In Investing Activities. Cash flows used in investing activities consist primarily of cash used for capital additions and business acquisitions. Cash used to acquire businesses, net of cash acquired, was \$55.8 million, \$261.2 million and \$188.1 million during the years ended December 31, 2002, 2001 and 2000, respectively. Capital additions were \$258.6 million, \$249.3 million and \$208.0 million during the years ended December 31, 2002, 2001 and 2000, respectively.

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

Cash Flows From (Used In) Financing Activities. Cash flows provided by (used in) financing activities during the years ended December 31, 2002, 2001 and 2000 included commercial bank borrowings and repayments of debt in all three years, proceeds from our sale of unsecured notes in 2001, and proceeds from issuances of tax-exempt bonds in 2002, 2001 and 2000. In August 2001, we sold unsecured notes with a face value of \$450.0 million at a discounted price of \$447.4 million. Proceeds from the notes were used to repay our revolving credit facility.

In December 1999, we entered into an operating lease facility established to finance the acquisition of operating equipment consisting primarily of revenue-producing vehicles. In July 2002, we retired this facility using our excess cash.

During 2000, 2001 and 2002, our board of directors authorized the repurchase of up to \$150.0 million, \$125.0 million and \$175.0 million, respectively, of our common stock. As of December 31, 2002, we paid \$300.1 million to repurchase approximately 17.2 million shares of our stock, of which we paid \$150.0 million during 2002 to repurchase approximately 8.0 million shares of our stock. We intend to finance future stock repurchases through cash on hand, cash flow from operations, our revolving credit facility and other financings.

We used proceeds from our revolving credit facility, unsecured notes and tax-exempt bonds to fund capital expenditures and acquisitions and to repay debt.

#### CREDIT RATING

Our company has received investment grade credit ratings. As of December 31, 2002, our senior debt was rated Baa3 by Moody's, BBB by Standard & Poor's and BBB+ by Fitch.

One of our key financial objectives is to maintain our investment grade credit rating on our senior debt. We believe that frequently communicating with our rating agencies and providing them with detailed information concerning our financial and operational performance is critical in achieving this objective.

The following table demonstrates our improvement in certain financial ratios as of and for the years ended December 31, 2002, 2001 and 2000 that we believe are important to our credit rating agencies:

2002	2001	2001	ADJUSTED(A)	2000	----	---
-	-	-	-	-	-	-
----- Net debt to						
total						
capitalization.....						
38.2%	41.3%	41.3%	41.7%	Net debt to		
EBITDA(b).....						
1.8x	2.5x	2.0x	1.9x	EBITDA to interest		
expense(b)..... 8.6x						
6.2x	7.9x	7.7x	Operating income to total			
assets..... 10.9% 7.4%						
	10.8%	12.2%				

- 
- (a) Adjusted results for 2001 exclude an \$86.1 million after-tax charge we recorded in the fourth quarter of 2001 related to the completed and planned divestitures and closings of certain core and non-core businesses, asset impairments, downsizing our compost, mulch and soil business and related inventory adjustments, an increase in self-insurance reserves and an increase in bad debt expense related to the economic slowdown.
  - (b) EBITDA represents operating income plus depreciation, amortization and depletion. While EBITDA data should not be construed as a substitute for operating income, net income or cash flows from operations in analyzing our operating performance, financial position and cash flows, we have included EBITDA data, which is not a measure of financial performance calculated in accordance with accounting



principles generally accepted in the United States, because we believe that this data is commonly used by certain credit rating agencies to evaluate a company's financial performance. Due to the fact that not all companies calculate non-GAAP measures in the same manner, the EBITDA presentation herein may not be comparable to similarly titled measures reported by other companies.

We believe that our investment grade rating from our credit rating agencies and the financial ratios above are indicative of the financial strength of our company.

#### OPERATING LEASE FACILITY

One of our key financial objectives is to maintain a simple, cost-effective and transparent capital structure.

As we previously disclosed in our quarterly and annual filings with the Securities and Exchange Commission, in December 1999, we entered into a \$100.0 million facility established to finance the acquisition of operating equipment consisting primarily of revenue-producing vehicles. The facility had a term of three years with two consecutive one-year renewals and was entered into primarily because its implicit interest rate was over ten basis points less than our revolving credit facility at the time. The facility met the criteria of an operating lease under generally accepted accounting principles. Accordingly, during the term of this facility, we did not record this facility as debt nor did we record the related operating equipment as assets on our balance sheets. However, we included the cost of operating equipment acquired under the facility as capital expenditures for purposes of calculating our free cash flow.

In July 2002, we exercised our right to purchase the equipment underlying this facility by paying \$72.6 million using our excess cash, which was the balance outstanding under the facility at that time. As a result of our success in obtaining financing in the public markets, including tax-exempt bonds, we do not anticipate using this form of financing again in the foreseeable future.

#### FUEL HEDGE

We have minimized our risk associated with changes in the price of diesel fuel by entering into derivatives with a group of financial institutions having investment grade ratings. Our derivative instruments qualify for hedge accounting treatment under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. Under these option agreements, we receive or make payments based on the difference between actual average heating oil prices and predetermined fixed prices. These option agreements protect us from fuel prices rising above a predetermined fixed price in the option agreements, but also limit our ability to benefit from price decreases below the predetermined fixed price in the option agreements.

During June 2001, we entered into option agreements for approximately 14.3 million gallons of heating oil. These option agreements settled each month in equal notional amounts through December 2002. The option agreements were structured as zero-cost collars indexed to the price of heating oil. The option agreements expired in December 2002. In accordance with SFAS 133, \$1.6 million and \$(1.6) million, net of tax, representing the effective portion of the change in fair value during the periods have been recorded in stockholders' equity as a component of accumulated other comprehensive income (loss) for the years ended December 31, 2002 and 2001, respectively. The ineffective portions of the changes in fair value of approximately \$.1 million and \$(.1) million for the years ended December 31, 2002 and 2001, respectively, have been included in other income (expense), net in the accompanying Consolidated Statements of Income. Realized losses of \$.8 million and \$.6 million for the years ended December 31, 2002 and 2001, respectively, related to these option agreements are included in cost of operations in our Consolidated Statements of Income.

FUTURE OBLIGATIONS

The following table summarizes our significant future obligations as of December 31, 2002:

MATURITIES OF NOTES OPERATING PAYABLE AND CLOSURE AND YEAR ENDING DECEMBER 31, LEASES LONG- TERM DEBT POST-CLOSURE REMEDIATION TOTAL ----- ----- -----				
2003.....	\$ 4.0	\$ 2.8	\$ 17.8	\$ 4.3
		28.9		
2004.....	3.4	227.7	30.9	.9 262.9
2005.....	2.9	2.7	17.4	2.9 25.9
2006.....	2.7	2.4	19.6	.9 25.6
2007.....	2.6	1.9	14.3	.9 19.7
Thereafter.....	9.2	1,197.7	638.2	49.0
1,894.1 -----				
Total.....	\$24.8	\$1,435.2	\$738.2	\$58.9
	\$2,257.1	=====	=====	=====

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The table below provides information about our market sensitive financial instruments and constitutes a "forward-looking statement." Our major market risk exposure is changing interest rates in the United States and fluctuations in LIBOR. We intend to manage interest rate risk through the use of a combination of fixed and floating rate debt. All items described below are non-trading.

EXPECTED MATURITY DATE ----- ----- ----- -----				
----	FAIR VALUE (ASSET)/LIABILITY DECEMBER 31, 2003			
2004	2005	2006	2007	THEREAFTER
TOTAL 2002	-----	-----	-----	-----

VARIABLE RATE DEBT: Amount outstanding (in millions)... \$ .6				
\$ .6	\$ .6	\$ .3	\$	
-- \$257.6	\$259.7			
\$259.7	Average			
interest				
rates.....				
1.80%	1.80%	1.80%		
1.80%	--%	1.68%		
1.68%	INTEREST			
RATE SWAPS:				
Amount				
outstanding (in				
millions)... --				
\$225.0	--	--	--	\$
75.0	\$300.0	\$		
(9.1)	Average			
interest				
rates.....				
-- 2.6%	--	--	--	
2.1%	2.5%			

The fair value of variable rate debt approximates the carrying value since interest rates are variable and, thus, approximate current market rates.

#### SEASONALITY

Our operations can be adversely affected by periods of inclement weather which could delay the collection and disposal of waste, reduce the volume of waste generated or delay the construction or expansion of our landfill sites and other facilities.

#### NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board issued Statement No. 143, "Accounting for Asset Retirement Obligations." This statement is effective for financial statements issued for fiscal years beginning after June 15, 2002 and applies to all legally enforceable obligations associated with the retirement of tangible long-lived assets. SFAS 143 will require our company to change the methodology we currently use to record closure and post-closure costs related to our landfills. The most significant change to our methodology promulgated by this statement is inflating and discounting obligations to reflect today's dollars.

SFAS 143 does not change the basic landfill accounting policies followed by us and others in the waste industry. In general, the industry has amortized capitalized costs and accrued future closure and post-closure obligations using the units-of-consumption method as cubic yards of available airspace are consumed over the life of the related landfill. This practice is referred to as life cycle accounting and will continue to be followed except as modified by SFAS 143 as discussed below.

Under SFAS 143, obligations associated with final capping activities that occur during the operating life of the landfill will be recognized on a units-of-consumption basis as airspace is consumed within each discrete capping event. Obligations related to closure and post-closure activities that occur after the landfill has ceased operations will be recognized on a units-of-consumption basis as airspace is consumed throughout the entire landfill. Landfill retirement obligations will be capitalized as the related liabilities are recognized and amortized using the units-of-consumption method over the airspace consumed within the capping event or the airspace consumed throughout the entire landfill, depending upon the nature of the obligation. All obligations will be initially measured at estimated fair value. Fair value will be calculated on a present value basis using the company's credit-adjusted, risk-free rate.

Upon adopting SFAS 143, the company will no longer record closure and post-closure expense as a component of cost of operations. Instead, amortization expense will be recorded on the capitalized portion of the obligation and accretion expense will be recorded using the effective interest method.

The table below reflects significant changes between our current methodology and the methodology we will use upon adopting SFAS 143:

PRACTICE UPON ADOPTION OF DESCRIPTION CURRENT PRACTICE SFAS NO. 143
DEFINITIONS: Final Capping Costs related to installation of No change. the components that comprise the permanent final cover over areas of a landfill where airspace capacity has been consumed. Closure Includes routine maintenance No change, except that it will costs incurred after a site include the final portion of the ceases to accept waste, but methane gas collection system to prior to being certified closed. be constructed. Post- Closure Includes routine monitoring

and No  
change,  
except it  
will  
maintenance  
of a  
landfill  
after  
include  
methane gas  
collection  
it has been  
certified  
as closed  
systems in  
all cases  
where the  
by the  
applicable  
state need  
for such  
systems are  
regulatory  
agency.  
considered  
probable.  
DISCOUNT  
RATE: Not  
applicable.  
Credit-  
adjusted,  
risk-free  
rate of  
6.75%.  
INFLATION:  
Not  
applicable.  
Inflation  
rate of  
2.5%. COST  
ESTIMATES:  
Cost  
estimates  
generally  
assume No  
change,  
except that  
the cost  
work will  
be  
performed  
by third of  
any  
activities  
performed  
parties.  
internally  
will be  
increased  
to  
represent  
an estimate  
of the  
amount a  
third party  
would  
charge to  
perform  
such  
activity.  
This third  
party  
profit will  
be taken in  
to income  
in the  
period the  
work is  
performed  
internally.



PRACTICE  
UPON  
ADOPTION OF  
DESCRIPTION  
CURRENT  
PRACTICE

SFAS NO. 143  
METHANE GAS  
COLLECTION  
SYSTEMS:

Capitalized  
when  
constructed  
and During  
the active  
life of a  
charged to  
expense  
through  
landfill,  
included in  
cell  
depreciation  
over the  
shorter of  
development  
costs when  
the need  
their useful  
life or the  
life of for  
such systems  
is

considered  
the  
landfill.  
probable;  
charged to  
expense  
through  
depletion as  
airspace is  
consumed  
using the  
units- of-  
consumption  
method.

Systems  
associated  
with the  
last final  
capping  
event at a  
landfill are  
included in  
closure.

RECOGNITION  
OF

LIABILITY:  
Final  
Capping  
Accrued over  
the life of  
the All  
final

capping will  
be landfill.

Costs are  
charged to  
recorded as  
a liability  
and cost of  
operations  
and accrued  
asset at  
fair value  
as the  
liabilities  
as airspace  
is  
obligation  
is incurred.

The consumed  
using the  
units-  
discounted  
cash flow  
associated  
of-  
consumption  
method.  
Costs are  
with each  
final  
capping  
event is not  
discounted.  
recorded to  
the accrued  
liability,  
with a  
corresponding  
increase to  
landfill  
assets as  
airspace is  
consumed  
related to  
the specific  
final  
capping  
event.

Interest is  
accreted on  
the  
liability  
using the  
effective  
interest  
method until  
the  
liability is  
paid.

Closure and  
Post-Closure  
Accrued over  
the life of  
the Accrued  
over the  
life of the  
landfill.  
Costs are  
charged to  
landfill.

The  
discounted  
cash cost of  
operations  
and accrued  
flow  
associated  
with the  
fair  
liabilities  
as airspace  
is value of  
such  
liabilities  
is consumed  
using the  
units-  
recorded to  
accrued  
liabilities,  
of-  
consumption  
method.

Costs are  
with a  
corresponding  
increase in  
not  
discounted.  
landfill  
assets as  
airspace is  
consumed.

Interest is accreted on the liability using the effective interest method until the liability is paid.

STATEMENT OF OPERATIONS:

Cost of Operations Expense charged to cost of Not applicable. operations equal to amount of liability accrued. Landfill Asset Amortization Not applicable. The landfill asset is amortized as airspace is consumed over the life of a specific capping event for final capping or the life of a landfill for closure and post-closure. Accretion Not applicable. Expense recognized as a component of operating expenses at credit-adjusted, risk-free rate (6.75%) using the effective interest method.

We will adopt SFAS No. 143 beginning January 1, 2003 and, based on current estimates, will record an after-tax expense of approximately \$21 million as a cumulative effect of a change in accounting principle. In addition, beginning January 1, 2003, we will modify our accounting for methane gas collection systems and, based on current estimates, will record an after-tax expense of approximately \$17 million as a cumulative effect of a change in accounting principle. We expect that the impact of adopting SFAS No. 143 and changing

our accounting for methane gas collection systems in 2003 will decrease earnings per share in the range of \$.02 to \$.03 per share. The adoption of SFAS No. 143 will have no net effect on our cash flow.

In July 2002, the Financial Accounting Standards Board issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities, such as restructurings, involuntarily terminating employees and consolidating facilities initiated after December 31, 2002. The implementation of SFAS No. 146 is not expected to have a material effect on our consolidated financial position, results of operations or cash flows.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

PAGE ---- Report of Independent Certified Public Accountants..... 49 Report of Independent Certified Public Accountants..... 51 Consolidated Balance Sheets as of December 31, 2002 and 2001.....

52 Consolidated Statements of Income for each of the Three Years Ended December 31, 2002..... 53 Consolidated Statements of Stockholders' Equity and Comprehensive Income for each of the Three Years Ended December 31, 2002..... 54

Consolidated Statements of Cash Flows for each of the Three Years Ended December 31, 2002..... 55 Notes to Consolidated Financial Statements..... 56

Financial Statement Schedule II, Valuation and Qualifying Accounts and Reserves, for each of the Three Years Ended December 31, 2002..... 88

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of Republic Services, Inc.:

We have audited the accompanying consolidated balance sheet of Republic Services, Inc. and subsidiaries (the "Company") as of December 31, 2002, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for the year then ended. Our audit also included the financial statement schedule listed in the index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit. The consolidated financial statements of the Company as of December 31, 2001 and for each of the years in the two year period ended December 31, 2001 and the financial statement schedules as of December 31, 2001 and 2000 and for each of the years then ended listed in Item 15(a) of this form 10-K were audited by other auditors who have ceased operations and whose report dated January 30, 2002 expressed an unqualified opinion on those statements and schedules before the restatement adjustments and disclosures described below and in Notes 2, 4 and 10.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2002 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Republic Services, Inc. and subsidiaries at December 31, 2002, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 of the consolidated financial statements, effective January 1, 2002 the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142").

As discussed above, the consolidated financial statements of the Company as of December 31, 2001, and for each of the years in the two year period ended December 31, 2001, were audited by other auditors who have ceased operations. The Company has made certain adjustments to and provided additional disclosures in prior years' financial statements to conform with the current year's presentation or to comply with adoption requirements of new accounting pronouncements, as follows:

(i) As described in Note 2, the 2001 and 2000 consolidated financial statements have been revised to include the transitional and other disclosures required by SFAS 142, which the Company adopted as of January 1, 2002. Our audit procedures with respect to the disclosures in Note 2 with respect to 2001 and 2000 included (a) agreeing the previously reported net income (in total and the related earnings-per-share amounts) to the previously issued consolidated financial statements and the adjustments to net income representing amortization expense (including any related tax effects) recognized in those periods related to goodwill as a result of initially applying SFAS 142 to the Company's underlying records obtained from management, and (b) testing the mathematical accuracy of the reconciliation of adjusted net income to previously reported net income and the related earnings-per-share amounts. Additionally, our procedures with respect to the disclosures in Note 2 regarding 2001 included (a) agreeing the cost basis and accumulated amortization of goodwill and other intangibles to the Company's underlying records obtained from management, and (b) agreeing the total of goodwill and other intangible assets, net of accumulated amortization, to the 2001 consolidated balance sheet.

(ii) As described in Note 2, the 2001 and 2000 consolidated financial statements have been revised to include the disclosures required by Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure," which were adopted by the Company as of December 31, 2002. Our audit procedures with respect to the disclosures in Note 2 regarding 2001

and 2000 included (a) agreeing the previously reported net income (in total and the related per share amounts) to the previously issued consolidated financial statements, (b) agreeing the adjustments to reported net income representing pro forma compensation expense, net of any tax effect, related to those periods to the Company's underlying records obtained from management, and (c) testing the mathematical accuracy of the reconciliation of pro forma net income to reported net income and related per share amounts.

(iii) In the table presented under "Stock Options" in Note 2, the Company changed the calculation of the pro forma weighted-average fair value of stock options granted in 2002. The amounts in the 2001 and 2000 consolidated financial statements have been restated to conform to the 2002 calculation of the pro forma weighted-average fair value of stock options granted. We audited the adjustments that were applied to restate the disclosures for the weighted average fair value of stock options granted reflected in the 2001 and 2000 consolidated financial statements. Our procedures included (a) agreeing the adjusted weighted average fair value of stock options granted during the period to the Company's underlying records obtained from management, and (b) testing the mathematical accuracy of the calculations of the weighted average fair value of stock options granted during the period.

(iv) In the table presented in Note 4, the Company provided additional detail regarding the composition of "Landfill, Environmental and Legal Costs," as of December 31, 2001 which was not provided in the prior year's financial statements. Our procedures related to the 2001 amounts reflected in the table in Note 4 included (a) agreeing the components of 2001 "Landfill, Environmental and Legal Costs" to the company's underlying records obtained from management, and (b) testing the mathematical accuracy of the table in Note 4.

(v) As described in Note 10, the Company changed the composition of its reportable segments in 2002, and the amounts in the 2001 and 2000 consolidated financial statements relating to reportable segments have been restated to conform to the 2002 composition of reportable segments. In addition, the Company provided additional disclosure, not provided in prior years, of consolidated revenue by source. We audited the 2001 and 2000 disclosures for reportable segments included in Note 10 to conform to the 2002 composition of reportable segments and the 2001 and 2000 disclosure of revenue by source. Our procedures with regard to the disclosure of the 2001 and 2000 reportable segments included (a) agreeing the amounts of segment gross operating revenue, intercompany operating revenue, net operating revenue, depreciation, amortization and depletion, other charges (income), operating income, capital expenditures and total assets to the Company's underlying records obtained from management, (b) testing the mathematical accuracy of the reconciliations of segment amounts to the 2001 and 2000 consolidated financial statements, (c) agreeing the amount of charges included in 2001 operating income from Corporate Entities to the Company's underlying records obtained from management, and (d) agreeing the 2001 balance of goodwill, net of accumulated amortization, for each reportable segment to the Company's underlying records obtained from management. With regard to the disclosure of 2001 and 2000 revenue by source, our procedures included (a) agreeing the amounts of 2001 and 2000 revenue by source to the Company's underlying records provided by management, (b) testing the mathematical accuracy of the 2001 and 2000 revenue by source table, and (c) agreeing the total revenue for 2001 and 2000 to the amounts reported in the 2001 statement of income.

In our opinion, the adjustments and disclosures described in (i), (ii), (iii), (iv) and (v) above are appropriate and have been properly applied. However, we were not engaged to audit, review or apply any procedures to the 2001 and 2000 consolidated financial statements of the Company other than with respect to such adjustments and disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2001 and 2000 consolidated financial statements taken as a whole.

/s/ ERNST & YOUNG LLP

Fort Lauderdale, Florida  
February 3, 2003

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To Republic Services, Inc.:

We have audited the accompanying consolidated balance sheets of Republic Services, Inc. (a Delaware corporation) and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and other comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2001. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Republic Services, Inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the index to consolidated financial statements is presented for the purpose of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Fort Lauderdale, Florida,  
January 30, 2002.

THIS IS A COPY OF THE AUDIT REPORT PREVIOUSLY ISSUED BY ARTHUR ANDERSEN LLP IN CONNECTION WITH REPUBLIC SERVICES, INC.'S FILING ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2001. THIS AUDIT REPORT HAS NOT BEEN REISSUED BY ARTHUR ANDERSEN LLP IN CONNECTION WITH THIS FILING ON FORM 10-K AND ARTHUR ANDERSEN LLP HAS NOT CONSENTED TO THE INCLUSION OF THIS AUDIT REPORT IN THIS FORM 10-K.



REPUBLIC SERVICES, INC.

CONSOLIDATED BALANCE SHEETS  
(IN MILLIONS, EXCEPT SHARE DATA)

DECEMBER 31,	-----	2002	2001	-----	--
-----	ASSETS	CURRENT	ASSETS:	Cash and cash	
equivalents.....				\$ 141.5	\$
16.1	Accounts receivable, less allowance for doubtful				
	accounts of \$19.0 at December 31, 2002 and				
2001.....	238.6	232.9	Prepaid expenses and		
			other current assets.....	63.0	69.2
			Deferred tax		
assets.....				9.2	6.6
	-----	-----	Total Current		
Assets.....				452.3	324.8
			RESTRICTED		
CASH.....				175.0	
	142.3		PROPERTY AND EQUIPMENT,		
NET.....				1,910.0	1,774.9
			INTANGIBLE ASSETS,		
NET.....				1,569.9	
			1,551.6	OTHER	
ASSETS.....					
101.9	62.7			\$4,209.1	\$3,856.3
=====	=====		LIABILITIES AND STOCKHOLDERS' EQUITY		
			CURRENT LIABILITIES: Accounts		
payable.....				\$	
	123.5	\$ 107.9	Accrued		
liabilities.....					
109.3	93.6		Amounts due to former		
owners.....				7.5	6.0
revenue.....				82.9	
72.8			Notes payable and current maturities of long-term		
			debt....	2.8	33.6
liabilities.....			Other current		
				66.2	72.5
	-----	-----	Total Current		
Liabilities.....				392.2	386.4
			LONG-		
			TERM DEBT, NET OF CURRENT		
MATURITIES.....				1,439.3	1,334.1
LANDFILL, ENVIRONMENTAL AND LEGAL COSTS.....			ACCRUED		
	234.7	219.4	DEFERRED INCOME		
TAXES.....				195.0	
			118.7	OTHER	
LIABILITIES.....					
66.8	41.8		COMMITMENTS AND CONTINGENCIES		
EQUITY: Preferred stock, par value \$.01 per share;					
50,000,000 shares authorized; none					
issued.....	--	--	Common stock,		
par value \$.01 per share; 750,000,000 shares			authorized; 180,825,749 and 178,858,274 issued,		
including shares held in treasury,			respectively.....	1.8	1.8
Additional paid-in			capital.....	1,298.7	
			1,264.7	Retained	
earnings.....					
880.7	641.1		Treasury stock, at cost (17,167,600 and		
			9,213,600 shares,		
respectively).....					
(300.1)	(150.1)		Accumulated other comprehensive loss,		
net of tax.....	--	(1.6)	-----		
Stockholders' Equity.....			Total		
				1,881.1	
1,755.9	-----	-----	\$4,209.1	\$3,856.3	=====
			=====		

The accompanying notes are an integral part of these statements.

REPUBLIC SERVICES, INC.

CONSOLIDATED STATEMENTS OF INCOME  
(IN MILLIONS, EXCEPT EARNINGS PER SHARE DATA)

YEARS ENDED DECEMBER 31, -----	2002	2001	2000	-----
REVENUE.....	\$2,365.1	\$2,257.5	\$2,103.3	EXPENSES: Cost of
operations.....	1,422.5	1,271.3	1,472.9	1,472.9
depreciation, amortization and	199.6	215.4	197.4	Selling,
general and administrative.....	236.5	193.9	238.7	238.7
(income).....	(5.6)	99.6	6.7	Other charges
				----- OPERATING
INCOME.....	283.5	434.0	459.5	INTEREST
EXPENSE.....	(80.1)	(81.6)	(77.0)	INTEREST
INCOME.....	1.7	4.4	4.4	OTHER INCOME (EXPENSE),
NET.....	(.3)	1.5	2.3	-----
				INCOME BEFORE INCOME
TAXES.....	386.5	209.3	356.4	PROVISION FOR INCOME
TAXES.....	146.9	83.8	135.4	----- NET
INCOME.....	\$ 239.6	\$ 125.5	\$ 221.0	=====
DILUTED EARNINGS PER SHARE.....	\$ 1.44	\$ 1.26	\$ 1.44	===== BASIC AND
				===== WEIGHTED AVERAGE
				DILUTED COMMON AND COMMON EQUIVALENT SHARES
OUTSTANDING.....	166.7	171.1	175.0	=====

The accompanying notes are an integral part of these statements.

REPUBLIC SERVICES, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
AND COMPREHENSIVE INCOME  
(IN MILLIONS)

ACCUMULATED COMMON STOCK OTHER COMPREHENSIVE ----- ADDITIONAL COMPREHENSIVE INCOME SHARES, PAR PAID-IN RETAINED TREASURY INCOME (LOSS) NET VALUE CAPITAL EARNINGS STOCK (LOSS) FOR THE PERIOD ----- -----									
----- BALANCE AT DECEMBER 31,									
1999.....	175.5	\$1.8							
\$1,206.3	\$294.6	\$ --	\$ --	Net					
income.....									
-- -- --	221.0	--	--	\$221.0					
Issuance of common									
stock.....	.1	--	2.1	--	--				
-- -- Purchases of common stock for									
treasury.....									
(3.6)	--	--	(50.9)	--	--				
Total comprehensive income.....				--	--				
-- -- --				\$221.0	-----				
-----					=====				
BALANCE AT DECEMBER 31,									
2000.....	172.0	1.8	1,208.4						
515.6	(50.9)	--	Net						
income.....									
-- -- --	125.5	--	--	\$125.5					
Issuance of common									
stock.....	3.2	--	56.3	--	--				
-- -- -- Purchases of common stock									
for									
treasury.....									
(5.6)	--	--	(99.2)	--	--	Change			
in value of derivative instruments,									
net of tax.....				--	--				
-- (1.6)	(1.6)	-----	Total						
comprehensive income.....			--	--	--				
-- -- --				\$123.9	-----				
-----					=====	BALANCE			
AT DECEMBER 31, 2001.....									
169.6	1.8	1,264.7	641.1	(150.1)					
(1.6)	Net								
income.....									
-- -- --	239.6	--	--	\$239.6					
Issuance of common									
stock.....	2.0	--	34.0	--	--				
-- -- -- Purchases of common stock									
for									
treasury.....									
(8.0)	--	--	(150.0)	--	--	Change			
in value of derivative instruments,									
net of tax.....				--	--				
-- 1.6	1.6	-----	Total						
comprehensive income.....			--	--	--				
-- -- --				\$241.2	-----				
-----					=====	BALANCE			
AT DECEMBER 31, 2002.....									
163.6	\$1.8	\$1,298.7	\$880.7	\$(300.1)					
\$ --	=====	=====	=====	=====	=====				
	=====	=====							

The accompanying notes are an integral part of these statements.



REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(ALL TABLES IN MILLIONS, EXCEPT PER SHARE DATA)

1. BASIS OF PRESENTATION

The accompanying Consolidated Financial Statements include the accounts of Republic Services, Inc. (a Delaware corporation) and its subsidiaries (the "Company"). The Company provides non-hazardous solid waste collection and disposal services in the United States. All material intercompany transactions have been eliminated.

Certain amounts in the 2001 and 2000 Consolidated Financial Statements have been reclassified to conform to the 2002 presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States and necessarily include amounts based on estimates and assumptions made by management. Actual results could differ from these amounts. Significant items subject to such estimates and assumptions include the depletion and amortization of landfill development costs, accruals for closure and post-closure costs, valuation allowances for accounts receivable, liabilities for potential litigation, claims and assessments, and liabilities for environmental remediation, deferred taxes and self-insurance.

ACCOUNTS RECEIVABLE

Accounts receivable represent receivables from customers for collection, transfer, disposal and other services. Receivables are recorded when billed. Accounts receivable, net of the allowance for doubtful accounts, represents their estimated net realizable value. Provisions for doubtful accounts are recorded based on historical collection experience, the age of the receivables, specific customer information and economic conditions. In general, reserves are provided for accounts receivable in excess of 90 days old. Accounts receivable are written off when they are deemed uncollectible.

PREPAID EXPENSES AND OTHER CURRENT ASSETS

A summary of prepaid expenses and other current assets is as follows:

DECEMBER 31, -----	2002	2001	-----	-----
Inventory.....	\$16.6	\$19.2	Prepaid	
expenses.....				19.3
receivables.....	16.5	Other non-trade		
				24.6 28.5
assets.....		Other		2.5
	5.0	-----	\$63.0 \$69.2	=====

Inventories consist primarily of compost, mulch, and soil materials, equipment parts, and fuel that are valued under a method that approximates the lower of cost (first-in, first-out) or market.

The Company expenses substantially all advertising expenditures as incurred.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Expenditures for major additions and improvements to facilities are capitalized. All expenditures for maintenance and repairs are charged to expense as incurred. When property is retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the Consolidated Statements of Income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The Company revises the estimated useful lives of property and equipment acquired through business acquisitions to conform with its policies regarding property and equipment. Depreciation is provided over the estimated useful lives of the assets involved using the straight-line method. The estimated useful lives are twenty to forty years for buildings and improvements, five to twelve years for vehicles, seven to ten years for most landfill equipment, five to fifteen years for all other equipment, and five to ten years for furniture and fixtures.

Landfills are stated at cost and are depleted based on consumed airspace. Landfill improvements include direct costs incurred to obtain landfill permits and direct costs incurred to acquire, construct and develop sites. All indirect landfill development costs are expensed as incurred. (For further information, see Note 4, Accrued Landfill, Environmental and Legal Costs.)

The Company capitalizes interest on landfill cell construction and other construction projects in accordance with Statement of Financial Accounting Standards No. 34, "Capitalization of Interest Cost." Construction projects must meet the following criteria before interest is capitalized:

1. Total construction costs are \$50,000 or greater,
2. The construction phase is one month or longer, and
3. The assets have a useful life of one year or longer.

Interest is capitalized on qualified assets while they undergo activities to ready them for their intended use. Capitalization of interest ceases once an asset is placed into service or if construction activity is suspended for more than a brief period of time. The interest capitalization rate is based upon the Company's weighted average cost of indebtedness. Interest capitalized was \$2.5 million, \$3.3 million and \$2.9 million for the years ended December 31, 2002, 2001 and 2000, respectively.

A summary of property and equipment is as follows:

DECEMBER 31, -----	2002	2001	-----
-----	Other		-----
land.....	\$ 89.7	\$ 94.3	Non-depletable landfill
land.....		54.0	50.5
			Landfill development
costs.....		1,026.3	958.8
			Vehicles and
equipment.....	1,356.8	1,153.2	Buildings and
improvements.....			270.9
			256.4 Construction-in-progress --
landfill.....		32.3	17.6
			Construction-in-progress --
other.....		9.1	23.5
	2,839.1	2,554.3	----- Less:
Accumulated depreciation, depletion and amortization-			- Landfill development
costs.....		(304.1)	(237.0)
			Vehicles and
equipment.....			(570.1)
			(495.7) Building and
improvements.....			(54.9)
(46.7) -----		(929.1)	(779.4) -----
			----- Property and equipment,
net.....		\$1,910.0	
	\$1,774.9	=====	=====

In August 2001, the Financial Accounting Standards Board issued Statement No. 144, "Accounting for the Impairment of Long-Lived Assets" ("SFAS 144"). This statement supersedes Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121") and APB Opinion No. 30, "Reporting the Results of Operations--Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Transactions." This statement establishes a single accounting model for assets to be disposed of by sale and resolves certain SFAS 121 implementation issues. SFAS 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001, and is generally to be applied prospectively. The adoption of this statement had no effect on the Company's consolidated financial position or results of operations.

The Company periodically evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of property and equipment or whether the remaining balance of property and equipment should be evaluated for possible impairment. The following are examples of such events or changes in circumstances:

- A significant decrease in the market price of a long-lived asset or asset group,
- A significant adverse change in the extent or manner in which a long-lived asset or asset group is being used or in its physical condition,
- A significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset or asset group, including an adverse action or assessment by a regulator,
- An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset or asset group,
- A current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or asset group, or
- A current expectation that, more likely than not, a long-lived asset or asset group will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

There are certain indicators listed above that require significant judgment and understanding of the waste industry when applied to landfill development or expansion. For example, a regulator may initially deny a landfill expansion permit application though the expansion permit is ultimately granted. In addition, management may periodically divert waste from one landfill to another to conserve remaining permitted landfill airspace. Therefore, certain events could occur in the ordinary course of business and not necessarily be considered indicators of impairment due to the unique nature of the waste industry.

The Company uses an estimate of the related undiscounted cash flows over the remaining life of the property and equipment in assessing their recoverability. The Company measures impairment loss as the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Included in other charges of \$99.6 million for the year ended December 31, 2001 in the accompanying Consolidated Financial Statements are write-downs to fixed assets of \$35.6 million for completed and planned divestitures and closings of certain core and non-core businesses, and asset impairments.

During the year ended December 31, 2000, the Company recorded a \$6.7 million pre-tax charge primarily related to the early closure of a landfill in south Texas.

## INTANGIBLE ASSETS

Intangible assets consist of the cost of acquired businesses in excess of the fair value of net assets acquired and other intangible assets. Other intangible assets include values assigned to long-term contracts and covenants not to compete and are amortized generally over periods ranging from 3 to 25 years.

REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following table summarizes the activity in the intangible asset and related accumulated amortization accounts for the year ended December 31, 2002:

GROSS INTANGIBLE ASSETS -----			
GOODWILL OTHER TOTAL -----	-----	-----	Balance,
December 31, 2001.....			
	\$1,669.6	\$ 49.2	\$1,718.8
Acquisitions.....			
	42.5	.5	43.00 Other
additions.....			--
		.7	.7
Divestitures.....			
	(30.0)	--	(30.0)
Retirements.....			
	--	(10.4)	(10.4) Reversal of 2001
charge.....			5.6 -- 5.6 ----
			----- Balance, December 31,
2002.....	\$1,687.7	\$ 40.0	
	\$1,727.7	=====	=====

ACCUMULATED AMORTIZATION -----			
GOODWILL OTHER TOTAL -----	-----	-----	Balance,
December 31, 2001.....			\$
	(147.1)	\$(20.1)	\$(167.2) Amortization
expense.....			-- (4.6)
		(4.6)	
Divestitures.....			
	3.6	--	3.6
Retirements.....			
	--	10.4	10.4 ----- Balance, December
31, 2002.....	\$ (143.5)		
	\$(14.3)	\$(157.8)	=====

During 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). In accordance with SFAS 142, the Company ceased amortizing intangibles with indefinite lives effective January 1, 2002. Prior to the adoption of SFAS No. 142, cost in excess of the fair value of net assets acquired was amortized over 40 years on a straight-line basis.

The following table summarizes the adjustments to net income and earnings per share as if SFAS 142 were adopted January 1, 2000:

YEARS ENDED DECEMBER 31, -----			
---	2002	2001	2000 -----
	Reported net		
income.....			
	\$239.6	\$125.5	\$221.0 Goodwill amortization,
net of tax.....			-- 25.8
	22.6	-----	----- Adjusted net
income.....			
	\$239.6	\$151.3	\$243.6 =====
	Reported basic and diluted earnings per		
share.....	\$ 1.44	\$ .73	\$ 1.26
	Goodwill amortization, net of		
tax.....			-- .15 .13 ----
			----- Adjusted basic and diluted
earnings per share.....	\$ 1.44	\$ .88	
	\$ 1.39	=====	=====

In general, goodwill is tested for impairment on an annual basis. In testing for impairment, the Company estimates the fair value of each operating segment and compares the fair values with the carrying values. The fair value of goodwill is determined by deducting the fair value of an operating segment's identifiable assets and liabilities from the fair value of the operating segment as a whole, as if that operating segment had just been acquired and the purchase price were being initially allocated. If the fair value were less than the carrying value for a segment, an impairment charge would be recorded to earnings in the Company's Consolidated Statement of Income.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

In addition, the Company would evaluate an operating segment for impairment if events or circumstances change between annual tests indicating a possible impairment. Examples of such events or circumstances include:

- A significant adverse change in legal factors or in the business climate,
- An adverse action or assessment by a regulator,
- A more likely than not expectation that a segment or a significant portion thereof will be sold, or
- The testing for recoverability under SFAS No. 144 of a significant asset group within the segment.

The Company incurred no impairment of goodwill upon its initial adoption of SFAS No. 142, or as a result of its annual goodwill impairment test. However, there can be no assurance that goodwill will not be impaired at any time in the future.

Included in other charges of \$99.6 million for the year ended December 31, 2001 in the accompanying Consolidated Financial Statements are write-downs to intangible assets of \$54.2 million for completed and planned divestitures of certain core businesses.

ACCRUED LIABILITIES

A summary of accrued liabilities is as follows:

DECEMBER 31, -----	2002	2001	-----	-----	Accrued
payroll and benefits.....					\$ 41.6
\$29.5	Accrued fees and				
taxes.....			26.8	19.8	
Accrued					
interest.....				19.0	
17.9					
Other.....					
21.9	26.4	-----	-----	\$109.3	\$93.6
				=====	=====

OTHER CURRENT LIABILITIES

A summary of other current liabilities is as follows:

DECEMBER 31, -----	2002	2001	-----	-----	Accrued
landfill, environmental and legal costs, current					
portion.....					
\$ 25.6	\$23.0	Self-insurance reserves,			
current.....			33.9	38.4	
Other.....					
6.7	11.1	-----	-----	\$ 66.2	\$72.5
				=====	=====

STOCK OPTIONS

The Company accounts for its stock-based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related Interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under the 1998 Stock Incentive Plan for the periods presented had an exercise price equal to the market value of the underlying common stock at the date of grant. Had compensation cost for stock option grants under the Company's Stock Incentive Plan been determined pursuant to Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), the Company's net income would have decreased accordingly. Using the Black-Scholes option pricing model, the Company's

REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

pro forma net income, earnings per share and pro forma weighted-average fair value of options granted during the period, with related assumptions, are as follows:

YEARS ENDED DECEMBER 31, -----	-----	-----	-----	-----	-----
----	2002	2001	2000	-----	Net
					income, as
reported.....	\$ 239.6				
\$ 125.5	\$ 221.0				Less: Stock-based employee
					compensation expense pursuant to SFAS No. 123, net
of tax.....	10.7	11.3	17.8	-----	----
					Net income, pro
forma.....	\$ 228.9	\$			
114.2	\$ 203.2	=====	=====	=====	Basic and
					diluted earnings per share -- As
reported.....					
\$ 1.44	\$ .72	\$ 1.26	=====	=====	=====
					Pro
forma.....					
\$ 1.37	\$ .67	\$ 1.16	=====	=====	=====
					Pro
					forma weighted-average fair value of the Company's
					stock options granted during the
period.....	\$ 7.47	\$ 6.45	\$ 5.87		
					Assumptions -- Risk-free interest
rates.....	2.7%	4.3%	5.0%		
					Expected
lives.....			5		
			years		5 years
			years		5 years
			years		Expected
volatility.....					
	40.0%	40.0%	40.0%		

REVENUE RECOGNITION AND DEFERRED REVENUE

The Company generally provides services under contract with municipalities or individual customers. Revenue consists primarily of collection fees from commercial, industrial, residential and municipal customers and transfer and landfill disposal fees charged to third parties. Advance billings are recorded as deferred revenue, and the revenue is then recognized over the period services are provided. Collection, transfer and disposal, and other services accounted for approximately 75%, 18% and 7%, respectively, of consolidated revenue for the year ended December 31, 2002. No one customer has individually accounted for more than 10% of the Company's consolidated revenues of any of the Company's reportable segments in any of the past three years.

The Company recognizes revenue when all four of the following criteria are met:

- Persuasive evidence of an arrangement exists such as a service agreement with a hauling customer or a disposal agreement with a disposal customer.
- Services have been performed such as the collection and hauling of waste or the disposal of waste at a Company owned disposal facility.
- The price of the services provided to the customer are fixed or determinable.
- Collectability is reasonably assured.

OTHER CHARGES

During the fourth quarter of 2002, the Company recorded a \$5.6 million gain on the sale of certain assets for amounts exceeding estimates originally made during the fourth quarter of 2001.

During the fourth quarter of 2001, the Company recorded a charge of \$86.1 million on an after-tax basis, or \$132.0 million on a pre-tax basis, related to completed and planned divestitures and closings of certain core and non-core businesses, asset impairments, downsizing its compost, mulch and soil business and related inventory adjustments, an increase in self-insurance reserves and an increase in bad debt expense related to the economic slowdown. Of the pre-tax amount, \$24.2 million is included in cost of operations in the

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

accompanying Consolidated Statements of Income, \$8.2 million is included in selling, general and administrative expenses, and the remaining \$99.6 million is included in other charges.

Other charges of \$6.7 million for the year ended December 31, 2000 are primarily related to the early closure of a landfill in south Texas.

## INCOME TAXES

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Accordingly, deferred income taxes have been provided to show the effect of temporary differences between the recognition of revenue and expenses for financial and income tax reporting purposes and between the tax basis of assets and liabilities and their reported amounts in the financial statements.

## COMPREHENSIVE INCOME

During the years ended December 31, 2002 and 2001, the Company recorded unrealized gains (losses) of \$2.8 million and \$(2.8) million, (\$1.7 million and \$(1.7) million, net of tax), respectively, relating to the change in fair value of its fuel hedge option agreements in accordance with Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), as amended. (For further information, see Note 11, Fuel Hedge.) Of these amounts, \$1.6 million and \$(1.6) million, net of tax, were recorded to other comprehensive income (loss) for the years ended December 31, 2002 and 2001, respectively. The Company had no other components of other comprehensive income (loss) for the periods presented.

## STATEMENTS OF CASH FLOWS

The Company considers all unrestricted highly liquid investments with purchased maturities of three months or less to be cash equivalents. The effect of non-cash transactions related to business combinations, as discussed in Note 3, Business Combinations, and other non-cash transactions are excluded from the accompanying Consolidated Statements of Cash Flows.

## FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, restricted cash, receivables, accounts payable and accrued liabilities approximate fair value due to the short maturity of these instruments. The fair value of the Company's fixed rate unsecured notes using quoted market rates is \$1,164.3 million at December 31, 2002. The carrying value of the unsecured notes is \$1,046.9 million at December 31, 2002. The carrying amounts of the Company's remaining notes payable and long-term debt approximate fair value because interest rates are primarily variable and, accordingly, approximate current market rates.

## CONCENTRATION OF CREDIT RISK

The Company provides services to commercial, industrial, municipal and residential customers in the United States. Concentrations of credit risk with respect to trade receivables are limited due to the wide variety of customers and markets in which services are provided as well as their dispersion across many geographic areas in the United States. The Company performs ongoing credit evaluations of its customers, but does not require collateral to support customer receivables. The Company establishes an allowance for doubtful accounts based on various factors including the credit risk of specific customers, age of receivables outstanding, historical trends, economic conditions and other information. Reserves for specific accounts receivable are provided when a receivable is believed likely to be uncollectible or generally when a receivable is in excess of 90 days old.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"). SFAS 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002 and applies to all legally enforceable obligations associated with the retirement of tangible long-lived assets. SFAS 143 will require the Company to change the methodology it currently uses to record closure and post-closure costs related to its landfills. The most significant change to the Company's methodology required by SFAS 143 is inflating and discounting obligations to reflect today's dollars.

SFAS 143 does not change the basic landfill accounting policies followed by the Company and others in the waste industry. In general, the industry has amortized capitalized costs and accrued future closure and post-closure obligations using the units-of-consumption method as cubic yards of available airspace are consumed over the life of the related landfill. This practice is referred to as life cycle accounting and will continue to be followed except as modified by SFAS 143 as discussed below.

Under SFAS 143, obligations associated with final capping activities that occur during the operating life of the landfill will be recognized on a units-of-consumption basis as airspace is consumed within each discrete capping event. Obligations related to closure and post-closure activities that occur after the landfill has ceased operations will be recognized on a units-of-consumption basis as airspace is consumed throughout the entire landfill. Landfill retirement obligations will be capitalized as the related liabilities are recognized and amortized using the units-of-consumption method over the airspace consumed within the capping event or the airspace consumed throughout the entire landfill, depending upon the nature of the obligation. All obligations will be initially measured at estimated fair value. Fair value will be calculated on a present value basis using the Company's credit-adjusted, risk-free rate.

Upon adopting SFAS 143, the Company will no longer record closure and post-closure expense as a component of cost of operations. Instead, amortization expense will be recorded on the capitalized portion of the obligation and accretion expense will be recorded using the effective interest method.

The table below reflects significant changes between the Company's current methodology and the methodology the Company will use upon adopting SFAS 143:

PRACTICE UPON ADOPTION OF DESCRIPTION CURRENT PRACTICE SFAS NO. 143	DEFINITIONS:
	Final Capping Costs related to installation of No change. the components that comprise the permanent final cover over areas of a landfill where airspace capacity has been consumed.
	Closure Includes routine maintenance No change, except that it will

costs incurred after a site include the final portion of the ceases to accept waste, but methane gas collection system to prior to being certified closed. be constructed.

Post-Closure Includes routine monitoring and No change, except it will maintenance of a landfill after include methane gas collection it has been certified as closed systems in all cases where the by the applicable state need for such systems are regulatory agency. considered probable.

REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

PRACTICE  
UPON  
ADOPTION OF  
DESCRIPTION  
CURRENT  
PRACTICE  
SFAS NO. 143  
DISCOUNT  
RATE: Not  
applicable.  
Credit-  
adjusted,  
risk-free  
rate of  
6.75%.  
INFLATION:  
Not  
applicable.  
Inflation  
rate of  
2.5%. COST  
ESTIMATES:  
Cost  
estimates  
generally  
assume No  
change,  
except that  
the cost  
work will be  
performed by  
third of any  
activities  
performed  
parties.  
internally  
will be  
increased to  
represent an  
estimate of  
the amount a  
third party  
would charge  
to perform  
such  
activity.  
This third  
party profit  
will be  
taken in to  
income in  
the period  
the work is  
performed  
internally.  
METHANE GAS  
COLLECTION  
SYSTEMS:  
Capitalized  
when  
constructed  
and During  
the active  
life of a  
charged to  
expense  
through  
landfill,  
included in  
cell  
depreciation  
over the  
shorter of  
development  
costs when  
the need  
their useful  
life or the  
life of for

such systems is considered the landfill. probable; charged to expense through depletion as airspace is consumed using the units-of-consumption method.

Systems associated with the last final capping event at a landfill are included in closure.

#### RECOGNITION OF

LIABILITY:  
Final Capping  
Accrued over the life of the All final capping will be landfill.

Costs are charged to recorded as a liability and cost of operations and accrued asset at fair value as the liabilities as airspace is

obligation is incurred. The consumed using the units-discounted cash flow associated of-consumption method.

Costs are with each final capping event is not discounted. recorded to the accrued liability, with a

corresponding increase to landfill assets as airspace is consumed related to the specific final capping event.

Interest is accreted on the liability

using the effective interest method until the liability is paid.

Closure and Post-Closure Accrued over the life of the landfill. Costs are charged to landfill.

The discounted cash cost of operations and accrued flow associated with the fair liabilities as airspace is value of such liabilities is consumed using the units-recorded to accrued liabilities, of-consumption method.

Costs are with a corresponding increase in not discounted. landfill assets as airspace is consumed. Interest is accreted on the liability using the effective interest method until the liability is paid.

STATEMENT OF OPERATIONS:

Cost of Operations Expense charged to cost of Not applicable. operations equal to amount of liability accrued.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

PRACTICE  
UPON  
ADOPTION OF  
DESCRIPTION OF  
CURRENT  
PRACTICE  
SFAS NO.  
143  
Landfill  
Asset  
Amortization  
Not  
applicable.  
The  
landfill  
asset is  
amortized  
as airspace  
is consumed  
over the  
life of a  
specific  
capping  
event for  
final  
capping or  
the life of  
a landfill  
for closure  
and post-  
closure.  
Accretion  
Not  
applicable.  
Expense  
recognized  
as a  
component  
of  
operating  
expenses at  
credit-  
adjusted,  
risk-free  
rate  
(6.75%)  
using the  
effective  
interest  
method.

The Company will adopt SFAS No. 143 beginning January 1, 2003 and, based on current estimates, will record an after-tax expense of approximately \$21 million as a cumulative effect of a change in accounting principle. In addition, beginning January 1, 2003, the Company will modify its accounting for methane gas collection systems and, based on current estimates, will record an after-tax expense of approximately \$17 million as a cumulative effect of a change in accounting principle. The Company expects that the impact of adopting SFAS No. 143 and changing its accounting for methane gas collection systems in 2003 will decrease earnings per share in the range of \$.02 to \$.03 per share. The adoption of SFAS No. 143 will have no net effect on our cash flow.

In July 2002, the FASB issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS No. 146"). SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities, such as restructurings, involuntarily terminating employees, and consolidating facilities initiated after December 31, 2002. The implementation of SFAS No. 146 is not expected to have a material effect on the Company's consolidated financial position, results of operations or cash flows.

### 3. BUSINESS COMBINATIONS

The Company acquires businesses as part of its growth strategy. Businesses acquired are accounted for under the purchase method of accounting and are included in the Consolidated Financial Statements from the date of acquisition. The Company allocates the cost of the acquired business to the assets acquired and the liabilities assumed based on estimates of fair values thereof. These estimates are revised during the allocation period as necessary if, and when,

information regarding contingencies becomes available to further define and quantify assets acquired and liabilities assumed. The allocation period generally does not exceed one year. To the extent contingencies such as preacquisition environmental matters, litigation and related legal fees are resolved or settled during the allocation period, such items are included in the revised allocation of the purchase price. After the allocation period, the effect of changes in such contingencies is included in results of operations in the periods in which the adjustments are determined. The Company does not believe potential differences between its fair value estimates and actual fair values are material.

The Company acquired various solid waste businesses during the year ended December 31, 2002. The aggregate purchase price paid for these transactions was \$55.8 million.

The Company acquired various solid waste businesses during the year ended December 31, 2001. The aggregate purchase price paid for these transactions was \$287.7 million. The aggregate purchase price paid, less cash and restricted cash acquired plus debt assumed, was \$247.5 million.

In July 1999, the Company entered into a definitive agreement with Allied Waste Industries, Inc. ("Allied") to acquire certain solid waste assets. In 2000, the Company had completed the purchase of these



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

4. ACCRUED LANDFILL, ENVIRONMENTAL AND LEGAL COSTS

Certain of the Company's landfill accounting policies will be modified upon the adoption of SFAS 143, which is effective January 1, 2003. (For further information, see Note 2, Summary of Significant Accounting Policies.)

LANDFILL, ENVIRONMENTAL AND LEGAL COSTS

A summary of accrued landfill and environmental costs is as follows:

DECEMBER 31, -----	2002	2001	-----	-----
Accrued landfill site closure and post-closure costs.....	\$196.9	\$179.1		
Remediation.....				
58.9 60.4 Accrued environmental and legal costs.....			4.5 2.9	----- 260.3
242.4 Less: current portion (included in other current liabilities).....				
(25.6) (23.0) -----	\$234.7	\$219.4	=====	=====

LIFE CYCLE ACCOUNTING

The Company uses life cycle accounting and the units-of-consumption method to recognize certain landfill costs over the life of the site. In life cycle accounting, all costs to acquire, construct, close and maintain a site during the post-closure period are capitalized or accrued, and charged to expense based upon the consumption of cubic yards of available airspace. Costs and airspace estimates are developed annually by independent engineers together with the Company's engineers. These estimates are used by the Company's operating and accounting personnel to annually adjust the Company's rates used to expense capitalized costs and accrue closure and post-closure costs. Changes in these estimates primarily relate to changes in available airspace, inflation and applicable regulations. Changes in available airspace include changes due to the addition of airspace lying in probable expansion areas.

TOTAL AVAILABLE DISPOSAL CAPACITY

As of December 31, 2002, the Company owned or operated 56 solid waste landfills with total available disposal capacity of approximately 1.7 billion in-place cubic yards. Total available disposal capacity represents the sum of estimated permitted airspace plus an estimate of expansion airspace that the Company believes has a probable likelihood of being permitted.

PROBABLE EXPANSION AIRSPACE

Before airspace included in an expansion area is determined as probable expansion airspace and, therefore, included in the Company's calculation of total available disposal capacity, the following criteria must be met:

1. The land associated with the expansion airspace is either owned by the Company or is controlled by the Company pursuant to an option agreement;
2. The Company is committed to supporting the expansion project financially and with appropriate resources;
3. There are no identified fatal flaws or impediments associated with the project, including political impediments;

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

4. Progress is being made on the project;
5. The expansion is attainable within a reasonable time frame; and
6. The Company believes it is likely the expansion permit will be received.

Upon meeting the Company's expansion criteria, the rates used at each applicable landfill to expense costs to acquire, construct, close and maintain a site during the post-closure period are adjusted to include probable expansion airspace and all additional costs to be capitalized or accrued associated with the expansion airspace.

The Company has identified three sequential steps that landfills generally follow to obtain expansion permits. These steps are as follows:

1. Obtaining approval from local authorities;
2. Submitting a permit application to state authorities; and
3. Obtaining permit approval from state authorities.

Once a landfill meets the Company's expansion criteria, management continuously monitors each site's progress in obtaining the expansion permit. If at any point it is determined that an expansion area no longer meets the required criteria, the probable expansion airspace is removed from the landfill's total available capacity and the rates used at the landfill to expense costs to acquire, construct, close and maintain a site during the post-closure period are adjusted accordingly.

#### CAPITALIZED LANDFILL COSTS

Capitalized landfill costs include expenditures for land, permitting costs, cell construction costs and environmental structures. Capitalized permitting and cell construction costs are limited to direct costs relating to these activities, including legal, engineering and construction associated with excavation, liners and site berms. Interest is capitalized on landfill construction projects while the assets are undergoing activities to ready them for their intended use.

Costs related to acquiring land, excluding the estimated residual value of unpermitted, non-buffer land, and costs related to permitting and cell construction are depleted as airspace is consumed using the units-of-consumption method. Environmental structures, which include leachate collection systems, methane collection systems and groundwater monitoring wells, are charged to expense over the shorter of their useful life or the life of the landfill.

Capitalized landfill costs may also include an allocation of purchase price paid for landfills. For landfills purchased as part of a group of several assets, the purchase price assigned to the landfill is determined based upon the discounted expected future cash flows of the landfill relative to the other assets within the acquired group. If the landfill meets the Company's expansion criteria, the purchase price is further allocated between permitted airspace and expansion airspace based upon the ratio of permitted versus probable expansion airspace to total available airspace. Landfill purchase price is amortized using the units-of-consumption method over the total available airspace including probable expansion airspace where appropriate.

#### CLOSURE AND POST-CLOSURE COSTS

Landfill site closure and post-closure costs include estimated costs to be incurred for final closure of the landfills and estimated costs for providing required post-closure monitoring and maintenance of landfills. These costs are accrued and charged to cost of operations based upon consumed airspace in relation to total available disposal capacity using the units-of-consumption method. The Company estimates future cost requirements for closure and post-closure monitoring and maintenance for its solid waste facilities based on

REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

the technical standards of the Environmental Protection Agency's Subtitle D regulations and applicable state and local regulations. These estimates do not take into account inflation or discounts for the present value of total estimated costs. Closure and post-closure expense totaled approximately \$26.1 million, \$22.9 million and \$23.4 million during the years ended December 31, 2002, 2001 and 2000, respectively. Accruals for closure and post-closure are included in accrued landfill, environmental and legal costs in the accompanying Consolidated Balance Sheets.

A number of the Company's landfills were acquired from other entities and recorded using the purchase method of accounting. Accordingly, the Company assessed and recorded a closure and post-closure liability as of the date the landfill was acquired based upon the estimated total closure and post-closure costs and the percentage of total available disposal capacity utilized as of such date. Thereafter, the difference between the closure and post-closure costs accrued and the total estimated closure and post-closure costs to be incurred are accrued and charged to expense as airspace is consumed. Closure and post-closure costs will be fully accrued for the Company's landfills at the time such facilities cease to accept waste and are closed. As of December 31, 2002, assuming that all available landfill capacity is used, the Company expects to expense approximately \$541.3 million of such costs over the remaining lives of these facilities.

The expected future payments for closure and post-closure costs as of December 31, 2002 are as follows:

YEAR ENDING DECEMBER 31, - -----	
-----	
2003.....	\$ 17.8
2004.....	30.9
2005.....	17.4
2006.....	19.6
2007.....	14.3
Thereafter.....	638.2 ----- \$738.2 =====

REMEDIATION

The Company accrues for remediation costs when they become probable and reasonably estimatable. Substantially all of the Company's recorded remediation costs are for incremental landfill post-closure care required under approved remediation action plans for acquired landfills. Remediation costs are estimated by independent engineers together with the Company's engineers based upon site remediation plans. These estimates do not take into account discounts for the present value of total estimated costs. Management believes that the amounts accrued for remediation costs are adequate. However, a significant increase in the estimated costs for remediation could have a material adverse effect on the Company's financial position, results of operations or cash flows.

The expected future payments for remediation costs as of December 31, 2002 are as follows:

YEAR ENDING DECEMBER 31, - -----	
-----	
2003.....	\$ 4.3
2004.....	.9
2005.....	2.9
2006.....	.9
2007.....	.9
Thereafter.....	49.0 ----- \$ 58.9 =====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

ENVIRONMENTAL COSTS

In the normal course of business, the Company is subject to ongoing environmental investigations by certain regulatory agencies, as well as other claims and disputes that could result in litigation. Environmental costs are accrued by the Company through a charge to income in the period such liabilities become probable and can be reasonably estimated. No material amounts were charged to expense during the years ended December 31, 2002, 2001, and 2000.

5. NOTES PAYABLE AND LONG-TERM DEBT

Notes payable and long-term debt are as follows:

DECEMBER 31, -----	2002	2001	-----
----- \$225.0 million unsecured notes, net of unamortized discount of \$.3 million and \$.5 million, respectively, and including an \$8.2 million and \$(.2) million adjustment to fair market value as of December 31, 2002 and 2001, respectively; interest payable semi-annually in May and November at 6 5/8%; principal due at maturity in 2004.....	\$ 232.9	\$ 224.3	\$375.0
million unsecured notes, net of unamortized discount of \$.4 million and \$.5 million, respectively; interest payable semi-annually in May and November at 7 1/8%; principal due at maturity in 2009.....	374.6	374.5	\$450.0
million unsecured notes, net of unamortized discount of \$2.4 million and \$2.6 million, respectively, and including \$.9 million adjustment to fair value as of December 31, 2002; interest payable semi-annually in February and August at 6 3/4%; principal due at maturity in 2011.....	448.5	447.4	\$750.0
million unsecured revolving credit facility; interest payable using LIBOR based rates (2.1% at December 31, 2002); \$300.0 million matures July 2003 and \$450.0 million matures July 2007.....			-- -- Tax-exempt bonds and other tax-exempt financing; fixed and floating interest rates (ranging from 1.45% to 5.25% at December 31, 2002); maturities ranging from 2003 to 2032.....
378.2	283.2		Other notes including unsecured and secured by real property, equipment and other assets; interest rates ranging from 1.5% to 10.0%; maturing through 2012.....
7.9	38.3		----- 1,442.1 1,367.7
			Less: Current portion..... (2.8)
(33.6)	-----	\$1,439.3	\$1,334.1 =====
		=====	

REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Aggregate maturities of notes payable and long-term debt as of December 31, 2002 (excluding discounts and adjustments to fair market value from hedging transactions) are as follows:

YEAR ENDING DECEMBER 31, - -----	-----
2003.....	\$ 2.8
2004.....	227.7
2005.....	2.7
2006.....	2.4
2007.....	1.9
Thereafter.....	1,197.7 ----- \$1,435.2 =====

As of December 31, 2002, the Company had approximately \$437.7 million of availability under its revolving credit facility.

As of December 31, 2002, the Company had \$175.0 million of restricted cash of which \$139.7 million were proceeds from the issuance of tax-exempt bonds and other tax-exempt financing and will be used to fund capital expenditures. Restricted cash also includes amounts held in trust as a financial guarantee of the Company's performance.

The Company made interest payments on notes payable and long-term debt of approximately \$75.9 million, \$70.4 million and \$83.4 million (net of capitalized interest of \$2.5 million, \$3.3 million and \$2.9 million) for the years ended December 31, 2002, 2001 and 2000, respectively.

In August 2001, the Company sold \$450.0 million of public notes, which have a fixed coupon rate of 6 3/4% and mature in 2011. Proceeds from these notes were used to repay the Company's revolving credit facility.

The Company's ability to obtain financing through the capital markets is a key component of its financial strategy. Historically, the Company has 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. During 2001 and 2002, the Company also entered into interest rate swap agreements to manage risk associated with fluctuations in interest rates and to take advantage of favorable floating interest rates. The swap agreements have total notional values of \$225.0 million and \$75.0 million, respectively, and mature in 2004 and 2011, respectively. These maturities are identical to the Company's public notes that were sold in 1999 and 2001, respectively. Under the swap agreements, the Company pays interest at floating rates based on changes in LIBOR and receives interest at fixed rates of 6 5/8% and 6 3/4%, respectively. The Company has designated these agreements as hedges in changes in the fair value of the Company's fixed-rate debt and accounts for them in accordance with SFAS 133. The Company has 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 the Company's fixed rate debt due to changes in interest rates.

As of December 31, 2002, interest rate swap agreements are reflected at fair market value of \$9.1 million and are included in other assets and as an adjustment to long-term debt in the accompanying Consolidated Balance Sheets. During the years ended December 31, 2002 and 2001, the Company recorded net interest income of \$5.8 million and \$1.3 million, respectively, related to its interest rate swap agreements which is included in interest expense in the accompanying Consolidated Statements of Income.

The unsecured revolving credit facility requires the Company to maintain certain financial ratios and comply with certain financial covenants. At December 31, 2002, the Company was in compliance with the financial covenants under these agreements.



REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

6. INCOME TAXES

The components of the provision for income taxes are as follows:

YEARS ENDED DECEMBER 31, -----	2002	2001	2000	-----	Current:
Federal.....		\$ 62.0	\$86.1	\$ 93.9	
State.....		11.8	8.4	11.7	Federal and state
deferred.....					73.1 (10.7)
taxes.....		29.8			Provision for income
					\$146.9 \$83.8
		\$135.4	=====	=====	=====

A reconciliation of the statutory federal income tax rate to the Company's effective tax rate is shown below:

YEARS ENDED DECEMBER 31, -----	2002	2001	2000	-----	Statutory
federal income tax rate.....		35.0%	35.0%	35.0%	Non-deductible
expenses.....		.7	1.3		
benefit.....		1.3			State income taxes, net of federal
net.....		2.1	2.6	3.0	Other,
tax rate.....		.2	1.1	(1.3)	Effective income
		40.0%	38.0%	=====	=====

Components of the net deferred income tax liability in the accompanying Consolidated Balance Sheets are as follows:

DECEMBER 31, -----	2002	2001	-----
Deferred tax assets			
(liabilities): Current portion - Book basis in			
property over tax basis.....		\$ .8	\$
.8 Accruals not currently			
deductible.....		8.4	5.8
Total.....		\$ 9.2	\$ 6.6
- Book basis in property over tax			
basis.....		\$(214.6)	\$(140.1)
Accruals not currently			
deductible.....		19.6	21.4
Total.....		\$(195.0)	\$(118.7)

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company adjusts the valuation allowance, if any, in the period management determines it is more likely than not that deferred tax assets will or will not be realized.

The Company made income tax payments of approximately \$69.3 million, \$109.3 million and \$89.3 million for the years ended December 31, 2002, 2001 and 2000, respectively.

7. STOCKHOLDERS' EQUITY

During 2000, 2001 and 2002, the Board of Directors authorized the repurchase of up to \$150.0 million, \$125.0 million and \$175.0 million, respectively, of its Common Stock. As of December 31, 2002, the Company had paid \$300.1 million to repurchase 17.2 million shares of its Common Stock.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

8. STOCK OPTIONS

In July 1998, the Company adopted the 1998 Stock Incentive Plan ("Stock Incentive Plan") to provide for grants of options to purchase shares of Common Stock to employees and non-employee directors of the Company who are eligible to participate in the Stock Incentive Plan. Options granted under the Stock Incentive Plan are non-qualified and are granted at a price equal to the fair market value of the Company's Common Stock at the date of grant. Generally, options granted have a term of 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 vest immediately at the date of grant. In May 2002, the Company's stockholders approved and adopted an amendment and restatement of the Stock Incentive Plan, which modified a number of its provisions, including an increase in the number of shares of Common Stock reserved for issuance under the Stock Incentive Plan from 20.0 million to 27.0 million. As of December 31, 2002, there were 9.3 million stock options reserved for future grants under the Stock Incentive Plan.

The following table summarizes stock option activity for the years ended 2000, 2001 and 2002:

WEIGHTED-AVERAGE SHARES EXERCISE PRICE -----	
---	Options outstanding at January 1,
2000.....	15.0 \$16.57
Granted.....	.3 13.07
Exercised.....	(.1) 10.38
Cancelled.....	(1.1) 16.57
----	Options outstanding at December 31,
2000.....	14.1 16.54
Granted.....	2.2 14.85
Exercised.....	(3.1) 16.60
Cancelled.....	(.8) 16.66
----	Options outstanding at December 31,
2001.....	12.4 16.22
Granted.....	2.3 17.45
Exercised.....	(1.9) 15.18
Cancelled.....	(.2) 15.39
----	Options outstanding at December 31,
2002.....	12.6 \$16.61 =====

The following table summarizes information about the Company's outstanding and exercisable stock options at December 31, 2002:

OUTSTANDING EXERCISABLE ---	
-----	
---	
WEIGHTED- AVERAGE WEIGHTED-	WEIGHTED- REMAINING AVERAGE
AVERAGE CONTRACTUAL	EXERCISE EXERCISE RANGE OF
EXERCISE PRICE SHARES LIFE	EXERCISE PRICE SHARES PRICE -
(YRS.) PRICE SHARES PRICE -	-----
-----	---
-----	\$ 3.39 --
\$13.55.....	1.6 6.8 \$11.89 .9 \$11.88
	\$13.56 --
\$16.93.....	2.1 7.6 14.72 .7 15.00
	\$16.94 --
\$20.32.....	8.7 6.1 17.75 5.8 17.78
	\$20.33 --
\$33.88.....	.2 5.8 23.86 .2 24.19 ----
	----- 12.6
6.4 \$16.61 7.6 \$16.99 =====	====
====	=====

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for stock-based employee compensation arrangements whereby no compensation cost related to stock options is deducted in determining net income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The Company also maintains the Republic Services 401(k) Plan (the "Plan"), which is a defined contribution plan covering all eligible employees. Under the provisions of the Plan, participants may direct the Company to defer a portion of their compensation to the Plan, subject to a maximum of 15% of eligible compensation, as defined. In general, the Company provides matching contributions of 50% of the amount contributed by each participant up to 4% of the employee's salary. The employer match is generally made in shares of the Company's common stock. Both employee and Company contributions vest immediately. During 2002, the Company contributed shares of its common stock valued at \$2.5 million to the Plan.

9. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income by the weighted average number of common shares 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. In computing diluted earnings per share, the Company utilizes the treasury stock method.

Earnings per share is calculated as follows:

YEARS ENDED DECEMBER 31, -----	2002	2001	2000	-----	-----	-----	Numerator: Net
income.....	\$239.6	\$125.5	\$221.0	-----	-----	-----	
Denominator: Denominator for basic earnings per share.....	165.4	170.1	174.7	Effect of dilutive securities -- Options to purchase common stock.....	1.3	1.0	.3
Denominator for diluted earnings per share.....	166.7	171.1	175.0	=====	=====	=====	Basic and diluted earnings per share.....
=====	\$ 1.44	\$ .73	\$ 1.26	=====	=====	=====	Antidilutive securities not included in the diluted earnings per share calculation:
Options to purchase common stock.....	.8	3.3	12.3	Weighted-average exercise price.....	\$19.87	\$18.27	\$17.42

10. SEGMENT INFORMATION

The Company provides collection, transfer and disposal services in the domestic non-hazardous solid waste industry. Operations are managed and evaluated through five regions: Eastern, Central, Southern, Southwestern and Western. These five regions are presented below as the Company's reportable segments. These reportable segments provide integrated waste management services consisting of collection, transfer and disposal of domestic non-hazardous solid waste.

Summarized financial information concerning the Company's reportable segments for the respective years ended December 31 is shown in the following table. In prior years' Consolidated Financial Statements, the Company presented one reportable segment. For the current year presentation, prior period information has been restated to conform to the current year presentation.

REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

DEPRECIATION, GROSS  
 INTERCOMPANY NET  
 AMORTIZATION OTHER  
 OPERATING OPERATING  
 OPERATING AND CHARGES  
 OPERATING CAPITAL 2002  
 REVENUE REVENUE(B)  
 REVENUE DEPLETION(C)  
 (INCOME) INCOME  
 EXPENDITURES(D) ---- -  
 -----  
 -----  
 -----

Eastern

Region.....  
 \$ 564.1 \$ (79.7) \$  
 484.4 \$ 32.0 \$(4.1) \$  
 87.0 \$ 39.2 Central  
 Region.....  
 589.6 (120.2) 469.4  
 53.6 (1.5) 105.3 77.1  
 Southern  
 Region.....  
 643.1 (65.5) 577.6  
 52.7 -- 118.3 58.0  
 Southwestern  
 Region.....  
 311.8 (29.1) 282.7  
 22.8 -- 41.9 30.6  
 Western  
 Region.....  
 690.0 (139.1) 550.9  
 41.3 -- 145.5 47.3  
 Corporate Entities  
 (a)..... .2 (.1)  
 .1 (2.8) -- (38.5) 6.4

-----  
 -----  
 Total.....  
 \$2,798.8 \$(433.7)  
 \$2,365.1 \$ 199.6  
 \$(5.6) \$459.5 \$258.6  
 =====  
 =====  
 =====

TOTAL 2002 ASSETS ----  
 ----- Eastern

Region.....  
 \$ 822.2 Central  
 Region.....  
 950.9 Southern  
 Region.....  
 830.7 Southwestern  
 Region.....  
 374.6 Western  
 Region.....  
 826.7 Corporate  
 Entities (a).....  
 404.0 -----  
 Total.....  
 \$4,209.1 =====

DEPRECIATION, GROSS  
 INTERCOMPANY NET  
 AMORTIZATION OTHER  
 OPERATING OPERATING  
 OPERATING AND CHARGES  
 OPERATING CAPITAL 2001  
 REVENUE REVENUE(B)  
 REVENUE DEPLETION(C)  
 (INCOME) INCOME  
 EXPENDITURES(D) ---- -  
 -----  
 -----  
 -----

Eastern

Region.....

\$ 563.8 \$ (78.1) \$  
 485.7 \$ 47.0 \$53.6 \$  
 16.9 \$ 35.3 Central  
 Region.....  
 576.7 (122.7) 454.0  
 54.7 8.9 93.9 64.4  
 Southern  
 Region.....  
 620.7 (64.2) 556.5  
 56.1 14.8 95.6 58.3  
 Southwestern  
 Region.....  
 296.8 (29.0) 267.8  
 23.5 3.4 24.5 23.1  
 Western  
 Region.....  
 612.2 (118.7) 493.5  
 41.1 18.0 101.5 51.4  
 Corporate Entities  
 (a)..... (.1) .1 -  
 - (7.0) .9 (48.9) 16.8  
 -----  
 -----  
 -----

Total.....  
 \$2,670.1 \$(412.6)  
 \$2,257.5 \$ 215.4 \$99.6  
 \$283.5 \$249.3 =====  
 =====  
 =====  
 =====  
 =====

TOTAL 2001 ASSETS ----  
 ----- Eastern  
 Region.....  
 \$ 846.0 Central  
 Region.....  
 883.8 Southern  
 Region.....  
 827.8 Southwestern  
 Region.....  
 363.5 Western  
 Region.....  
 840.6 Corporate  
 Entities (a).....  
 94.6 -----  
 Total.....  
 \$3,856.3 =====

DEPRECIATION, GROSS  
 INTERCOMPANY NET  
 AMORTIZATION OTHER  
 OPERATING OPERATING  
 OPERATING AND CHARGES  
 OPERATING CAPITAL 2000  
 REVENUE REVENUE(B)  
 REVENUE DEPLETION(C)  
 (INCOME) INCOME  
 EXPENDITURES(D) ---- -  
 -----  
 -----  
 -----  
 -----

Eastern  
 Region.....  
 \$ 533.1 \$ (58.2) \$  
 474.9 \$ 42.4 \$ -- \$  
 87.2 \$ 44.9 Central  
 Region.....  
 541.5 (99.0) 442.5  
 50.9 1.6 109.8 66.5  
 Southern  
 Region.....  
 581.2 (55.8) 525.4  
 53.4 -- 115.8 58.1  
 Southwestern  
 Region.....  
 252.3 (23.2) 229.1  
 22.3 5.1 32.3 34.8  
 Western  
 Region.....  
 559.2 (118.3) 440.9  
 32.7 -- 121.3 65.3  
 Corporate Entities  
 (a)..... .5 (10.0)  
 (9.5) (4.3) -- (32.4)

(61.6) -----  
-----  
-----  
Total.....  
\$2,467.8 \$(364.5)  
\$2,103.3 \$ 197.4 \$ 6.7  
\$434.0 \$208.0 =====  
=====

TOTAL 2000 ASSETS ----  
----- Eastern  
Region.....  
\$ 940.7 Central  
Region.....  
882.0 Southern  
Region.....  
851.5 Southwestern  
Region.....  
363.5 Western  
Region.....  
519.1 Corporate  
Entities (a).....  
4.7 -----  
Total.....  
\$3,561.5 =====

- (a) Corporate functions include legal, tax, treasury, information technology, insurance, human resources, national accounts and other typical administrative functions. During 2001, operating income from Corporate Entities includes \$12.2 million of charges related primarily to increases in self-insurance reserves and bad debt expense.
- (b) Intercompany operating revenue reflects transactions within and between segments and are generally made on a basis intended to reflect the market value of such services.
- (c) Effective January 1, 2002 upon the adoption of SFAS 142, the Company ceased amortizing intangibles with indefinite lives. (See Note 2, Summary of Significant Accounting Policies, for further information.)
- (d) Capital expenditures for 2002 exclude \$72.6 million used to purchase equipment consisting primarily of revenue-producing vehicles originally placed into service pursuant to an operating lease.

REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Goodwill is the cost of acquired businesses in excess of the fair value of net assets acquired. The activity in goodwill, net of accumulated amortization, during 2002 is as follows:

BALANCE AS OF			
REVERSAL OF			
BALANCE AS OF			
DECEMBER 31, 2001			
DECEMBER 31, 2001			
ACQUISITIONS			
DIVESTITURES			
CHARGE 2002 -----			
-----			
-----			
-----			
-----			
Eastern			
Region.....			
\$ 427.9 \$ 2.3 \$			
(5.3) \$ 4.1 \$			
429.0 Central			
Region.....			
318.0 27.4 (3.9)			
1.5 343.0 Southern			
Region.....			
322.9 3.5 (3.2) --			
323.2 Southwestern			
Region.....			
129.4 5.3 -- --			
134.7 Western			
Region.....			
324.3 4.0 (14.0) -			
- 314.3 ----- -			
-----			
-----			
Total.....			
\$1,522.5 \$42.5			
\$(26.4) \$ 5.6			
\$1,544.2 =====			
=====			
=====			

Total revenue of the Company by revenue source for the years ended December 31, 2002, 2001 and 2000 is as follows:

YEAR ENDED DECEMBER 31, -----				
2002 2001 2000 -----				Collection:
Residential.....				
\$ 530.7 \$ 479.7 \$ 434.6				
Commercial.....				
696.7 686.0 627.8				
Industrial.....				
501.6 509.6 486.5				
Other.....				
50.8 47.5 47.6 -----				Total
collection.....				1,779.8
1,722.8 1,596.5 -----				Transfer and
disposal.....				854.1 780.8
717.4 Less:				
Intercompany.....				
(428.5) (405.0) (364.5) -----				
Transfer and disposal, net.....				
425.6 375.8 352.9				
Other.....				
159.7 158.9 153.9 -----				Total
revenue.....				\$2,365.1
\$2,257.5 \$2,103.3 =====				=====
=====				=====

11. FUEL HEDGE

The Company has minimized its risk associated with changes in the price of diesel fuel by entering into derivatives with a group of financial institutions having investment grade ratings. The Company's derivative instruments qualify for hedge accounting treatment under SFAS 133. Under these option agreements, the Company receives or makes payments based on the difference between actual average heating oil prices and predetermined fixed prices. These option agreements provide the Company protection from fuel prices rising above a



predetermined fixed price in the option agreements but also limit the Company's ability to benefit from price decreases below the predetermined fixed price in the option agreements.

In accordance with SFAS 133, to the extent the option agreements are effective in hedging changes in diesel fuel prices, unrealized gains and losses on these option agreements are recorded, net of tax, in stockholders' equity as a component of accumulated other comprehensive income or loss. To the extent the change in the fuel option agreements does not perfectly offset the change in value of diesel fuel purchases being hedged, SFAS 133 requires the ineffective portion of the hedge to immediately be recognized as other income or expense. The effectiveness of these option agreements as a hedge against future purchases of diesel fuel is periodically evaluated. If the option agreements were to become other than highly effective, the unrealized accumulated gains and or losses would be immediately recognized in income. Realized gains and losses on these option agreements are recognized as a component of fuel expense in the period in which the corresponding fuel is purchased.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

During June 2001, the Company entered into option agreements for approximately 14.3 million gallons of heating oil. These option agreements settled each month in equal notional amounts through December 2002. The option agreements were structured as zero-cost collars indexed to the price of heating oil. These option agreements expired in December 2002. In accordance with SFAS 133, \$1.6 million, and \$(1.6) million, net of tax, representing the effective portion of the change in fair value during the periods have been recorded in stockholders' equity as a component of accumulated other comprehensive income (loss) for the years ended December 31, 2002 and 2001, respectively. The ineffective portions of the changes in fair value of approximately \$.1 million and \$(.1) million for the years ended December 31, 2002 and 2001, respectively, have been included in other income (expense), net in the accompanying Consolidated Statements of Income. Realized losses of \$.8 million and \$.6 million for the years ended December 31, 2002 and 2001, respectively, related to these option agreements are included in cost of operations in the Company's Consolidated Statements of Income.

12. COMMITMENTS AND CONTINGENCIES

LEGAL PROCEEDINGS

The Company is a party to various general legal proceedings which have arisen in the ordinary course of business. While the results of these matters cannot be predicted with certainty, the Company believes that losses, if any, resulting from the ultimate resolution of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows. However, unfavorable resolution could affect the consolidated financial position, results of operations or cash flows for the quarterly periods in which they are resolved.

LEASE COMMITMENTS

During December 1999, the Company entered into a \$100.0 million operating lease facility established to finance the acquisition of operating equipment (primarily revenue-producing vehicles). In July 2002, the Company exercised its right to purchase the equipment underlying this facility by paying \$72.6 million. In addition, the Company and its subsidiaries lease real property, equipment and software under various other operating leases with terms from one to twenty-five years. Rent expense during the years ended December 31, 2002, 2001 and 2000 was approximately \$20.0 million, \$27.5 million and \$25.3 million, respectively.

Future minimum lease obligations under non-cancelable real property, equipment and software leases with initial terms in excess of one year at December 31, 2002 are as follows:

YEAR ENDING DECEMBER 31, -----	
2003.....	\$ 4.0
2004.....	3.4
2005.....	2.9
2006.....	2.7
2007.....	2.6
Thereafter.....	9.2 ----- \$24.8 =====

LIABILITY INSURANCE

The Company carries general liability, vehicle liability, employment practices liability, pollution liability, directors and officers liability, worker's 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. The Company also carries property insurance.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The Company's insurance programs for worker's compensation, general liability, vehicle liability and employee-related health care benefits are effectively self-insured. Claims in excess of self-insurance levels are fully insured subject to policy limits. Accruals are based on claims filed and estimates of claims incurred but not reported.

The Company's liabilities for unpaid and incurred but not reported claims at December 31, 2002 was \$75.0 million under its current risk management program and are included in other current and other liabilities in the accompanying Consolidated Balance Sheets. While the ultimate amount of claims incurred are dependent on future developments, in management's opinion, recorded reserves are adequate to cover the future payment of claims. However, it is reasonably 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 results of operations in the periods in which such adjustments are known.

## OTHER MATTERS

In the normal course of business, the Company is required to post performance bonds, insurance policies, letters of credit and/or cash deposits as a financial guarantee of the Company's performance. To date, the Company has satisfied financial responsibility requirements for regulatory agencies by making cash deposits, obtaining bank letters of credit or by obtaining surety bonds. At December 31, 2002, surety bonds totaling \$652.6 million which expire through 2015 and letters of credit totaling \$359.1 million were outstanding. In addition, at December 31, 2002, the Company had \$175.0 million of restricted cash deposits held as financial guarantees as well as funds restricted for capital expenditures under certain debt facilities.

The Company's business activities are conducted in the context of a developing and changing statutory and regulatory framework. Governmental regulation of the waste management industry requires the Company to obtain and retain numerous governmental permits to conduct various aspects of its 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 the Company.

Through the date of the Company's initial public offering of common stock in July 1998, the Company filed consolidated federal income tax returns with AutoNation Inc. ("AutoNation"), its former parent company. The Internal Revenue Service is auditing AutoNation's consolidated tax returns for fiscal years 1995 through 1999. In accordance with the Company's tax sharing agreement with AutoNation, the Company may be liable for certain assessments imposed by the Internal Revenue Service for the periods through June 1998, resulting from this audit. In addition, the Internal Revenue Service is auditing the Company's consolidated tax returns for fiscal years 1998 and 1999. Management believes that the tax liabilities recorded are adequate. However, a significant assessment in excess of liabilities recorded against the Company could have a material adverse effect on the Company's financial position, results of operations or cash flows.

## 13. RELATED PARTY TRANSACTIONS

The following is a summary of agreements and transactions that the Company is involved in with related parties. It is the Company's policy that transactions with related parties must be on terms that, on the whole, are no less favorable than those that would be available from unaffiliated parties. It is management's belief that all of these transactions met that standard at the time such transactions were effected.

The Company leases its corporate office space from AutoNation. During 2002, 2001 and 2000, the Company paid AutoNation approximately \$.7 million, \$.7 million and \$.5 million, respectively, pursuant to the lease. During 2002, the Company collected solid waste from, and leased roll-off containers to, certain automotive retail and other properties of AutoNation. The Company provided all of these services at standard

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

rates. The Company continues to provide these services to AutoNation on the same terms. In March 2000, the Company sold a Lear Jet 55 to AutoNation for approximately \$4.7 million. In January 2001, the Company purchased a Lear Jet 55 from AutoNation for approximately \$4.7 million which the Company believes approximated its fair market value. H. Wayne Huizenga and Harris W. Hudson are both directors of AutoNation.

Pro Player Stadium is a professional sports stadium in South Florida that is owned and controlled by H. Wayne Huizenga, the former Chairman and a current member of the Company's Board of Directors. One of the Company's subsidiaries collected solid waste from, and leased roll-off waste containers to, Pro Player Stadium pursuant to standard agreements under which Pro Player Stadium paid an aggregate of \$293,392 in 2002. The Company expects to continue to provide these services in 2003 on the same terms.

14. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following is an analysis of certain items in the Consolidated Statements of Income by quarter for 2002 and 2001:

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	QUARTER	QUARTER	QUARTER
	2002	2002	2002	2002	2001	2001	2001
Revenue.....	\$551.9	\$598.2	\$609.7	\$605.3	\$535.4	\$576.0	
		\$582.6	\$563.5				
Operating income							
(loss).....					2002	\$106.9	
	\$116.3	\$118.2	\$118.1	2001	\$ 98.9	\$111.8	2001
Net income							
(loss).....					2002	\$	
	\$ 54.9	\$ 61.0	\$ 62.2	\$ 61.5	2001	\$ 49.6	\$ 58.1
Basic and diluted net income (loss) per							
share.....	2002	\$ .32	\$ .36	\$ .38	\$ .37	2001	\$
	.29	\$ .34	\$ .33	\$ (.23)			
Weighted average diluted common							
and common equivalent shares							
outstanding.....	2002				2002		
	169.1	167.5	164.8	165.3	2001	171.8	171.4
						171.1	170.0

The Company's operating results for 2002 include a \$5.6 million gain on the sale of certain assets for amounts exceeding estimates originally made during the fourth quarter of 2001.

The Company's operating results for 2001 were affected by a charge of \$86.1 million charge on an after-tax basis, or \$132.0 million on a pre-tax basis, recorded during the fourth quarter of 2001 related to completed and planned divestitures and closings of certain core and non-core businesses, asset impairments, downsizing its compost, mulch and soil business and related inventory adjustments, an increase in self-insurance reserves and an increase in bad debt expense related to the economic slowdown.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

As discussed in the Current Report on Form 8-K dated June 21, 2002 that we filed with the Commission on June 24, 2002, we appointed Ernst & Young LLP as our new independent public accountant effective June 21, 2002 and we dismissed Arthur Andersen LLP as our independent public accountant effective as of June 21, 2002.

### PART III

The information required by Items 10, 11, 12 and 13 of Part III of Form 10-K will be set forth in the Proxy Statement of the Company relating to the 2003 Annual Meeting of Stockholders and is incorporated by reference herein.

#### ITEM 14. CONTROLS AND PROCEDURES

##### (a) Evaluation of Disclosure Controls and Procedures

Within the 90 days prior to the filing date of this Annual Report, 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 the design and operation of our disclosure controls and procedures pursuant to Securities Exchange Act Rules 13a-14(c) and 15d-14(c). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the date of their evaluation in timely alerting them to material information relating to us (including our consolidated subsidiaries) required to be included in this Annual Report.

##### (b) Changes in Internal Controls

There were no significant changes in our internal controls or in other factors that could significantly affect such internal controls subsequent to the date of the evaluation described in paragraph (a) above. As a result, no corrective actions were required or undertaken.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULE AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

1. All Financial Statements:

The following financial statements are filed as part of this report under Item 8 -- Financial Statements and Supplementary Data.

PAGE ---- Report of Independent Certified Public Accountants..... 49 Report of Independent Certified Public Accountants..... 51 Consolidated Balance Sheets as of December 31, 2002 and 2001..... 52 Consolidated Statements of Income for each of the Three Years Ended December 31, 2002..... 53 Consolidated Statements of Stockholders' Equity and Comprehensive Income for each of the Three Years Ended December 31, 2002..... 54 Consolidated Statements of Cash Flows for each of the Three Years Ended December 31, 2002..... 55 Notes to Consolidated Financial Statements..... 56

2. Financial Statement Schedules:

Schedule II -- Valuation and Qualifying Accounts and Reserves, for each of the Three Years Ended December 31, 2002, 2001 and 2000.

All other schedules are omitted as the required information is not applicable or the information is presented in the Consolidated Financial Statements and Notes thereto in Item 8 above.

3. Exhibits:

The following exhibits are filed herewith or are incorporated by reference to exhibits previously filed with the Commission, as indicated in the description of each. We agree to furnish to the Commission upon request a copy of any instrument with respect to long-term debt not filed herewith as to which the total amount of securities authorized thereunder does not exceed 10 percent of our total assets on a consolidated basis.

EXHIBITS
DESCRIPTION
OF EXHIBIT -
-----
-----
3.1 --
Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1998).
3.2 --
Certificate of Amendment to Amended and Restated Certificate of Incorporation of Republic Services, Inc. (incorporated by reference

to Exhibit 4.2 of the Company's Registration Statement on Form S-8, Registration No. 333-81801, filed with the Commission on June 29, 1999). 3.3 -- Amended and Restated Bylaws of Republic Services, Inc.

(incorporated by reference to Exhibit 3.2 of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1998).

4.1 -- Form of Republic Services, Inc. Common Stock Certificate

(incorporated by reference to Exhibit 4.4 of the Company's Registration Statement on Form S-8, Registration No. 333-81801, filed with the Commission on June 29, 1999). 4.2 -- Long Term Credit Agreement dated July 3, 2002 among Republic Services, Inc., Bank of America N.A. as

Administrative Agent, and the several financial institutions thereto (filed herewith).



EXHIBITS  
DESCRIPTION OF  
EXHIBIT - -----  
-----

----- 4.3  
-- Indenture dated May 24, 1999, by Republic Services, Inc. to The Bank of New York, as trustee (incorporated by reference to Exhibit 4.3 of the Company's Annual Report on Form 10-K for the year ended December 31, 1999). 4.4  
-- 6 5/8% Note due May 15, 2004 in the principal amount of \$200,000,000 (incorporated by reference to Exhibit 4.4 of the Company's Annual Report on Form 10-K for the year ended December 31, 1999). 4.5  
-- 6 5/8% Note due May 15, 2004 in the principal amount of \$25,000,000 (incorporated by reference to Exhibit 4.5 of the Company's Annual Report on Form 10-K for the year ended December 31, 1999). 4.6  
-- 7 1/8% Note due May 15, 2009 in the principal amount of \$200,000,000 (incorporated by reference to Exhibit 4.6 of the Company's Annual Report on Form 10-K for the year ended December 31, 1999). 4.7  
-- 7 1/8% Note due May 15, 2009 in the principal amount of \$175,000,000 (incorporated by reference to Exhibit 4.7 of the Company's Annual Report on Form 10-K for the year ended December 31, 1999). 4.8

-- Indenture dated as of August 15, 2001, by Republic Services, Inc. to The Bank of New York, as trustee (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated August 9, 2001). 4.9 -- First Supplemental Indenture, dated as of August 15, 2001 by Republic Services, Inc. to The Bank Of New York, as trustee (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K dated August 9, 2001). 4.10 -- 6 3/4% Senior Note due 2011, in principal amount of \$400,000,000 (incorporated by reference to Exhibit 4.4 of the Company's Current Report on Form 8-K dated August 9, 2001). 4.11 -- 6 3/4% Senior Note due 2011, in principal amount of \$50,000,000 (incorporated by reference to Exhibit 4.4 of the Company's Current Report on Form 8-K dated August 9, 2001). 10.1 -- Separation and Distribution Agreement dated June 30, 1998 by and between the Republic Services, Inc. and AutoNation, Inc. (then known as Republic Industries, Inc.) (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1998). 10.2 -- Tax Indemnification

and Allocation Agreement dated June 30, 1998 by and between Republic Services, Inc. and AutoNation, Inc. (then known as Republic Industries, Inc.)

(incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1998).

10.3 -- Republic Services, Inc. 1998 Stock Incentive Plan (as amended and restated March 6, 2002)

(incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q, for the period ended March 31, 2002).\*

10.4 -- Employment Agreement dated October 25, 2000 by and between James E. O'Connor and Republic Services, Inc.

(incorporated by reference to Exhibit 10.7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2000). \*

10.5 -- Employment Agreement dated October 25, 2000 by and between Tod C. Holmes and Republic Services, Inc.

(incorporated by reference to Exhibit 10.9 of the Company's Annual Report on Form 10-K for the year ended December 31, 2000).\*

10.6 -- Employment Agreement dated October 25, 2000 by and between David A. Barclay and Republic Services, Inc.

(incorporated by reference to

Exhibit 10.10  
of the  
Company's  
Annual Report  
on Form 10-K  
for the year  
ended December  
31, 2000).\*

10.7 --

Employment  
Agreement dated  
July 31, 2001  
by and between  
Harris W.  
Hudson and  
Republic  
Services, Inc.  
(incorporated  
by reference to  
Exhibit 10.8 of  
the Company's  
Annual Report  
on Form 10-K  
for the year  
ended December  
31, 2001).\*

EXHIBITS  
DESCRIPTION  
OF EXHIBIT -

-----  
-----  
----- 10.8

--  
Employment  
Agreement  
dated May  
14, 2001 by  
and between  
Michael  
Cordesman,  
who became  
an executive  
officer in  
March 2002,  
and Republic  
Services,  
Inc.

(incorporated  
by reference  
to Exhibit  
10.1 of the  
Company's  
Quarterly  
Report on  
Form 10-Q,  
for the  
period ended  
March 31,  
2002). \* 21.1

--  
Subsidiaries  
of the  
Company  
(filed  
herewith).

23.1 --  
Consent of  
Ernst &  
Young (filed  
herewith).

-----

\* Indicates a management contract or compensatory plan, contract or arrangement.

(b) Reports on Form 8-K:

Form 8-K, furnished pursuant to Item 9 and dated October 28, 2002, including a press release announcing the Company's operating results for the three and nine months ended September 30, 2002, and a press release announcing the board of directors' approval of an additional \$150.0 million for the Company's Common Stock repurchase program. This Form 8-K is not deemed incorporated by reference into any of our filings with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

REGISTRANT:

REPUBLIC SERVICES, INC.

By: /s/ JAMES E. O'CONNOR

-----  
James E. O'Connor  
Chairman of the Board and Chief  
Executive Officer

March 27, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE  
TITLE DATE

-----  
-----

/s/ JAMES  
E.  
O'CONNOR  
Chairman  
of the  
Board and  
Chief  
March 27,  
2003 -----

-----

-----

-----

-----

Executive  
Officer

(principal

James E.

O'Connor

executive

officer)

/s/ HARRIS

W. HUDSON

Vice

Chairman

and

Director

March 27,

2003 -----

-----

-----

-----

Harris W.

Hudson /s/

TOD C.

HOLMES

Senior

Vice

President

and Chief

March 27,

2003 -----

-----

-----

-----

Financial

Officer

(principal  
Tod C.  
Holmes  
financial  
officer)

/s/  
CHARLES F.  
SERIANNI  
Chief  
Accounting  
Officer  
March 27,  
2003 -----  
-----  
-----  
-----

(principal  
accounting  
Charles F.  
Serianni  
officer)  
/s/ H.  
WAYNE  
HUIZENGA  
Director  
March 27,  
2003 -----  
-----  
-----  
-----

H. Wayne  
Huizenga  
/s/ JOHN  
W. CROGHAN  
Director  
March 27,  
2003 -----  
-----  
-----  
-----

John W.  
Croghan  
/s/ RAMON  
A.  
RODRIGUEZ  
Director  
March 27,  
2003 -----  
-----  
-----  
-----

Ramon A.  
Rodriguez  
/s/ ALLAN  
C.  
SORENSEN  
Director  
March 27,  
2003 -----  
-----  
-----  
-----

Allan C.  
Sorensen

CERTIFICATION

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

1. I have reviewed this annual report on Form 10-K of Republic Services, Inc;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures 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 annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 27, 2003

By: /s/ JAMES E. O'CONNOR

-----  
James E. O'Connor  
Chairman and Chief Executive Officer



CERTIFICATION

I, Tod C. Holmes, certify that:

1. I have reviewed this annual report on Form 10-K of Republic Services, Inc;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures 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 annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 27, 2003

By: /s/ TOD C. HOLMES

-----  
Tod C. Holmes  
Senior Vice President and  
Chief Financial Officer

REPUBLIC SERVICES, INC.

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES  
 SCHEDULE II  
 (IN MILLIONS)

BALANCE AT ADDITIONS ACCOUNTS BALANCE AT  
 BEGINNING CHARGED TO WRITTEN END OF YEAR  
 INCOME OFF OTHER(1) OF YEAR -----

CLASSIFICATIONS Allowance for doubtful  
 accounts:

2002.....	\$19.0	\$11.2	\$(11.4)	\$ .2	\$19.0
2001.....	13.2	22.8	(18.5)	1.5	19.0
2000.....	14.2	11.8	(14.9)	2.1	13.2

-----  
 (1) Allowance of acquired and divested businesses, net.

EXHIBIT INDEX

EXHIBITS  
DESCRIPTION  
OF EXHIBIT -  
-----

----- 4.2 --  
Long Term  
Credit  
Agreement  
dated July 3,  
2002 among  
Republic  
Services,  
Inc., Bank of  
America N.A.  
as  
Administrative  
Agent, and  
the several  
financial  
institutions  
thereto  
(filed  
herewith).  
21.1 --  
Subsidiaries  
of the  
Company  
(filed  
herewith).  
23.1 --  
Consent of  
Ernst & Young  
(filed  
herewith).

=====

LONG TERM CREDIT AGREEMENT

Dated as of July 3, 2002,

among

REPUBLIC SERVICES, INC.,  
as the Borrower,

BANK OF AMERICA, N.A.,  
as Administrative Agent,

CITIBANK, N.A.,  
as Syndication Agent,

BANK ONE, NA,  
SUNTRUST BANK,  
and  
BARCLAYS BANK PLC,  
as Co-Documentation Agents

and

THE OTHER FINANCIAL INSTITUTIONS PARTY HERETO

BANC OF AMERICA SECURITIES LLC  
and

SALOMON SMITH BARNEY, INC.  
as

Joint Lead Arrangers and Joint Book Managers

=====

ARTICLE I  
DEFINITIONS

1.1 Certain Defined Terms.....1  
1.2 Other Interpretive Provisions.....19  
1.3 Accounting Principles.....20

ARTICLE II  
THE CREDITS

2.1 Amounts and Terms of Commitments.....20  
2.2 Loan Accounts.....20  
2.3 Procedure for Committed Borrowing.....21  
2.4 Conversion and Continuation Elections for Committed Borrowings.....22  
2.5 Voluntary Termination or Reduction of Commitments.....23  
2.6 Optional Prepayments.....23  
2.7 Repayment.....24  
2.8 Interest.....24  
2.9 Fees.....25  
2.10 Computation of Fees and Interest.....26  
2.11 Payments by the Company.....26  
2.12 Payments by the Lenders to the Administrative Agent.....27  
2.13 Sharing of Payments, Etc.....27  
2.14 Swing Line Commitment.....29  
2.15 Borrowing Procedures for Swing Line Loans.....29  
2.16 Prepayment or Refunding of Swing Line Loans.....30  
2.17 Participations in Swing Line Loans.....30  
2.18 Participation Obligations Unconditional.....31  
2.19 Conditions to Swing Line Loans.....31

ARTICLE III  
THE LETTERS OF CREDIT

3.1 The Letter of Credit Subfacility.....31  
3.2 Issuance, Amendment and Renewal of Letters of Credit.....33  
3.3 Risk Participations, Drawings and Reimbursements.....35  
3.4 Repayment of Participations.....36  
3.5 Role of the Issuing Lenders.....37  
3.6 Obligations Absolute.....37  
3.7 Cash Collateral Pledge.....38  
3.8 Letter of Credit Fees.....39  
3.9 Applicability of ISP98 and UCP.....39

ARTICLE IV  
TAXES, YIELD PROTECTION AND ILLEGALITY

4.1 Taxes.....40  
4.2 Illegality.....41

4.3	Increased Costs and Reduction of Return.....	42
4.4	Funding Losses.....	42
4.5	Inability to Determine Rates.....	43
4.6	Certificates of Lenders.....	43
4.7	Mitigation.....	44
4.8	Substitution of Lenders.....	44
4.9	Survival.....	44

ARTICLE V  
CONDITIONS PRECEDENT

5.1	Conditions to Effectiveness.....	44
5.2	Conditions to All Credit Extensions.....	46

ARTICLE VI  
REPRESENTATIONS AND WARRANTIES

6.1	Corporate Existence and Power.....	47
6.2	Corporate Authorization; No Contravention.....	47
6.3	Governmental Authorization.....	47
6.4	Binding Effect.....	48
6.5	Litigation.....	48
6.6	No Default.....	48
6.7	ERISA Compliance.....	48
6.8	Use of Proceeds; Margin Regulations.....	49
6.9	Title to Properties.....	49
6.10	Taxes.....	49
6.11	Financial Condition.....	49
6.12	Environmental Matters.....	50
6.13	Regulated Entities.....	50
6.14	No Burdensome Restrictions.....	50
6.15	Copyrights, Patents, Trademarks and Licenses, etc.....	50
6.16	Subsidiaries.....	50
6.17	Insurance.....	51
6.18	Solvency.....	51
6.19	Full Disclosure.....	51

ARTICLE VII  
AFFIRMATIVE COVENANTS

7.1	Financial Statements.....	51
7.2	Certificates; Other Information.....	52
7.3	Notices.....	53
7.4	Preservation of Corporate Existence, Etc.....	54
7.5	Maintenance of Property.....	54
7.6	Insurance.....	54
7.7	Payment of Obligations.....	54
7.8	Compliance with Laws.....	55

7.9	Compliance with ERISA.....	55
7.10	Inspection of Property and Books and Records.....	55
7.11	Environmental Laws.....	55
7.12	Use of Proceeds.....	55

ARTICLE VIII  
NEGATIVE COVENANTS

8.1	Financial Condition Covenants.....	56
8.2	Limitation on Liens.....	56
8.3	Disposition of Assets.....	57
8.4	Consolidations and Mergers.....	58
8.5	Loans and Investments.....	58
8.6	Limitation on Subsidiary Indebtedness.....	58
8.7	Transactions with Affiliates.....	58
8.8	Use of Proceeds.....	59
8.9	Restricted Payments.....	59
8.10	ERISA.....	59
8.11	Change in Business.....	59
8.12	Accounting Changes.....	59
8.13	Burdensome Agreements.....	59

ARTICLE IX  
EVENTS OF DEFAULT

9.1	Event of Default.....	60
9.2	Remedies.....	62
9.3	Rights Not Exclusive.....	62

ARTICLE X  
THE ADMINISTRATIVE AGENT

10.1	Appointment and Authorization of Administrative Agent.....	62
10.2	Delegation of Duties.....	63
10.3	Liability of Administrative Agent.....	63
10.4	Reliance by Administrative Agent.....	64
10.5	Notice of Default.....	64
10.6	Credit Decision; Disclosure of Information by Administrative Agent.....	64
10.7	Indemnification of Administrative Agent.....	65
10.8	Administrative Agent in its Individual Capacity.....	66
10.9	Successor Administrative Agent.....	66
10.10	Administrative Agent May File Proofs of Claim.....	67
10.11	Other Agents; Arrangers and Managers.....	67

ARTICLE XI  
MISCELLANEOUS

11.1	Amendments and Waivers.....	68
11.2	Notices and Other Communications; Facsimile Copies.....	69
11.3	No Waiver; Cumulative Remedies.....	70
11.4	Attorney Costs, Expenses and Taxes.....	70
11.5	Indemnification by the Company.....	70
11.6	Payments Set Aside.....	71
11.7	Successors and Assigns.....	71
11.8	Assignments, Participations, etc.....	72
11.9	Confidentiality.....	75
11.10	Set-off.....	76
11.11	Notification of Addresses, Lending Offices, Etc.....	76
11.12	Counterparts.....	76
11.13	Severability.....	77
11.14	No Third Parties Benefited.....	77
11.15	Tax Forms.....	77
11.16	Governing Law and Jurisdiction.....	78
11.17	Waiver of Right to Trial by Jury.....	79
11.18	Entire Agreement.....	79
11.19	Survival of Representations and Warranties.....	79



## LONG TERM CREDIT AGREEMENT

This LONG TERM CREDIT AGREEMENT is entered into as of July 3, 2002, among REPUBLIC SERVICES, INC., a Delaware corporation (the "Company"), the several financial institutions from time to time party to this Agreement (collectively the "Lenders"; individually each a "Lender") and BANK OF AMERICA, N.A., as administrative agent for the Lenders.

In consideration of the mutual agreements, provisions and covenants contained herein, the parties hereto agree as follows:

### ARTICLE I

#### DEFINITIONS

1.1 CERTAIN DEFINED TERMS. The following terms have the following meanings:

ACQUIRED PLAN means any Plan which was originally established and maintained by a Person other than the Company or an ERISA Affiliate and which became, or hereafter becomes, a Plan as a result of an Acquisition by the Company or any Subsidiary.

ACQUISITION means any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of a Person, or of all or substantially all of any business or division of a Person, (b) the acquisition of in excess of 50% of the capital stock, partnership interests, membership interests or equity of any Person, or otherwise causing any Person to become a Subsidiary, or (c) a merger or consolidation or any other combination with another Person (other than a Person that is a Subsidiary) provided that the Company or the Subsidiary is the surviving entity.

ADJUSTED PRO RATA SHARE means for any Lender at any time the proportion (expressed as a decimal, rounded to the ninth decimal place) which such Lender's Commitment constitutes of the combined Commitments (or, after the Commitments have terminated, which (i) the principal amount of such Lender's Loans PLUS (without duplication) the participation of such Lender in (or in the case of an Issuing Lender or the Swing Line Lender, its unparticipated portion of) the Effective Amount of all L/C Obligations and the principal amount of all Swing Line Loans constitutes of (ii) the aggregate principal amount of all Loans PLUS (without duplication) the Effective Amount of all L/C Obligations).

ADMINISTRATIVE AGENT means BofA in its capacity as agent for the Lenders hereunder, and any successor agent arising under SECTION 10.9.

ADMINISTRATIVE AGENT-RELATED PERSONS means the Administrative Agent, together with its Affiliates (including, in the case of BofA in its capacity as the Administrative Agent, BAS), and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

ADMINISTRATIVE AGENT'S PAYMENT OFFICE means the address for payments set forth on SCHEDULE 11.2 or such other address as the Administrative Agent may from time to time specify by notice to the Company and the Lenders.

ADMINISTRATIVE QUESTIONNAIRE means an Administrative Questionnaire in a form supplied by the Administrative Agent.

AFFILIATE means, as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with such Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the other Person, whether through the ownership of voting securities or membership interests, by contract or otherwise.

AGREEMENT means this Credit Agreement.

APPLICABLE MARGIN - see SCHEDULE 1.1.

APPROVED FUND - see SUBSECTION 11.8(G).

ARRANGERS means collectively, BAS and Salomon Smith Barney, Inc.

ASSIGNEE - see SUBSECTION 11.8(A).

ASSIGNMENT AND ASSUMPTION means an Assignment and Assumption substantially in the form of EXHIBIT C.

ATTORNEY COSTS means and includes all reasonable fees and disbursements of any law firm or other external counsel and, without duplication, the allocated cost of internal legal services and all reasonable disbursements of internal counsel.

ATTRIBUTABLE INDEBTEDNESS means, on any date, (a) in respect of any Synthetic Lease Obligation, the capitalized amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease were accounted for as a capital lease, and (b) in respect of any Securitization Transaction, the aggregate amount of obligations owed to (including the amount of investment in transferred assets by) Persons other than the Company or its Subsidiaries.

BANKRUPTCY CODE means the Federal Bankruptcy Reform Act of 1978 (11 U.S.C.ss.101, ET SEQ.).

BAS means Banc of America Securities LLC, in its capacity as joint lead arranger and joint book manager.

BASE RATE means for any day a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by BofA as its "prime rate." The "prime

rate" is a rate set by BofA based upon various factors including BofA's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by BofA shall take effect at the opening of business on the day specified in the public announcement of such change.

BASE RATE COMMITTED LOAN means a Committed Loan, or an L/C Advance, that bears interest based on the Base Rate.

BOFA means Bank of America, N.A., a national banking association.

BORROWING means a borrowing hereunder consisting of Committed Loans of the same Type, made to the Company on the same day by one or more Lenders under ARTICLE II and, other than in the case of Base Rate Committed Loans, having the same Interest Period. A Borrowing is a Committed Borrowing.

BORROWING DATE means any date on which a Borrowing occurs under SECTION 2.3 or a Swing Line Loan is made under SECTION 2.14.

BUSINESS DAY means any day other than a Saturday, Sunday or other day on which commercial banks in New York City, Chicago or San Francisco are authorized or required by law to close and, if the applicable Business Day relates to any Offshore Rate Loan, means such a day on which dealings in Dollars are carried on in the London interbank market.

CANADIAN CURRENCY EQUIVALENT AMOUNT means, with respect to the Canadian Dollar and a specified Dollar amount, the amount of Canadian Dollars into which such Dollar amount would be converted, based on the Exchange Rate.

CANADIAN DOLLARS means the lawful currency of Canada.

CANADIAN L/C means a Letter of Credit which is denominated in Canadian Dollars.

CAPITAL ADEQUACY REGULATION means any guideline, request or directive of any central bank or other Governmental Authority, or any other law, rule or regulation, whether or not having the force of law, in each case, regarding capital adequacy of any bank or of any corporation controlling a bank.

CAPITAL LEASE means, with respect to any Person, any lease of (or other agreement conveying the right to use) any real or personal property by such Person that, in conformity with GAAP, is accounted for as a capital lease on the balance sheet of such Person.

CASH COLLATERALIZE means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the Administrative Agent, the Issuing Lenders and the Lenders, as collateral for the L/C Obligations, cash or deposit account balances

pursuant to documentation in form and substance satisfactory to the Administrative Agent and the Required Lenders. Derivatives of such term shall have corresponding meanings. Cash collateral shall be maintained in blocked accounts at the Administrative Agent or, with the Administrative Agent's consent, the applicable Issuing Lender.

CHANGE OF CONTROL means (a) if any Person or group of Persons acting in concert shall own or control, directly or indirectly, more than 20% of the outstanding securities (on a fully diluted basis and taking into account any securities or contract rights exercisable, exchangeable or convertible into equity securities) of the Company having voting rights in the election of directors; or (b) during any period of 24 consecutive months, a majority of the members of the board of directors or other equivalent governing body of such Person cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body (excluding, in the case of both clause (ii) and clause (iii), any individual whose initial nomination for, or assumption of office as, a member of that board or equivalent governing body occurs as a result of an actual or threatened solicitation of proxies or consents for the election or removal of one or more directors by any person or group other than a solicitation for the election of one or more directors by or on behalf of the board of directors).

CODE means the Internal Revenue Code of 1986, and regulations promulgated thereunder.

COMMITMENT - see SECTION 2.1. As of the Effective Date, the amount of the combined Commitments of all Lenders is \$450,000,000.

COMMITTED BORROWING means a Borrowing hereunder consisting of Committed Loans made by the Lenders ratably according to their respective Pro Rata Shares.

COMMITTED LOAN means a Loan by a Lender to the Company under SECTION 2.1, which may be a Base Rate Committed Loan or an Offshore Rate Loan (each a "Type" of Committed Loan).

COMPANY - see the PREAMBLE.

COMPLIANCE CERTIFICATE means a certificate substantially in the form of EXHIBIT D.

COMPUTATION PERIOD means any period of four consecutive fiscal quarters ending on the last day of a fiscal quarter.

CONSOLIDATED EBITDA means, with respect to the Company and its Subsidiaries for any period of computation thereof during such period,

the sum of, without duplication, (i) Consolidated Net Income, plus (ii) Consolidated Interest Expense during such period, plus (iii) taxes on income during such period, plus (iv) amortization during such period, plus (v) depreciation during such period, determined, to the extent applicable as a result of Acquisitions during such period, on a pro forma basis in accordance with Article 11 of Regulation S-X of the SEC.

CONSOLIDATED INTEREST EXPENSE means, with respect to any period of computation thereof, the gross interest expense of the Company and its Subsidiaries, including, without limitation, (i) the amortization of debt discounts, (ii) the amortization of all fees payable in connection with the incurrence of Indebtedness to the extent included in interest expense, (iii) the portion of any liabilities incurred in connection with Capital Leases allocable to interest expense and (iv) consolidated yield or discount accrued on the aggregate outstanding investment or claim held by purchasers, assignees or other transferees of (or of interests in) receivables of the Company and its Subsidiaries in connection with any Securitization Transaction (regardless of the accounting treatment of such Securitization Transaction).

CONSOLIDATED NET INCOME means, for any period of computation thereof, the gross revenues from operations of the Company and its Subsidiaries, less all operating and non-operating expenses of the Company and its Subsidiaries, including taxes on income but excluding all non-cash, nonrecurring charges and all extraordinary gains or losses.

CONSOLIDATED SHAREHOLDERS' EQUITY means consolidated shareholders' equity as shown on the Company's balance sheet, excluding the amount of any foreign currency translation adjustment which is included in the equity section of such balance sheet (whether positive or negative) and minus all loans and advances by the Company or any Subsidiary to any Affiliate (other than the Company or a Subsidiary).

CONSOLIDATED TANGIBLE ASSETS means the consolidated total assets of the Company and its Subsidiaries but excluding goodwill, franchises, licenses, patents, trademarks, trade names, copyrights and any other intangible assets.

CONTINGENT OBLIGATION means, as to any Person, any direct or indirect liability of such Person, whether or not contingent, (a) with respect to any Indebtedness, lease, dividend, letter of credit or other obligation (the "primary obligations") of another Person (the "primary obligor"), including any obligation of such Person (i) to purchase, repurchase or otherwise acquire such primary obligations or any security therefor, (ii) to advance or provide funds for the payment or discharge of any such primary obligation, or to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet item, level of income or financial condition of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (iv) otherwise to assure or hold harmless the holder of any such primary obligation against loss in respect thereof (each a "Guaranty Obligation"); (b) with respect to any Surety Instrument issued for the account of such Person or as to which such Person is otherwise liable for reimbursement of drawings or payments; or (c) to purchase any materials,

supplies or other property from, or to obtain the services of, another Person if the relevant contract or other related document or obligation requires that payment for such materials, supplies or other property, or for such services, shall be made regardless of whether delivery of such materials, supplies or other property is ever made or tendered, or such services are ever performed or tendered. The amount of any Contingent Obligation shall (a) in the case of Guaranty Obligations, be deemed equal to the stated or determinable amount of the primary obligation in respect of which such Guaranty Obligation is made (subject to any limitation set forth in such guaranty) or, if not stated or if indeterminable, the maximum reasonably anticipated liability in respect thereof, and (b) in the case of other Contingent Obligations, be equal to the maximum reasonably anticipated liability in respect thereof.

CONTRACTUAL OBLIGATION means, as to any Person, any provision of any security issued by such Person or of any agreement, undertaking, contract, indenture, mortgage, deed of trust or other document to which such Person is a party or by which it or any of its property is bound.

CONVERSION/CONTINUATION DATE means any date on which, under SECTION 2.4, the Company (a) converts Committed Loans of one Type to the other Type or (b) continues Offshore Rate Loans for a new Interest Period.

CREDIT EXTENSION means and includes (a) the making of any Loan hereunder and (b) the Issuance of any Letter of Credit hereunder.

DOLLAR EQUIVALENT AMOUNT means, with respect to a Canadian Dollar amount, the amount of Dollars into which the Canadian Dollar amount would be converted, based on the applicable Exchange Rate.

DOLLAR VALUE of a Letter of Credit in a Canadian Dollar amount means the Dollar Equivalent Amount of the stated amount of such Letter of Credit as recorded in the Administrative Agent's records pursuant to SECTION 3.1(C).

DOLLARS, DOLLARS and \$ each mean lawful money of the United States.

EFFECTIVE AMOUNT means, with respect to any outstanding L/C Obligations on any date, the amount of such L/C Obligations on such date after giving effect to any Issuances of Letters of Credit occurring on such date, any other changes in the aggregate amount of the L/C Obligations as of such date, including as a result of any reimbursements of outstanding unpaid drawings under any Letter of Credit or any reduction in the maximum amount available for drawing under Letters of Credit taking effect on such date.

EFFECTIVE DATE - see SECTION 5.1.

ELIGIBLE ASSIGNEE - see SUBSECTION 11.8(G).

ENVIRONMENTAL CLAIMS means all written claims, however asserted, by any Governmental Authority or other Person alleging potential liability or responsibility for violation of any Environmental Law, or for release or injury to the environment.

ENVIRONMENTAL LAWS means all federal, state, local or municipal laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative or judicial orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authorities, in each case relating to environmental matters.

ENVIRONMENTAL LIABILITY means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Company, any of its Affiliates or any of their respective Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

ERISA means the Employee Retirement Income Security Act of 1974, and the regulations promulgated thereunder.

ERISA AFFILIATE means any trade or business (whether or not incorporated) under common control with the Company within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

ERISA EVENT means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by the Company or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001 (a) (2) of ERISA) or a substantial cessation of operations which is treated as such a withdrawal; (c) a complete or partial withdrawal by the Company or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate a Pension Plan under Section 4041(c) of ERISA, the termination of a Multiemployer Plan under 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Company or any ERISA Affiliate.

EVENT OF DEFAULT means any of the events or circumstances specified in SECTION 9.1; provided that any requirement of notice or lapse of time (or both) has been satisfied.

EXCHANGE RATE means, with respect to the issuance of a Canadian L/C, the Spot Rate of Exchange as of the date two Business Days preceding the Valuation Date.

EXISTING CREDIT AGREEMENTS means, collectively, (i) that certain Short Term Credit Agreement, dated as of July 10, 1998, as amended, by and among the Company, Bank of America, N.A., as agent, and the lenders party thereto, and (ii) that certain Long Term Credit Agreement, dated as of July 10, 1998, as amended, by and among the Company, Bank of America, N.A., as agent, and the lenders party thereto.

EXISTING LETTERS OF CREDIT means the letters of credit listed on SCHEDULE 3.3.

FACILITY FEE RATE - see SCHEDULE 1.1.

FEDERAL FUNDS RATE means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to BofA on such day on such transactions as determined by the Administrative Agent.

FRB means the Board of Governors of the Federal Reserve System, and any Governmental Authority succeeding to any of its principal functions.

FUND - see SUBSECTION 11.8(G).

FURTHER TAXES means any and all present or future taxes, levies, assessments, imposts, duties, deductions, fees, withholdings or similar charges (including net income taxes and franchise taxes), and all liabilities with respect thereto, imposed by any jurisdiction on account of amounts payable or paid pursuant to SECTION 4.1.

GAAP means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the U.S. accounting profession), which are applicable to the circumstances as of the date of determination.

GOVERNMENTAL AUTHORITY means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.



GUARANTY OBLIGATION has the meaning specified in the definition of Contingent Obligation.

HAZARDOUS MATERIALS means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

HONOR DATE has the meaning specified in SUBSECTION 3.3 (A).

INDEBTEDNESS of any Person means, without duplication, (a) all indebtedness of such Person for borrowed money; (b) all obligations issued, undertaken or assumed by such Person as the deferred purchase price of property or services (other than trade payables entered into in the ordinary course of business on ordinary terms); (c) all reimbursement or payment obligations of such Person with respect to Surety Instruments; (d) all obligations of such Person evidenced by notes, bonds, debentures or similar instruments; (e) all indebtedness of such Person created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property); (f) all obligations of such Person with respect to Capital Leases; (g) Attributable Indebtedness; (h) all indebtedness of the types referred to in CLAUSES (A) through (G) above secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property (including accounts and contracts rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness, provided that the amount of any such Indebtedness shall be deemed to be the lesser of the face principal amount thereof and the fair market value of the property subject to such Lien; and (i) all Guaranty Obligations of such Person in respect of Indebtedness of the types described above; PROVIDED that Indebtedness shall not include obligations arising out of the endorsement of instruments for deposit or collection in the ordinary course of business. For all purposes of this Agreement, the Indebtedness of any Person shall include all Indebtedness of any partnership or joint venture in which such Person is a general partner or a joint venturer (other than any such Indebtedness which is expressly non-recourse to such Person).

INDEMNIFIED LIABILITIES - see SECTION 11.5.

INDEMNITEES - see SECTION 11.5.

INDEPENDENT AUDITOR - see SUBSECTION 7.1(A).

INSOLVENCY PROCEEDING means, with respect to any Person, (a) any case, action or proceeding with respect to such Person before any court or other Governmental Authority relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors or (b) any general assignment for the

benefit of creditors, composition, marshalling of assets for creditors, or other, similar arrangement in respect of its creditors generally or any substantial portion of its creditors; in each case undertaken under any U.S. Federal, state or foreign law, including the Bankruptcy Code.

INTEREST PAYMENT DATE means, as to any Loan other than a Base Rate Committed Loan or Swing Line Loan, the last day of each Interest Period applicable to such Loan and, as to any Base Rate Committed Loan or Swing Line Loan, the last Business Day of each calendar quarter, provided that if any Interest Period for an Offshore Rate Loan exceeds three months, each three-month anniversary of the first day of such Interest Period also shall be an Interest Payment Date.

INTEREST PERIOD means, as to any Offshore Rate Loan, the period commencing on the Borrowing Date of such Loan or on the date on which such Loan is converted into or continued as an Offshore Rate Loan, and ending on the date one, two, three or six months thereafter as selected by the Company in its Notice of Committed Borrowing or Notice of Conversion/Continuation, as the case may be; PROVIDED that:

(i) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the following Business Day unless, in the case of an Offshore Rate Loan, the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the preceding Business Day;

(ii) any Interest Period for an Offshore Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(iii) no Interest Period for any Loan shall extend beyond the Termination Date.

INVESTMENT - see SECTION 8.5.

IRS means the Internal Revenue Service, and any Governmental Authority succeeding to any of its principal functions under the Code.

ISSUANCE DATE has the meaning specified in SUBSECTION 3.1(A).

ISSUE means, with respect to any Letter of Credit, to issue or to extend the expiry of, or to renew or increase the amount of, such Letter of Credit; and the terms "Issued," "Issuing" and "Issuance" have corresponding meanings.

ISSUING LENDER means BofA in its capacity as issuer of one or more Letters of Credit hereunder, together with (i) any replacement letter of credit issuer arising under SUBSECTION 10.1(B) or SECTION 10.9 and (ii) any other Lender or any Affiliate of a Lender which has agreed in writing to become an "Issuing Lender" hereunder.

L/C ADVANCE means each Lender's participation in any L/C Borrowing in accordance with its Pro Rata Share.

L/C AMENDMENT APPLICATION means an application form for amendment of an outstanding standby letter of credit as shall at any time be in use by the applicable Issuing Lender, as such Issuing Lender shall request.

L/C APPLICATION means an application form for issuance of a standby letter of credit as shall at any time be in use by the applicable Issuing Lender, as such Issuing Lender shall request; provided, however, that to the extent an L/C Application is inconsistent with the provisions of this Agreement, the provisions of this Agreement shall control.

L/C BORROWING means an extension of credit resulting from a drawing under any Letter of Credit which shall not have been reimbursed on the date when made nor converted into a Borrowing of Committed Loans under SUBSECTION 3.3(C).

L/C COMMITMENT means the commitment of the Issuing Lenders to Issue, and the commitment of the Lenders severally to participate in, Letters of Credit from time to time Issued or outstanding under ARTICLE III (including the Existing Letters of Credit) in an aggregate amount not to exceed on any date the lesser of (a) \$450,000,000 or (b) the combined Commitments. The L/C Commitment is part of, and not in addition to, the combined Commitments.

L/C FEE RATE - see SCHEDULE 1.1.

L/C OBLIGATIONS means at any time the sum of (a) the aggregate Dollar Equivalent Amount of all undrawn Canadian L/Cs and Dollar amount of all other undrawn Letters of Credit then outstanding, plus (b) the Dollar Equivalent Amount of all unreimbursed drawings under all Canadian L/Cs, plus (c) the Dollar amount of all unreimbursed drawings under all other Letters of Credit, including all outstanding L/C Borrowings.

L/C-RELATED DOCUMENTS means the Letters of Credit, the L/C Applications, the L/C Amendment Applications and any other document relating to any Letter of Credit, including any of the applicable Issuing Lender's standard form documents for letter of credit issuances.

LENDER - see the PREAMBLE. References to the "Lenders" shall include BofA in its capacity as Swing Line Lender and each Issuing Lender in its capacity as such; for purposes of clarification only, to the extent that the Swing Line Lender or any Issuing Lender may have any rights or obligations in addition to those of the other Lenders due to its status as Swing Line Lender or Issuing Lender, its status as such will be specifically referenced.

LENDING OFFICE means, as to any Lender, the office or offices of such Lender specified as its "Lending Office" or "Domestic Lending

Office" or "Offshore Lending Office", as the case may be, on SCHEDULE 11.2, or such other office or offices as such Lender may from time to time notify the Company and the Administrative Agent.

LETTER OF CREDIT means each Existing Letter of Credit and any other standby letter of credit Issued by an Issuing Lender pursuant to ARTICLE III.

LIBOR - see the definition of Offshore Rate.

LIEN means any security interest, mortgage, deed of trust, pledge, hypothecation, assignment, charge or deposit arrangement, encumbrance, lien (statutory or other) or preferential arrangement of any kind or nature whatsoever in respect of any property (including those created by, arising under or evidenced by any conditional sale or other title retention agreement, the interest of a lessor under a Capital Lease, or any financing lease having substantially the same economic effect as any of the foregoing, but not including the interest of a lessor under an operating lease).

LOAN means an extension of credit by a Lender to the Company under ARTICLE II or ARTICLE III in the form of a Committed Loan, Swing Line Loan or L/C Advance.

LOAN DOCUMENTS means this Agreement, any Notes, the L/C-Related Documents and all other documents delivered to the Administrative Agent or any Lender in connection herewith.

MARGIN STOCK means "margin stock" as such term is defined in Regulation T, U or X of the FRB.

MATERIAL ADVERSE EFFECT means a material adverse change in, or a material adverse effect upon, the operations, business, properties, assets or condition (financial or otherwise) of the Company and its Subsidiaries taken as a whole.

MATERIAL FINANCIAL OBLIGATIONS means Indebtedness, Attributable Indebtedness, Contingent Obligations and obligations under Swap Contracts of the Company or any Subsidiary, and obligations of the Company or any Subsidiary in respect of any Securitization Transaction, in an aggregate amount (or in the case of a Swap Contract having a Swap Contract Value), for all such Indebtedness, Attributable Indebtedness, Contingent Obligations, obligations under Swap Contracts and obligations in respect of Securitization Transactions, but without duplication, equal to \$25,000,000 or more.

MOODY'S means Moody's Investor Service, Inc., a Delaware corporation.

MULTIEMPLOYER PLAN means a "multiemployer plan", within the meaning of Section 4001 (a) (3) of ERISA, with respect to which the Company or any ERISA Affiliate may have any liability.

NOTE means a promissory note executed by the Company in favor of a Lender pursuant to SUBSECTION 2.2(B), in substantially the form of EXHIBIT F.

NOTICE OF COMMITTED BORROWING means a notice in substantially the form of EXHIBIT A.

NOTICE OF CONVERSION/CONTINUATION means a notice in substantially the form of EXHIBIT B.

NOTICE OF SWING LINE LOAN means a notice substantially in the form of EXHIBIT G.

OBLIGATIONS means all advances, debts, liabilities, obligations, covenants and duties arising under any Loan Document owing by the Company to any Lender, the Administrative Agent or any other Indemnified Person, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, or now existing or hereafter arising.

OFFSHORE RATE means, for any Interest Period, with respect to Offshore Rate Loans comprising part of the same Borrowing, the rate of interest per annum (rounded upward to the next 1/32nd of 1%) determined by the Administrative Agent pursuant to the following formula:

$$\text{Offshore Rate} = \frac{\text{LIBOR}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

Where,

"EURODOLLAR RESERVE PERCENTAGE" means, for any day during any Interest Period, the reserve percentage (expressed as a decimal, carried out to five decimal places) in effect on such day, whether or not applicable to any Lender, under regulations issued from time to time by the FRB for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as "Eurocurrency liabilities"). The Offshore Rate for each outstanding Offshore Rate Loan shall be adjusted automatically as of the effective date of any change in the Eurodollar Reserve Percentage; and

"LIBOR" means, for such Interest Period:

(a) the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate that appears on the page of the Telerate screen (or any successor thereto) that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(b) if the rate referenced in the preceding clause (a) does not appear on such page or service or such page or service shall not be available, the rate per annum equal to the rate determined by the Administrative Agent to be the

offered rate on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(c) if the rates referenced in the preceding clauses (a) and (b) are not available, the rate per annum determined by the Administrative Agent as the rate of interest at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Offshore Rate Loan being made, continued or converted by BofA and with a term equivalent to such Interest Period would be offered by BofA's London Branch to major banks in the London interbank eurodollar market at their request at approximately 4:00 p.m. (London time) two Business Days prior to the first day of such Interest Period.

OFFSHORE RATE LOAN means a Committed Loan that bears interest based on the Offshore Rate.

ORGANIZATION DOCUMENTS means (i) for any corporation, the certificate of incorporation, the bylaws, any certificate of determination or instrument relating to the rights of preferred shareholders of such corporation, any shareholder rights agreement, and all applicable resolutions of the board of directors (or any committee thereof) of such corporation, (ii) for any partnership or joint venture, the partnership or joint venture agreement and any other organizational document of such entity, (iii) for any limited liability company, the certificate or articles of organization, the operating agreement and any other organizational document of such limited liability company, (iv) for any trust, the declaration of trust, the trust agreement and any other organizational document of such trust and (v) for any other entity, the document or agreement pursuant to which such entity was formed and any other organizational document of such entity.

OTHER TAXES means any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery, performance, enforcement or registration of, or otherwise with respect to, this Agreement or any other Loan Document.

PARTICIPANT - see SUBSECTION 11.8(D).

PAYMENT SHARING NOTICE means a written notice from the Company or any Lender informing the Administrative Agent that an Event of Default has occurred and is continuing and directing the Administrative Agent to allocate payments received from the Company in accordance with SUBSECTION 2.13 (B).

PBGC means the Pension Benefit Guaranty Corporation, or any Governmental Authority succeeding to any of its principal functions under ERISA.

PENSION PLAN means a pension plan (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA, other than a Multiemployer Plan, with respect to which the Company or any ERISA Affiliate may have any liability.

PERMITTED LIENS - see SECTION 8.2.

PERSON means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture or Governmental Authority.

PLAN ACQUISITION DATE means, with respect to any Acquired Plan, the first date on which the Company or any ERISA Affiliate may have any liability with respect to such Acquired Plan.

PLAN means an employee benefit plan (as defined in Section 3(3) of ERISA), other than a Multiemployer Plan, with respect to which the Company or any ERISA Affiliate may have any liability, and includes any Pension Plan.

PRO RATA SHARE means for any Lender at any time the proportion (expressed as a decimal, rounded to the ninth decimal place) which such Lender's Commitment constitutes of the combined Commitments, or, after the Commitments have terminated, which (i) the principal amount of such Lender's Committed Loans PLUS (without duplication) the participation of such Lender in (or in the case of an Issuing Lender or the Swing Line Lender, the unparticipated portion of) the Effective Amount of all L/C Obligations and the principal amount of all Swing Line Loans constitutes of (ii) the aggregate principal amount of all Committed Loans and Swing Line Loans PLUS (without duplication) the Effective Amount of all L/C Obligations.

RATING means the long-term, unsecured, unenhanced debt rating assigned to senior Indebtedness of the Company by S&P and Moody's.

REPORTABLE EVENT means, any of the events set forth in Section 4043 (c) of ERISA or the regulations thereunder, other than any such event for which the 30-day notice requirement under ERISA has been waived in regulations issued by the PBGC.

REQUIRED LENDERS means Lenders holding Adjusted Pro Rata Shares aggregating more than 50%; PROVIDED that if and so long as any Lender fails to fund any Committed Loan when required by SECTION 2.16 or SECTION 3.3 or a participation in a Swing Line Loan or an L/C Borrowing pursuant to SECTION 2.17 or SECTION 3.3, as the case may be, such Lender's Adjusted Pro Rata Share shall be deemed for purposes of this definition to be reduced by the percentage which the defaulted amount constitutes of the combined Commitments (or, if the Commitments have terminated, the Total Outstandings), and the Adjusted Pro Rata Share of the applicable Issuing Lender or the Swing Line Lender, as the case may be, shall be deemed for purposes of this definition to be increased by such percentage.

REQUIREMENT OF LAW means, as to any Person, any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or of a Governmental

Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

RESPONSIBLE OFFICER means the chief executive officer, the president or any vice president of the Company, or any other officer having substantially the same authority and responsibility; or, with respect to financial matters, the chief financial officer, the vice president-finance, the treasurer or any assistant treasurer of the Company, or any other officer having substantially the same authority and responsibility.

RESTRICTED CASH means that amount of cash of the Company and its Subsidiaries reserved in a restricted trustee controlled account, as shown on the balance sheet of the Company, at any Computation Date, on the line item "Restricted Cash."

RESTRICTED PAYMENT means any dividend or other distribution (whether in cash, securities or other property) with respect to any capital stock or other equity interest of the Company or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such capital stock or other equity interest or of any option, warrant or other right to acquire any such capital stock or other equity interest.

S&P means Standard & Poors Rating Group, a division of McGraw-Hill.

SEC means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

SECURITIZATION TRANSACTION means any sale, assignment or other transfer by the Company or any Subsidiary of accounts receivable, lease receivables or other payment obligations owing to the Company or any Subsidiary or any interest in any of the foregoing, together in each case with any collections and other proceeds thereof, any collection or deposit accounts related thereto, and any collateral, guaranties or other property or claims in favor of the Company or such Subsidiary supporting or securing payment by the obligor thereon of, or otherwise related to, any such receivables.

SHORT TERM CREDIT AGREEMENT means that certain Short Term Credit Agreement dated as of July 3, 2002 among the Company, certain financial institutions as lenders and BofA as administrative agent, issuing lender and swing line lender.

SOLVENT means, when used with respect to any Person, that at the time of determination:

(a) the fair value of its assets (both at fair valuation and at present fair saleable value on an orderly basis) is in excess of the total amount of its liabilities, including Contingent Obligations; and

(b) it is then able and expects to be able to pay its debts as they mature; and



(c) it has capital sufficient to carry on its business as conducted and as proposed to be conducted.

SPOT RATE OF EXCHANGE means, (i) in determining the Dollar Equivalent Amount of a specified Canadian Dollar amount as of any date, the spot exchange rate determined by the Administrative Agent in accordance with its usual procedures for the purchase by the Administrative Agent of Dollars with Canadian Dollars at approximately 10:00 A.M. on the Business Day that is two (2) Business Days prior to such date, and (ii) in determining the Canadian Currency Equivalent Amount of a specified Dollar amount on any date, the spot exchange rate determined by the Administrative Agent in accordance with its usual procedures for the purchase by the Administrative Agent of Canadian Dollars with Dollars at approximately 10:00 A.M. on the Business Day that is two (2) Business Days prior to such date.

SUBSIDIARY of a Person means any corporation, association, partnership, limited liability company, joint venture or other business entity of which more than 50% of the voting stock, membership interests or other equity interests is owned or controlled directly or indirectly by such Person, or one or more of the Subsidiaries of such Person, or a combination thereof. Unless the context otherwise clearly requires, references herein to a "Subsidiary" refer to a Subsidiary of the Company.

SURETY INSTRUMENTS means all letters of credit (including standby and commercial), banker's acceptances, bank guaranties, shipside bonds, surety bonds and similar instruments.

SWAP CONTRACT means any agreement, whether or not in writing, relating to any transaction that is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap or option, bond, note or bill option, interest rate option, forward foreign exchange transaction, cap, collar or floor transaction, currency swap, cross-currency rate swap, swaption, currency option or any other, similar transaction (including any option to enter into any of the foregoing) or any combination of the foregoing, and, unless the context otherwise clearly requires, any master agreement relating to or governing any or all of the foregoing.

SWAP CONTRACT VALUE means, with respect to each Swap Contract, the net obligations of the Company or any Subsidiary thereunder that would be payable in accordance with its provisions as a result of the occurrence of an early termination date under such Swap Contract, as determined in accordance with its provisions.

SWING LINE COMMITMENT means the commitment of the Swing Line Lender to make Swing Line Loans hereunder.

SWING LINE LENDER means BofA in its capacity as swing line lender hereunder, together with any replacement swing line lender arising under SECTION 10.9.

SWING LINE LOAN - see SECTION 2.14.

SYNTHETIC LEASE OBLIGATION means the monetary obligation of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment).

TAXES means any and all present or future taxes, levies, assessments, imposts, duties, deductions, fees, withholdings or similar charges, and all liabilities with respect thereto, excluding, in the case of each Lender and the Administrative Agent, taxes imposed on or measured by its net income.

TERMINATION DATE means the earlier to occur of:

(a) July 3, 2007; and

(b) the date on which the Commitments terminate in accordance with the provisions of this Agreement.

TOTAL DEBT means, at any time, the sum (determined on a consolidated basis and without duplication) of all Indebtedness of the Company and its Subsidiaries, excluding contingent obligations with respect to Surety Instruments (other than any letter of credit issued for the account of the Company or any Subsidiary to support Indebtedness of a Person other than the Company or any Subsidiary).

TOTAL DEBT TO EBITDA RATIO means in respect of any Computation Period the ratio of (a) Total Debt MINUS Restricted Cash, as at the end of such Computation Period, to (b) Consolidated EBITDA for such Computation Period.

TOTAL OUTSTANDINGS means the sum of the aggregate principal amount of all outstanding Loans (whether Committed Loans or Swing Line Loans) plus the Effective Amount of all L/C Obligations.

TYPE has the meaning specified in the definition of "Committed Loan."

UNFUNDED PENSION LIABILITY means the excess of a Pension Plan's benefit liabilities under Section 4001 (a) (16) of ERISA, over the current value of such Plan's assets, determined in accordance with the assumptions used for funding such Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

UNITED STATES and U.S. each means the United States of America.

UNMATURED EVENT OF DEFAULT means any event or circumstance which, with the giving of notice, the lapse of time or both, will (if not cured or otherwise remedied during such time) constitute an Event of Default.

UTILIZATION FEE RATE - see SCHEDULE 1.1.

VALUATION DATE means any of (i) the date of any Credit Extension, (ii) the date of any L/C Borrowing, and (iii) any other date when there are outstanding Canadian L/Cs that the Administrative Agent shall determine the Dollar Equivalent Amount of Canadian L/Cs.

WHOLLY-OWNED SUBSIDIARY means any Subsidiary in which (other than directors' qualifying shares required by law) 100% of the capital stock, membership interests or other equity interests of each class having ordinary voting power, and 100% of the capital stock, membership interests or other equity interests of every other class, in each case, at the time as of which any determination is being made, is owned, beneficially and of record, by the Company, or by one or more of the other Wholly-Owned Subsidiaries, or both.

## 1.2 OTHER INTERPRETIVE PROVISIONS.

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) The words "hereof", "herein", "hereunder" and similar words refer to this Agreement as a whole and not to any particular provision of this Agreement; and subsection, Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(c) (i) The term "documents" includes any and all instruments, documents, agreements, certificates, indentures, notices and other writings, however evidenced.

(ii) The term "including" is not limiting and means "including without limitation."

(iii) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including"; the words "to" and "until" each mean "to but excluding", and the word "through" means "to and including."

(d) Unless otherwise expressly provided herein, (i) references to agreements (including this Agreement) and other contractual instruments shall be deemed to include all subsequent amendments and other modifications thereto, but only to the extent such amendments and other modifications are not prohibited by the terms of any Loan Document, and (ii) references to any statute or regulation are to be construed as including all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting the statute or regulation.

(e) The captions and headings of this Agreement are for convenience of reference only and shall not affect the interpretation of this Agreement.

(f) This Agreement and other Loan Documents may use several different limitations, tests or measurements to regulate the same or similar matters. All such limitations, tests and measurements are cumulative and shall each be performed in

accordance with their terms. Unless otherwise expressly provided herein, any reference to any action of the Administrative Agent, the Lenders or the Required Lenders by way of consent, approval or waiver shall be deemed modified by the phrase "in its/their reasonable discretion."

(g) This Agreement and the other Loan Documents are the result of negotiations among and have been reviewed by counsel to the Administrative Agent, the Company and the other parties, and are the products of all parties. Accordingly, they shall not be construed against the Lenders or the Administrative Agent merely because of the Administrative Agent's or Lenders' involvement in their preparation.

### 1.3 ACCOUNTING PRINCIPLES.

(a) Unless the context otherwise requires, all accounting terms not expressly defined herein shall be construed, and all financial computations required under this Agreement shall be made, in accordance with GAAP, consistently applied, but without giving effect to any change in GAAP which would require the Company to "mark-to-market" its obligations under Swap Contracts (unless the Company and the Required Lenders agree to give effect to such change); PROVIDED that if the Company notifies the Administrative Agent that the Company wishes to amend any covenant in ARTICLE VIII to eliminate the effect of any change in GAAP on the operation of such covenant (or if the Administrative Agent notifies the Company that the Required Lenders wish to amend ARTICLE VIII for such purpose), then the Company's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Company and the Required Lenders.

(b) References herein to "fiscal year" and "fiscal quarter" refer to such fiscal periods of the Company.

## ARTICLE II

### THE CREDITS

2.1 AMOUNTS AND TERMS OF COMMITMENTS. Each Lender severally agrees, on the terms and conditions set forth herein, to make Committed Loans to the Company from time to time on any Business Day during the period from the Effective Date to the Termination Date, in an aggregate amount not to exceed at any time outstanding the amount set forth on SCHEDULE 2.1 (such amount, as reduced pursuant to SECTION 2.5, or changed by one or more assignments under SECTION 11.8, such Lender's "Commitment"); PROVIDED, HOWEVER, that, after giving effect to any Committed Borrowing, the Total Outstandings shall not exceed the combined Commitments; AND PROVIDED, FURTHER, that the aggregate principal amount of the Committed Loans of any Lender PLUS the participation of such Lender in the principal amount of all outstanding Swing Line Loans and in the Effective Amount of all L/C Obligations shall not at any time exceed such Lender's Commitment. Within the limits of each Lender's Commitment, and subject to the other terms and conditions hereof, the Company may borrow under this SECTION 2.1, prepay under SECTION 2.6 and reborrow under this SECTION 2.1. If for any reason the Total Outstandings at any

time exceed the combined Commitments then in effect, the Company shall immediately prepay Loans and/or Cash Collateralize the L/C Obligations in an aggregate amount equal to such excess.

## 2.2 LOAN ACCOUNTS.

(a) The Loans made by each Lender and the Letters of Credit Issued by each Issuing Lender shall be evidenced by one or more accounts or records maintained by such Lender or Issuing Lender, as the case may be, in the ordinary course of business. The accounts or records maintained by the Administrative Agent, each Issuing Lender and each Lender shall be rebuttable presumptive evidence of the amount of the Loans made by the Lenders to the Company and the Letters of Credit Issued for the account of the Company, and the interest and payments thereon. Any failure so to record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Company hereunder to pay any amount owing with respect to the Loans or any Letter of Credit.

(b) Upon the request of any Lender made through the Administrative Agent, the Loans made by such Lender may be evidenced by one or more Notes, instead of or in addition to loan accounts. Each such Lender shall endorse on the schedules annexed to its Note(s) the date, amount and maturity of each Loan evidenced thereby and the amount of each payment of principal made by the Company with respect thereto. Each such Lender is irrevocably authorized by the Company to endorse its Note(s) and each Lender's record shall be rebuttable presumptive evidence of the amount of the Loans evidenced thereby, and the interest and payments thereon; provided, however, that the failure of a Lender to make, or an error in making, a notation thereon with respect to any Loan shall not limit or otherwise affect the obligations of the Company hereunder or under any such Note to such Lender.

## 2.3 PROCEDURE FOR COMMITTED BORROWING.

(a) Each Committed Borrowing shall be made upon the Company's irrevocable written notice delivered to the Administrative Agent in the form of a Notice of Committed Borrowing, which notice must be received by the Administrative Agent prior to (i) 10:30 a.m. (Chicago time) three Business Days prior to the requested Borrowing Date, in the case of Offshore Rate Loans, and (ii) 10:30 a.m. (Chicago time) on the requested Borrowing Date, in the case of Base Rate Committed Loans, specifying:

(A) the amount of the Committed Borrowing, which shall be in an aggregate amount of \$10,000,000 or a higher multiple of \$1,000,000;

(B) the requested Borrowing Date, which shall be a Business Day;

(C) the Type of Loans comprising such Committed Borrowing; and

(D) in the case of Offshore Rate Loans, the duration of the initial Interest Period applicable to such Loans.

(b) The Administrative Agent will promptly notify each Lender of its receipt of any Notice of Committed Borrowing and of the amount of such Lender's Pro Rata Share of such Borrowing.

(c) Each Lender will make the amount of its Pro Rata Share of each Committed Borrowing available to the Administrative Agent for the account of the Company at the Administrative Agent's Payment Office by 12:00 noon (Chicago time) on the Borrowing Date requested by the Company in funds immediately available to the Administrative Agent. The proceeds of all such Loans will then promptly be made available to the Company by the Administrative Agent by wire transfer in accordance with written instructions provided to the Administrative Agent by the Company of like funds as received by the Administrative Agent.

(d) After giving effect to any Committed Borrowing, unless the Administrative Agent otherwise consents, the number of Interest Periods in effect hereunder shall not exceed 10.

#### 2.4 CONVERSION AND CONTINUATION ELECTIONS FOR COMMITTED BORROWINGS.

(a) The Company may, upon irrevocable written notice to the Administrative Agent in accordance with SUBSECTION 2.4(B):

(i) elect, as of any Business Day, in the case of Base Rate Committed Loans, or as of the last day of the applicable Interest Period, in the case of Offshore Rate Loans, to convert such Loans (or any part thereof in an aggregate amount of \$10,000,000 or a higher integral multiple of \$1,000,000) into Committed Loans of the other Type; or

(ii) elect, as of the last day of the applicable Interest Period, to continue any Offshore Rate Loans having Interest Periods expiring on such day (or any part thereof in an aggregate amount of \$10,000,000 or a higher integral multiple of \$1,000,000) for another Interest Period;

PROVIDED that if at any time the aggregate amount of Offshore Rate Loans in respect of any Borrowing is reduced, by payment, prepayment, or conversion of any part thereof, to be less than \$10,000,000, such Offshore Rate Loans shall automatically convert into Base Rate Committed Loans.

(b) The Company shall deliver a Notice of Conversion/Continuation to be received by the Administrative Agent not later than 10:30 a.m. (Chicago time) (i) three Business Days in advance of the Conversion/Continuation Date, if the Committed Loans are to be converted into or continued as Offshore Rate Loans; and (ii) on the Conversion/Continuation Date, if the Committed Loans are to be converted into Base Rate Committed Loans, specifying:

(A) the proposed Conversion/Continuation Date;

(B) the aggregate amount of Committed Loans to be converted or continued;

(C) the Type of Committed Loans resulting from the proposed conversion or continuation; and

(D) in the case of conversion into or continuation of Offshore Rate Loans, the duration of the requested Interest Period.

(c) If upon the expiration of any Interest Period applicable to Offshore Rate Loans, the Company has failed to select timely a new Interest Period to be applicable to such Offshore Rate Loans (or any Event of Default or Unmatured Event of Default exists and the Required Lenders have not given the consent referred to in subsection (e) below), such Offshore Rate Loans shall automatically convert into Base Rate Committed Loans effective as of the expiration date of such Interest Period.

(d) The Administrative Agent will promptly notify each Lender of its receipt of a Notice of Conversion/Continuation, or, if no timely notice is provided by the Company, the Administrative Agent will promptly notify each Lender of the details of any automatic conversion. All conversions and continuations shall be made ratably according to the respective outstanding principal amounts of the Committed Loans with respect to which the notice was given held by each Lender.

(e) Unless the Required Lenders otherwise consent, the Company may not elect to have a Loan converted into or continued as an Offshore Rate Loan during the existence of an Event of Default or Unmatured Event of Default.

(f) After giving effect to any conversion or continuation of Loans, unless the Administrative Agent shall otherwise consent, the number of Interest Periods in effect hereunder shall not exceed 10.

2.5 VOLUNTARY TERMINATION OR REDUCTION OF COMMITMENTS. The Company may, upon not less than three Business Days' prior notice to the Administrative Agent, terminate the Commitments, or permanently reduce the Commitments by a minimum amount of \$10,000,000 or a higher integral multiple of \$1,000,000; UNLESS, after giving effect thereto and to any prepayments of Loans made on the effective date thereof, the Total Outstandings would exceed the amount of the combined Commitments then in effect. Once reduced in accordance with this Section, the Commitments may not be increased. Any reduction of the Commitments shall be applied to reduce the Commitment of each Lender according to its Pro Rata Share. If the Company terminates the Commitments or reduces the Commitments to zero, the Company shall pay all accrued and unpaid interest, fees and other amounts payable hereunder on the date of such termination.

2.6 OPTIONAL PREPAYMENTS. Subject to the proviso to SUBSECTION 2.4(A) and to SECTION 4.4, the Company may, from time to time, upon irrevocable notice to the Administrative Agent, which notice must be received by the Administrative Agent prior to 10:30 a.m. Chicago time (i) three Business Days prior to the date of prepayment, in the case of Offshore Rate Loans, and (ii) on the date of prepayment, in the case of Base Rate Committed Loans, ratably prepay Committed

Loans in whole or in part, in an aggregate amount of \$10,000,000 or a higher integral multiple of \$1,000,000 (or, if any Base Rate Committed Loans have been made pursuant to SUBSECTION 3.3(A), in an aggregate amount equal to the aggregate amount of such Base Rate Committed Loans). Such notice of prepayment shall specify the date and amount of such prepayment and the Committed Loans to be prepaid. The Administrative Agent will promptly notify each Lender of its receipt of any such notice and of such Lender's Pro Rata Share of such prepayment. If such notice is given by the Company, the Company shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein, together with, in the case of Offshore Rate Loans, accrued interest to such date on the amount prepaid and any amounts required pursuant to SECTION 4.4.

## 2.7 REPAYMENT.

(a) The Company shall repay all Committed Loans on the Termination Date.

(b) The Company shall repay each Swing Line Loan on the earlier to occur of (i) the fourth Business Day following the giving of notice from the Swing Line Lender to the Company and (ii) the Termination Date.

## 2.8 INTEREST.

(a) Each Committed Loan shall bear interest on the outstanding principal amount thereof from the applicable Borrowing Date at a rate per annum equal to (i) the Offshore Rate plus the Applicable Margin or (ii) the Base Rate, as the case may be (and subject to the Company's right to convert to the other Type of Committed Loan under SECTION 2.4). Each Swing Line Loan shall bear interest on the outstanding principal amount thereof from the applicable Borrowing Date at a rate per annum equal to the Base Rate or such other rate as may be agreed to from time to time by the Company and the Swing Line Lender; provided that after any purchase by the Lenders of a participation in a Swing Line Loan, the rate of interest on such Swing Line Loan shall not be less than the Base Rate.

(b) Interest on each Loan shall be paid in arrears on each Interest Payment Date. Interest also shall be paid on the date of any conversion of Offshore Rate Loans under SECTION 2.4 and prepayment of Offshore Rate Loans under SECTION 2.6, in each case for the portion of the Loans so converted or prepaid.

(c) Notwithstanding the foregoing provisions of this Section, upon notice to the Company from the Agent (acting at the request or with the consent of the Required Lenders) during the existence of any Event of Default, and for so long as such Event of Default continues, the Company shall pay interest (after as well as before entry of judgment thereon to the extent permitted by law) on the principal amount of all outstanding Loans and, to the extent permitted by applicable law, on any other amount payable hereunder or under any other Loan Document, at a rate per annum which is determined by adding 2% per annum to the rate otherwise applicable thereto pursuant to the terms hereof or such other Loan Document (or, if no such rate is specified, the Base Rate). All such interest shall be payable on demand.



(d) Anything herein to the contrary notwithstanding, the obligations of the Company to any Lender hereunder shall be subject to the limitation that payments of interest shall not be required for any period for which interest is computed hereunder, to the extent (but only to the extent) that contracting for or receiving such payment by such Lender would be contrary to the provisions of any law applicable to such Lender limiting the highest rate of interest that may be lawfully contracted for, charged or received by such Lender, and in such event the Company shall pay such Lender interest at the highest rate permitted by applicable law.

2.9 FEES. In addition to certain fees described in SECTION 3.8:

(a) ARRANGEMENT, AGENCY FEES. The Company agrees to pay to the Administrative Agent and the Arrangers such fees at such times and in such amounts as are mutually agreed to from time to time by the Company, the Administrative Agent and the Arrangers.

(b) FACILITY FEES. The Company shall pay to the Administrative Agent for the account of each Lender a facility fee computed at the Facility Fee Rate per annum on the amount of such Lender's Commitment as in effect from time to time (whether used or unused) or, if the Commitments have terminated, on the sum (without duplication) of (i) the principal amount of such Lender's Committed Loans plus (ii) the participation of such Lender in (or in the case of an Issuing Lender or the Swing Line Lender, its unparticipated portion of) the Effective Amount of all L/C Obligations and the principal amount of all Swing Line Loans. Such facility fee shall accrue from the Effective Date to the Termination Date, and thereafter until all Committed Loans are paid in full, and shall be due and payable quarterly in arrears on the last Business Day of each calendar quarter, with the final payment to be made on the Termination Date (or, if later, on the date all Committed Loans and L/C Obligations are paid in full).

(c) UTILIZATION FEES. If, at any time, the sum of (1) the Total Outstandings plus (2) the "Total Outstandings" under and as defined in the Short Term Credit Agreement, exceeds 50% of the sum of (1) the aggregate Commitments, plus (2) the aggregate "Commitments" under and as defined in the Short Term Credit Agreement, the Company shall pay to the Administrative Agent for the account of each Lender a utilization fee for any period computed at a rate per annum equal to the Utilization Fee Rate on the sum (without duplication) of (i) the principal amount of such Lender's Committed Loans and L/C Obligations plus (ii) the participation of such Lender in (or in the case of an Issuing Lender or the Swing Line Lender, its unparticipated portion of) the Effective Amount of all L/C Obligations and the principal amount of all Swing Line Loans. Such utilization fee shall accrue from the Effective Date to the Termination Date, and thereafter until all Committed Loans are paid in full, and shall be due and payable quarterly in arrears on the last Business Day of each calendar quarter, with the final payment to be made on the Termination Date (or, if later, on the date all Committed Loans and L/C Obligations are paid in full).

## 2.10 COMPUTATION OF FEES AND INTEREST.

(a) All computations of interest for Base Rate Committed Loans (and Swing Line Loans bearing interest at the Base Rate) when the Base Rate is determined by BofA's "prime rate" shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of interest and fees shall be made on the basis of a 360-day year and actual days elapsed. Interest and fees shall accrue during each period during which such interest or such fees are computed from the first day thereof to the last day thereof.

(b) Each determination of an interest rate by the Administrative Agent shall be conclusive and binding on the Company and the Lenders in the absence of manifest error. The Administrative Agent will, at the request of the Company or any Lender, deliver to the Company or such Lender, as the case may be, a statement showing the quotations used by the Administrative Agent in determining any interest rate and the resulting interest rate.

## 2.11 PAYMENTS BY THE COMPANY.

(a) All payments to be made by the Company shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Company shall be made to the Administrative Agent for the account of the Lenders at the Administrative Agent's Payment Office, and shall be made in Dollars and in immediately available funds, no later than 1:00 p.m. (Chicago time) on the date specified herein. The Administrative Agent will promptly distribute to each Lender its Pro Rata Share (or other applicable share as expressly provided herein) of such payment in like funds as received. Any payment received by the Administrative Agent later than 1:00 p.m. (Chicago time) shall be deemed to have been received on the following Business Day and any applicable interest or fee shall continue to accrue.

(b) Whenever any payment is due on a day other than a Business Day, such payment shall be made on the following Business Day (unless, in the case of a payment with respect to an Offshore Rate Loan, the following Business Day is in another calendar month, in which case such payment shall be made on the preceding Business Day), and such extension of time shall in such case be included in the computation of interest or fees, as the case may be.

(c) Unless the Company has notified the Administrative Agent, prior to the date any payment is required to be made by it to the Administrative Agent hereunder, that the Company will not make such payment, the Administrative Agent may assume that the Company has timely made such payment and may (but shall not be so required to), in reliance thereon, make available a corresponding amount to the Person entitled thereto. If and to the extent that such payment was not in fact made to the Administrative Agent in immediately available funds, then, if the Company failed to make such payment, each Lender shall forthwith on demand repay to the Administrative Agent the portion of such assumed payment that was made available to such Lender in immediately available funds, together with interest thereon in respect of each day from and including the date such amount was made available by the Administrative Agent to such Lender to the date such amount is

repaid to the Administrative Agent in immediately available funds at the Federal Funds Rate from time to time in effect. A notice of the Administrative Agent to the Company with respect to any amount owing under this subsection (c) shall be conclusive, absent manifest error.

#### 2.12 PAYMENTS BY THE LENDERS TO THE ADMINISTRATIVE AGENT.

(a) Unless the any Lender has notified the Administrative Agent, prior to the date any payment is required to be made by it to the Administrative Agent hereunder, that such Lender will not make such payment, the Administrative Agent may assume that such Lender has timely made such payment and may (but shall not be so required to), in reliance thereon, make available a corresponding amount to the Person entitled thereto. If and to the extent that such payment was not in fact made to the Administrative Agent in immediately available funds, then, if any Lender failed to make such payment, such Lender shall forthwith on demand pay to the Administrative Agent the amount thereof in immediately available funds, together with interest thereon for the period from the date such amount was made available by the Administrative Agent to the Company to the date such amount is recovered by the Administrative Agent (the "Compensation Period") at a rate per annum equal to the Federal Funds Rate from time to time in effect. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Committed Loan included in the applicable Borrowing. If such Lender does not pay such amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent may make a demand therefor upon the Company, and the Company shall pay such amount to the Administrative Agent, together with interest thereon for the Compensation Period at a rate per annum equal to the rate of interest applicable to the applicable Borrowing. Nothing herein shall be deemed to relieve any Lender from its obligation to fulfill its Commitment or to prejudice any rights which the Administrative Agent or the Company may have against any Lender as a result of any default by such Lender hereunder. A notice of the Administrative Agent to any Lender with respect to any amount owing under this subsection (a) shall be conclusive, absent manifest error.

(b) The obligations of the Lenders hereunder to make Committed Loans and to fund participations in Letters of Credit and Swing Line Loans are several and not joint. The failure of any Lender to make any Committed Loan or to fund any such participation on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Committed Loan or purchase its participation.

#### 2.13 SHARING OF PAYMENTS, ETC.

(a) Except as otherwise expressly provided herein, whenever any payment received by the Administrative Agent to be distributed to the Lenders is insufficient to pay in full the amounts then due and payable to the Lenders, and the Administrative Agent has not received a Payment Sharing Notice, such payment shall be distributed to the Lenders (and for purposes of this Agreement shall be deemed to have been applied by the Lenders, notwithstanding the fact that any Lender may have made a different

application in its books and records) in the following order: FIRST, to the payment of reimbursement obligations of the Company in respect of any Letter of Credit; SECOND, to the payment of the principal amount of the Loans which is then due and payable, ratably among the Lenders in accordance with the aggregate principal amount owed to each Lender; THIRD, to the payment of interest then due and payable on the Loans and on the reimbursement obligations in respect of Letters of Credit, ratably among the Lenders in accordance with the aggregate amount of interest owed to each Lender; FOURTH, to the payment of the facility fees and utilization fees payable under SUBSECTIONS 2.9(B) and (C) and letter of credit fees payable under SECTION 3.8, ratably among the Lenders in accordance with the amount of such fees owed to each Lender; and FIFTH, to the payment of any other amount payable under this Agreement, ratably among the Lenders in accordance with the aggregate amount owed to each Lender.

(b) After the Administrative Agent has received a Payment Sharing Notice, and for so long thereafter as any Event of Default exists, all payments received by the Administrative Agent to be distributed to the Lenders shall be distributed to the Lenders (and for purposes of this Agreement shall be deemed to have been applied by the Lenders, notwithstanding the fact that any Lender may have made a different application in its books and records) in the following order: FIRST, to the payment of amounts payable under SECTIONS 11.4 and 11.5, ratably among the Lenders in accordance with the aggregate amount owed to each Lender; SECOND, to the payment of facility fees and utilization fees payable under SUBSECTIONS 2.9(B) and (C) and letter of credit fees payable under SECTION 3.8, ratably among the Lenders in accordance with the amount of such fees owed to each Lender; THIRD, to the payment of the interest accrued on and the principal amount of all of the Loans and reimbursement obligations (including contingent reimbursement obligations) regardless of whether any such amount is then due and payable, ratably among the Lenders in accordance with the aggregate accrued interest plus the aggregate principal amount owed to each Lender; and FOURTH, to the payment of any other amount payable under this Agreement, ratably among the Lenders in accordance with the aggregate amount owed to each Lender.

(c) If, other than as expressly provided elsewhere herein, any Lender shall obtain any payment or other recovery (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of principal of or interest on any Loan, or any other amount payable hereunder, in excess of the share of payments and other recoveries such Lender would have received if such payment or other recovery had been distributed pursuant to the provisions of SUBSECTION 2.13(A) or (B) (whichever is applicable at the time of such payment or other recovery), such Lender shall immediately (i) notify the Administrative Agent of such fact and (ii) purchase from the other Lenders such participations in the Loans made by (or other Obligations owed to) them as shall be necessary to cause such purchasing Lender to share the excess payment or other recovery pro rata with each of them in accordance with the order of payments set forth in SUBSECTION 2.13(A) or (B), as the case may be; PROVIDED that if all or any portion of such excess payment or other recovery is thereafter recovered from the purchasing Lender, such purchase shall to that extent be rescinded and each other Lender shall repay to the purchasing Lender the purchase price paid therefor, together with an amount equal to such paying Lender's ratable share (according to the proportion of (i) the amount

of such paying Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Company agrees that any Lender so purchasing a participation from another Lender may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off, but subject to SECTION 11.10) with respect to such participation as fully as if such Lender were the direct creditor of the Company in the amount of such participation. The Administrative Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased under this Section and will in each case notify the Lenders following any such purchases or repayments.

(d) Any amount that would be applied to a contingent obligation of the Company in respect of a Letter of Credit under CLAUSE THIRD of SUBSECTION 2.13(B) shall be held by the Administrative Agent as Cash Collateral hereunder. If such Letter of Credit is thereafter drawn upon, the Administrative Agent shall pay the applicable Issuing Lender an amount equal to the lesser of the amount of such drawing and the amount of the funds so held as Cash Collateral for such Letter of Credit. If and to the extent that such Letter of Credit expires or terminates (or the maximum amount available for drawing thereunder is reduced), the funds so held as Cash Collateral for such Letter of Credit (or the portion thereof in excess of the maximum amount available for drawing thereunder) shall be applied by the Administrative Agent as set forth in SUBSECTION 2.13(A) or 2.13(B), as applicable.

2.14 SWING LINE COMMITMENT. Subject to the terms and conditions of this Agreement, the Swing Line Lender agrees to make loans to the Company on a revolving basis (each such loan, a "Swing Line Loan") from time to time on any Business Day during the period from the Effective Date to the Termination Date in an aggregate principal amount at any one time outstanding not to exceed \$25,000,000; PROVIDED that after giving effect to any proposed Swing Line Loan, the Total Outstandings shall not exceed the combined Commitments.

2.15 BORROWING PROCEDURES FOR SWING LINE LOANS. The Company shall provide a Notice of Swing Line Loan or telephonic notice (followed by a confirming Notice of Swing Line Loan) of a proposed Swing Line Loan to the Administrative Agent and the Swing Line Lender not later than 12:00 noon (Chicago time) on the proposed Borrowing Date. Each such notice shall be effective upon receipt by the Administrative Agent and the Swing Line Lender and shall specify the date and the principal amount of such Swing Line Loan. Unless the Swing Line Lender has received written notice prior to 12:00 noon (Chicago time) on the proposed Borrowing Date from the Administrative Agent or any Lender that one or more of the conditions precedent set forth in ARTICLE V with respect to such Swing Line Loan is not then satisfied, the Swing Line Lender shall pay over the requested principal amount to the Company on the requested Borrowing Date in immediately available funds. Each Swing Line Loan shall be made on a Business Day and shall be in the amount of \$1,000,000 or an integral multiple thereof. The Swing Line Lender will promptly notify the Administrative Agent of the making and amount of each Swing Line Loan.

## 2.16 PREPAYMENT OR REFUNDING OF SWING LINE LOANS.

(a) The Company may, at any time and from time to time, prepay any Swing Line Loan in whole or in part, in an amount equal to \$1,000,000 or an integral multiple thereof. The Company shall deliver a notice of prepayment in accordance with SECTION 11.2 to be received by the Administrative Agent and the Swing Line Lender not later than 11:00 a.m. (Chicago time) on the Business Day of such prepayment, specifying the date and amount of such prepayment. If such notice is given by the Company, the payment amount specified in such notice shall be due and payable on the date specified therein.

(b) The Swing Line Lender may, at any time in its sole and absolute discretion, on behalf of the Company (which hereby irrevocably directs the Swing Line Lender to act on its behalf), request each Lender to make a Committed Loan in an amount equal to such Lender's Pro Rata Share of the principal amount of the Swing Line Loans outstanding on the date such notice is given. Unless any of the events described in SUBSECTION 9.1(F) or (G) shall have occurred (in which event the procedures of SECTION 2.17 shall apply), and regardless of whether the conditions precedent set forth in this Agreement to the making of Committed Loans are then satisfied or the aggregate amount of such Committed Loans is not in the minimum or integral amount otherwise required hereunder, each Lender shall make the proceeds of its Committed Loan available to the Administrative Agent for the account of the Swing Line Lender at the Administrative Agent's Payment Office prior to 12:00 noon (Chicago time) in immediately available funds on the Business Day next succeeding the date such notice is given. The proceeds of such Committed Loans shall be immediately applied to repay the outstanding Swing Line Loans. All Committed Loans made pursuant to this SECTION 2.16 shall be Base Rate Committed Loans (but, subject to the other provisions of this Agreement, may be converted to Offshore Rate Loans).

## 2.17 PARTICIPATIONS IN SWING LINE LOANS.

(a) If an event described in SUBSECTION 9.1(F) or (G) exists (or for any reason the Lenders may not make Committed Loans pursuant to SECTION 2.16), each Lender will, upon notice from the Administrative Agent, purchase from the Swing Line Lender (and the Swing Line Lender will sell to each Lender) an undivided participation interest in all outstanding Swing Line Loans in an amount equal to its Pro Rata Share of the outstanding principal amount of the Swing Line Loans (and each Lender will immediately transfer to the Administrative Agent, for the account of the Swing Line Lender, in immediately available funds, the amount of its participation).

(b) Whenever, at any time after the Swing Line Lender has received payment for any Lender's participation interest in the Swing Line Loans pursuant to SUBSECTION 2.17(A), the Swing Line Lender receives any payment on account thereof, the Swing Line Lender will distribute to the Administrative Agent for the account of such Lender its participation interest in such amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participation interest was outstanding and funded) in like funds as received; PROVIDED, HOWEVER, that in the event that such payment received by the Swing Line Lender is required to be returned, such Lender will return to the Administrative Agent for the account of the Swing Line

Lender any portion thereof previously distributed by the Swing Line Lender to it in like funds as such payment is required to be returned by the Swing Line Lender.

#### 2.18 PARTICIPATION OBLIGATIONS UNCONDITIONAL.

(a) Each Lender's obligation to make Committed Loans pursuant to SECTION 2.16 and/or to purchase participation interests in Swing Line Loans pursuant to SECTION 2.17 shall be absolute and unconditional and shall not be affected by any circumstance whatsoever, including (a) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against the Swing Line Lender, the Company or any other Person for any reason whatsoever; (b) the occurrence or continuance of an Event of Default or Unmatured Event of Default; (c) any adverse change in the condition (financial or otherwise) of the Company or any other Person; (d) any breach of this Agreement or any other Loan Document by the Company or any other Person; (e) any inability of the Company to satisfy the conditions precedent to borrowing set forth in this Agreement on the date upon which any such Loan is to be made or any participation interest therein is to be purchased; or (f) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

(b) Notwithstanding the provisions of SUBSECTION 2.18(A), no Lender shall be required to make any Committed Loan to the Company to refund a Swing Line Loan pursuant to SECTION 2.16 or to purchase a participation interest in a Swing Line Loan pursuant to SECTION 2.17 if, prior to the making by the Swing Line Lender of such Swing Line Loan, the Swing Line Lender received written notice from any Lender specifying that such Lender believed in good faith that one or more of the conditions precedent to the making of such Swing Line Loan were not satisfied and, in fact, such conditions precedent were not satisfied at the time of the making of such Swing Line Loan; provided that the obligation of such Lender to make such Committed Loans and to purchase such participation interests shall be reinstated upon the earlier to occur of (i) the date on which such Lender notifies the Swing Line Lender that its prior notice has been withdrawn and (ii) the date on which all conditions precedent to the making of such Swing Line Loan have been satisfied (or waived by the Required Lenders or all Lenders, as applicable).

2.19 CONDITIONS TO SWING LINE LOANS. Notwithstanding any other provision of this Agreement, the Swing Line Lender shall not be obligated to make any Swing Line Loan if an Event of Default or Unmatured Event of Default exists or would result therefrom.

### ARTICLE III

#### THE LETTERS OF CREDIT

##### 3.1 THE LETTER OF CREDIT SUBFACILITY.

(a) Subject to the terms and conditions set forth herein, (i) each Issuing Lender agrees, in reliance upon the agreements of the other Lenders set forth in this ARTICLE III, (A) from time to time on any Business Day during the period from the Effective Date to the date which is seven Business Days prior to the Termination Date to Issue

standby Letters of Credit for the account of the Company, and to amend or renew standby Letters of Credit previously issued by it, in accordance with SUBSECTIONS 3.2(C) and 3.2(D), and (B) to honor properly drawn drafts under the Letters of Credit issued by it; and (ii) the Lenders severally agree to participate in standby Letters of Credit Issued for the account of the Company; provided that no Issuing Lender shall be obligated to Issue, and (subject to SECTION 3.2(b)) no Lender shall be obligated to participate in, any Letter of Credit if as of the date of Issuance of such Letter of Credit (the "Issuance Date") (1) the Total Outstandings exceed the combined Commitments, (2) the Effective Amount of all L/C Obligations would exceed the L/C Commitment or (3) the participation of any Lender in the Effective Amount of all L/C Obligations plus the participation of such Lender in the principal amount of all outstanding Swing Line Loans plus the outstanding principal amount of the Committed Loans of such Lender would exceed such Lender's Commitment. Within the foregoing limits, and subject to the other terms and conditions hereof, the Company's ability to obtain Letters of Credit shall be fully revolving, and, accordingly, the Company may, during the foregoing period, obtain Letters of Credit to replace Letters of Credit which have expired or which have been drawn upon and reimbursed.

(b) No Issuing Lender shall be under any obligation to Issue any Letter of Credit if:

(i) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain such Issuing Lender from Issuing such Letter of Credit, or any Requirement of Law applicable to such Issuing Lender or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over such Issuing Lender shall prohibit, or request that such Issuing Lender refrain from, the Issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such Issuing Lender with respect to such Letter of Credit any restriction, reserve or capital requirement (for which such Issuing Lender is not otherwise compensated hereunder) not in effect on the Effective Date, or shall impose upon such Issuing Lender any unreimbursed loss, cost or expense which was not applicable on the Effective Date and which such Issuing Lender in good faith deems material to it (it being understood that the applicable Issuing Lender shall promptly notify the Company and the Administrative Agent of any of the foregoing events or circumstances);

(ii) such Issuing Lender has received written notice from any Lender, the Administrative Agent or the Company, on or prior to the Business Day immediately preceding the requested date of Issuance of such Letter of Credit, that one or more of the applicable conditions contained in ARTICLE V is not then satisfied;

(iii) the expiry date of such requested Letter of Credit is after the earlier of the seventh Business Day prior to the Termination Date or the eighteen month anniversary of its issuance (subject to periodic extensions



for periods not to exceed one year), unless all of the Lenders have approved such expiry date in writing; or

(iv) such Letter of Credit does not provide for drafts, or is not otherwise in form and substance acceptable to such Issuing Lender, or the Issuance of a Letter of Credit would violate any applicable policies of such Issuing Lender;

(v) such Letter of Credit is denominated in a currency other than Dollars, or, in the case of BofA only, in a currency other than Dollars or Canadian Dollars.

(c) On the terms and conditions set forth herein, BofA may Issue upon request and for the account of the Company a standby Canadian L/C. For purposes of determining L/C Obligations, any Canadian L/C shall be recorded in the Administrative Agent's account in Dollars based on the Dollar Equivalent Amount on the date of issuance of such Canadian L/C; PROVIDED, HOWEVER, that the Administrative Agent shall determine the Dollar Equivalent Amount of any Canadian L/C on the Valuation Date for the purpose of determining L/C Obligations. Any draw on a Canadian L/C shall be repaid in Canadian Dollars in an amount equal to the amount of the draw in Canadian Dollars. If at any time there is a drawing under a Canadian L/C and the Company shall not promptly reimburse such drawing as provided in SECTION 3.3, the Company shall be obligated to immediately repay to the Administrative Agent for the benefit of the Lenders an amount in Dollars equal to the Dollar Equivalent Amount of the Canadian Dollars paid by BofA to the beneficiary of such Canadian L/C on the date of such drawing.

### 3.2 ISSUANCE, AMENDMENT AND RENEWAL OF LETTERS OF CREDIT.

(a) Each Letter of Credit shall be issued or amended, as the case may be, upon the request of the Company delivered to the applicable Issuing Lender (with a copy to the Administrative Agent) in the form of a L/C Application, appropriately completed and signed by a Responsible Officer of the Company. Such L/C Application must be received by the applicable Issuing Lender and the Administrative Agent not later than 11:00 a.m. at least two Business Days (or such later date and time as the applicable Issuing Lender may agree in a particular instance in its sole discretion) prior to the proposed issuance date or date of amendment, as the case may be. In the case of a request for an initial issuance of a Letter of Credit, such L/C Application shall specify in form and detail satisfactory to the applicable Issuing Lender: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; and (G) such other matters as the applicable Issuing Lender may require. In the case of a request for an amendment of any outstanding Letter of Credit, such L/C Application shall specify in form and detail satisfactory to the applicable Issuing Lender (A) the Letter of Credit to be amended; (B) the proposed date of

amendment thereof (which shall be a Business Day); (C) the nature of the proposed amendment; and (D) such other matters as the applicable Issuing Lender may require.

(b) Promptly after receipt of any L/C Application or L/C Amendment Application, the applicable Issuing Lender will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of such L/C Application or L/C Amendment Application from the Company, and, if not, the applicable Issuing Lender will provide the Administrative Agent with a copy thereof. Upon receipt by the applicable Issuing Lender of confirmation from the Administrative Agent that the requested issuance or amendment is permitted in accordance with the terms hereof, then, subject to the terms and conditions hereof, the applicable Issuing Lender shall, on the requested date, issue a Letter of Credit for the account of the Company or enter into the applicable amendment, as the case may be, in each case in accordance with such Issuing Lender's usual and customary business practices. Immediately upon the issuance of each Letter of Credit, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the applicable Issuing Lender a risk participation in such Letter of Credit in an amount equal to the product of such Lender's Pro Rata Share times the amount of such Letter of Credit.

(c) If the Company so requests in any applicable L/C Application, the applicable Issuing Lender may, in its sole and absolute discretion, agree to issue a Letter of Credit that has automatic renewal provisions (each, an "Auto-Renewal Letter of Credit"); PROVIDED that any such Auto-Renewal Letter of Credit must permit the applicable Issuing Lender to prevent any such renewal at least once in each twelve-month period (commencing with the date of Issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day (the "Nonrenewal Notice Date") in each such twelve-month period to be agreed upon at the time such Letter of Credit is Issued. Unless otherwise directed by the applicable Issuing Lender, the Company shall not be required to make a specific request to the applicable Issuing Lender for any such renewal. Once an Auto-Renewal Letter of Credit has been issued, the Lenders shall be deemed to have authorized (but may not require) the applicable Issuing Lender to permit the renewal of such Letter of Credit at any time to an expiry date not later than seven Business Days prior to the Termination Date; provided, however, that the applicable Issuing Lender shall not permit any such renewal if (A) the applicable Issuing Lender has determined that it would have no obligation at such time to issue such Letter of Credit in its renewed form under the terms hereof (by reason of the provisions of SECTION 3.1(B) or otherwise), or (B) it has received notice (which may be by telephone or in writing) on or before the day that is two Business Days before the Nonrenewal Notice Date (1) from the Administrative Agent that the Required Lenders have elected not to permit such renewal or (2) from the Administrative Agent, any Lender or the Company that one or more of the applicable conditions specified in SECTION 5.2 is not then satisfied.

(d) Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary thereof, the applicable Issuing Lender will also deliver to the Company and the Administrative Agent a true and complete copy of such Letter of Credit or amendment.

### 3.3 RISK PARTICIPATIONS, DRAWINGS AND REIMBURSEMENTS.

(a) Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the applicable Issuing Lender shall notify the Company and the Administrative Agent thereof. Not later than 11:00 a.m. on the date of any payment by the applicable Issuing Lender under a Letter of Credit (each such date, an "HONOR DATE"), the Company shall reimburse the applicable Issuing Lender through the Administrative Agent in an amount equal to the amount of such drawing. If the Company fails to so reimburse the applicable Issuing Lender by such time, the Administrative Agent shall promptly notify each Lender of the Honor Date, the amount of the unreimbursed drawing (the "UNREIMBURSED AMOUNT"), and the amount of such Lender's Pro Rata Share thereof. In such event, the Company shall be deemed to have requested a Committed Borrowing of Base Rate Committed Loans to be disbursed on the Honor Date in an amount equal to the Unreimbursed Amount, without regard to the minimum and multiples specified in SECTION 2.3 for the principal amount of Base Rate Committed Loans, but subject to the amount of the unutilized portion of the combined Commitments and the conditions set forth in SECTION 5.2 (other than the delivery of a Notice of Committed Borrowing). Any notice given by the applicable Issuing Lender or the Administrative Agent pursuant to this SECTION 3.03(A) may be given by telephone if immediately confirmed in writing; PROVIDED that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice

(b) Each Lender (including the Lender acting as applicable Issuing Lender) shall upon any notice pursuant to SECTION 3.3(A) make funds available to the Administrative Agent for the account of the applicable Issuing Lender at the Administrative Agent's Payment Office in an amount equal to its Pro Rata Share of the Unreimbursed Amount not later than 1:00 p.m. on the Business Day specified in such notice by the Administrative Agent, whereupon, subject to the provisions of SECTION 3.3(C), each Lender that so makes funds available shall be deemed to have made a Base Rate Committed Loan to the Company in such amount. The Administrative Agent shall remit the funds so received to the applicable Issuing Lender.

(c) With respect to any Unreimbursed Amount that is not fully refinanced by a Committed Borrowing of Base Rate Committed Loans because the conditions set forth in SECTION 5.2 cannot be satisfied or for any other reason, the Company shall be deemed to have incurred from the applicable Issuing Lender an L/C Borrowing in the amount of the Unreimbursed Amount that is not so refinanced, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the rate set forth in SECTION 2.8(C). In such event, each Lender's payment to the Administrative Agent for the account of the applicable Issuing Lender pursuant to SECTION 3.3(B) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Lender in satisfaction of its participation obligation under this ARTICLE III.

(d) Until each Lender funds its Committed Loan or L/C Advance pursuant to this SECTION 3.3 to reimburse the applicable Issuing Lender for any amount drawn under

any Letter of Credit, interest in respect of such Lender's Pro Rata Share of such amount shall be solely for the account of the applicable Issuing Lender.

(e) Each Lender's obligation to make Committed Loans or L/C Advances to reimburse the applicable Issuing Lender for amounts drawn under Letters of Credit, as contemplated by this SECTION 3.3, shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against the applicable Issuing Lender, the Company or any other Person for any reason whatsoever; (B) the occurrence or continuance of an Unmatured Event of Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; PROVIDED, HOWEVER, that each Lender's obligation to make Committed Loans pursuant to this SECTION 3.3 is subject to the conditions set forth in SECTION 5.2 (other than delivery by the Company of a Notice of Committed Borrowing). No such making of an L/C Advance shall relieve or otherwise impair the obligation of the Company to reimburse the applicable Issuing Lender for the amount of any payment made by the applicable Issuing Lender under any Letter of Credit, together with interest as provided herein.

(f) If any Lender fails to make available to the Administrative Agent for the account of the applicable Issuing Lender any amount required to be paid by such Lender pursuant to the foregoing provisions of this SECTION 3.3 by the time specified in SECTION 3.3(B), the applicable Issuing Lender shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the applicable Issuing Lender at a rate per annum equal to the Federal Funds Rate from time to time in effect. A certificate of the applicable Issuing Lender submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this subsection (f) shall be conclusive absent manifest error.

#### 3.4 REPAYMENT OF PARTICIPATIONS.

(a) At any time after the applicable Issuing Lender has made a payment under any Letter of Credit and has received from any Lender such Lender's L/C Advance in respect of such payment in accordance with SECTION 3.3, if the Administrative Agent receives for the account of the applicable Issuing Lender any payment in respect of the related Unreimbursed Amount or interest thereon (whether directly from the Company or otherwise, including proceeds of cash collateral applied thereto by the Administrative Agent), the Administrative Agent will distribute to such Lender its Pro Rata Share thereof (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's L/C Advance was outstanding) in the same funds as those received by the Administrative Agent.

(b) If any payment received by the Administrative Agent for the account of the applicable Issuing Lender pursuant to SECTION 3.3(A) is required to be returned under any of the circumstances described in SECTION 11.6 (including pursuant to any settlement entered into by the applicable Issuing Lender in its discretion), each Lender shall pay to the Administrative Agent for the account of the applicable Issuing Lender its Pro Rata

Share thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned by such Lender, at a rate per annum equal to the Federal Funds Rate from time to time in effect.

3.5 ROLE OF THE ISSUING LENDERS. Each Lender and the Company agree that, in paying any drawing under a Letter of Credit, the applicable Issuing Lender shall not have any responsibility to obtain any document (other than any sight draft, certificates and documents expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document. None of the applicable Issuing Lender, any Agent-Related Person nor any of the respective correspondents, participants or assignees of the applicable Issuing Lender shall be liable to any Lender for (i) any action taken or omitted in connection herewith at the request or with the approval of the Lenders or the Required Lenders, as applicable; (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; or (iii) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or L/C Application. The Company hereby assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; PROVIDED, HOWEVER, that this assumption is not intended to, and shall not, preclude the Company's pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement. None of the applicable Issuing Lender, any Agent-Related Person, nor any of the respective correspondents, participants or assignees of the applicable Issuing Lender, shall be liable or responsible for any of the matters described in clauses (i) through (v) of SECTION 3.6; PROVIDED, HOWEVER, that anything in such clauses to the contrary notwithstanding, the Company may have a claim against the applicable Issuing Lender, and the applicable Issuing Lender may be liable to the Company, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Company which the Company proves were caused by the applicable Issuing Lender's willful misconduct or gross negligence or the Applicable Issuing Lender's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing, the applicable Issuing Lender may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and the applicable Issuing Lender shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

3.6 OBLIGATIONS ABSOLUTE. The obligation of the Company to reimburse the applicable Issuing Lender for each drawing under each Letter of Credit and to repay each L/C Borrowing shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following:

(i) any lack of validity or enforceability of such Letter of Credit, this Agreement, or any other agreement or instrument relating thereto;

(ii) the existence of any claim, counterclaim, set-off, defense or other right that the Company may have at any time against any beneficiary or any transferee of such

Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), the applicable Issuing Lender or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;

(iii) any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;

(iv) any payment by the applicable Issuing Lender under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by the applicable Issuing Lender under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any insolvency law; or

(v) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Company.

The Company shall promptly examine a copy of each Letter of Credit and each amendment thereto that is delivered to it and, in the event of any claim of noncompliance with the Company's instructions or other irregularity, the Company will immediately notify the applicable Issuing Lender. The Company shall be conclusively deemed to have waived any such claim against the applicable Issuing Lender and its correspondents unless such notice is given as aforesaid.

3.7 CASH COLLATERAL PLEDGE. Upon the request of the Administrative Agent, (i) if the applicable Issuing Lender has honored any full or partial drawing request under any Letter of Credit and such drawing has resulted in an L/C Borrowing, or (ii) if, as of the date which is seven Business Days prior to the Termination Date, any Letter of Credit may for any reason remain outstanding and partially or wholly undrawn, the Company shall immediately Cash Collateralize the then outstanding amount of all L/C Obligations (in an amount equal to such outstanding amount determined as of the date of such L/C Borrowing or the date which is seven Business Days prior to the Termination Date, as the case may be). For purposes hereof, "Cash Collateralize" means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the applicable Issuing Lender and the Lenders, as collateral for the L/C Obligations, cash or deposit account balances pursuant to documentation in form and substance reasonably satisfactory to the Administrative Agent and the applicable Issuing Lender (which documents are hereby consented to by the Lenders). Derivatives of such term have corresponding meanings. The Company hereby grants to the Administrative Agent, for the benefit of the Issuing Lenders and the Lenders, a security interest in all such cash, deposit accounts

and all balances therein and all proceeds of the foregoing. Cash collateral shall be maintained in blocked, non-interest bearing deposit accounts at BofA.

### 3.8 LETTER OF CREDIT FEES.

(a) The Company shall pay to the Administrative Agent for the account of each Lender a letter of credit fee with respect to each Letter of Credit equal to the L/C Fee Rate (plus, upon notice from the Administrative Agent (acting at the request or with the consent of the Required Lenders) during the existence of an Event of Default, and for so long as such Event of Default shall continue, 2%) per annum of the average daily maximum amount available to be drawn on such Letter of Credit or in the case of a Canadian L/C the Dollar Equivalent Amount of such average daily maximum amount, computed on a quarterly basis in arrears on the last Business Day of each calendar quarter and on the Termination Date (or such later date on which such Letter of Credit shall expire or be fully drawn).

(b) The letter of credit fees payable under SUBSECTION 3.8(A) shall be due and payable quarterly in arrears on the last Business Day of each calendar quarter during which Letters of Credit are outstanding, commencing on the first such quarterly date to occur after the Effective Date, through the Termination Date (or such later date upon which all outstanding Letters of Credit shall expire or be fully drawn), with the final payment to be made on the Termination Date (or such later date).

(c) The Company shall pay to each Issuing Lender a letter of credit fronting fee of 1/8 of 1% per annum (0.125%) of the average daily maximum amount available to be drawn on each outstanding Letter of Credit issued by such Issuing Lender or in the case of a Canadian L/C the Dollar Equivalent Amount of such average daily maximum amount. Such fronting fee shall be due and payable in full by the Company to the applicable Issuing Lenders, with respect to each Letter of Credit, quarterly in advance on the last Business Day of each calendar quarter with respect to each Letter of Credit, commencing on the first such quarterly date to occur following the date of issuance (or renewal) of such Letter of Credit through the Termination Date (or such later date upon which such outstanding Letter of Credit shall expire or be fully drawn), with the final payment to be made on the Termination Date (or such later date).

(d) The Company shall pay to each Issuing Lender from time to time on demand the normal issuance, presentation, amendment and other processing fees, and other standard costs and charges, of such Issuing Lender relating to letters of credit as from time to time in effect.

3.9 APPLICABILITY OF ISP98 AND UCP. Unless otherwise expressly agreed by the applicable Issuing Lender and the Company when a Letter of Credit is issued (including any such agreement applicable to an Existing Letter of Credit), (i) the rules of the "International Standby Practices 1998" published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance) shall apply to each standby Letter of Credit, and (ii) the rules of the Uniform Customs and Practice for Documentary Credits, as most recently published by the International Chamber of Commerce (the "ICC") at the time of

issuance (including the ICC decision published by the Commission on Banking Technique and Practice on April 6, 1998 regarding the European single currency (euro)) shall apply to each commercial Letter of Credit.

#### ARTICLE IV

##### TAXES, YIELD PROTECTION AND ILLEGALITY

###### 4.1 TAXES.

(a) Any and all payments by the Company to each Lender or the Administrative Agent under this Agreement and any other Loan Document shall be made free and clear of, and without deduction or withholding for, any Taxes. In addition, the Company shall pay all Other Taxes and Further Taxes.

(b) If the Company shall be required by law to deduct or withhold any Taxes, Other Taxes or Further Taxes from or in respect of any sum payable hereunder to any Lender or the Administrative Agent, then:

(i) the sum payable shall be increased as necessary so that, after making all required deductions and withholdings (including deductions and withholdings applicable to additional sums payable under this Section), such Lender or the Administrative Agent, as the case may be, receives and retains an amount equal to the sum it would have received and retained had no such deductions or withholdings been made;

(ii) the Company shall make such deductions and withholdings; and

(iii) the Company shall pay the full amount deducted or withheld to the relevant taxing authority or other authority in accordance with applicable law.

(c) The Company agrees to indemnify and hold harmless each Lender and the Administrative Agent for the full amount of Taxes, Other Taxes and Further Taxes in the amount that such Lender specifies as necessary to preserve the after-tax yield such Lender would have received if such Taxes, Other Taxes or Further Taxes had not been imposed, and any liability (including penalties, interest, additions to tax and expenses) arising therefrom or with respect thereto, whether or not such Taxes, Other Taxes or Further Taxes were correctly or legally asserted. Payment under this indemnification shall be made within 30 days after the date such Lender or the Administrative Agent makes written demand therefor.

(d) Within 30 days after the date of any payment by the Company of any Taxes, Other Taxes or Further Taxes, the Company shall furnish each applicable Lender and the Administrative Agent the original or a certified copy of a receipt evidencing payment thereof, or other evidence of payment satisfactory to such Lender and the Administrative Agent.



(e) Notwithstanding the foregoing provisions of this SECTION 4.1, (i) if any Lender fails to notify the Company of any event or circumstance which will entitle such Lender to compensation pursuant to this SECTION 4.1 within 60 days after such Lender obtains knowledge of such event or circumstance, then such Lender shall not be entitled to compensation from the Company for any amount arising prior to the date which is 60 days before the date on which such Lender notifies the Company of such event or circumstance; and (ii) the Company shall not be required to pay an additional amount to, or to indemnify, any Lender pursuant to this SECTION 4.1 to the extent that (x) the obligation to withhold or pay such amount existed on the Initial Date (as defined below) or (y) the obligation to withhold or pay such amount would not have arisen but for the failure of such Lender to comply with the provisions of SECTION 10.10 of this Agreement. For purposes of CLAUSE (II) of the foregoing sentence "Initial Date" means (A) in the case of any Lender that is a signatory hereto, the date of this Agreement, (B) in the case of any Person which subsequently becomes a Lender hereunder, the date of the applicable Assignment and Acceptance, and (C) in the case of any Participant, the date on which it becomes a Participant.

#### 4.2 ILLEGALITY.

(a) If any Lender reasonably determines that the introduction of any Requirement of Law, or any change in any Requirement of Law, or in the interpretation or administration of any Requirement of Law, has made it unlawful, or that any central bank or other Governmental Authority has asserted that it is unlawful, for such Lender or its applicable Lending Office to make Offshore Rate Loans, then, on notice thereof by such Lender to the Company through the Administrative Agent, any obligation of such Lender to make Offshore Rate Loans shall be suspended until such Lender notifies the Administrative Agent and the Company that the circumstances giving rise to such determination no longer exist.

(b) If a Lender reasonably determines that it is unlawful to maintain any Offshore Rate Loan, the Company shall, upon its receipt of notice of such fact and demand from such Lender (with a copy to the Administrative Agent), prepay in full such Offshore Rate Loan of such Lender together with interest accrued thereon and amounts required under SECTION 4.4, either on the last day of the Interest Period thereof, if such Lender may lawfully continue to maintain such Offshore Rate Loan to such day, or immediately, if such Lender may not lawfully continue to maintain such Offshore Rate Loan. If the Company is required to so prepay any Offshore Rate Loan, then concurrently with such prepayment, the Company shall borrow from the affected Lender, in the amount of such repayment, a Base Rate Committed Loan.

(c) If the obligation of any Lender to make or maintain Offshore Rate Loans has been so terminated or suspended, all Loans which would otherwise be made by such Lender as Offshore Rate Loans shall be instead Base Rate Committed Loans.

#### 4.3 INCREASED COSTS AND REDUCTION OF RETURN.

(a) If any Lender reasonably determines that, due to either (i) the introduction of or any change (other than any change by way of imposition of or increase in reserve requirements included in the calculation of the Offshore Rate) after the date hereof in or in the interpretation of any law or regulation or (ii) compliance by such Lender with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law) adopted, issued or delivered after the date hereof, there shall be any increase in the cost to such Lender (excluding any Taxes, Other Taxes, Further Taxes or taxes imposed on or measured by the net income of such Lender) of agreeing to make or making, funding or maintaining any Offshore Rate Loan or participating in any Letter of Credit, or, in the case of an Issuing Lender, any increase in the cost to such Issuing Lender of agreeing to issue, issuing or maintaining any Letter of Credit or of agreeing to make or making, funding or maintaining any unpaid drawing under any Letter of Credit, then the Company shall be liable for, and shall from time to time, upon demand (with a copy of such demand to be sent to the Administrative Agent), pay to the Administrative Agent for the account of such Lender, additional amounts as are sufficient to compensate such Lender for such increased cost.

(b) If any Lender shall have reasonably determined that (i) the introduction after the date hereof of any Capital Adequacy Regulation, (ii) any change after the date hereof in any Capital Adequacy Regulation, (iii) any change after the date hereof in the interpretation or administration of any Capital Adequacy Regulation by any central bank or other Governmental Authority charged with the interpretation or administration thereof, or (iv) compliance by such Lender (or its Lending Office) or any corporation controlling such Lender with any Capital Adequacy Regulation (excluding any Capital Adequacy Regulation as in effect on the date hereof) affects or would affect the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender and (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy and such Lender's desired return on capital) reasonably determines that the amount of such capital is increased as a consequence of its Commitment, Loans or obligations under this Agreement, then, upon demand of such Lender to the Company through the Administrative Agent, the Company shall pay to such Lender, from time to time as specified by such Lender, additional amounts sufficient to compensate such Lender for such increase.

(c) Notwithstanding the foregoing provisions of this SECTION 4.3, if any Lender fails to notify the Company of any event or circumstance which will entitle such Lender to compensation pursuant to this SECTION 4.3 within 60 days after such Lender obtains knowledge of such event or circumstance, then such Lender shall not be entitled to compensation from the Company for any amount arising prior to the date which is 60 days before the date on which such Lender notifies the Company of such event or circumstance.

4.4 FUNDING LOSSES. The Company shall reimburse each Lender and hold each Lender harmless from any loss or expense which the Lender may sustain or incur as a consequence of:

(a) the failure of the Company to borrow, continue or convert a Loan after the Company has given (or is deemed to have given) a Notice of Committed Borrowing or a Notice of Conversion/Continuation;

(b) the failure of the Company to make any prepayment in accordance with any notice delivered under SECTION 2.6;

(c) the prepayment (including after acceleration thereof) of an Offshore Rate Loan on a day that is not the last day of the relevant Interest Period; or

(d) the automatic conversion under SUBSECTION 2.4(A) of any Offshore Rate Loan to a Base Rate Committed Loan on a day that is not the last day of the relevant Interest Period;

including any such loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain its Offshore Rate Loans or from fees payable to terminate the deposits from which such funds were obtained. For purposes of calculating amounts payable by the Company to the Lenders under this Section and under SUBSECTION 4.3(A), each Offshore Rate Loan made by a Lender (and each related reserve, special deposit or similar requirement) shall be conclusively deemed to have been funded at the LIBOR used in determining the Offshore Rate for such Offshore Rate Loan by a matching deposit or other borrowing in the interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Offshore Rate Loan is in fact so funded.

4.5 INABILITY TO DETERMINE RATES. If (a) the Administrative Agent determines that for any reason adequate and reasonable means do not exist for determining the Offshore Rate for any requested Interest Period with respect to a proposed Offshore Rate Loan, or (b) the Required Lenders determine that the Offshore Rate applicable pursuant to SUBSECTION 2.8(A) for any requested Interest Period with respect to a proposed Offshore Rate Loan does not adequately and fairly reflect the cost to such Lenders of funding such Loan, the Administrative Agent will promptly so notify the Company and each Lender. Thereafter, the obligation of the Lenders to make or maintain Offshore Rate Loans hereunder shall be suspended until the Administrative Agent (upon the instruction of the Required Lenders in the case of CLAUSE (B)) revokes such notice in writing. Upon receipt of such notice, the Company may revoke any Notice of Committed Borrowing or Notice of Conversion/Continuation then submitted by it. If the Company does not revoke such Notice, the Lenders shall make, convert or continue the Loans, as proposed by the Company, in the amount specified in the applicable notice submitted by the Company, but such Loans shall be made, converted or continued as Base Rate Committed Loans instead of Offshore Rate Loan.

4.6 CERTIFICATES OF LENDERS. Any Lender claiming reimbursement or compensation under this ARTICLE IV shall deliver to the Company (with a copy to the Administrative Agent) a certificate setting forth in reasonable detail the amount payable to such Lender hereunder and the manner in which such amount has been calculated, and such certificate shall be conclusive and binding on the Company in the absence of manifest error.

4.7 MITIGATION. Each Lender shall promptly notify the Company and the Administrative Agent of any event of which it has knowledge which will result in, and will use reasonable commercial efforts available to it (and not, in such Lender's good faith judgment, otherwise disadvantageous to such Lender) to mitigate or avoid, (i) any obligation of the Company to pay any amount pursuant to SECTION 4.1 or 4.3 or (ii) the occurrence of any circumstance of the nature described in SECTION 4.2 or 4.5. Without limiting the foregoing, each Lender will designate a different Lending Office if such designation will avoid (or reduce the cost to the Company of) any event described in CLAUSE (I) or (II) of the preceding sentence and such designation will not, in such Lender's good faith judgment, be otherwise disadvantageous to such Lender.

4.8 SUBSTITUTION OF LENDERS. Upon the receipt by the Company from any Lender of a claim for compensation under SECTION 4.1 or 4.3 or a notice of the type described in SECTION 4.2, the Company may: (i) designate a replacement bank or financial institution satisfactory to the Company (a "Replacement Lender") to acquire and assume all or a ratable part of all of such affected Lender's Loans and Commitment; and/or (ii) request one or more of the other Lenders to acquire and assume all or part of such affected Lender's Loans and Commitment. Any designation of a Replacement Lender under CLAUSE (I) shall be subject to the prior written consent of the Administrative Agent (which consent shall not be unreasonably withheld).

4.9 SURVIVAL. The agreements and obligations of the Company in this ARTICLE IV shall survive the termination of this Agreement and the payment of all other Obligations.

#### ARTICLE V

##### CONDITIONS PRECEDENT

5.1 CONDITIONS TO EFFECTIVENESS. This Agreement shall become effective on the date (the "Effective Date") on which the Administrative Agent shall have received (i) evidence satisfactory to the Administrative Agent that the Company has paid all fees and other amounts then payable under SUBSECTION 2.9(A) and (ii) all of the following, in form and substance satisfactory to the Administrative Agent and each Lender, and (except for the Notes) in sufficient copies for each Lender:

(a) AGREEMENT AND NOTES. This Agreement and the Notes executed by each party hereto and thereto.

(b) RESOLUTIONS; INCUMBENCY.

(i) Copies of the resolutions of the board of directors of the Company authorizing the execution and delivery of the Loan Documents and the consummation of the transactions contemplated hereby, certified as of the Effective Date by the Secretary or an Assistant Secretary of such Person; and

(ii) a certificate of the Secretary or Assistant Secretary of the Company certifying the names and true signatures of the officers, employees or authorized agents of the Company authorized to execute and deliver the Loan Documents and to deliver Notices of Borrowing, Notices of

Conversion/Continuation, Notices of Swing Line Loans, Compliance Certificates, L/C Applications, L/C Amendment Applications and similar documents.

(c) ORGANIZATION DOCUMENTS. The articles or certificate of incorporation and the bylaws of the Company as in effect on the Effective Date, certified by the Secretary or Assistant Secretary of the Company as of the Effective Date.

(d) LEGAL OPINIONS. An opinion of legal counsel to the Company, substantially in the form of EXHIBIT E.

(e) PAYMENT OF FEES. Evidence of payment by the Company of all accrued and unpaid fees, costs and expenses to the extent then due and payable hereunder on the Effective Date, together with Attorney Costs of BofA to the extent invoiced prior to or on the Effective Date, plus such additional amounts of Attorney Costs as shall constitute BofA's reasonable estimate of Attorney Costs incurred or to be incurred by it through the closing proceedings (provided that such estimate shall not thereafter preclude final settling of accounts between the Company and BofA), including any such costs, fees and expenses arising under or referenced in SECTIONS 2.9 and 11.4.

(f) CERTIFICATE. A certificate signed by a Responsible Officer, dated as of the Effective Date, stating that:

(i) the representations and warranties contained in ARTICLE VI are true and correct on and as of such date, as though made on and as of such date;

(ii) no Event of Default or Unmatured Event of Default exists or would result from the effectiveness of this Agreement;

(iii) since December 31, 2001, there has been no event or circumstance that has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect;

(iv) since December 31, 2001, there has not occurred (1) a material change in the operations, assets, financial affairs or ownership structure of the Company, or (2) a Material Adverse Effect on the business, assets, liabilities (actual or contingent), operations or condition (financial or otherwise) of the Company and its Subsidiaries taken as a whole or in the facts and information regarding such entities as represented to date; and

(v) there is no action, suit, investigation or proceeding pending or threatened in any court or before any arbitrator or governmental authority that purports (1) to materially and adversely affect the Company or its Subsidiaries, or (2) to affect any transaction contemplated hereby or the ability of the Company to perform its obligations under this Agreement or the Short Term Credit Agreement.

(g) FINANCIAL STATEMENTS. Receipt and satisfactory review by the Administrative Agent of the consolidated financial statements of the Company and its Subsidiaries for the fiscal years ended 1999, 2000 and 2001, including balance sheet, income, changes in shareholders' equity and cash flow statements audited by Arthur Andersen LLP and prepared in conformity with GAAP and such other financial information as the Administrative Agent may request.

(h) NOTICES. Notice of Committed Borrowing or a Notice of Swing Line Loan, as applicable.

(i) INFORMATION. Receipt and review, with results satisfactory to the Administrative Agent and its counsel, of information regarding litigation, tax, accounting, labor, insurance, pension liabilities (actual or contingent), real estate leases, material contracts, debt agreements, property ownership, environmental matters, contingent liabilities and management of the Company and its Subsidiaries.

(j) EXISTING CREDIT AGREEMENTS. Evidence that the Existing Credit Agreements have been or concurrently with the Effective Date are being terminated.

(k) OTHER DOCUMENTS. Such other approvals, opinions, documents or materials as the Administrative Agent or any Lender may reasonably request.

5.2 CONDITIONS TO ALL CREDIT EXTENSIONS. The obligation of each Lender to make any Loan to be made by it (including the obligation of the Swing Line Lender to make any Swing Line Loan) and the obligation of any Issuing Lender to Issue any Letter of Credit is subject to the satisfaction of the following conditions precedent on the relevant Borrowing Date or Issuance Date:

(a) NOTICE, APPLICATION. The Administrative Agent shall have received a Notice of Committed Borrowing or the Swing Line Lender and the Administrative Agent shall have received a Notice of Swing Line Loan or, in the case of the Issuance of any Letter of Credit, the applicable Issuing Lender and the Administrative Agent shall have received an L/C Application or L/C Amendment Application, as required under SECTION 3.2.

(b) CONTINUATION OF REPRESENTATIONS AND WARRANTIES. The representations and warranties in ARTICLE VI shall be true and correct in all material respects on and of such Borrowing Date or Issuance Date with the same effect as if made on and as of such Borrowing Date or Issuance Date (except to the extent such representations and warranties expressly refer to an earlier date, in which case they shall be true and correct as of such earlier date).

(c) NO EXISTING DEFAULT. No Event of Default or Unmatured Event of Default shall exist or shall result from such Borrowing, Swing Line Loan or Issuance.

Each Notice of Committed Borrowing, Notice of Swing Line Loan, L/C Application and L/C Amendment Application submitted by the Company hereunder shall constitute a representation

and warranty by the Company that, as of the date of each such notice and as of the relevant Borrowing Date or Issuance Date, as applicable, the conditions in this SECTION 5.2 are satisfied.

## ARTICLE VI

### REPRESENTATIONS AND WARRANTIES

The Company represents and warrants to the Administrative Agent and each Lender that:

6.1 CORPORATE EXISTENCE AND POWER. The Company and each of its Subsidiaries:

(a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization;

(b) has the power and authority and all governmental licenses, authorizations, consents and approvals (i) to own its assets and to carry on its business and (ii) to execute, deliver and perform its obligations under the Loan Documents to which it is a party;

(c) is duly qualified to do business in each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification; and

(d) is in compliance with all Requirements of Law;

except, in each case referred to in SUBCLAUSE (B)(I), CLAUSE (C) or CLAUSE (D), to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect.

6.2 CORPORATE AUTHORIZATION; NO CONTRAVENTION. The execution, delivery and performance by the Company of each Loan Document to which such Person is party have been duly authorized by all necessary corporate action, and do not and will not:

(a) contravene the terms of any of such Person's Organization Documents;

(b) conflict with or result in any breach or contravention of, or the creation of any Lien under, any document evidencing any material Contractual Obligation to which such Person or any of its Subsidiaries is a party or any order, injunction, writ or decree of any Governmental Authority to which such Person or any of its Subsidiaries or any of its or their property is subject; or

(c) violate any Requirement of Law.

6.3 GOVERNMENTAL AUTHORIZATION. No approval, consent, exemption, authorization or other action by, or notice to, or filing with, any Governmental Authority (other than any of the foregoing which has been obtained or made and is in full force and effect) is necessary or required in connection with the execution, delivery or performance by, or enforcement against, the Company of the Agreement or any other Loan Document.

6.4 BINDING EFFECT. This Agreement and each other Loan Document constitute the legal, valid and binding obligations of the Company, to the extent such Person is a party thereto, enforceable against such Person in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability.

6.5 LITIGATION. There are no actions, suits, proceedings, claims or disputes pending or, to the best knowledge of the Company, threatened, at law, in equity, in arbitration or before any Governmental Authority, against the Company or any Subsidiary or any of their respective properties; (a) which purport to affect or pertain to this Agreement or any other Loan Document, or any of the transactions contemplated hereby or thereby; or (b) as to which there exists a reasonable likelihood of an adverse determination, which determination would reasonably be expected to have a material adverse effect on the ability of the Company to pay and perform the Obligations. No injunction, writ, temporary restraining order or other order of any nature has been issued by any court or other Governmental Authority purporting to enjoin or restrain the execution, delivery or performance of this Agreement or any other Loan Document, or directing that the transactions provided for herein or therein not be consummated as herein or therein provided.

6.6 NO DEFAULT. No Event of Default or Unmatured Event of Default exists or would result from the incurring of any Obligations by the Company. As of the Effective Date, neither the Company nor any Subsidiary is in default under or with respect to any Contractual Obligation in any respect which, individually or together with all such defaults, could reasonably be expected to have a Material Adverse Effect.

6.7 ERISA COMPLIANCE. Except as specifically disclosed in SCHEDULE 6.7:

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state law (or, in the case of an Acquired Plan, can be brought into such compliance without any material fine, penalty or other liability). Except for Acquired Plans with respect to which the failure to have received a qualification letter would not result in any material fine, penalty or other liability, each Plan which is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS (or will be submitted for a determination letter within the applicable remedial amendment period), and to the best knowledge of the Company, nothing has occurred which would cause the loss of such qualification. The Company and each ERISA Affiliate has made all required contributions to any Plan subject to Section 412 of the Code (except for contributions to Acquired Plans not made prior to the respective Plan Acquisition Dates and which do not in the aggregate exceed \$1,000,000 for any Acquired Plan), and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.

(b) There are no pending or, to the best knowledge of Company, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan which has resulted or could reasonably be expected to result in a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary



responsibility rules with respect to any Plan which has resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) (i) No ERISA Event has occurred or is reasonably expected to occur; (ii) no contribution failure has occurred with respect to a Pension Plan sufficient to give rise to a Lien under Section 302(f) of ERISA; (iii) no Pension Plan has any Unfunded Pension Liability; (iv) neither the Company nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (v) neither the Company nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (vi) neither the Company nor any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or 4212(c) of ERISA.

6.8 USE OF PROCEEDS; MARGIN REGULATIONS. The proceeds of the Loans will be used solely for the purposes set forth in and permitted by SECTION 7.12 and SECTION 8.8. Neither the Company nor any Subsidiary is generally engaged in the business of purchasing or selling Margin Stock or extending credit for the purpose of purchasing or carrying Margin Stock.

6.9 TITLE TO PROPERTIES. The Company and each Subsidiary have good record and marketable title in fee simple to, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of their respective businesses, except for such defects in title as could not, individually or in the aggregate, have a Material Adverse Effect. As of the Effective Date, the property of the Company and its Subsidiaries is subject to no Liens, other than Permitted Liens.

6.10 TAXES. The Company and its Subsidiaries have filed all Federal and other material tax returns and reports required to be filed, and have paid all Federal and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with GAAP. There is no proposed tax assessment against the Company or any Subsidiary that would, if made, have a Material Adverse Effect.

#### 6.11 FINANCIAL CONDITION.

(a) The audited consolidated financial statements of the Company and its Subsidiaries dated December 31, 2001, and the related consolidated statements of income or operations, shareholders' equity and cash flows for the fiscal year ended on that date, and (2) the unaudited interim consolidated financial statements of the Company and its Subsidiaries dated March 31, 2002, and the related consolidated statements of income or operations, shareholders' equity and cash flows for the fiscal quarter ended on that date:

(i) were prepared in accordance with GAAP consistently applied throughout the periods covered thereby, except as otherwise expressly

noted therein (subject, in the case of the unaudited interim statements, to the absence of footnotes and to ordinary, good faith year-end audit adjustments);

(ii) fairly present (subject, in the case of the unaudited interim statements, to ordinary, good faith year-end audit adjustments) the financial condition of the Company and its Subsidiaries as of the dates thereof and the results of operations for the periods covered thereby; and

(iii) show all material indebtedness and other liabilities, absolute or contingent, of the Company and its consolidated Subsidiaries as of the dates thereof, including liabilities for taxes and material Contingent Obligations.

(b) Since December 31, 2001, there has been no Material Adverse Effect.

6.12 ENVIRONMENTAL MATTERS. The Company conducts in the ordinary course of business a review of the effect of existing Environmental Laws and existing Environmental Claims on its business, operations and properties, and as a result thereof the Company has reasonably concluded that, except as specifically disclosed in SCHEDULE 6.12, such Environmental Laws and Environmental Claims could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

6.13 REGULATED ENTITIES. None of the Company, any Person controlling the Company, or any Subsidiary is an "Investment Company" within the meaning of the Investment Company Act of 1940. The Company is not subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act, any state public utilities code, or any other Federal or state statute or regulation limiting its ability to incur Indebtedness.

6.14 NO BURDENSOME RESTRICTIONS. Neither the Company nor any Subsidiary is a party to or bound by any Contractual Obligation, or subject to any restriction in any Organization Document or any Requirement of Law, which could reasonably be expected to have a Material Adverse Effect.

6.15 COPYRIGHTS, PATENTS, TRADEMARKS AND LICENSES, ETC. The Company or its Subsidiaries own or are licensed or otherwise have the right to use all of the material patents, trademarks, service marks, trade names, copyrights, contractual franchises, authorizations and other rights that are reasonably necessary for the operation of their respective businesses, without conflict with the rights of any other Person, except to the extent failure to own, license or otherwise have the right to use any such item, or any such conflict, could not reasonably be expected to have a Material Adverse Effect. To the best knowledge of the Company, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Company or any Subsidiary, and which is material to the business or operations of the Company and its Subsidiaries, infringes upon any rights held by any other Person (excluding infringements which could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect).

6.16 SUBSIDIARIES. As of the Effective Date, the Company has no Subsidiaries other than those specifically disclosed in PART (A) of SCHEDULE

6.16 and has no equity investments in any other corporation or entity other than those specifically disclosed in PART (B) of SCHEDULE 6.16.

6.17 INSURANCE. The properties of the Company and its Subsidiaries are insured with financially sound and reputable insurance companies (or are self-insured) in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Company or such Subsidiary operates.

6.18 SOLVENCY. The Company is Solvent after giving effect to the transactions contemplated by the Loan Documents.

6.19 FULL DISCLOSURE. The representations and warranties made by the Company and its Subsidiaries in the Loan Documents as of the date such representations and warranties are made or deemed made, and the statements contained in any exhibit, report, statement or certificate furnished by or on behalf of the Company or any Subsidiary in connection with the Loan Documents, taken as a whole, do not contain any untrue statement of a material fact or omit any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading in any material respect as of the time when made or delivered.

## ARTICLE VII

### AFFIRMATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, or any Loan or other Obligation shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, unless the Required Lenders waive compliance in writing:

7.1 FINANCIAL STATEMENTS. The Company shall deliver to the Administrative Agent, in form and detail satisfactory to the Administrative Agent and the Required Lenders, with sufficient copies for each Lender:

(a) as soon as available, but not later than 120 days after the end of each fiscal year, a copy of the audited consolidated balance sheet of the Company and its Subsidiaries as at the end of such year and the related consolidated statements of income or operations, shareholders' equity and cash flows for such year, setting forth in each case in comparative form the figures for the previous fiscal year, and accompanied by the opinion of Arthur Andersen LLP or another nationally-recognized independent public accounting firm ("Independent Auditor"), which opinion (i) shall state that such consolidated financial statements present fairly the Company's consolidated financial position for the periods indicated in conformity with GAAP and (ii) shall not be qualified or limited because of a restricted or limited examination by the Independent Auditor of any material portion of the Company's or any Subsidiary's records; and

(b) as soon as available, but not later than 60 days after the end of each of the first three fiscal quarters of each fiscal year (commencing with the fiscal quarter ending June 30, 2002), a copy of the unaudited consolidated balance sheet of the Company and its

Subsidiaries as of the end of such quarter and the related consolidated statements of income, shareholders' equity and cash flows for the period commencing on the first day and ending on the last day of such quarter, and certified by a Responsible Officer as fairly presenting, in accordance with GAAP (subject to the absence of footnotes and to ordinary, good faith year-end audit adjustments), the financial position and the results of operations of the Company and its Subsidiaries as of such date and for such period.

7.2 CERTIFICATES; OTHER INFORMATION. The Company shall furnish to the Administrative Agent, with sufficient copies for each Lender:

(a) concurrently with the delivery of the financial statements referred to in SUBSECTIONS 7.1(A) and (B), a Compliance Certificate executed by a Responsible Officer;

(b) promptly after their becoming available, copies of all financial statements and reports that the Company sends to its shareholders, and copies of all financial statements and regular, periodic or special reports (including Forms 10K, 10Q and 8K) that the Company or any Subsidiary may make to, or file with, the SEC; and

(c) promptly, such additional information regarding the business, financial or corporate affairs of the Company or any Subsidiary as the Administrative Agent, at the request of any Lender, may from time to time reasonably request.

Documents required to be delivered pursuant to SECTION 7.1(A) or (B) or SECTION 7.2(B) (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the earlier of (i) the date on which the Company posts such documents, or provides a link thereto on the Company's website on the Internet at the website address listed on SCHEDULE 11.2; and (ii) the date on which such documents are posted on the Company's behalf on IntraLinks/IntraAgency or another relevant website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided that: (i) the Company shall deliver paper copies of such documents to the Administrative Agent or any Lender that requests the Company to deliver such paper copies until a written request to cease delivering paper copies is given by the Administrative Agent or such Lender and (ii) the Company shall notify (which may be by facsimile or electronic mail) the Administrative Agent and each Lender of the posting of any such documents and provide to the Administrative Agent by electronic mail electronic versions (i.e., soft copies) of such documents. Notwithstanding anything contained herein, in every instance the Company shall be required to provide paper copies of the Compliance Certificates required by SECTION 7.2(A) to the Administrative Agent (with sufficient copies for each Lender). Except for such Compliance Certificates, the Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Company with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

7.3 NOTICES. The Company shall promptly (or, in the case of any event described in CLAUSE (C)(II) below, not less than 10 days prior to the occurrence of such event) notify the Administrative Agent and each Lender:

(a) of the occurrence of any Event of Default or Unmatured Event of Default known to the Company;

(b) of any matter that has resulted or is reasonably expected to result in a Material Adverse Effect, including:

(i) breach or non-performance of, or any default under, a Contractual Obligation of the Company or any Subsidiary;

(ii) any dispute, litigation, investigation, proceeding or suspension between the Company or any Subsidiary and any Governmental Authority; or

(iii) the commencement of, or any material development in, any litigation or proceeding affecting the Company or any Subsidiary, including pursuant to any applicable Environmental Laws;

(c) of the occurrence of any of the following events known to the Company which affect the Company or any ERISA Affiliate, and deliver to the Administrative Agent and each Lender a copy of any notice with respect to such event that is filed with a Governmental Authority and any notice delivered by a Governmental Authority to the Company or any ERISA Affiliate with respect to such event:

(i) an ERISA Event;

(ii) a contribution failure with respect to a Pension Plan sufficient to give rise to a Lien under Section 302(f) of ERISA;

(iii) a material increase in the Unfunded Pension Liability of any Pension Plan;

(iv) the adoption of, or the commencement of contributions to, any Pension Plan by the Company or any ERISA Affiliate; or

(v) the adoption of any amendment to a Pension Plan if such amendment results in a material increase in contributions or Unfunded Pension Liability;

(d) of any material change in accounting policies or financial reporting practices by the Company and its consolidated Subsidiaries; and

(e) promptly upon the issuance thereof, deliver to the Administrative Agent notice of any announcement by Moody's or S&P (i) of any change in any Rating or (ii) that any Rating will be put on a "negative outlook" or "negative credit watch."

Each notice under this Section shall be accompanied by a written statement by a Responsible Officer setting forth details of the occurrence referred to therein, and stating what action the Company or any affected Subsidiary proposes to take with respect thereto. Each notice under SUBSECTION 7.3(A) shall describe with particularity any and all clauses or provisions of this Agreement or any other Loan Document that have been breached or violated.

7.4 PRESERVATION OF CORPORATE EXISTENCE, ETC. The Company shall, and shall cause each Subsidiary to (provided that nothing in this SECTION 7.4 shall prevent the voluntary liquidation, dissolution or winding up, not under any bankruptcy or insolvency law, of any Subsidiary so long as no Event of Default exists and no Event of Default or Unmatured Event of Default will result therefrom):

(a) preserve and maintain in full force and effect its existence and good standing under the laws of its jurisdiction of organization;

(b) preserve and maintain in full force and effect all governmental rights, privileges, qualifications, permits, licenses and franchises necessary or desirable in the normal conduct of its business (except in connection with transactions permitted by SECTION 8.4 and sales of assets permitted by SECTION 8.3);

(c) use reasonable efforts, in the ordinary course of business, to preserve its business organization and goodwill; and

(d) preserve or renew all of its registered patents, trademarks, trade names and service marks, the non-preservation of which could reasonably be expected to have a Material Adverse Effect.

7.5 MAINTENANCE OF PROPERTY. The Company shall, and shall cause each Subsidiary to, maintain and preserve all its property which is used or useful in its business in good working order and condition, ordinary wear and tear excepted, except to the extent that failure to do so would not reasonably be expected to have a Material Adverse Effect.

7.6 INSURANCE. The Company shall, and shall cause each Subsidiary to, maintain, with financially sound and reputable independent insurers (or pursuant to a self-insurance program), insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts as are customarily carried under similar circumstances by such other Persons.

7.7 PAYMENT OF OBLIGATIONS. The Company shall, and shall cause each Subsidiary to, pay and discharge, as the same shall become due and payable, all their respective material obligations and liabilities, including: (a) all material tax liabilities, assessments and governmental charges or levies upon it or its properties or assets and (b) all material claims which, if unpaid, would by law become a Lien upon its property, UNLESS, in each case, the same are being contested in good faith by appropriate proceedings and adequate reserves in accordance with GAAP are being maintained by the Company or such Subsidiary.

7.8 COMPLIANCE WITH LAWS. The Company shall, and shall cause each Subsidiary to, comply with all Requirements of Law of any Governmental Authority having jurisdiction over it or its business (including the Federal Fair Labor Standards Act) the non-compliance with which might have a Material Adverse Effect.

7.9 COMPLIANCE WITH ERISA. The Company shall, and shall cause each of its ERISA Affiliates to: (a) maintain each Plan in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state law; (b) cause each Plan which is qualified under Section 401(a) of the Code to maintain such qualification; and (c) make all required contributions to any Plan subject to Section 412 of the Code, it being understood that any non-compliance with CLAUSE (A), (B) or (C) with respect to an Acquired Plan existing on the Plan Acquisition Date for such Acquired Plan shall not constitute a violation of this SECTION 7.9 so long as (i) the Company is diligently proceeding to remedy such non-compliance and (ii) such non-compliance will not result in any material fine, penalty or other liability.

7.10 INSPECTION OF PROPERTY AND BOOKS AND RECORDS. The Company shall, and shall cause each Subsidiary to, maintain proper books of record and account, in which full, true and correct entries (sufficient to permit the preparation of consolidated financial statements in conformity with GAAP) shall be made of all financial transactions and matters involving the assets and business of the Company and such Subsidiary. The Company shall permit, and shall cause each Subsidiary to permit, the Administrative Agent, any Lender or their respective representatives (in each case at such Person's own expense unless an Event of Default exists), upon reasonable notice at any reasonable time during normal business hours and from time to time at the request of the Administrative Agent or the relevant Lender, to visit and inspect the properties of the Company or any Subsidiary (and, if (i) any Unmatured Event of Default exists and has been continuing for 15 days or (ii) any Event of Default exists, to make copies or abstracts of their respective corporate, financial and operating records), and to examine the properties and books and records of the Company and its Subsidiaries and to discuss the affairs, finances and accounts of the Company or any Subsidiary with the appropriate officers, employees or authorized agents of the Company or such Subsidiary.

7.11 ENVIRONMENTAL LAWS. The Company shall, and shall cause each Subsidiary to, conduct its operations and keep and maintain its property in material compliance with all material Environmental Laws. Without limiting the foregoing, the Company shall, and shall cause each Subsidiary to, (i) maintain all material operating permits for all landfills now owned or hereafter acquired; and (ii) dispose of hazardous waste only at licensed disposal facilities operating, to the best of the Company's or the applicable Subsidiary's knowledge after reasonable inquiry, in material compliance with all material Environmental Laws.

7.12 USE OF PROCEEDS. The Company shall use the proceeds of the Loans (i) to repay the Indebtedness of the Company under, and to terminate, the Existing Credit Agreements, and (ii) for working capital, capital expenditures and other general corporate purposes (including commercial paper backup and Acquisitions) not in contravention of any Requirement of Law or of any Loan Document; PROVIDED that the Company shall not use the proceeds of any Loan to make any Acquisition if the Board of Directors of the Person to be acquired has not approved such Acquisition.

## ARTICLE VIII

### NEGATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, or any Loan or other Obligation shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, unless the Required Lenders waive compliance in writing:

#### 8.1 FINANCIAL CONDITION COVENANTS.

(a) MINIMUM CONSOLIDATED SHAREHOLDERS' EQUITY. The Company shall not permit its Consolidated Shareholders' Equity as of the last day of any fiscal quarter to be less than the sum of (i) 85% of Consolidated Shareholders' Equity as of December 31, 2001 PLUS (ii) 50% of Consolidated Net Income (with no deduction for net losses) for each fiscal quarter ending after December 31, 2001 PLUS (iii) 100% of the net proceeds of equity issuances after December 31, 2001.

(b) MAXIMUM TOTAL DEBT TO EBITDA RATIO. The Company shall not permit, as of the last day of any fiscal quarter (beginning with the fiscal quarter ending June 30, 2002), the Total Debt to EBITDA Ratio for the Computation Period ending on such day to be greater than 3.25 to 1.

8.2 LIMITATION ON LIENS. The Company shall not, and shall not suffer or permit any Subsidiary to, directly or indirectly, make, create, incur, assume or suffer to exist any Lien upon or with respect to any part of its property, whether now owned or hereafter acquired, other than the following ("Permitted Liens"):

(a) any Lien existing on the Effective Date and set forth in SCHEDULE 8.2, and any extension, renewal or replacement of any such Lien so long as the principal amount secured thereby is not increased and the scope of the property subject to such Lien is not extended;

(b) Liens imposed by law for taxes, assessments or charges of any Governmental Authority for claims not yet due or which are being contested in good faith by appropriate proceedings diligently pursued and with respect to which adequate reserves or other appropriate provisions are being maintained in accordance with GAAP;

(c) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and other Liens imposed by law or created in the ordinary course of business and in existence less than 120 days from the date of creation thereof for amounts not yet due or which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves or other appropriate provisions are being maintained in accordance with GAAP;

(d) Liens (other than any Lien imposed by ERISA) consisting of pledges or deposits required in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation;



(e) Liens on the property of the Company or any Subsidiary securing (i) the non-delinquent performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, (ii) surety bonds (excluding appeal bonds and other bonds posted in connection with court proceedings or judgments) and (iii) other non-delinquent obligations of a like nature in each case incurred in the ordinary course of business, provided all such Liens in the aggregate would not (even if enforced) cause a Material Adverse Effect;

(f) Liens consisting of judgment or judicial attachment liens and liens securing contingent obligations on appeal bonds and other bonds posted in connection with court proceedings or judgments, provided that (i) in the case of judgment and judicial attachment liens, the enforcement of such Liens is effectively stayed and (ii) all such liens in the aggregate at any time outstanding for the Company and its Subsidiaries do not exceed \$50,000,000;

(g) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business which, individually or in the aggregate, do not materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the businesses of the Company and its Subsidiaries;

(h) Liens securing obligations in respect of Capital Leases and purchase money financings on assets subject to such leases or financings, provided that such Capital Leases and purchase money financings are otherwise permitted hereunder;

(i) Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; PROVIDED that (i) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by the Company in excess of those set forth by regulations promulgated by the FRB, and (ii) such deposit account is not intended by the Company or any Subsidiary to provide collateral to the depository institution; and

(j) other Liens, in addition to those permitted by CLAUSES (A) through (H), securing Indebtedness or arising in connection with Securitization Transactions; PROVIDED that the sum (without duplication) of all such Indebtedness, plus the aggregate investment or claim held at any time by all purchasers, assignees or other transferees of (or of interests in) receivables and other rights to payment in all Securitization Transactions, shall not at any time exceed in the aggregate 20% of Consolidated Tangible Assets.

8.3 DISPOSITION OF ASSETS. The Company shall not, and shall not permit any Subsidiary to, directly or indirectly, sell, assign, lease, convey, transfer or otherwise dispose of (whether in one or a series of transactions) any property (including accounts and notes receivable, with or without recourse) or enter into any agreement to do any of the foregoing (including any sale-leaseback), except:

(a) dispositions of inventory, or used, worn-out or surplus equipment, all in the ordinary course of business;

(b) the sale, assignment or other transfer of accounts receivable, lease receivables or other rights to payment pursuant to any Securitization Transaction; and

(c) dispositions not otherwise permitted hereunder which are made for fair market value; provided that (i) at the time of any such disposition, no Event of Default shall exist or shall result from such disposition and (ii) the aggregate value of all assets so disposed of by the Company and its Subsidiaries in any one-year period (calculated as of the date of any such disposition) shall not exceed 20% of Consolidated Tangible Assets as of the last day of the most recently ended fiscal quarter.

8.4 CONSOLIDATIONS AND MERGERS. The Company shall not, and shall not permit any Subsidiary to, merge, consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any other Person, except:

(a) any Subsidiary may merge with the Company, provided that the Company shall be the continuing or surviving corporation, or with any one or more Subsidiaries, provided that if any transaction shall be between a Subsidiary and a Wholly-Owned Subsidiary, the Wholly-Owned Subsidiary shall be the continuing or surviving corporation;

(b) any Subsidiary may sell all or substantially all of its assets (upon voluntary liquidation or otherwise) to the Company or another Wholly-Owned Subsidiary; and

(c) any merger, consolidation or disposition in connection with a transaction permitted by SECTION 8.3 or an Acquisition permitted by SECTION 8.5.

8.5 LOANS AND INVESTMENTS. The Company shall not, and shall not permit any Subsidiary to, purchase or acquire, or make any commitment to purchase or acquire, any capital stock, equity interest or obligations or other securities of, or any interest in, any Person, or make or commit to make any Acquisition, or make or commit to make any advance, loan, extension of credit or capital contribution to or any other investment in any Person (including any Affiliate of the Company) (any of the foregoing an "Investment"), unless (y) such loan, advance, investment, acquisition or other purchase does not cause the Company to violate the financial covenants contained in SECTION 8.1(A) or (B), and (z) no Event of Default or Unmatured Event of Default would result therefrom.

8.6 LIMITATION ON SUBSIDIARY INDEBTEDNESS. The Company shall not permit the sum of the aggregate amount of all Indebtedness of Subsidiaries (excluding (i) the existing Indebtedness listed on SCHEDULE 8.6 and extensions, renewals and refinancings thereof so long as the principal amount thereof is not increased and (ii) extensions of credit by the Company to any of its Subsidiaries or by any of its Subsidiaries to the Company or another Subsidiary) to exceed 20% of Consolidated Tangible Assets.

8.7 TRANSACTIONS WITH AFFILIATES. The Company shall not, and shall not permit any Subsidiary to, enter into any transaction with any Affiliate of the Company (other than the Company or a Subsidiary), except upon fair and reasonable terms no less favorable to the

Company or such Subsidiary than would obtain in a comparable arm's-length transaction with a Person not an Affiliate of the Company or such Subsidiary.

8.8 USE OF PROCEEDS. The Company shall not, and shall not permit any Subsidiary to, use any portion of the Loan proceeds or any Letter of Credit, directly or indirectly, (i) to purchase or carry Margin Stock, (ii) to repay or otherwise refinance indebtedness of the Company or others incurred to purchase or carry Margin Stock or (iii) to extend credit for the purpose of purchasing or carrying any Margin Stock.

8.9 RESTRICTED PAYMENTS. The Company shall not (i) declare or make any dividend payment or other distribution of assets, properties, cash, rights, obligations or securities on account of any shares of any class of its capital stock or (ii) purchase, redeem or otherwise acquire for value, or permit any Subsidiary to purchase or otherwise acquire for value, any shares of the Company's capital stock or any warrants, rights or options to acquire such shares, now or hereafter outstanding, unless (y) such dividend or distribution, purchase redemption or other acquisition does not cause the Company to violate the financial covenants contained in SECTION 8.1(A) or (B), and (z) no Event of Default or Unmatured Event of Default would result therefrom.

8.10 ERISA. The Company shall not, and shall not permit any of its ERISA Affiliates to: (a) engage in a prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan which has resulted or could reasonably be expected to result in liability of the Company in an aggregate amount in excess of \$15,000,000; or (b) engage in a transaction that could be subject to Section 4069 or 4212(c) of ERISA.

8.11 CHANGE IN BUSINESS. The Company shall not, and shall not permit any Subsidiary to, engage in any material line of business other than those lines of business carried on by the Company and its Subsidiaries on the date hereof and lines of business complementary thereto; PROVIDED that in no event will the Company permit a material portion of the business of the Company and its Subsidiaries, taken as a whole, to involve or relate to hazardous waste.

8.12 ACCOUNTING CHANGES. The Company shall not, and shall not permit any Subsidiary to, make any significant change in accounting treatment or reporting practices, except as required by GAAP.

8.13 BURDENSOME AGREEMENTS. The Company shall not enter into any Contractual Obligation (other than this Agreement or any other Loan Document) that (a) limits the ability (i) of any Subsidiary to make Restricted Payments to the Company or to otherwise transfer property to the Company, (ii) of any Subsidiary to guarantee the Indebtedness of the Company or (iii) of the Company or any Subsidiary to create, incur, assume or suffer to exist Liens on property of such Person; or (b) requires the grant of a Lien to secure an obligation of such Person if a Lien is granted to secure another obligation of such Person; except, in each case, (1) as required under applicable Requirements of Law, (2) as required under the Loan Documents, (3) for Permitted Liens, and (4) for prohibitions on assignment or transfer contained in leases.

ARTICLE IX

EVENTS OF DEFAULT

9.1 EVENT OF DEFAULT. Any of the following shall constitute an "Event of Default":

(a) NON-PAYMENT. The Company fails to pay, (i) when and as required to be paid herein, any amount of principal of any Loan or of the principal amount of any L/C Obligation, or (ii) within five days after the same becomes due, any interest, fee or any other amount payable hereunder or under any other Loan Document.

(b) REPRESENTATION OR WARRANTY. Any representation or warranty by the Company or any Subsidiary made or deemed made herein or in any other Loan Document, or which is contained in any certificate, document or financial or other statement by the Company, any Subsidiary or any Responsible Officer furnished at any time under this Agreement or under any other Loan Document, is incorrect in any material respect on or as of the date made or deemed made.

(c) SPECIFIC DEFAULTS. The Company fails to perform or observe any term, covenant or agreement contained in any of SUBSECTION 7.3(A) or ARTICLE VIII.

(d) OTHER DEFAULTS. The Company fails to perform or observe any other term or covenant contained in this Agreement or any other Loan Document, and such failure shall continue unremedied for a period of 30 days after the date upon which written notice thereof is given to the Company by the Administrative Agent or any Lender.

(e) CROSS-DEFAULT. (i) The Company or any Subsidiary (A) fails to make any payment of Material Financial Obligations when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise, but after giving effect to any applicable grace or cure period); or (B) fails to perform or observe any other condition or covenant, or any other event shall occur or condition shall exist, under one or more agreements or instruments relating to Material Financial Obligations, if the effect of such failure, event or condition (after giving effect to any applicable grace or cure period) is to cause (or require), or to permit the holder or holders of such Material Financial Obligations or the beneficiary or beneficiaries of such Material Financial Obligations (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause (or require), such Material Financial Obligations to become due and payable (or to be purchased, repurchased, defeased or cash collateralized) prior to the stated maturity thereof.

(f) INSOLVENCY; VOLUNTARY PROCEEDINGS. The Company or any Subsidiary (i) ceases or fails to be solvent, or generally fails to pay, or admits in writing its inability to pay, its debts as they become due, subject to applicable grace periods, if any, whether at stated maturity or otherwise; (ii) voluntarily ceases to conduct its business in the ordinary course; (iii) commences any Insolvency Proceeding with respect to itself; or (iv) takes any action to effectuate or authorize any of the foregoing; PROVIDED that the

foregoing shall not apply to the voluntary liquidation, dissolution or winding up of a Subsidiary permitted by SECTION 7.4.

(g) INVOLUNTARY PROCEEDINGS. (i) Any involuntary Insolvency Proceeding is commenced or filed against the Company or any Subsidiary, or any writ, judgment, warrant of attachment, execution or similar process is issued or levied against a substantial part of the Company's or any Subsidiary's properties, and such proceeding or petition shall not be dismissed, or such writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or fully bonded, within 60 days after commencement, filing or levy; (ii) the Company or any Subsidiary admits the material allegations of a petition against it in any Insolvency Proceeding, or an order for relief (or similar order under non-U.S. law) is ordered in any Insolvency Proceeding with respect to the Company or such Subsidiary; or (iii) the Company or any Subsidiary acquiesces in the appointment of a receiver, trustee, custodian, conservator, liquidator, mortgagee in possession (or agent therefor), or other similar Person for itself or a substantial portion of its property or business.

(h) ERISA. (i) An ERISA Event shall occur with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of the Company under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of \$5,000,000; (ii) a contribution failure shall occur with respect to a Pension Plan sufficient to give rise to a Lien under Section 302(f) of ERISA; or (iii) the Company or any ERISA Affiliate shall fail to pay when due, after the expiration of any applicable grace period (or any period during which (x) the Company is permitted to contest its obligation to make such payment without incurring any liability (other than interest) or penalty and (y) the Company is contesting such obligation in good faith and by appropriate proceedings), any installment payment with respect to its withdrawal liability under Section 4201 of ERISA or any contribution obligation under Section 4243 of ERISA, in each case under a Multiemployer Plan in an aggregate amount in excess of \$5,000,000.

(i) JUDGMENTS. One or more non-interlocutory judgments, non-interlocutory orders, decrees or arbitration awards is entered against the Company or any Subsidiary involving in the aggregate a liability (to the extent not covered by insurance as to which the insurer does not dispute coverage) as to any single or related series of transactions, incidents or conditions of \$25,000,000 or more, and the same shall remain unvacated and unstayed pending appeal for a period of 25 days after the entry thereof.

(j) CHANGE OF CONTROL. Any Change of Control occurs.

(k) INVALIDITY OF LOAN DOCUMENTS. Any Loan Document, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or satisfaction in full of all the Obligations, ceases to be in full force and effect; or the Company or any of its Subsidiaries contests in any manner the validity or enforceability of any Loan Document; or the Company or any of its Subsidiaries denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind any Loan Document.

9.2 REMEDIES. If any Event of Default occurs, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders,

(a) declare the commitment of each Lender to make Loans (including the commitment of the Swing Line Lender to make Swing Line Loans) and any obligation of each Issuing Lender to Issue Letters of Credit to be terminated, whereupon such commitments and obligation shall be terminated;

(b) declare an amount equal to the maximum aggregate amount that is or at any time thereafter may become available for drawing under all outstanding Letters of Credit (whether or not any beneficiary shall have presented, or shall be entitled at such time to present, the drafts or other documents required to draw under such Letters of Credit) to be immediately due and payable, and declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Company; and

(c) exercise on behalf of itself and the Lenders all other rights and remedies available to it and the Lenders under the Loan Documents or applicable law;

PROVIDED, HOWEVER, that upon the occurrence of any event specified in SUBSECTION (F) or (G) of SECTION 9.1 (in the case of CLAUSE (I) of SUBSECTION (G), upon the expiration of the 60-day period mentioned therein), the obligation of each Lender to make Loans and any obligation of each Issuing Lender to Issue Letters of Credit shall automatically terminate and the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable without further act of the Administrative Agent, the Issuing Lender or any other Lender. The Administrative Agent shall promptly notify the Company of any declaration described in CLAUSE (A) or (B) of the preceding sentence, but failure to give any such notice shall not impair any such declaration or result in any liability to the Administrative Agent.

9.3 RIGHTS NOT EXCLUSIVE. The rights provided for in this Agreement and the other Loan Documents are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law or in equity, or under any other instrument, document or agreement now existing or hereafter arising.

## ARTICLE X

### THE ADMINISTRATIVE AGENT

#### 10.1 APPOINTMENT AND AUTHORIZATION OF ADMINISTRATIVE AGENT.

(a) Each Lender hereby irrevocably appoints, designates and authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto.

Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Administrative Agent have or be deemed to have any fiduciary relationship with any Lender or participant, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent. Without limiting the generality of the foregoing sentence, the use of the term "agent" herein and in the other Loan Documents with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

(b) Each Issuing Lender shall act on behalf of the Lenders with respect to any Letters of Credit Issued by it and the documents associated therewith, and each Issuing Lender shall have all of the benefits and immunities (i) provided to the Administrative Agent in this ARTICLE X with respect to any acts taken or omissions suffered by such Issuing Lender in connection with Letters of Credit Issued by it or proposed to be Issued by it and the applications and agreements for Letters of Credit pertaining to such Letters of Credit as fully as if the term "Administrative Agent" as used in this ARTICLE X, and in the definition of "Administrative Agent-Related Person" included such Issuing Lender with respect to such acts or omissions, and (ii) as additionally provided herein with respect to the Issuing Lenders.

10.2 DELEGATION OF DUTIES. The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel and other consultants or experts concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects in the absence of gross negligence or willful misconduct.

10.3 LIABILITY OF ADMINISTRATIVE AGENT. No Administrative Agent-Related Person shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct in connection with its duties expressly set forth herein), or (b) be responsible in any manner to any Lender or participant for any recital, statement, representation or warranty made by the Company or any Subsidiary or Affiliate of the Company, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of the Company or any Subsidiary or Affiliate of the Company or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Administrative Agent-Related Person shall be under any obligation to any Lender or participant to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan

Document, or to inspect the properties, books or records of the Company or any of the Company's Subsidiaries or Affiliates.

#### 10.4 RELIANCE BY ADMINISTRATIVE AGENT.

(a) The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, communication, signature, resolution, representation, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, electronic mail message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Company), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Required Lenders (or such greater number of Lenders as may be expressly required hereby in any instance) and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders.

(b) For purposes of determining compliance with the conditions specified in SECTION 5.1, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Effective Date specifying its objection thereto.

10.5 NOTICE OF DEFAULT. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Event of Default or Unmatured Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to the Administrative Agent for the account of the Lenders, unless the Administrative Agent shall have received written notice from a Lender or the Company referring to this Agreement, describing such Event of Default or Unmatured Event of Default and stating that such notice is a "notice of default." The Administrative Agent will notify the Lenders of its receipt of any such notice. The Administrative Agent shall take such action with respect to such Event of Default or Unmatured Event of Default as may be directed by the Required Lenders in accordance with ARTICLE IX; PROVIDED, HOWEVER, that unless and until the Administrative Agent has received any such direction, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Event of Default or Unmatured Event of Default as it shall deem advisable or in the best interest of the Lenders.

10.6 CREDIT DECISION; DISCLOSURE OF INFORMATION BY ADMINISTRATIVE AGENT. Each Lender acknowledges that no Administrative Agent-Related Person has



made any representation or warranty to it, and that no act by the Administrative Agent hereafter taken, including any consent to and acceptance of any assignment or review of the affairs of the Company and its Subsidiaries or any Affiliate thereof, shall be deemed to constitute any representation or warranty by any Administrative Agent-Related Person to any Lender as to any matter, including whether Agent-Related Persons have disclosed material information in their possession. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon any Administrative Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Company and its Subsidiaries and Affiliates, and all applicable bank or other regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Company hereunder. Each Lender also represents that it will, independently and without reliance upon any Administrative Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Company. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent herein, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of any of the Company, its Subsidiaries or Affiliates which may come into the possession of any Administrative Agent-Related Person.

10.7 INDEMNIFICATION OF ADMINISTRATIVE AGENT. Whether or not the transactions contemplated hereby are consummated, the Lenders shall indemnify upon demand each Administrative Agent-Related Person (to the extent not reimbursed by or on behalf of the Company and without limiting the obligation of the Company to do so), pro rata, and hold harmless each Administrative Agent-Related Person from and against any and all Indemnified Liabilities incurred by it; PROVIDED, HOWEVER, that no Lender shall be liable for the payment to any Administrative Agent-Related Person of any portion of such Indemnified Liabilities to the extent determined in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from such Administrative Agent-Related Person's own gross negligence or willful misconduct; provided, however, that no action taken in accordance with the directions of the Required Lenders or all of the Lenders, as applicable, shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section. Without limitation of the foregoing, each Lender shall reimburse the Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Administrative Agent is not reimbursed for such expenses by or on behalf of the Company. The undertaking in this Section shall survive the termination of the combined Commitments, the payment of all other Obligations and the resignation of the Administrative Agent.

10.8 ADMINISTRATIVE AGENT IN ITS INDIVIDUAL CAPACITY. BofA and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with each of the Company and its Subsidiaries and Affiliates as though BofA were not the Administrative Agent or an Issuing Lender hereunder and without notice to or consent of the Lenders. The Lenders acknowledge that, pursuant to such activities, BofA or its Affiliates may receive information regarding the Company, its Subsidiaries or its Affiliates (including information that may be subject to confidentiality obligations in favor of the Company or such Affiliate or Subsidiary) and acknowledge that the Administrative Agent shall be under no obligation to provide such information to them. With respect to its Loans, BofA shall have the same rights and powers under this Agreement as any other Lender and may exercise the such rights and powers as though it were not the Administrative Agent or an Issuing Lender, and the terms "Lender" and "Lenders" include BofA in its individual capacity.

10.9 SUCCESSOR ADMINISTRATIVE AGENT. The Administrative Agent may resign as Administrative Agent upon 30 days' notice to the Lenders; provided that any such resignation by BofA shall also constitute its resignation as an Issuing Lender and Swing Line Lender. If the Administrative Agent resigns under this Agreement, the Required Lenders shall appoint from among the Lenders a successor administrative agent for the Lenders, which successor administrative agent shall be consented to by the Company at all times other than during the existence of an Event of Default (which consent of the Company shall not be unreasonably withheld or delayed). If no successor administrative agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Lenders and the Company, a successor administrative agent from among the Lenders. Upon the acceptance of its appointment as successor administrative agent hereunder, the Person acting as such successor administrative agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent, Issuing Lender and Swing Line Lender and the respective terms "Administrative Agent," "Issuing Lender" and "Swing Line Lender" shall mean such successor administrative agent, Letter of Credit issuer and swing line lender, and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated and the retiring Issuing Lender's and Swing Line Lender's rights, powers and duties as such shall be terminated, without any other or further act or deed on the part of such retiring Issuing Lender or Swing Line Lender or any other Lender, other than the obligation of the successor Issuing Lender to issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or to make other arrangements satisfactory to the retiring Issuing Lender to effectively assume the obligations of the retiring Issuing Lender with respect to such Letters of Credit. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this ARTICLE X and SECTIONS 11.4 and 11.5 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor administrative agent has accepted appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above.

10.10 ADMINISTRATIVE AGENT MAY FILE PROOFS OF CLAIM. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company, the Administrative Agent (irrespective of whether the principal of any Loan or L/C Obligation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Company) shall be entitled and empowered, by intervention in such proceeding or otherwise

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, L/C Obligations and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under SECTIONS 2.9, 3.8 and 11.4) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under SECTIONS 2.9 AND 11.4.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

10.11 OTHER AGENTS; ARRANGERS AND MANAGERS. None of the Lenders or other Persons identified on the facing page or signature pages of this Agreement as a "syndication agent," "documentation agent," "co-agent," "book manager," "lead manager," "arranger," "lead arranger" or "co-arranger" shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than, in the case of such Lenders, those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders or other Persons so identified shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on any of the Lenders or other Persons so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

ARTICLE XI

MISCELLANEOUS

11.1 AMENDMENTS AND WAIVERS. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent with respect to any departure by the Company or any applicable Subsidiary therefrom, shall be effective unless the same shall be in writing and signed by the Required Lenders (or by the Administrative Agent at the written request of the Required Lenders) and the Company and acknowledged by the Administrative Agent, and then any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided that no such waiver, amendment or consent shall increase or extend the Commitment of any Lender without the written consent of such Lender; and PROVIDED, FURTHER, that no such waiver, amendment or consent shall, unless in writing and signed by all Lenders and the Company and acknowledged by the Administrative Agent, do any of the following:

(a) extend or increase the Commitment of any Lender without the written consent of such Lender or reinstate any Commitment terminated pursuant to SECTION 9.2;

(b) postpone or delay any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees or other amounts due to the Lenders (or any of them) hereunder or under any other Loan Document;

(c) reduce the principal of, or the rate of interest specified herein on, any Loan, or reduce any fees (other than the fees referred to in SUBSECTION 2.9(A) or SUBSECTIONS 3.8(C) and (D) and the rate of interest referred to in SUBSECTION 2.8(C)) or other amounts payable hereunder or under any other Loan Document;

(d) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Loans which is required for the Lenders or any of them to take any action hereunder; or

(e) amend this Section, or SECTION 2.13, or any provision herein providing for consent or other action by all Lenders;

and PROVIDED, FURTHER, that (i) no amendment, waiver or consent shall, unless in writing and signed by the applicable Issuing Lender in addition to the Required Lenders or all Lenders, as the case may be, affect the rights or duties of such Issuing Lender under this Agreement or any L/C-Related Document relating to any Letter of Credit Issued or to be Issued by it, (ii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Required Lenders or all Lenders, as the case may be, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document and (iii) no amendment, waiver or consent shall, unless in writing and signed by the Swing Line Lender in addition to the Required Lenders or all Lenders, as the case may be, affect the rights or duties of the Swing Line Lender under this Agreement or any other Loan Document.

11.2 NOTICES AND OTHER COMMUNICATIONS; FACSIMILE COPIES.

(a) GENERAL. Unless otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including by facsimile transmission). All such written notices shall be mailed, faxed or delivered to the applicable address, facsimile number or (subject to subsection (c) below) electronic mail address, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Company, the Administrative Agent, the applicable Issuing Lender or the Swing Line Lender, to the address, facsimile number, electronic mail address or telephone number specified for such Person on SCHEDULE 11.2 or to such other address, facsimile number, electronic mail address or telephone number as shall be designated by such party in a notice to the other parties; and

(ii) if to any other Lender, to the address, facsimile number, electronic mail address or telephone number specified in its Administrative Questionnaire or to such other address, facsimile number, electronic mail address or telephone number as shall be designated by such party in a notice to the Company, the Administrative Agent, the applicable Issuing Lender and the Swing Line Lender.

All such notices and other communications shall be deemed to be given or made upon the earlier to occur of (i) actual receipt by the relevant party hereto and (ii) (A) if delivered by hand or by courier, when signed for by or on behalf of the relevant party hereto; (B) if delivered by mail, four Business Days after deposit in the mails, postage prepaid; (C) if delivered by facsimile, when sent and receipt has been confirmed by telephone; and (D) if delivered by electronic mail (which form of delivery is subject to the provisions of subsection (c) below), when delivered; PROVIDED, HOWEVER, that notices and other communications to the Administrative Agent, the applicable Issuing Lender and the Swing Line Lender pursuant to ARTICLES II AND III shall not be effective until actually received by such Person. In no event shall a voicemail message be effective as a notice, communication or confirmation hereunder.

(b) EFFECTIVENESS OF FACSIMILE DOCUMENTS AND SIGNATURES. Loan Documents may be transmitted and/or signed by facsimile. The effectiveness of any such documents and signatures shall, subject to applicable law, have the same force and effect as manually-signed originals and shall be binding on the Company, the Administrative Agent and the Lenders. The Administrative Agent may also require that any such documents and signatures be confirmed by a manually-signed original thereof; PROVIDED, HOWEVER, that the failure to request or deliver the same shall not limit the effectiveness of any facsimile document or signature.

(c) LIMITED USE OF ELECTRONIC MAIL. Electronic mail and Internet and intranet websites may be used only to distribute routine communications, such as financial statements and other information as provided in SECTION 7.2, and to distribute Loan Documents for execution by the parties thereto, and may not be used for any other purpose.

(d) RELIANCE BY ADMINISTRATIVE AGENT AND LENDERS. The Administrative Agent and the Lenders shall be entitled to rely and act upon any notices (including telephonic Notices of Committed Borrowing and Notices of Swing Line Loan) purportedly given by or on behalf of the Company even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Company shall indemnify each Administrative Agent-Related Person and each Lender from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Company. All telephonic notices to and other communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

11.3 NO WAIVER; CUMULATIVE REMEDIES. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

11.4 ATTORNEY COSTS, EXPENSES AND TAXES. The Company agrees (a) to pay or reimburse the Administrative Agent and BAS for all reasonable costs and expenses incurred by BofA (including in its capacity as Administrative Agent, Swing Line Lender and an Issuing Lender) and BAS in connection with the preparation, negotiation and execution of this Agreement and the other Loan Documents and any amendment, waiver, consent or other modification of the provisions hereof and thereof (whether or not the transactions contemplated hereby or thereby are consummated), and the consummation and administration of the transactions contemplated hereby and thereby, including all Attorney Costs incurred by the Administrative Agent and BAS with respect thereto, and (b) to pay or reimburse the Administrative Agent and each Lender for all reasonable costs and expenses incurred in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or the other Loan Documents (including all such costs and expenses incurred during any "workout" or restructuring in respect of the Obligations and during any legal proceeding, including any proceeding under any insolvency laws), including all Attorney Costs. The foregoing costs and expenses shall include all search, filing, recording, title insurance and appraisal charges and fees and taxes related thereto, and other out-of-pocket expenses incurred by the Administrative Agent and the cost of independent public accountants and other outside experts retained by the Administrative Agent or any Lender. All amounts due under this SECTION 11.4 shall be payable within ten Business Days after demand therefor. The agreements in this Section shall survive the termination of the Aggregate Commitments and repayment of all other Obligations

11.5 INDEMNIFICATION BY THE COMPANY. The Company shall indemnify and hold harmless each Administrative Agent-Related Person, each Lender and their respective Affiliates, directors, officers, employees, counsel, agents and attorneys-in-fact (collectively the "Indemnitees") from and against any and all liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, expenses and disbursements (including Attorney Costs) of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against any such Indemnatee in any way relating to or arising out

of or in connection with (a) the execution, delivery, enforcement, performance or administration of any Loan Document or any other agreement, letter or instrument delivered in connection with the transactions contemplated thereby or the consummation of the transactions contemplated thereby, (b) any Commitment, Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by the Applicable Issuing Lender to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (c) any presence or release of Hazardous Materials on or from any property currently or formerly owned or operated by the Company, any Subsidiary or any Affiliate of the Company, or any Environmental Liability related in any way to the Company, any Subsidiary or any Affiliate of the Company, or (d) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory (including any investigation of, preparation for, or defense of any pending or threatened in writing claim, investigation, litigation or proceeding) and regardless of whether any Indemnitee is a party thereto (all the foregoing, collectively, the "Indemnified Liabilities"); provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, expenses or disbursements are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee. No Indemnitee shall be liable for any damages arising from the use by others of any information or other materials obtained through IntraLinks or other similar information transmission systems in connection with this Agreement, nor shall any Indemnitee have any liability for any indirect or consequential damages relating to this Agreement or any other Loan Document or arising out of its activities in connection herewith or therewith (whether before or after the Effective Date). In the event Indemnitees intend to seek indemnity hereunder from the Company, Indemnitees shall give prompt written notice of such Indemnified Liabilities to the Company and Company's counsel at the addresses set forth in SCHEDULE 11.2. All amounts due under this SECTION 11.5 shall be payable within ten Business Days after demand therefor. The agreements in this Section shall survive the resignation of the Administrative Agent, the replacement of any Lender, the termination of the combined Commitments and the repayment, satisfaction or discharge of all the other Obligations.

11.6 PAYMENTS SET ASIDE. To the extent that the Company makes a payment to the Administrative Agent or the Lenders, or the Administrative Agent or any Lender exercises its right of set-off, and such payment or the proceeds of such set-off or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent or such Lender in its discretion) to be repaid to a trustee, a receiver or any other party, in connection with any Insolvency Proceeding or otherwise, then (a) to the extent of such recovery the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred and (b) each Lender severally agrees to pay to the Administrative Agent upon demand its pro rata share of any amount so recovered from or repaid by the Administrative Agent.

11.7 SUCCESSORS AND ASSIGNS. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Company may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Administrative Agent and each Lender.

#### 11.8 ASSIGNMENTS, PARTICIPATIONS, ETC.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Company may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of subsection (b) of this Section, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section, (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) or (i) of this Section, or (iv) to an SPC in accordance with the provisions of subsection (h) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Indemnitees) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans (including for purposes of this subsection (b), participations in L/C Obligations and in Swing Line Loans) at the time owing to it); provided that (i) except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund (as defined in subsection (g) of this Section) with respect to a Lender, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than \$5,000,000 unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Company otherwise consents (each such consent not to be unreasonably withheld or delayed); (ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned, except that this clause (ii) shall not apply to rights in respect of Swing Line Loans; (iii) any assignment of a Commitment must be approved by the Administrative Agent, the applicable Issuing Lender and the Swing Line Lender (each such approval not to be unreasonably withheld or delayed) unless the Person that is the proposed assignee is itself a Lender (whether or not the proposed assignee would otherwise qualify as an Eligible Assignee); and (iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500. Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under



this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of SECTIONS 4.1, 4.3, 4.4, 11.4 and 11.5 with respect to facts and circumstances occurring prior to the effective date of such assignment). Upon request, the Company (at its expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(c) The Administrative Agent, acting solely for this purpose as an agent of the Company, shall maintain at the Administrative Agent's Payment Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans and L/C Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Company, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Company and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Any Lender may at any time, without the consent of, or notice to, the Company or the Administrative Agent, sell participations to any Person (other than a natural person or the Company or any of the Company's Affiliates or Subsidiaries ) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans (including such Lender's participations in L/C Obligations and/or Swing Line Loans) owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Company, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to SECTION 11.1 that directly affects such Participant. Subject to subsection (e) of this Section, the Company agrees that each Participant shall be entitled to the benefits of SECTIONS 4.1, 4.3 and 4.4 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of SECTION 11.10 as though it were a Lender, provided such Participant agrees to be subject to SECTION 2.13 as though it were a Lender.

(e) A Participant shall not be entitled to receive any greater payment under SECTION 4.1 or 4.3 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Company's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of SECTION 4.1 unless the Company

is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Company, to comply with SECTION 11.15 as though it were a Lender.

(f) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) As used herein, the following terms have the following meanings:

"Eligible Assignee" means (a) a Lender; (b) an Affiliate of a Lender; (c) an Approved Fund; and (d) any other Person (other than a natural person) approved by (i) the Administrative Agent, the Issuing Lenders and the Swing Line Lender, and (ii) unless an Event of Default has occurred and is continuing, the Company (each such approval not to be unreasonably withheld or delayed); provided that notwithstanding the foregoing, "Eligible Assignee" shall not include the Company or any of the Company's Affiliates or Subsidiaries.

"Fund" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"Approved Fund" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

(h) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Company (an "SPC") the option to provide all or any part of any Committed Loan that such Granting Lender would otherwise be obligated to make pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to fund any Committed Loan, and (ii) if an SPC elects not to exercise such option or otherwise fails to make all or any part of such Committed Loan, the Granting Lender shall be obligated to make such Committed Loan pursuant to the terms hereof. Each party hereto hereby agrees that (i) neither the grant to any SPC nor the exercise by any SPC of such option shall increase the costs or expenses or otherwise increase or change the obligations of the Company under this Agreement (including its obligations under SECTION 4.3), (ii) no SPC shall be liable for any indemnity or similar payment obligation under this Agreement for which a Lender would be liable, and (iii) the Granting Lender shall for all purposes, including the approval of any amendment, waiver or other modification of any provision of any Loan Document, remain the lender of record hereunder. The making of a Committed Loan by an SPC hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Committed Loan were made by such Granting Lender. In furtherance of the foregoing, each party hereto hereby agrees (which agreement

shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior debt of any SPC, it will not institute against, or join any other Person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceeding under the laws of the United States or any State thereof. Notwithstanding anything to the contrary contained herein, any SPC may (i) with notice to, but without prior consent of the Company and the Administrative Agent and with the payment of a processing fee of \$3,500, assign all or any portion of its right to receive payment with respect to any Committed Loan to the Granting Lender and (ii) disclose on a confidential basis any non-public information relating to its funding of Committed Loans to any rating agency, commercial paper dealer or provider of any surety or Guaranty Obligations or credit or liquidity enhancement to such SPC.

(i) Notwithstanding anything to the contrary contained herein, any Lender that is a Fund may create a security interest in all or any portion of the Loans owing to it and the Note, if any, held by it to the trustee for holders of obligations owed, or securities issued, by such Fund as security for such obligations or securities, provided that unless and until such trustee actually becomes a Lender in compliance with the other provisions of this SECTION 11.8, (i) no such pledge shall release the pledging Lender from any of its obligations under the Loan Documents and (ii) such trustee shall not be entitled to exercise any of the rights of a Lender under the Loan Documents even though such trustee may have acquired ownership rights with respect to the pledged interest through foreclosure or otherwise.

(j) Notwithstanding anything to the contrary contained herein, if at any time BofA assigns all of its Commitment and Loans pursuant to subsection (b) above, BofA may, (i) upon 30 days' notice to the Company and the Lenders, resign as an Issuing Lender and/or (ii) upon 30 days' notice to the Company, resign as Swing Line Lender. In the event of any such resignation as an Issuing Lender or Swing Line Lender, the Company shall be entitled to appoint from among the Lenders a successor Issuing Lender or Swing Line Lender hereunder; provided, however, that no failure by the Company to appoint any such successor shall affect the resignation of BofA as an Issuing Lender or Swing Line Lender, as the case may be. If BofA resigns as an Issuing Lender, it shall retain all the rights and obligations of an Issuing Lender hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as an Issuing Lender and all L/C Obligations with respect thereto (including the right to require the Lenders to make Base Rate Committed Loans or fund risk participations in Unreimbursed Amounts pursuant to SECTION 3.3). If BofA resigns as Swing Line Lender, it shall retain all the rights of the Swing Line Lender provided for hereunder with respect to Swing Line Loans made by it and outstanding as of the effective date of such resignation, including the right to require the Lenders to make Base Rate Committed Loans or fund risk participations in outstanding Swing Line Loans pursuant to SECTION 2.16(B).

11.9 CONFIDENTIALITY. Each Lender agrees to take, and to cause its Affiliates to take, normal and reasonable precautions and exercise due care to maintain the confidentiality of all information identified as "confidential" or "secret" by the Company and provided to it by the Company or any Subsidiary, or by the Administrative Agent on the Company's or such Subsidiary's behalf, under

this Agreement or any other Loan Document, and neither such Lender nor any of its Affiliates shall use any such information other than in connection with or in enforcement of this Agreement and the other Loan Documents or in connection with other business now or hereafter existing or contemplated with the Company or any Subsidiary; except to the extent such information (i) was or becomes generally available to the public other than as a result of disclosure by such Lender, or (ii) was or becomes available on a non-confidential basis from a source other than the Company, provided that such source is not bound by a confidentiality agreement with the Company or any Subsidiary known to such Lender; PROVIDED, HOWEVER, that any Lender may disclose such information (A) at the request or pursuant to any requirement of any Governmental Authority to which such Lender is subject or in connection with an examination of such Lender by any such authority; (B) pursuant to subpoena or other court process; (C) when required to do so in accordance with the provisions of any applicable Requirement of Law; (D) to the extent reasonably required in connection with any litigation or proceeding to which the Administrative Agent or any Lender or any of their respective Affiliates may be party; (E) to the extent reasonably required in connection with the exercise of any remedy hereunder or under any other Loan Document; (F) to such Lender's independent auditors and other professional advisors; (G) to any Participant or Assignee, actual or potential, provided that such Person agrees in writing to keep such information confidential to the same extent required of the Lenders hereunder; (H) as to any Lender or any of its Affiliates, as expressly permitted under the terms of any other document or agreement regarding confidentiality to which the Company or any Subsidiary is party or is deemed party with such Lender or such Affiliate; and (I) to its Affiliates.

11.10 SET-OFF. In addition to any rights and remedies of the Lenders provided by law, if any Event of Default exists, each Lender is authorized at any time and from time to time, without prior notice to the Company, any such notice being expressly waived by the Company to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, and other indebtedness at any time owing by, such Lender to or for the credit or the account of the Company against any and all Obligations owing to such Lender, now or hereafter existing, irrespective of whether or not the Administrative Agent or such Lender shall have made demand under this Agreement or any other Loan Document and although such Obligations may be contingent or unmatured. Each Lender agrees promptly to notify the Company and the Administrative Agent after any such set-off and application made by such Lender; PROVIDED, HOWEVER, that the failure to give such notice shall not affect the validity of such set-off and application.

11.11 NOTIFICATION OF ADDRESSES, LENDING OFFICES, ETC. Each Lender shall notify the Administrative Agent in writing of any change in the address to which notices to such Lender should be directed, of addresses of any Lending Office, of payment instructions in respect of all payments to be made to it hereunder and of such other administrative information as the Administrative Agent shall reasonably request.

11.12 COUNTERPARTS. This Agreement may be executed in any number of separate counterparts, each of which, when so executed, shall be deemed an original, and all of which taken together shall be deemed to constitute but one and the same instrument.

11.13 SEVERABILITY. The illegality or unenforceability of any provision of this Agreement or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Agreement or any instrument or agreement required hereunder.

11.14 NO THIRD PARTIES BENEFITED. This Agreement is made and entered into for the sole protection and legal benefit of the Company, the Lenders, the Administrative Agent and the Administrative Agent-Related Persons and the Indemnified Persons, and their permitted successors and assigns, and no other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any of the other Loan Documents.

11.15 TAX FORMS.

(a) (i) Each Lender that is not a "United States person" within the meaning of Section 7701(a)(30) of the Code (a "Foreign Lender") shall deliver to the Administrative Agent, prior to receipt of any payment subject to withholding under the Code (or upon accepting an assignment of an interest herein), two duly signed completed copies of either IRS Form W-8BEN or any successor thereto (relating to such Foreign Lender and entitling it to an exemption from, or reduction of, withholding tax on all payments to be made to such Foreign Lender by the Company pursuant to this Agreement) or IRS Form W-8ECI or any successor thereto (relating to all payments to be made to such Foreign Lender by the Company pursuant to this Agreement) or such other evidence satisfactory to the Company and the Administrative Agent that such Foreign Lender is entitled to an exemption from, or reduction of, U.S. withholding tax, including any exemption pursuant to Section 881(c) of the Code. Thereafter and from time to time, each such Foreign Lender shall (A) promptly submit to the Administrative Agent such additional duly completed and signed copies of one of such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may then be available under then current United States laws and regulations to avoid, or such evidence as is satisfactory to the Company and the Administrative Agent of any available exemption from or reduction of, United States withholding taxes in respect of all payments to be made to such Foreign Lender by the Company pursuant to this Agreement, (B) promptly notify the Administrative Agent of any change in circumstances which would modify or render invalid any claimed exemption or reduction, and (C) take such steps as shall not be materially disadvantageous to it, in the reasonable judgment of such Lender, and as may be reasonably necessary (including the re-designation of its Lending Office) to avoid any requirement of applicable laws that the Company make any deduction or withholding for taxes from amounts payable to such Foreign Lender.

(ii) Each Foreign Lender, to the extent it does not act or ceases to act for its own account with respect to any portion of any sums paid or payable to such Lender under any of the Loan Documents (for example, in the case of a typical participation by such Lender), shall deliver to the Administrative Agent on the date when such Foreign Lender ceases to act for its own account with respect to any portion of any such sums paid or payable, and at such other times as may be necessary in the determination of the Administrative Agent (in the reasonable exercise of its discretion), (A) two duly signed completed copies of the forms or statements required to be provided by such Lender as set forth above, to establish the portion of any such sums paid or payable with respect to which such Lender acts for its own account that is not subject to U.S.

withholding tax, and (B) two duly signed completed copies of IRS Form W-8IMY (or any successor thereto), together with any information such Lender chooses to transmit with such form, and any other certificate or statement of exemption required under the Code, to establish that such Lender is not acting for its own account with respect to a portion of any such sums payable to such Lender.

(iii) The Company shall not be required to pay any additional amount to any Foreign Lender under SECTION 4.1 (A) with respect to any Taxes required to be deducted or withheld on the basis of the information, certificates or statements of exemption such Lender transmits with an IRS Form W-8IMY pursuant to this SECTION 11.15(A) or (B) if such Lender shall have failed to satisfy the foregoing provisions of this SECTION 11.15(A); provided that if such Lender shall have satisfied the requirement of this SECTION 11.15(A) on the date such Lender became a Lender or ceased to act for its own account with respect to any payment under any of the Loan Documents, nothing in this SECTION 11.15(A) shall relieve the Company of its obligation to pay any amounts pursuant to SECTION 4.1 in the event that, as a result of any change in any applicable law, treaty or governmental rule, regulation or order, or any change in the interpretation, administration or application thereof, such Lender is no longer properly entitled to deliver forms, certificates or other evidence at a subsequent date establishing the fact that such Lender or other Person for the account of which such Lender receives any sums payable under any of the Loan Documents is not subject to withholding or is subject to withholding at a reduced rate.

(iv) The Administrative Agent may, without reduction, withhold any Taxes required to be deducted and withheld from any payment under any of the Loan Documents with respect to which the Company is not required to pay additional amounts under this SECTION 11.15(A).

(b) Upon the request of the Administrative Agent, each Lender that is a "United States person" within the meaning of Section 7701(a)(30) of the Code shall deliver to the Administrative Agent two duly signed completed copies of IRS Form W-9. If such Lender fails to deliver such forms, then the Administrative Agent may withhold from any interest payment to such Lender an amount equivalent to the applicable back-up withholding tax imposed by the Code, without reduction.

(c) If any Governmental Authority asserts that the Administrative Agent did not properly withhold or backup withhold, as the case may be, any tax or other amount from payments made to or for the account of any Lender, such Lender shall indemnify the Administrative Agent therefor, including all penalties and interest, any taxes imposed by any jurisdiction on the amounts payable to the Administrative Agent under this Section, and costs and expenses (including Attorney Costs) of the Administrative Agent. The obligation of the Lenders under this Section shall survive the termination of the combined Commitments, repayment of all other Obligations hereunder and the resignation of the Administrative Agent.

#### 11.16 GOVERNING LAW AND JURISDICTION.

(a) THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF FLORIDA; PROVIDED THAT THE ADMINISTRATIVE AGENT AND THE LENDERS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF FLORIDA OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF FLORIDA, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE COMPANY, THE ADMINISTRATIVE AGENT AND THE LENDERS CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF SUCH COURTS. EACH OF THE COMPANY, THE ADMINISTRATIVE AGENT AND THE LENDERS IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. THE COMPANY, THE ADMINISTRATIVE AGENT AND THE LENDERS EACH WAIVE PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY FLORIDA LAW.

11.17 WAIVER OF RIGHT TO TRIAL BY JURY. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO ANY LOAN DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

11.18 ENTIRE AGREEMENT. This Agreement, together with the other Loan Documents (and any agreement relating to fees referred in SUBSECTION 2.9(A)), embodies the entire agreement and understanding among the Company, the Lenders and the Administrative Agent, and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof and thereof.

11.19 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Event of Default or Unmatured Event of Default at the time of any Credit Extension, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding.

[SIGNATURE PAGES FOLLOW]

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

REPUBLIC SERVICES, INC.

By: /s/ Edward A. Lang, III  
-----

Name: Edward A. Lang, III  
Title: Vice President Finance & Treasurer

BANK OF AMERICA, N.A.,  
as Administrative Agent

By: /s/ Timothy H. Spanos  
-----

Name: Timothy H. Spanos  
Title: Managing Director

BANK OF AMERICA, N.A., as Swing Line  
Lender, as an Issuing Lender and as a Lender

By: /s/ Timothy H. Spanos  
-----

Name: Timothy H. Spanos  
Title: Managing Director

CITIBANK, N.A., as a Lender

By: /s/ David L. Harris  
-----

Name: David L. Harris  
Title: Vice President

BANK ONE, NA

By: /s/ Steven P. Sullivan  
-----

Name: Steven P. Sullivan  
Title: Associate Director

Signature Page



BARCLAYS BANK PLC

By: /s/ L. Peter Yetman

-----  
Name: L. Peter Yetman  
Title: Director

SUNTRUST BANK

By: /s/ Karen C. Copeland

-----  
Name: Karen C. Copeland  
Title: Vice President

BNP PARIBAS

By: /s/ Mike Shryock

-----  
Name: Mike Shryock  
Title: Vice President

By: /s/ John Stacy

-----  
Name: John Stacy  
Title: Managing Director

WACHOVIA BANK, NATIONAL ASSOCIATION

By: /s/ William R. Goley

-----  
Name: William R. Goley  
Title: Director

CREDIT LYONNAIS NEW YORK BRANCH

By: /s/ Attila Koc

-----  
Name: Attila Koc  
Title: Senior Vice President

Signature Page

FLEET NATIONAL BANK

By: /s/ David C. Brecht

-----  
Name: David C. Brecht  
Title: Vice President

THE BANK OF NEW YORK

By: /s/ David C. Siegel

-----  
Name: David C. Siegel  
Title: Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Robert Neubauer

-----  
Name: Robert Neubauer  
Title: Vice President

COMERICA BANK

By: /s/ Gerald R. Finney, Jr.

-----  
Name: Gerald R. Finney, Jr.  
Title: Vice President

Signature Page

Schedule 1.1

Pricing Schedule

The Facility Fee Rate, the Applicable Margin, the L/C Fee Rate and the Utilization Fee Rate, for any fiscal quarter, shall be the applicable rate per annum set forth in the table below, determined as of the day next following receipt by the Administrative Agent from the Company of evidence satisfactory to the Administrative Agent of the then Rating.

-----  
(In Basis Points)  
-----

Tier	Rating (1)	Facility Fee	Applicable Margin/ L/C Fee Rate	Utilization Fee
I	BBB+/Baa1 or higher	12.5	50.0	12.5
II	BBB/Baa2	17.5	70.0	12.5
III	BBB-/Baa3	20.0	80.0	25.0
IV	less than BBB-/Baa3	25.0	100.0	25.0

-----

(1) Unless otherwise indicated, in the event of a single split Rating, the higher Rating shall apply. In the event of a multiple split Rating, the applicable Rating shall be one higher than the lower Rating.

SUBSIDIARY NAME -----	STATE OF INCORPORATION -----
A-Best Disposal, Inc.	OH
Ace Disposal Services, Inc.	OH
ADAJ Corporation	CA
Anderson Refuse Co., Inc.	IN
Anderson Solid Waste, Inc.	CA
Arc Disposal Company, Inc.	IL
Ariana, LLC	DE
Astro Waste Services, Inc.	ME
Atlas Transport, Inc.	CA
Barker Brothers Waste Incorporated	TN
Barker Brothers, Inc.	TN
Bay Collection Services, Inc.	CA
Bay Environmental Management, Inc.	CA
Bay Landfills, Inc.	CA
Bay Leasing Company, Inc.	CA
Berkeley Sanitary Service, Inc.	CA
Berrien County Landfill, Inc.	MI
BLT Enterprises of Oxnard, Inc.	CA
Bluegrass Recycling & Transfer Company	KY
Bom Ambiente Insurance Company	Cayman Islands
Bosman Bros., Inc.	IL
Calvert Trash Service Incorporated	MD
Calvert Trash Systems, Incorporated	MD
Capital Waste & Recycling, Inc.	NY
Commercial Waste Disposal, Inc.	KY
Compactor Rental Systems of Delaware, Inc.	DE
Consolidated Disposal Service, LLC	DE
Continental Waste Industries - Gary, Inc.	IN
Continental Waste Industries, L.L.C.	DE
Covington Waste, Inc.	TN
Crockett Sanitary Service, Inc.	CA
CWI of Florida, Inc.	FL
CWI of Illinois, Inc.	IL
CWI of Missouri, Inc.	MO
CWI of Northwest Indiana, Inc.	IN
E & P Investment Corporation	IL
Envirocycle, Inc.	FL
Environmental Specialists, Inc.	MO
FLL, Inc.	MI
G.E.M. Environmental Management, Inc.	DE
Gilliam Transfer, Inc.	MO
Greenfield Environmental Development Corp.	DE
Hanks Disposal, Inc.	IN

## SUBSIDIARY NAME

## STATE OF INCORPORATION

SUBSIDIARY NAME	STATE OF INCORPORATION
HMD Waste, L.L.C.	DE
Honeygo Run Reclamation Center, Inc.	MD
Indiana Recycling, LLC	IN
Jamax Corporation	IN
K & K Trash Removal, Inc.	MD
L.R. Stuart and Son, Inc.	VA
McCusker Recycling, Inc.	PA
M-G Disposal Service, LLC	DE
Midwest Material Management, Inc.	IN
Noble Risley, Jr. & Sons, Inc.	IL
Northwest Tennessee Disposal Corp.	TN
Nove Investments I, LLC	CA
Oceanside Waste & Recycling Services	CA
Ohio Republic Contracts, II, Inc.	DE
Ohio Republic Contracts, Inc.	OH
Peninsula Waste Systems, LLC	MD
Perdomo & Sons, Inc.	CA
Perdomo/BLT Enterprises, LLC	CA
Potrero Hills Landfill, Inc.	CA
Prichard Landfill Corporation	WV
Reliable Disposal, Inc.	MI
Republic Acquisition Company	DE
Republic Dumpco, Inc.	NV
Republic Environmental Technologies, Inc.	NV
Republic Indiana Merger, LLC	DE
Republic Services Aviation, Inc.	FL
Republic Services Financial LP, Inc.	DE
Republic Services Financial, Limited Partnership	DE
Republic Services Holding Company, Inc.	DE
Republic Services of Arizona Hauling, LLC	AZ
Republic Services of California Holding Company, Inc.	DE
Republic Services of California I, LLC	DE
Republic Services of California II, LLC	DE
Republic Services of Canada, Inc.	Canada
Republic Services of Colorado Hauling, LLC	CO
Republic Services of Colorado I, LLC	CO
Republic Services of Florida GP, Inc.	DE
Republic Services of Florida LP, Inc.	DE
Republic Services of Florida, Limited Partnership	DE
Republic Services of Georgia GP, LLC	DE
Republic Services of Georgia LP, LLC	DE
Republic Services of Georgia, Limited Partnership	DE
Republic Services of Indiana LP, Inc.	DE
Republic Services of Indiana Transportation, LLC	DE

SUBSIDIARY NAME	STATE OF INCORPORATION
-----	-----
Republic Services of Indiana, Limited Partnership	DE
Republic Services of Kentucky, LLC	KY
Republic Services of Maryland, LLC	MD
Republic Services of Michigan Hauling, LLC	MI
Republic Services of Michigan Holding Company, Inc.	DE
Republic Services of Michigan I, LLC	MI
Republic Services of Michigan II, LLC	MI
Republic Services of Michigan III, LLC	MI
Republic Services of Michigan IV, LLC	MI
Republic Services of Michigan V, LLC	MI
Republic Services of New Jersey II, LLC	DE
Republic Services of New Jersey, LLC	DE
Republic Services of New York Hauling, LLC	NY
Republic Services of New York, Inc.	DE
Republic Services of North Carolina, LLC	NC
Republic Services of Ohio Hauling, LLC	OH
Republic Services of Ohio I, LLC	OH
Republic Services of Ohio II, LLC	OH
Republic Services of Ohio III, LLC	OH
Republic Services of Ohio IV, LLC	OH
Republic Services of Pennsylvania, LLC	DE
Republic Services of South Carolina, LLC	DE
Republic Services of Tennessee, LLC	DE
Republic Services of Virginia, LLC	VA
Republic Services of Wisconsin GP, LLC	DE
Republic Services of Wisconsin LP, LLC	DE
Republic Services of Wisconsin, Limited Partnership	DE
Republic Services Real Estate Holding, Inc.	NC
Republic Services Risk Management, Inc.	DE
Republic Services Vasco Road, LLC	DE
Republic Services, Inc.	DE
Republic Silver State Disposal, Inc.	NV
Republic Wabash Company	DE
Republic Waste Services of Louisiana, LLC	DE
Republic Waste Services of Texas GP, Inc.	DE
Republic Waste Services of Texas LP, Inc.	DE
Republic Waste Services of Texas, Ltd.	TX
RI/Alameda Corp.	CA
Richmond Sanitary Service, Inc.	CA
RITM, LLC	DE
RS/WM Holding Company, LLC	DE
RSG Cayman Group, Inc.	DE
Rubbish Control, LLC	DE
Sandy Hollow Landfill Corp.	WV

## SUBSIDIARY NAME

## STATE OF INCORPORATION

- - - - -

- - - - -

Sanifill, Inc.	TN
Schofield Corporation of Orlando	FL
Solano Garbage Company	CA
South Trans, Inc.	NJ
Southern Illinois Regional Landfill, Inc.	IL
Suburban Sanitation Services, Inc.	AZ
Sunrise Disposal, Inc.	IN
Taormina Industries, LLC	DE
Tay-Ban Corporation	MI
Terre Haute Recycling, Inc.	IN
The LETCO Group, Limited Partnership	DE
Tri-County Refuse Service, Inc,	MI
Triple G Landfills, Inc.	IN
United Refuse Co., Inc.	IN
Victory Environmental Services, Inc.	DE
Victory Waste Incorporated	CA
Wabash Valley Development Corporation	IN
Wabash Valley Landfill Company, Ltd.	PA
Water Recovery Systems, LLC	SC
West Contra Costa Energy Recovery Company	CA
West Contra Costa Sanitary Landfill, Inc.	CA
West County Landfill, Inc.	CA
West County Resource Recovery, Inc.	CA
Wilshire Disposal Services, Inc.	CA
Zakaroff Services	CA

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statements (Forms S-8 Nos. 333-81801, 333-78125, 333-45542 and 333-10408) pertaining to the Republic Services 401(k) Plan, 1998 Stock Incentive Plan, Republic Services, Inc. Amended and Restated Employee Stock Purchase Plan and Republic Services, Inc. Amended and Restated 1998 Stock Incentive Plan, respectively, of our report dated February 3, 2003, with respect to the consolidated financial statements and schedule of Republic Services, Inc. included in the Annual Report (Form 10-K) for the year ended December 31, 2002.

/s/ Ernst & Young LLP

Fort Lauderdale, Florida  
March 24, 2003