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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(MARK ONE)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

FOR THE TRANSITION PERIOD FROM __________ TO __________

COMMISSION FILE NUMBER: 1-14267

REPUBLIC SERVICES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	65-0716904
(State of Incorporation)	(IRS Employer Identification No.)

110 S.E. 6th Street, 28th Floor Ft. Lauderdale, Florida	33301
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (954) 769-2400

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 [X] No [ ]

On November 5, 2001, the registrant had outstanding 169,099,379 shares of Common Stock, par value $.01 per share.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

REPUBLIC SERVICES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except share data)

	September 30, 2001 (Unaudited)	December 31, 2000
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ --	$ 2.0
Accounts receivable, less allowance for doubtful accounts of $15.2 and $13.2, respectively	271.5	241.3
Prepaid expenses and other current assets	76.9	78.2
Total Current Assets	348.4	321.5
RESTRICTED CASH	99.7	84.3
PROPERTY AND EQUIPMENT, NET	1,786.9	1,667.8
INTANGIBLE ASSETS, NET	1,600.8	1,435.0
OTHER ASSETS	53.3	52.9
	$ 3,889.1	$ 3,561.5
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 79.7	$ 103.4
Accrued liabilities	167.5	89.9
Amounts due to former owners	4.7	15.3
Deferred revenue	75.5	67.6
Notes payable and current maturities of long-term debt	30.1	56.5
Other current liabilities	62.8	49.1
Total Current Liabilities	420.3	381.8
LONG-TERM DEBT, NET OF CURRENT MATURITIES	1,301.6	1,200.2
ACCRUED ENVIRONMENTAL AND LANDFILL COSTS	202.8	151.9
DEFERRED INCOME TAXES	145.1	126.6
OTHER LIABILITIES	33.6	26.1
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' 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; 177,967,988 and 175,658,285 issued, including shares held in treasury, respectively	1.8	1.8
Additional paid-in capital	1,249.1	1,208.4
Retained earnings	680.0	515.6
Treasury stock, at cost (8,897,000 and 3,644,000 shares, respectively)	(144.1)	(50.9)
Accumulated other comprehensive loss, net of tax	(1.1)	--
Total Stockholders' Equity	1,785.7	1,674.9
	$ 3,889.1	$ 3,561.5

The accompanying notes are an integral part of these statements.

REPUBLIC SERVICES, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
REVENUE	$ 582.6	$ 539.1	$ 1,694.0	$ 1,574.2
EXPENSES:				
Cost of operations	358.2	324.9	1,042.4	951.6
Depreciation, amortization and depletion	56.6	50.6	160.8	146.1
Selling, general and administrative	57.4	49.4	169.7	144.7
Other charges	--	6.7	--	6.7
OPERATING INCOME	110.4	107.5	321.1	325.1
INTEREST EXPENSE	(20.7)	(19.7)	(61.2)	(60.3)
INTEREST INCOME	1.8	.7	3.3	1.2
OTHER INCOME (EXPENSE), NET	--	1.0	2.0	1.5
INCOME BEFORE INCOME TAXES	91.5	89.5	265.2	267.5
PROVISION FOR INCOME TAXES	34.8	34.5	100.8	103.0
NET INCOME	$ 56.7	$ 55.0	$ 164.4	$ 164.5
BASIC AND DILUTED EARNINGS PER SHARE	$ .33	$ .31	$ .96	$ .94
WEIGHTED AVERAGE DILUTED COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	171.1	175.7	171.4	175.7

The accompanying notes are an integral part of these statements.

REPUBLIC SERVICES, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(in millions)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss
	Shares, Net	Par Value				
BALANCE AT DECEMBER 31, 2000	172.0	$ 1.8	$ 1,208.4	$ 515.6	$ (50.9)	$ --
Net income	--	--	--	164.4	--	--
Issuance of common stock	2.4	--	40.7	--	--	--
Purchase of common stock for treasury	(5.3)	--	--	--	(93.2)	--
Change in value of derivative instruments, net of tax	--	--	--	--	--	(1.1)
BALANCE AT SEPTEMBER 30, 2001	169.1	$ 1.8	$ 1,249.1	$ 680.0	$(144.1)	$(1.1)

The accompanying notes are an integral part of this statement.

REPUBLIC SERVICES, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Nine Months Ended September 30,	
	2001	2000
CASH PROVIDED BY OPERATING ACTIVITIES:		
Net income	$ 164.4	$ 164.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and depletion of property and equipment	126.1	116.3
Amortization of intangible assets	34.7	29.8
Deferred tax provision	22.1	29.0
Provision for doubtful accounts	12.7	8.3
Other non-cash charges	.2	8.0
Changes in assets and liabilities, net of effects from business acquisitions:		
Accounts receivable	(30.2)	(15.4)
Prepaid expenses and other assets	2.6	(9.8)
Accounts payable and accrued liabilities	26.1	(27.5)
Other liabilities	22.4	12.0
	381.1	315.2
CASH USED IN INVESTING ACTIVITIES:		
Purchases of property and equipment	(179.0)	(147.8)
Proceeds from sale of property and equipment	7.5	11.7
Cash used in business acquisitions, net of cash acquired	(261.1)	(137.7)
Cash proceeds from business dispositions	42.1	31.2
Amounts due and contingent payments to former owners	(29.3)	(31.8)
Restricted cash	46.4	(30.8)
	(373.4)	(305.2)
CASH USED IN FINANCING ACTIVITIES:		
Proceeds from notes payable and long-term debt	71.1	30.8
Payments of notes payable and long-term debt	(5.6)	(5.8)
Proceeds from issuance of unsecured notes, net of discount	447.4	--
Net payments on revolving credit facility	(467.5)	(30.5)
Issuance of common stock	38.1	.4
Purchases of common stock for treasury	(93.2)	(12.7)
Purchase of common stock to fund employee benefit plan	--	(.5)
	(9.7)	(18.3)
DECREASE IN CASH AND CASH EQUIVALENTS	(2.0)	(8.3)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2.0	13.1
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ --	$ 4.8

The accompanying notes are an integral part of these statements.

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

1. BASIS OF PRESENTATION

Republic Services, Inc. (together with its subsidiaries, the "Company") is a leading provider of non-hazardous solid waste collection and disposal services in the United States.

The accompanying Unaudited Condensed Consolidated Financial Statements include the accounts of the Company and have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. All significant intercompany accounts and transactions have been eliminated. Certain information related to the Company's organization, significant accounting policies and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. In the opinion of management, these Unaudited Condensed Consolidated Financial Statements reflect all material adjustments (which include only normal recurring adjustments) necessary to fairly state the financial position and the results of operations for the periods presented, and the disclosures herein are adequate to make the information presented not misleading. Operating results for interim periods are not necessarily indicative of the results that can be expected for a full year. These interim financial statements should be read in conjunction with the Company's audited Consolidated Financial Statements and notes thereto appearing in the Company's Form 10-K for the year ended December 31, 2000. Certain amounts in the 2000 Condensed Consolidated Financial Statements, as previously reported, have been reclassified to conform to the fiscal 2001 presentation.

The Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles 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.

Other comprehensive loss, net of tax, for the nine months ended September 30, 2001 was $1.1 million. During the three and nine months ended September 30, 2001, the Company recorded unrealized losses, net of tax, of $1.6 and $1.1 million, respectively, relating to the change in fair value of its fuel hedge option agreements in accordance with Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). (For further information, see Note 10, Fuel Hedge.) The Company had no other components of other comprehensive income or loss for the periods presented.

Other charges of $6.7 million for the three and nine months ended September 30, 2000 are primarily related to the early closure of a landfill in South Texas.

2. BUSINESS COMBINATIONS

The Company uses the purchase method of accounting to account for business acquisitions. Businesses acquired are included in the Unaudited Condensed Consolidated Financial Statements from the date of acquisition.

The Company acquired various solid waste businesses during the nine months ended September 30, 2001. The aggregate purchase price paid by the Company in these transactions was $266.4 million in cash. The aggregate purchase price paid, less cash and restricted cash acquired plus debt assumed, was $226.6 million.

In July 1999, the Company entered into a definitive agreement with Allied Waste Industries, Inc. ("Allied") to acquire certain solid waste assets. By September 30, 2000, the Company had completed the purchase of these assets for approximately $105.5 million in cash, $85.8 million of which were acquired during the nine months ended September 30, 2000. In October 1999, the Company entered into a definitive agreement with Allied for the simultaneous purchase and sale of certain other solid waste assets. By September 30, 2000, the Company and Allied completed the purchase and sale of these assets. 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, the Company also acquired various other solid waste businesses during the nine months ended September 30, 2000. The aggregate purchase price paid by the Company in these transactions was $50.3 million in cash.

During the nine months ended September 30, 2001 and 2000, $65.7 million and $31.1 million, respectively, of the total purchase price paid for acquisitions and contingent payments to former owners was allocated to landfill airspace. These allocations were based on the discounted expected future cash flow of each landfill relative to other assets within the acquired group, if applicable, and were 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 likely to be permitted airspace where appropriate.

The following summarizes the preliminary purchase price allocations for business combinations accounted for under the purchase method of accounting consummated during the periods presented:

	Nine Months Ended September 30,	
	2001	2000
Property and equipment	$ 91.4	$ 98.1
Cost in excess of net assets acquired	206.9	218.1
Restricted cash	61.8	--
Working capital deficit	(11.0)	(158.8)
Debt assumed	(28.1)	(4.2)
Other liabilities	(59.9)	(15.5)
Cash used in acquisitions, net of cash acquired	$ 261.1	$ 137.7

The Company's unaudited pro forma consolidated results of operations assuming all significant acquisitions during the nine months ended September 30, 2001 accounted for under the purchase method of accounting had occurred as of the beginning of each nine month period presented are as follows:

	2001	2000
Revenue	$ 1,728.6	$ 1,646.5
Net income	$ 165.0	$ 164.8
Basic and diluted earnings per share	$ .96	$ .94
Weighted average common and common equivalent shares outstanding	171.4	175.7

The unaudited pro forma results of operations are presented for informational purposes only and may not necessarily reflect the future results of operations of the Company or what the results of operations would have been had the Company owned and operated these businesses as of the beginning of each period presented.

3. LANDFILL AND ACCRUED ENVIRONMENTAL COSTS

LIFE CYCLE ACCOUNTING

The Company uses life cycle accounting and the units-of-consumption method to recognize certain landfill costs. 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 rates and applicable regulations. Changes in available airspace include changes due to the addition of airspace lying in expansion areas deemed likely to be permitted.

TOTAL AVAILABLE DISPOSAL CAPACITY

As of September 30, 2001, the Company owned or operated 54 solid waste landfills with total available disposal capacity of approximately 1.8 billion in-place cubic yards. Total available disposal capacity represents the sum of estimated permitted airspace plus an estimate of airspace which is likely to be permitted.

LIKELY TO BE PERMITTED EXPANSION AIRSPACE

Before airspace included in an expansion area is determined as likely to be permitted 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;

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 likely to be permitted 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 with 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 likely to be permitted 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. The Company has never been denied an expansion permit for a landfill that included likely to be permitted airspace in its total available disposal capacity, although no assurances can be made that all future expansions will be permitted as designed.

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 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 and 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 future expected cash flows of the landfill relative to the other assets within the 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 likely to be permitted airspace to total available airspace. Landfill purchase price is amortized using the units-of-consumption method over the total available airspace including likely to be permitted 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 of amortization. The Company estimates future cost requirements for closure and post-closure monitoring and maintenance for its solid waste facilities based on 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 discounts for the present value of total estimated costs. Accruals for closure and post-closure costs totaled approximately $15.4 million and $18.0 million during the nine months ended September 30, 2001 and 2000, respectively.

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. Estimated aggregate 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 September 30, 2001, assuming that all available landfill capacity is used, the Company expects to expense approximately $542.5 million of such costs over the remaining lives of these facilities.

ENVIRONMENTAL COSTS

In the normal course of business, the Company is subject to ongoing environmental monitoring and reporting to certain regulatory agencies. 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 nine months ended September 30, 2001 and 2000.

4. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Expenditures for major additions and improvements are capitalized, while 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 Unaudited Condensed Consolidated Statements of Operations.

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, three to fifteen years for trucks and equipment, and five to ten years for furniture and fixtures.

Landfills and landfill improvements are stated at cost and include direct costs incurred to obtain a landfill permit and direct costs incurred to construct and develop the site. These costs are depleted based on consumed airspace. All indirect landfill development costs are expensed as incurred. (For further information, see Note 3, Landfill and Accrued Environmental 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 $2.2 million and $2.4 million for the nine months ended September 30, 2001 and 2000, respectively.

A summary of property and equipment is as follows:

	September 30, 2001	December 31, 2000
Other land	$ 96.8	$ 91.5
Non-depletable landfill land	50.6	47.2
Landfill development costs	951.3	865.5
Vehicles and equipment	1,124.6	1,018.9
Buildings and improvements	246.3	227.1
Construction-in-progress-landfill	38.0	46.6
Construction-in-progress-other	26.5	18.0
	2,534.1	2,314.8
Less: Accumulated depreciation, depletion and amortization--		
Landfill development costs	(221.9)	(179.5)
Vehicles and equipment	(480.7)	(428.9)
Building and improvements	(44.6)	(38.6)
	(747.2)	(647.0)
Property and equipment, net	$ 1,786.9	$ 1,667.8

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 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 assets exceeds the fair value of the assets.

5. INTANGIBLE AND OTHER ASSETS

Intangible and other assets consist primarily of the cost of acquired businesses in excess of the fair value of net assets acquired and other intangible assets. The cost in excess of the fair value of net assets is amortized over a period of forty years or less on a straight-line basis. Other intangible assets include values assigned to long-term contracts and covenants not to compete and are amortized generally over periods ranging from 5 to 25 years. Accumulated amortization of intangible assets was $155.5 million and $129.9 million at September 30, 2001 and December 31, 2000, respectively.

The Company periodically evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of intangible assets or whether the remaining balance of intangible assets should be evaluated for possible impairment. The Company uses an estimate of the related undiscounted cash flows over the remaining life of the intangible assets in assessing their recoverability. The Company measures impairment loss as the amount by which the carrying amount of the assets exceeds the fair value of the assets.

6. NOTES PAYABLE AND LONG-TERM DEBT

Notes payable and long-term debt consist of the following:

	September 30, 2001	December 31, 2000
$225.0 million unsecured notes, net of unamortized discount of $.6 million and including a $1.3 million adjustment to fair market value as of September 30, 2001; interest payable semi-annually in May and November at 6 5/8%; principal due at maturity in 2004	$ 225.7	$ 224.3
$375.0 million unsecured notes, net of unamortized discount of $.5 million; interest payable semi-annually in May and November at 7 1/8%; principal due at maturity in 2009	374.5	374.5
$450.0 million unsecured notes, net of unamortized discount of $2.6 million; interest payable semi-annually in February and August at 6 3/4%; principal due at maturity in 2011	447.4	--
$1.0 billion unsecured revolving credit facility; interest payable using LIBOR-based rates; $500.0 million matures July 2002 and $500.0 million matures 2003	25.0	465.0
Tax-exempt bonds; interest rates that float based on prevailing market rates	195.7	99.5
Other debt; unsecured and secured by real property, equipment and other assets	63.4	93.4
	1,331.7	1,256.7
Less: Current portion	(30.1)	(56.5)
	$ 1,301.6	$ 1,200.2

As of September 30, 2001, the Company had $736.2 million of availability under the revolving credit facility.

As of September 30, 2001, the Company had $99.7 million of restricted cash, of which $76.6 million were proceeds from the issuance of tax-exempt bonds and other tax-exempt financing that will be used to fund capital expenditures.

Interest expense paid was $51.3 million (net of $2.2 million of capitalized interest) and $52.7 million (net of $2.4 million of capitalized interest) for the nine months ended September 30, 2001 and 2000, respectively.

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.

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.

In order to manage risk associated with fluctuations in interest rates and to take advantage of favorable floating interest rates, the Company entered into interest rate swap agreements with investment grade rated financial institutions. The swap agreements have a total notional value of $225.0 million and mature in 2004, which is identical to the Company's public notes that were sold in 1999. Under the swap agreements, the Company pays interest at floating rates based on changes in LIBOR and receives interest at a fixed rate of 6 5/8%. 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.

As of September 30, 2001, interest rate swap agreements are reflected at fair market value of $1.3 million and are included in other assets and as an adjustment to long-term debt in the accompanying Unaudited Condensed Consolidated Balance Sheets.

7. INCOME TAXES

Income taxes have been provided for based upon the Company's anticipated annual effective income tax rate for the three and nine months ended September 30, of 38.0% for 2001 and 38.5% for 2000. During the three months ended December 31, 2000, the Company lowered its anticipated annual effective tax rate for 2000 from 38.5% to 38.0%. Income taxes paid were $19.0 million and $61.8 million for the nine months ended September 30, 2001 and 2000, respectively.

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, non-employee directors and independent contractors 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 are fully vested at the grant date. The Company has reserved 20.0 million shares of common stock for issuance pursuant to options granted under the Stock Incentive Plan. As of September 30, 2001, 4.4 million options remain available for future grants.

A summary of stock option transactions for the nine months ended September 30, 2001 is as follows:

	Shares	Weighted-Average Exercise Price
Options outstanding at beginning of year.....	14.1	$ 16.54
Granted	2.1	14.61
Exercised	(2.3)	16.54
Cancelled	(.7)	16.75
Options outstanding at September 30, 2001....	13.2	$ 16.23
Options exercisable at September 30, 2001....	7.8	$ 16.94

9. STOCKHOLDERS' EQUITY AND EARNINGS PER SHARE

During 2000, the Company announced that its Board of Directors authorized the repurchase of up to $150.0 million of its common stock. As of September 30, 2001, the Company had repurchased 8.9 million shares of its stock for $144.1 million. In October 2001, the Company announced that its Board of Directors authorized the repurchase of up to an additional $125.0 million of its common stock.

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 for the three and nine months ended September 30, 2001 and 2000 is calculated as follows (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Numerator:				
Net income	$ 56,700	$ 55,000	$164,400	$164,500
Denominator:				
Denominator for basic earnings per share ..	169,724	175,254	170,405	175,431
Effect of dilutive securities-- Options to purchase common stock.....................	1,333	452	1,039	253
Denominator for diluted earnings per share	171,057	175,706	171,444	175,684
Basic and diluted earnings per share	$ .33	$ .31	$ .96	$ .94
Antidilutive securities not included in the diluted earnings per share calculation:				
Options to purchase common stock	208	11,094	3,475	12,624
Weighted average exercise price	$ 23.81	$ 17.81	$ 18.12	$ 17.32

10. FUEL HEDGE

The Company's results of operations are impacted by changes in the price of diesel fuel. Because the market for derivatives in diesel fuel is limited, the Company has entered into heating oil option agreements to manage a portion of its exposure to fluctuations in diesel prices. The Company has minimized its credit risk 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. In order to qualify for hedge accounting, certain criteria must be met including a requirement that both at inception of the hedge, and on an ongoing basis, the hedging relationship is expected to be highly effective in offsetting cash flows attributable to the hedged risk during the term of the hedge.

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. To the extent the change in the 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.

During June 2001, the Company entered into option agreements for approximately 14.3 million gallons of heating oil. These option agreements settle 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 fair value of these option agreements at September 30, 2001 was determined by third parties to be a loss of approximately $1.8 million ($1.1 million net of tax). In accordance with SFAS 133, $1.1 million, representing the effective portion of the change in fair value during the period net of tax, has been recorded

in stockholders' equity as a component of accumulated other comprehensive loss, net of tax. The ineffective portion of the change in fair value was a loss of approximately $106,000 and $72,000 for the three and nine months ended September 30, 2001, respectively, and has been included in other income (expense), net in the accompanying consolidated statements of operations. No realized gains or losses were recorded relating to these option agreements during the periods presented.

11. 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.

In September 1999, several lawsuits were filed by certain shareholders against the Company and certain of its officers and directors in the United States District Court for the Southern District of Florida. The plaintiffs in these lawsuits claim, on behalf of a purported class of purchasers of the Company's common stock between January 28, 1999 and August 28, 1999, that the defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 by, among other things, allegedly making materially false and misleading statements regarding the Company's growth and the assets acquired from Waste Management. In 1999, the Court consolidated these lawsuits and the consolidated action has been named In Re: Republic Services, Inc. Securities Litigation. The plaintiffs filed a consolidated complaint in February 2000 and the defendants filed a motion to dismiss the consolidated complaint in April 2000. In February 2001, the Court granted the defendants' motion to dismiss the consolidated complaint. On September 24, 2001, the Court denied the plaintiffs' motion requesting reconsideration of the Court's order dismissing the consolidated complaint.

LEASE COMMITMENTS

The Company and its subsidiaries lease real property, equipment and software under various other operating leases with terms from one to twenty-five years.

In December 1999, the Company entered into an operating lease facility established to finance the acquisition of operating equipment. As of September 30, 2001, $81.6 million was outstanding under this facility.

LIABILITY INSURANCE

The Company carries general liability, vehicle liability, employment practices liability, pollution liability, directors and officers liability, workers compensation and employer's liability coverage, as well as umbrella liability policies to provide excess coverage over the underlying limits contained in these primary policies. The Company also carries property insurance.

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. 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 September 30, 2001 were $44.8 million and are included in other current and other liabilities in the accompanying Unaudited Condensed Consolidated Balance Sheets. While the ultimate amount of claims incurred is 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 operations in the periods in which such adjustments are known.

OTHER MATTERS

In the normal course of business, the Company is required by regulatory agencies and municipalities to post performance bonds, letters of credit and/or cash deposits as a financial guarantee of the Company's performance. At September 30, 2001, surety bonds and letters of credit totaling $865.9 million were outstanding and will expire on various dates through 2007. In addition, at September 30, 2001, the Company had $99.7 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 in July 1998, the Company filed consolidated federal income tax returns with AutoNation, Inc. The Internal Revenue Service is auditing AutoNation's consolidated tax returns for fiscal years 1995 and 1996. 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 resulting from this audit. 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.

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

The following discussion should be read in conjunction with the Unaudited Condensed Consolidated Financial Statements and notes thereto included under Item 1. In addition, reference should be made to our audited Consolidated Financial Statements and notes thereto and related Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in our Form 10-K for the year ended December 31, 2000.

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 148 collection companies in 22 states. We also own or operate 88 transfer stations and 54 solid waste landfills.

We generate revenue primarily from our solid waste collection operations. Our remaining revenue is obtained from landfill disposal services and other services, including recycling and composting operations.

The following table reflects our total revenue by source for the three and nine months ended September 30, 2001 and 2000 (in millions):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2001		2000		2001		2000	
Collection:								
Residential	$ 124.9	21.4%	$ 110.3	20.4%	$ 355.8	21.0%	319.6	20.3%
	173.0	29.7	160.1	29.7	513.8	30.3	464.6	29.5
Industrial	131.5	22.6	127.2	23.6	385.9	22.8	365.6	23.2
Other	12.0	2.1	11.9	2.2	35.0	2.1	37.2	2.4
Total collection .	441.4	75.8	409.5	75.9	1,290.5	76.2	1,187.0	75.4
Transfer and disposal .	206.3		186.8		582.2		537.5	
Less: Intercompany	(104.0)		(95.3)		(302.2)		(270.2)	
Transfer and disposal, net	102.3	17.5	91.5	17.0	280.0	16.5	267.3	17.0
Other	38.9	6.7	38.1	7.1	123.5	7.3	119.9	7.6
Total revenue	$ 582.6	100.0%	$ 539.1	100.0%	$ 1,694.0	100.0%	$ 1,574.2	100.0%

Certain amounts for 2000 in the table above have been reclassified to conform to the 2001 presentation.

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 services to individual customers under contracts with terms up to three years. Our revenue from landfill operations is from disposal or tipping fees charged to third parties. In general, we integrate our recycling operations with our collection operations and obtain revenue from the sale of recyclable materials. No one customer has individually accounted for more than 10% of our consolidated revenue in any of the periods presented.

The cost of our collection operations is primarily variable and includes disposal, labor, fuel and equipment maintenance costs. We seek operating efficiencies by controlling the movement of waste streams from the point of collection through disposal. During the nine months ended September 30, 2001 and 2000, approximately 53% and 51%, respectively, of the total volume of waste we collected was disposed of at our landfills.

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 the 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 rates and applicable regulations. Changes in available airspace include changes due to the addition of airspace lying in expansion areas deemed likely to be permitted.

BUSINESS COMBINATIONS

We make decisions to acquire or invest in businesses based on financial and strategic considerations. Businesses acquired are accounted for using the purchase method of accounting and are included in the Unaudited Condensed Consolidated Financial Statements from the date of acquisition.

We acquired various solid waste businesses during the nine months ended September 30, 2001. The aggregate purchase price we paid in these transactions was $266.4 million in cash. The aggregate purchase price paid, less cash and restricted cash acquired plus debt assumed, was $226.6 million.

In July 1999, we entered into a definitive agreement with Allied Waste Industries, Inc. to acquire certain solid waste assets. By September 30, 2000, we had completed the purchase of these assets for approximately $105.5 million in cash, $85.8 million of which were acquired during the nine months ended September 30, 2000. In October 1999, we entered into a definitive agreement with Allied for the simultaneous purchase and sale of certain other solid waste assets. By September 30, 2000, we and Allied completed the purchase and sale of these assets. 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 nine months ended September 30, 2000. The aggregate purchase price paid by us in these transactions was $50.3 million in cash.

During the nine months ended September 30, 2001 and 2000, $65.7 million and $31.1 million, respectively, of the total purchase price paid for acquisitions and contingent payments to former owners was allocated to landfill airspace. These allocations were based on the discounted expected future cash flow of each landfill relative to other assets within the acquired group, if applicable, and were 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 likely to be permitted airspace where appropriate.

See Note 2, Business Combinations, of the Notes to the Unaudited Condensed Consolidated Financial Statements, for further discussion of business combinations.

CONSOLIDATED RESULTS OF OPERATIONS

Net income was $56.7 million for the three months ended September 30, 2001, or $.33 per share, as compared to $55.0 million, or $.31 per share, for the three months ended September 30, 2000. Net income was $164.4 million for the nine months ended September 30, 2001, or $.96 per share, as compared to $164.5 million, or $.94 per share, for the nine months ended September 30, 2000.

The following table summarizes our costs and expenses in millions of dollars and as a percentage of our revenue for the three and nine months ended September 30, 2001 and 2000:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2001		2000		2001		2000	
Revenue	$ 582.6	100.0%	$ 539.1	100.0%	$ 1,694.0	100.0%	$ 1,574.2	100.0%
Expenses:								
Cost of operations	358.2	61.5	324.9	60.3	1,042.4	61.5	951.6	60.4
Depreciation, amortization and depletion of property and equipment	44.3	7.6	40.2	7.5	126.1	7.4	116.3	7.4
Amortization of intangible assets ..	12.3	2.1	10.4	1.9	34.7	2.1	29.8	1.9
Selling, general and administrative expenses	57.4	9.9	49.4	9.2	169.7	10.0	144.7	9.2
Other charges	--	--	6.7	1.2	--	--	6.7	.4
Operating income	$ 110.4	18.9%	$ 107.5	19.9%	$ 321.1	19.0%	$ 325.1	20.7%

Revenue was $582.6 million and $539.1 million for the three months ended September 30, 2001 and 2000, respectively, an increase of 8.1%. Revenue was $1,694.0 million and $1,574.2 million for the nine months ended September 30, 2001 and 2000, respectively, an increase of 7.6%. The following table reflects the components of our revenue growth for the three and nine months ended September 30, 2001 and 2000:

	Three Months Ended September 30,		None Months Ended September 30,	
	2001	2000	2001	2000
Price	.4%	2.5%	.7%	2.5%
Volume	1.5	3.3	2.5	4.7
Total internal growth	1.9	5.8	3.2	7.2
Acquisitions	6.2	2.0	4.4	7.6
Total revenue growth	8.1%	7.8%	7.6%	14.8%

Price growth for the three and nine months ended September 30, 2001 was negatively impacted by commodity prices. Excluding the effect of commodity prices, price growth was 1.6% and 1.9% for the three and nine months ended September 30, 2001, respectively. Volume growth was positively impacted by 1.0% and .7% from non-core operations during the three and nine months ended September 30, 2001. As such, adjusted internal growth for the three and nine months ended September 30, 2001 was 2.1% and 3.7%, respectively.

During the third quarter, we began to see a decline in our price and volume growth resulting from the slowdown in the U.S. economy. Specifically, industrial waste volumes from the manufacturing sector continued to weaken during the third quarter. In addition, we began to see a slowdown in commercial construction and special waste activity, which has resulted in volume decreases and price sensitivity for these services. We believe price and volume growth may diminish further in the fourth quarter of 2001 and into 2002 depending on the severity and duration of the economic slowdown.

Cost of operations was $358.2 million and $1,042.4 million for the three and nine months ended September 30, 2001 versus $324.9 million and $951.6 million for the comparable 2000 periods. The increase in aggregate dollars is primarily a result of the expansion of our operations through acquisitions and internal growth. Cost of operations as a percentage of revenue was 61.5% for the three and nine months ended September 30, 2001 versus 60.3% and 60.4% for the comparable 2000 periods. The increase in cost of operations as a percentage of revenue for the three and nine months ended September 30, 2001 versus the comparable period last year is primarily a result of lower commodity prices and higher labor costs offset by improved operating efficiencies and revenue mix.

The economic slowdown was also responsible for the increase in cost of operations as a percentage of revenue. We believe that cost of operations as a percentage of revenue in the fourth quarter of 2001 and into 2002 may increase depending upon the severity and duration of the economic slowdown.

Expenses for depreciation, amortization and depletion of property and equipment were $44.3 million and $126.1 million for the three and nine months ended September 30, 2001 versus $40.2 million and $116.3 million for the comparable 2000 periods. Expenses for depreciation, amortization and depletion of property and equipment as a percentage of revenue were 7.6% and 7.4% for the three and nine months ended September 30, 2001 versus 7.5% and 7.4% for the comparable 2000 periods. The increase in such expenses in aggregate dollars versus the comparable periods last year is primarily due to acquisitions and capital expenditures.

Expenses for amortization of intangible assets were $12.3 million and $34.7 million for the three and nine months ended September 30, 2001 versus $10.4 million and $29.8 million for the comparable 2000 periods. Amortization of intangible assets as a percentage of revenue was 2.1% for the three and nine months ended September 30, 2001 versus 1.9% for the comparable 2000 periods. The increase in such expenses in aggregate dollars and as a percentage of revenue versus the comparable periods last year is primarily due to acquisitions accounted for using the purchase method of accounting.

Selling, general and administrative expenses were $57.4 million and $169.7 million for the three and nine months ended September 30, 2001 versus $49.4 million and $144.7 million for the comparable 2000 periods. Selling, general and administrative expenses as a percentage of revenue were 9.9% and 10.0% for the three and nine months ended September 30, 2001 versus 9.2% for the comparable 2000 periods. The increase in such expenses in aggregate dollars and as a percentage of revenue versus the comparable periods last year is primarily due to the addition of area and regional management, various training and systems initiatives, and an increase in bad debt expense resulting from the economic slowdown.

Other charges of $6.7 million for the three and nine months ended September 30, 2000 relate primarily to the early closure of a landfill in South Texas.

INTEREST EXPENSE

Interest expense was $20.7 million and $61.2 million for the three and nine months ended September 30, 2001 versus $19.7 million and $60.3 million for the comparable 2000 periods. Interest expense relates primarily to borrowings under our unsecured notes and revolving credit facility. Proceeds from the sale of unsecured notes were used to repay the revolving credit facility. Borrowings under the revolving credit facility were used primarily to fund capital expenditures and acquisitions.

Capitalized interest was $1.1 million and $2.2 million for the three and nine months ended September 30, 2001 versus $.9 million and $2.4 million for the comparable 2000 periods.

INTEREST AND OTHER INCOME (EXPENSE), NET

Interest and other income, net of other expense, was $1.8 million and $5.3 million for the three and nine months ended September 30, 2001 versus $1.7 million and $2.7 million for the comparable 2000 periods.

INCOME TAXES

The provision for income taxes was $34.8 million and $100.8 million for the three and nine months ended September 30, 2001 versus $34.5 million and $103.0 million for the comparable 2000 periods. During the three months ended December 31, 2000, the Company lowered its anticipated annual effective tax rate for 2000 from 38.5% to 38.0%. The effective income tax rate was 38.0% for the three and nine months ended September 30, 2001 and 38.5% for the three and nine months ended September 30, 2000. Income taxes have been provided based upon our anticipated annual effective tax rate.

LANDFILL AND ENVIRONMENTAL MATTERS

AVAILABLE AIRSPACE

The following table reflects landfill airspace activity for landfills owned or operated by us for the nine months ended September 30, 2001:

	Balance as of December 31, 2000	New Expansions Undertaken	Landfills Acquired, Net of Divestitures	Airspace Consumed	Changes in Engineering Estimates	Balance as of September 30, 2001
Permitted airspace:						
Cubic yards (in millions)	1,355.1	--	14.0	(24.4)	(1.8)	1,342.9
Number of sites .	53		1			54
Expansion airspace:						
Cubic yards (in millions)	299.4	34.7	28.4	--	52.1	414.6
Number of sites .	17	4	--	--	--	21
Total available airspace:						
Cubic yards (in millions)	1,654.5	34.7	42.4	(24.4)	50.3	1,757.5
Number of sites .	53		1			54

As of September 30, 2001, we owned or operated 54 solid waste landfills with total available disposal capacity estimated to be 1.8 billion in-place cubic yards. Total available disposal capacity represents the sum of estimated permitted airspace plus an estimate of airspace we have deemed likely to be permitted. These estimates are developed annually by independent engineers together with our engineers utilizing information provided by annual aerial surveys. As of September 30, 2001, total available disposal capacity is estimated to be 1.4 billion in-place cubic yards of permitted airspace plus .4 billion in-place cubic yards of expansion airspace which we have deemed likely to be permitted. Before airspace included in an expansion area is determined as likely to be permitted and, therefore, included in our calculation of total available disposal capacity, it must meet our expansion criteria. See Note 3, Landfill and Accrued Environmental Costs, of the Notes to our Unaudited Condensed Consolidated Financial Statements for further information.

As of September 30, 2001, 21 of our landfills meet the criteria for including expansion airspace in their total available disposal capacity. At projected annual volumes, these 21 landfills have an estimated remaining average site life of 34 years, including the expansion airspace. The average estimated remaining life of all of our landfills is 36 years.

As of September 30, 2001, seven 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 September 30, 2001, five of our 21 landfills that meet the criteria for including expansion airspace had submitted permit applications to state authorities. The remaining nine 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.

We have never been denied an expansion permit for a landfill that included likely to be permitted airspace in its total available disposal capacity, although no assurance can be made that all future expansions will be permitted as designed.

CLOSURE AND POST-CLOSURE COSTS

During the nine months ended September 30, 2001, we consumed approximately 24.4 million cubic yards of airspace. During this same period, charges to expense for closure and post-closure were $15.4 million, or $.63 per cubic yard. As of September 30, 2001, accrued closure and post-closure costs were $226.8 million. The current portion of these costs of $25.0 million is reflected in our Unaudited Condensed Consolidated Balance Sheet in other current liabilities. The long-term portion of these costs of $201.8 million is reflected in our Unaudited Condensed Consolidated Balance Sheet in accrued environmental and landfill costs. As of September 30, 2001, assuming that all available landfill capacity is used, we expect to expense approximately $542.5 million of additional closure and post-closure costs over the remaining lives of our facilities.

Our estimates for closure and post-closure costs 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 table reflects changes in our investments in landfills for the nine months ended September 30, 2001 and the future expected investment as of September 30, 2001 (in millions):

	Balance as of December 31, 2000	Capital Additions	Retire-ments	Landfills Acquired, Net of Divestitures	Trans-fers and Adjust-ments	Additions Charged to Expense	Balance as of Septem-ber, 30 2001	Expected Future Invest-ment	Total Expected Invest-ment
Non-depletable landfill land.................	$ 47.2	$ 2.3	$(1.0)	$ 2.3	$ (.2)	$ --	$ 50.6	$ --	$ 50.6
Landfill development costs...............	865.5	2.9	--	33.3	49.6	--	951.3	988.0	1,939.3
Construction in progress -- landfill	46.6	41.2	--	(.4)	(49.4)	--	38.0	--	38.0
Accumulated depletion and amortization.....	(179.5)	--	--	3.9	--	(46.3)	(221.9)	--	(221.9)
Net investment in landfill and land development costs...	$ 779.8	$46.4	$(1.0)	$39.1	$ --	$(46.3)	$ 818.0	$ 988.0	$1,806.0

As of December 31, 2000, we owned or operated 53 solid waste landfills with total available disposal capacity estimated to be 1.7 billion in-place cubic yards. Our net investment in these landfills, excluding non-depletable land, was $732.6 million, or approximately $.44 per cubic yard.

As of September 30, 2001, we owned or operated 54 solid waste landfills with total available disposal capacity estimated to be 1.8 billion in-place cubic yards. Our net investment in these landfills, excluding non-depletable land, was $767.4 million, or $.44 per cubic yard. During the nine months ended September 30, 2001, our depletion and amortization expense relating to landfills was $46.3 million, or $1.90 per cubic yard.

As of September 30, 2001, we expect to spend an estimated additional $1.0 billion 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 $1,755.4 billion, or $1.00 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 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. No material amounts were charged to expense during the nine months ended September 30, 2001 and 2000, respectively.

FINANCIAL CONDITION

At September 30, 2001, we had $99.7 million of restricted cash, of which $76.6 million related to proceeds from tax-exempt bonds and other tax-exempt financing that will be used to fund capital expenditures. At September 30, 2001, we had $195.7 million of tax-exempt bonds 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 expires in July 2002 and the remaining $500.0 million expires in July 2003. 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 September 30, 2001, we had $736.2 million available under the 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. As of September 30, 2001, $81.6 million was outstanding under this facility.

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 and to take advantage of favorable floating interest rates, in September 2001, we entered into interest rate swap agreements with investment grade rated financial institutions. The swap agreements have a total notional value of $225.0 million and require the Company to pay interest at floating rates based upon changes in LIBOR and receive interest at a fixed rate of 6 5/8%. The swap agreements terminate in May 2004.

We believe that we currently have sufficient resources to meet our anticipated capital requirements and obligations as they come due. We also believe that we would be able to raise additional debt or equity financing, if necessary, to fund special corporate needs or to complete acquisitions.

SELECTED BALANCE SHEET ACCOUNTS

The following table reflects the activity in our allowance for doubtful accounts, accrued closure and post-closure, accrued self-insurance and amounts due to former owners during the nine months ended September 30, 2001 (in millions):

	Allowance for Doubtful Accounts	Closure and Post-Closure	Self-Insurance	Amounts Due to Former Owners
Balance, December 31, 2000.........	$ 13.2	$ 167.6	$ 41.1	$ 15.3
Additions charged to expense.......	12.7	15.4	84.3	--
Additions due to acquisitions, net of divestitures...............	1.6	55.4	--	18.7
Usage..............................	(12.3)	(11.6)	(80.6)	(29.3)
Balance, September 30, 2001........	15.2	226.8	44.8	4.7
Current portion....................	15.2	25.0	25.9	4.7
Long-term portion............	$ --	$ 201.8	$ 18.9	$ --

Additions to accrued liabilities related to acquisitions are periodically reviewed during the year subsequent to the acquisition. During such reviews, accrued liabilities, which are considered to be in excess of amounts required for a specific acquisition, are reversed and charged against goodwill (cost in excess of net fair value of assets acquired).

As of September 30, 2001, accounts receivable were $271.5 million, net of allowance for doubtful accounts of $15.2 million, resulting in days sales outstanding of 42, or 30 days net of deferred revenue.

PROPERTY AND EQUIPMENT

The following tables reflect the activity in our property and equipment accounts for the nine months ended September 30, 2001 (in millions):

	Gross Property and Equipment					
	Balance as of December 31, 2000	Capital Additions	Retirement	Acquisitions, Net of Divestitures	Transfers and Adjustments	Balance as of September 30, 2001
Other land.....................	$ 91.5	$ 1.3	$ (1.6)	$ 5.0	$ .6	$ 96.8
Non-depletable landfill land...	47.2	2.3	(1.0)	2.3	(.2)	50.6
Landfill development costs.....	865.5	2.9	--	33.3	49.6	951.3
Vehicles and equipment.........	1,018.9	83.3	(21.4)	18.2	25.6	1,124.6
Buildings and improvements.....	227.1	5.8	(1.8)	8.5	6.7	246.3
Construction in progress-- landfill..............	46.6	41.2	--	(.4)	(49.4)	38.0
Construction in progress-- other.......	18.0	42.2	--	--	(33.7)	26.5
Total...........	$ 2,314.8	$ 179.0	$ (25.8)	$ 66.9	$ (.8)	$ 2,534.1

	Accumulated Depreciation, Amortization and Depletion					
	Balance as of December 31, 2000	Additions Charged to Expense	Retirements	Divestitures	Transfers and Adjustments	Balance as of September 30, 2001
Landfill development costs...........	$ (179.5)	$ (46.3)	$ --	$ 3.9	$ --	$(221.9)
Vehicles and equipment...............	(428.9)	(73.3)	17.8	3.0	.7	(480.7)
Buildings and improvements..........	(38.6)	(6.5)	.4	.1	--	(44.6)
Total.......................	$ (647.0)	$(126.1)	$18.2	$ 7.0	$ .7	$(747.2)

LIQUIDITY AND CAPITAL RESOURCES

The major components of changes in cash flows for the nine months ended September 30, 2001 and 2000 are discussed below.

CASH FLOWS FROM OPERATING ACTIVITIES. Cash provided by operating activities was $381.1 million and $315.2 million for the nine months ended September 30, 2001 and 2000, respectively. The changes in cash provided by operating activities during the periods are due to expansion of our business and timing of payments from accounts payable.

CASH FLOWS USED IN INVESTING ACTIVITIES. Cash used in investing activities consists primarily of cash used for business acquisitions, including amounts due and contingent payments to former owners, and capital additions. Cash used to acquire businesses, net of cash acquired, was $261.1 million and $137.7 million during the nine months ended September 30, 2001 and 2000, respectively.

We intend to finance capital expenditures and acquisitions through cash on hand, cash flow from operations, our revolving credit facility and other financings.

CASH FLOWS USED IN FINANCING ACTIVITIES. Cash used in financing activities for the nine months ended September 30, 2001 and 2000 was $9.7 million and $18.3 million for the nine months ended September 30, 2001 and 2000, respectively. 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 2000, we announced that our Board of Directors authorized the repurchase of up to $150.0 million of our common stock. As of September 30, 2001, we had repurchased 8.9 million shares of our stock for $144.1 million, of which 5.3 million shares were acquired during the nine months ended September 30, 2001, for $93.2 million. In October 2001, we announced that our Board of Directors authorized the repurchase of up to an additional $125.0 million of our common stock. We intend to finance share repurchases from cash on hand, cash flow from operations, our revolving credit facility and other financings.

In December 1999, we entered into an operating lease facility established to finance the acquisition of operating equipment consisting primarily of revenue-producing vehicles. At September 30, 2001, $81.6 million was outstanding under this facility.

We used proceeds from bank facilities and tax-exempt bonds to fund acquisitions and capital additions.

We received an investment grade rating from the nation's largest credit rating agencies. As of September 30, 2001, our senior debt was rated Baa3 by Moody's, BBB by Standard & Poor's and BBB+ by Fitch.

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 July 2001, the Financial Accounting Standards Board issued Statement no. 141, "Business Combinations" ("SFAS 141"), and Statement no. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). Under SFAS 141, the use of the poolings-of-interests method of accounting for business combinations initiated after June 30, 2001 is prohibited. This statement also changes the criteria for the recognition of acquired intangible assets. The provisions of SFAS 141 apply to all business combinations accounted for using the purchase method of accounting completed after June 30, 2001. SFAS 142 is effective for fiscal years beginning after December 15, 2001. Under the provisions of SFAS 142, most of our intangible assets will no longer be subject to amortization. However, we will be required to change our methodology for evaluating impairments to intangible assets that are not subject to amortization. We are currently evaluating the provisions of SFAS 141 and 142 and have not yet determined the effects of these changes on our financial position and results of operations.

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 will require our company to change the accounting methodology we currently use to record closure and post-closure liabilities related to our landfills. The more significant of these changes includes measuring all future obligations at fair value and discounting obligations to reflect today's dollars.

This statement requires a cumulative effect approach to recognizing transition amounts for existing retirement obligations. We are currently evaluating the effect of adoption of this statement, and have not determined whether the impact of adoption will be material to our consolidated financial position or results of operations.

In August 2001, the Financial Accounting Standards Board issued Statement no. 144, "Accounting for the Impairment of Long-Lived Assets". This statement supersedes Statement no. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" 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 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. We do not expect the adoption of this statement to have a material effect on our consolidated financial position or results of operations.

DISCLOSURE REGARDING FORWARD LOOKING STATEMENTS

Certain statements and information included herein constitute "forward-looking statements" within the meaning of the Federal Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied, in or by such forward-looking statements. Such factors include, among other things, whether the Company's estimates and assumptions concerning its selected balance sheet accounts, closure and post-closure costs, available airspace, and projected costs and expenses related to the Company's landfills and property, plant and equipment, and labor, fuel rates and economic and inflationary trends, turn out to be correct or appropriate, and various factors that will impact the actual business and financial performance of the Company such as competition and demand for services in the solid waste industry; dependence on acquisitions for growth; the Company's ability to manage growth; compliance with, and future changes in, environmental regulations; the Company's ability to obtain approval from regulatory agencies in connection with expansions at the Company's landfills; the ability to obtain financing on acceptable terms to finance the Company's operations and growth strategy and for the Company to operate within the limitations imposed by financing arrangements; the ability of the Company to repurchase common stock at prices that are accretive to earnings per share; the Company's dependence on key personnel; general economic and market conditions including, but not limited to, inflation and changes in commodity pricing, fuel, labor and other variable costs that are generally not within the control of the Company; dependence on large, long-term collection contracts; risks associated with undisclosed liabilities of acquired businesses; risks associated with pending legal proceedings; and other factors contained in the Company's filings with the Securities and Exchange Commission.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our market sensitive financial instruments consist primarily of variable rate debt. Therefore, the Company's market risk exposure is with changing interest rates in the United States and fluctuations in LIBOR. We manage interest rate risk through a combination of fixed and floating rate debt as well as interest rate swap agreements.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

10.1* Employment Agreement dated July 31, 2001, by and between Harris W. Hudson and the Company.

(b) Reports on Form 8-K:

(1) Form 8-K, dated and filed July 30, 2001, including a press release announcing the Company's operating results for the three and six months ended June 30, 2001.

(2) Form 8-K, dated August 9, 2001 and filed August 16, 2001, announcing the Company's sale of $450.0 million of public debt in a registered offering as of August 15, 2001.

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*Filed herewith

SIGNATURES

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

REPUBLIC SERVICES, INC.

By: /s/ TOD C. HOLMES

Tod C. Holmes
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

By: /s/ CHARLES F. SERIANNI

Charles F. Serianni
Chief Accounting Officer
(Principal Accounting Officer)

Date: November 9, 2001

Exhibit 10.1

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT ("Agreement") is effective as of July 31, 2001 (the "Effective Date"), by and between REPUBLIC SERVICES, INC., a Delaware corporation (the "Company"), and HARRIS W. HUDSON, a Florida resident (the "Employee").

Employee is currently an employee of the Company and is considered a valued employee that Company desires to retain by reconfirming the employment relationship pursuant to the terms of this Agreement.

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

1. Employment.

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

(b) Employment Period. This Agreement shall commence on the Effective Date and, unless terminated in accordance with the terms of this Agreement, shall continue in effect until December 31, 2007 (the "Employment Period"). The Company may terminate Employee at any time in accordance with the provisions of Section 3 of this Agreement.

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

(d) Other Activities. The Employee shall be permitted to engage in any non-competitive businesses, not-for-profit organizations and other ventures, such as passive real estate investments, serving on charitable and civic boards and organizations, and similar activities, so long as such activities do not materially interfere with or detract from the performance of Employee's duties or constitute a breach of any of the provisions contained in Section 6 of this Agreement.

2. Compensation.

(a) Base Salary. In consideration for the Employee's services hereunder and the restrictive covenants contained herein, the Employee shall be paid an annual base salary of $500,000 for the 2001 Fiscal Year, $500,000 for the 2002 Fiscal Year, $400,000 for the 2003 Fiscal Year, $300,000 for the 2004 Fiscal Year, $200,000 for the 2005 Fiscal Year, $100,000 for the 2006 Fiscal Year, and $100,000 for the 2007 Fiscal Year (the "Salary"), payable in accordance with the Company's customary payroll practices. For purposes of this Agreement, "Fiscal Year" shall mean the period commencing on January 1 of any calendar year and continuing through and including December 31 of such calendar year. The Salary for each Fiscal Year shall become effective as of January 1 of such Fiscal Year.

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

(c) No Other Stock Options. Except for annual grants of stock options to directors pursuant to Section 4(c) of the Company's 1998 Stock Incentive Plan (the "Plan") or any successor plan, the Employee shall not be eligible to participate in, or to receive additional option grants under, the Plan or such other incentive or stock option plans as may be in effect from time-to-time.

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

(e) Life Insurance. The Company shall purchase and maintain in effect one or

more term insurance policies on the life of the Employee in an aggregate amount equal to one time his Base Salary in effect from time to time during the term of employment. The beneficiary of such policy shall be the person or persons who the Employee designates in writing to the Company.

(f) Disability Insurance. The Company shall pay for the Employee to participate in the Company's disability insurance program as is in effect from time to time for the benefit of the Company's employees generally.

(g) Expenses. The Employee shall be reimbursed for all out-of-pocket expenses reasonably incurred by him on behalf of or in connection with the business of the Company, pursuant to the normal standards and guidelines followed from time to time by the Company.

3. Termination.

(a) For Cause. The Company shall have the right to terminate this Agreement and to discharge the Employee for Cause (as defined below), at any time during the term of this Agreement. Termination for Cause shall mean, during the term of this Agreement, (i) Employee's willful and continued failure to substantially perform his duties after he has received written notice from the Company identifying the actions or omissions constituting willful and continued failure to perform, (ii) Employee's conduct that would constitute a crime under federal or state law, (iii) Employee's actions or omissions that constitute fraud, dishonesty or gross misconduct, (iv) Employee's breach of any fiduciary duty that causes material injury to the Company, (v) Employee's breach of any duty causing material injury to the Company, (vi) Employee's inability to perform his material duties to the reasonable satisfaction of the Company due to alcohol or other substance abuse, or (vii) any violation of the Company's policies or procedures involving discrimination, harassment, substance abuse or work place violence. Any termination for Cause pursuant to this Section shall be given to the Employee in writing and shall set forth in detail all acts or omissions upon which the Company is relying to terminate the Employee for Cause.

Upon any determination by the Company that Cause exists to terminate the Employee, the Company shall cause a special meeting of the Board of Directors to be called and held at a time mutually convenient to the Board of Directors and Employee, but in no event later than ten (10) business days after Employee's receipt of the notice that the Company intends to terminate the Employee for Cause. Employee shall have the right to appear before such special meeting of the Board of Directors with legal counsel of his choosing to refute such allegations and shall have a reasonable period of time to cure any actions or omissions which provide the Company with a basis to terminate the Employee for Cause (provided that such cure period shall not exceed 30 days). A

majority of the members of the Board of Directors must affirm that Cause exists to terminate the Employee. No finding by the Board of Directors will prevent the Employee from contesting such determination through appropriate legal proceedings provided that the Employee's sole remedy shall be to sue for damages, not reinstatement, and damages shall be limited to those that would be paid to the Employee if he had been terminated without Cause. In the event the Company terminates the Employee for Cause, the Company shall only be obligated to continue to pay in the ordinary and normal course of its business to the Employee his Salary plus accrued but unused vacation time through the termination date and the Company shall have no further obligations to Employee from and after the date of termination.

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

(c) Termination by Company Without Cause and by Employee For Good Reason. At any time during the term of this Agreement, (i) the Company shall have the right to terminate this Agreement and to discharge the Employee without Cause effective upon delivery of written notice to the Employee, and (ii) the Employee shall have the right to terminate this Agreement for Good Reason effective upon delivery of written notice to the Company. For purposes of this Agreement, "Good Reason" shall mean: (i) the Company has breached any material provision of this Agreement and has not cured such breach within 30 days of receipt of written notice of such breach from the Employee, or (ii) except a specifically provided herein, Company has reduced the Employee's annual Salary by more than 10% from the prior Fiscal Year (nothing in this clause implies that the Company may reduce the Employee's Salary below the levels provided for in Section 2(a)). Upon any such termination by the Company without Cause, or by the Employee for Good Reason, the Company shall pay to the Employee all of the Employee's accrued but unpaid Salary through the date of termination, and continue to pay to or provide for the Employee (a) his Salary payable in accordance with Section 2(a) when and as the same would have been due and payable hereunder but for such termination, (b) all health benefits in which Employee was entitled to participate at any time during the 12-month period prior to the date of termination, until the earliest to occur of the third anniversary of the date of termination, the Employee's death, or the date on which the Employee becomes covered by a comparable health benefit plan by a subsequent employer; provided, however, that in the event that Employee's continued participation in any health benefit plan of the Company is prohibited, the Company will arrange to provide Employee with benefits substantially similar to those which Employee would have been entitled to receive under such plan for such period on a basis which provides Employee

with no additional after tax cost, and (c) all stock option grants, or other stock grants whether part of the Outstanding Option Grant or any options issued during the term of this Agreement, will immediately vest and such options will remain exercisable for the lesser of the unexpired term of the option without regard to the termination of Employee's employment or December 31, 2009 (collectively, the foregoing consideration payable to the Employee shall be referred to herein as the "Severance Payment"). Other than the Severance Payment, the Company shall have no further obligation to the Employee; PROVIDED, HOWEVER, that the Employee shall only be entitled to continuation of the Severance Payments as long as he is in compliance with the provisions of Sections 6 and 7 of this Agreement.

(d) Disability of the Employee. This Agreement may be terminated by the Company upon the Disability of the Employee. "Disability" shall mean any mental or physical illness, condition, disability or incapacity which prevents the Employee from reasonably discharging his duties and responsibilities under this Agreement for a period of 180 consecutive days. In the event that any disagreement or dispute shall arise between the Company and the Employee as to whether the Employee suffers from any Disability, then, in such event, the Employee shall submit to the physical or mental examination of a physician licensed under the laws of the State of Florida, who is mutually agreeable to the Company and the Employee, and such physician shall determine whether the Employee suffers from any Disability. In the absence of fraud or bad faith, the determination of such physician shall be final and binding upon the Company and the Employee. The entire cost of such examination shall be paid for solely by the Company. In the event the Company has purchased Disability insurance for Employee, the Employee shall be deemed disabled if he is completely (fully) disabled as defined by the terms of the Disability policy. In the event that at any time during the term of this Agreement the Employee shall suffer a Disability and the Company terminates the Employee's employment for such Disability, such Disability shall be considered to be a termination by the Company without Cause or a termination by the Employee for Good Reason and the Severance Payments shall be paid to the Employee to the same extent and in the same manner as provided for in paragraph (c) above, except that payment of the Salary in accordance with said paragraph shall be mitigated to the extent payments are made to the Employee pursuant to disability insurance programs maintained by the Company.

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

for in paragraph (c) above, without mitigation for any insurance policies or other benefits held by the Employee. Once such payments have been made to the Employee's personal representative or estate as the case may be, the Company shall have no further obligations under this Agreement or otherwise to said personal representative or estate, or to any heirs of the Employee.

4. Termination of Employment by Employee for Change of Control.

(a) Termination Rights. Notwithstanding the provisions of Section 2 and Section 3 of this Agreement, in the event that there shall occur a Change of Control (as defined below) of the Company and within two years after such Change of Control the Employee's employment hereunder is terminated by the Company without Cause or by the Employee for Good Reason, then the Company shall be required to pay to the Employee the Severance Payment provided in Section 3(c), except that such Severance Payment may, at the election of Employee, be paid in full in a single lump sum. In the event Employee elects the lump sum payment option provided herein, the foregoing payment shall be made no later than 10 days after the Employee's termination pursuant to this Section 4. To the extent that payments are owed by the Company to the Employee pursuant to this Section 4, they shall be made in lieu of payments pursuant to Section 3, and in no event shall the Company be required to make payments or provide benefits to the Employee under both Section 3 and Section 4.

(b) Change of Control of the Company Defined. For purposes of this Section 4, the term "Change of Control of the Company" shall mean any change in control of the Company of a nature which would be required to be reported (i) in response to Item 6(e) of Schedule 14A of Regulation 14A, as in effect on the date of this Agreement, promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (ii) in response to Item 1 of the Current Report on Form 8-K, as in effect on the date of this Agreement, promulgated under the Exchange Act, or (iii) in any filing by the Company with the Securities and Exchange Commission; provided, however, that without limitation, a Change of Control of the Company shall be deemed to have occurred if:

(1) Any "person" (as such term is defined in Sections 13(d)(3) and Section 14(d)(3) of the Exchange Act), other than the Company, any majority-owned subsidiary of the Company, or any compensation plan of the Company or any majority-owned subsidiary of the Company, becomes the "beneficial owner" (as such term is defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing thirty percent (30%) or more of the combined voting power of the Company;

(2) During any period of three consecutive years during the term of this

Agreement, the individuals who at the beginning of such period constitute the Board of Directors of the Company cease for any reason to constitute at least a majority of such Board of Directors, unless the election of each director who was not a director at the beginning of such period has been approved in advance by directors representing at least two-thirds of the directors then in office who were directors at the beginning of such period; or

(3) The shareholders of the Company approve (1) a reorganization, merger, or consolidation with respect to which persons who were the shareholders of the Company immediately prior to such reorganization, merger, or consolidation do not immediately thereafter own more than 50% of the combined voting power entitled to vote generally in the election of the directors of the reorganized, merged or consolidated entity; (2) a liquidation or dissolution of the Company; or (3) the sale of all or substantially all of the assets of the Company or of a subsidiary of the Company that accounts for 30% of the consolidated revenues of the Company, but not including a reorganization, merger or consolidation of the Company.

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

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

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

acquiring or merging with any other business or acquiring the assets of such other business; or

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

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

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

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

Confidential Information. In the event that the Employee is ordered to disclose any Confidential Information, whether in a legal or regulatory proceeding or otherwise, the Employee shall provide the Company or any of its subsidiaries or affiliates with prompt notice of such request or order so that the Company or any of its subsidiaries or affiliates may seek to prevent disclosure. In addition to the foregoing the Employee shall not at any time libel, defame, ridicule or otherwise disparage the Company.

8. Specific Performance; Injunction. The parties agree and acknowledge that the restrictions contained in Sections 6 and 7 are reasonable in scope and duration and are necessary to protect the Company or any of its subsidiaries or affiliates. If any provision of Section 6 or 7 as applied to any party or to any circumstance is adjudged by a court to be invalid or unenforceable, the same shall in no way affect any other circumstance or the validity or enforceability of any other provision of this Agreement. If any such provision, or any part thereof, is held to be unenforceable because of the duration of such provision or the area covered thereby, the parties agree that the court making such determination shall have the power to reduce the duration and/or area of such provision, and/or to delete specific words or phrases, and in its reduced form, such provision shall then be enforceable and shall be enforced. The Employee agrees and acknowledges that the breach of Section 6 or 7 will cause irreparable injury to the Company or any of its subsidiaries or affiliates and upon breach of any provision of such Sections, the Company or any of its subsidiaries or affiliates shall be entitled to injunctive relief, specific performance or other equitable relief, without being required to post a bond; PROVIDED, HOWEVER, that, this shall in no way limit any other remedies which the Company or any of its subsidiaries or affiliates may have (including, without limitation, the right to seek monetary damages).

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

10. Amendment; Waiver. This Agreement may not be modified, amended, or supplemented, except by written instrument executed by all parties. No failure to exercise, and no delay in exercising, any right, power or privilege under this Agreement shall operate as a waiver, nor shall any single or partial exercise of any right, power or privilege hereunder preclude the exercise of any other right, power or privilege. No

waiver of any breach of any provision shall be deemed to be a waiver of any preceding or succeeding breach of the same or any other provision, nor shall any waiver be implied from any course of dealing between the parties. No extension of time for performance of any obligations or other acts hereunder or under any other agreement shall be deemed to be an extension of the time for performance of any other obligations or any other acts. The rights and remedies of the parties under this Agreement are in addition to all other rights and remedies, at law or equity, that they may have against each other.

11. Assignment; Third Party Beneficiary. This Agreement, and the Employee's rights and obligations hereunder, may not be assigned or delegated by him. The Company may assign its rights, and delegate its obligations, hereunder to any affiliate of the Company, or any successor to the Company or its Solid Waste Services Business, specifically including the restrictive covenants set forth in Section 6 hereof. The rights and obligations of the Company under this Agreement shall inure to the benefit of and be binding upon its respective successors and assigns.

12. Severability; Survival. In the event that any provision of this Agreement is found to be void and unenforceable by a court of competent jurisdiction, then such unenforceable provision shall be deemed modified so as to be enforceable (or if not subject to modification then eliminated herefrom) to the extent necessary to permit the remaining provisions to be enforced in accordance with the parties intention. The provisions of Sections 6 and 7 will survive the termination for any reason of the Employee's relationship with the Company.

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

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

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

16. Entire Agreement. This Agreement contains the entire understanding of the parties in respect of its subject matter and supersedes all prior agreements and understandings (oral or written) between or among the parties with respect to such subject matter. Upon the execution of this Agreement the provisions of the Existing

Employment Agreement shall be superseded and shall be of no further force and effect except as specifically preserved by the terms of this Agreement.

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

18. Construction. This Agreement shall be construed as a whole according to its fair meaning and not strictly for or against any party. The parties acknowledge that each of them has reviewed this Agreement and has had the opportunity to have it reviewed by their respective attorneys and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Agreement.

19. Attorney's Fees. If at any time during the Term of this Agreement or afterwards there should arise any dispute as to the validity, interpretation or application of any term or condition of this agreement, the Company agrees, upon written demand by the Employee (and Employee shall be entitled upon application to any court of competent jurisdiction, to the entry of a mandatory injunction, without the necessity of posting any bond with respect thereto, compelling the Company) to promptly provide sums sufficient to pay on a current basis (either directly or by reimbursing Employee) Employee's costs and reasonable attorneys' fees (including expenses of investigation and disbursements for the fees and expenses of experts, etc.) incurred by the Employee in connection with any such dispute or any litigation, provided that Employee shall repay any such amounts paid or advanced if Employee is not the prevailing party with respect to at least one material claim or issue in such dispute or litigation. The provisions of this Section 19, without implication as to any other section hereof, shall survive the expiration or termination of this Agreement and Employee's employment hereunder.

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

[SIGNATURE PAGE FOLLOWS]

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

REPUBLIC SERVICES, INC., a Delaware corporation

By: /s/ James E. O'Connor

Name: JAMES E. O'CONNOR

Title: President and Chief Executive Officer

EMPLOYEE: /s/ Harris W. Hudson

HARRIS W. HUDSON

Address for Notices:

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