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 March 31, 2003
	OR
[ ]	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**
	FOR THE TRANSITION PERIOD FROM ___________ TO ___________

Commission File Number: 1-14267

REPUBLIC SERVICES, INC.

(Exact Name of Registrant as Specified in its Charter)

DELAWARE *(State of Incorporation)*	**65-0716904** *(IRS Employer Identification No.)*
110 S.E. 6TH STREET, 28TH FLOOR **FT. LAUDERDALE, FLORIDA** *(Address of Principal Executive Offices)*	**33301** *(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 [ ]

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

On May 9, 2003, the registrant had outstanding 160,318,748 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)

	March 31, 2003	December 31, 2002
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 166.1	$ 141.5
Accounts receivable, less allowance for doubtful accounts of $19.6 and $19.0, respectively	251.3	238.6
Prepaid expenses and other current assets	69.1	63.0
Deferred tax assets	9.2	9.2
Total Current Assets	495.7	452.3
RESTRICTED CASH	165.4	175.0
PROPERTY AND EQUIPMENT, NET	1,815.9	1,910.0
GOODWILL, NET	1,545.7	1,544.2
OTHER INTANGIBLE ASSETS, NET	24.8	25.7
OTHER ASSETS	106.4	101.9
	$4,153.9	$4,209.1
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 97.1	$ 123.5
Accrued liabilities	106.9	109.3
Amounts due to former owners	5.9	7.5
Deferred revenue	85.9	82.9
Notes payable and current maturities of long-term debt	2.7	2.8
Other current liabilities	88.9	66.2
Total Current Liabilities	387.4	392.2
LONG-TERM DEBT, NET OF CURRENT MATURITIES	1,441.4	1,439.3
ACCRUED LANDFILL, ENVIRONMENTAL AND LEGAL COSTS	225.8	234.7
DEFERRED INCOME TAXES	184.8	195.0
OTHER LIABILITIES	67.6	66.8
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; 181,114,213 and 180,825,749 issued, including shares held in treasury, respectively	1.8	1.8
Additional paid-in capital	1,303.9	1,298.7
Retained earnings	897.5	880.7
Treasury stock, at cost (20,073,200 and 17,167,600 shares, respectively)	(356.3)	(300.1)
Total Stockholders' Equity	1,846.9	1,881.1
	$4,153.9	$4,209.1

The accompanying notes are an integral part of these statements.

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REPUBLIC SERVICES, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share data)

	Three Months Ended March 31,	
	2003	**2002**
REVENUE	$594.6	$551.9
EXPENSES:		
Cost of operations	367.7	342.0
Depreciation, amortization and depletion	56.8	44.4
Accretion	3.1	—
Selling, general and administrative	61.6	58.6
OPERATING INCOME	105.4	106.9
INTEREST EXPENSE	(20.4)	(19.2)
INTEREST INCOME	1.3	.7
OTHER INCOME (EXPENSE), NET	1.7	.1
INCOME BEFORE INCOME TAXES	88.0	88.5
PROVISION FOR INCOME TAXES	33.4	33.6
INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	54.6	54.9
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF TAX	(37.8)	—
NET INCOME	$ 16.8	$ 54.9
BASIC AND DILUTED EARNINGS PER SHARE:		
Before cumulative effect of changes in accounting principles	$ .33	$ .32
Cumulative effect of changes in accounting principles, net of tax	(.23)	—
Basic and diluted earnings per share	$ .10	$ .32
WEIGHTED AVERAGE DILUTED COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	163.3	169.1
PRO FORMA AMOUNTS ASSUMING THE CHANGES IN ACCOUNTING PRINCIPLES ARE APPLIED RETROACTIVELY:		
Net income	$ 54.6	$ 54.4
Basic and diluted earnings per share	$ .33	$ .32

The accompanying notes are an integral part of these statements.

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REPUBLIC SERVICES, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

(in millions)

	Common Stock					
	Shares, Net	Par Value	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Comprehensive Income For the Period
BALANCE AT DECEMBER 31, 2002	163.6	$1.8	$1,298.7	$880.7	$(300.1)	
Net income	—	—	—	16.8	—	$16.8
Issuance of common stock	.4	—	5.2	—	—	—
Purchase of common stock for treasury	(2.9)	—	—	—	(56.2)	—
Total comprehensive income	—	—	—	—	—	$16.8
BALANCE AT MARCH 31, 2003	161.1	$1.8	$1,303.9	$897.5	$(356.3)	

The accompanying notes are an integral part of this statement.

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REPUBLIC SERVICES, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	Three Months Ended March 31,	
	2003	**2002**
CASH PROVIDED BY OPERATING ACTIVITIES:		
Net income	$ 16.8	$ 54.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	34.5	28.0
Landfill depletion and amortization	21.0	14.1
Amortization of intangible and other assets	1.3	2.3
Accretion	3.1	—
Deferred tax provision	12.8	8.4
Provision for doubtful accounts	2.8	3.5
Income tax benefit from stock option exercises	(.3)	(.1)
Other non-cash charges	(.5)	.1
Cumulative effect of changes in accounting principles, net of tax	37.8	—
Changes in assets and liabilities, net of effects from business acquisitions and dispositions:		
Accounts receivable	(15.9)	5.4
Prepaid expenses and other assets	(7.6)	(6.5)
Accounts payable and accrued liabilities	(33.1)	(9.3)
Other liabilities	28.1	33.7
	100.8	134.5
CASH USED IN INVESTING ACTIVITIES:		
Purchases of property and equipment	(24.0)	(37.6)
Proceeds from sale of property and equipment	1.4	3.9
Cash used in business acquisitions, net of cash acquired	(7.7)	(4.2)
Cash proceeds from business dispositions	—	5.0
Amounts due and contingent payments to former owners	(3.5)	(.2)
Restricted cash	9.7	7.0
	(24.1)	(26.1)
CASH USED IN FINANCING ACTIVITIES:		
Payments of notes payable and long-term debt	(1.1)	(.8)
Net payments on revolving credit facility	—	(30.0)
Issuance of common stock	5.2	1.3
Purchases of common stock for treasury	(56.2)	(46.5)
	(52.1)	(76.0)
INCREASE IN CASH AND CASH EQUIVALENTS	24.6	32.4
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	141.5	16.1
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$166.1	$ 48.5

The accompanying notes are an integral part of these statements.

REPUBLIC SERVICES, INC.

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 accounting principles generally accepted in the United States 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, 2002.

The Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States and necessarily include amounts based on estimates and assumptions made by management. Actual results could differ from these amounts. Significant items subject to such estimates and assumptions include the depletion and amortization of landfill development costs, liabilities for final capping, 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.

During the three months ended March 31, 2002, the Company recorded unrealized gains of $2.2 million ($1.3 million, net of tax), relating to the change in fair value of its fuel hedge option agreements in accordance with Statement of Financial Accounting Standards No. 133, “Accounting for Derivative Instruments and Hedging Activities” (“SFAS 133”), as amended. (For further information, see Note 11, Fuel Hedge.) The effective portion of the unrealized gain in the amount of $1.2 million, net of tax, was recorded to comprehensive income during the three months ended March 31, 2002. The Company had no other components of other comprehensive income for the periods presented.

During the first quarter of 2003, the Company adopted Statement of Financial Accounting Standards No. 143, “Accounting for Asset Retirement Obligations” (“SFAS 143”). SFAS 143 required the Company to change the methodology it used to record final capping, closure and post-closure costs relating to its landfills. During the three months ended March 31, 2003, the Company recorded an after-tax expense of $20.8 million, or $33.6 million on a pre-tax basis, as a cumulative effect of a change in accounting principle resulting from the adoption of SFAS 143. In addition, the Company also recorded an after-tax expense of $17.0 million, or $27.4 million on a pre-tax basis, as a cumulative effect of a change in accounting relating to its accounting for methane gas collection systems. This change in accounting for methane gas collection systems was prompted by a thorough evaluation of the Company’s landfill accounting policies in connection with the adoption of SFAS 143 and is consistent with the methodology used by other participants in the waste industry.

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The following table summarizes the adjustments to net income and earnings per share for the three months ended March 31, 2002 as if SFAS 143 and the Company's change in accounting principle relating to its methane gas collection systems were effective in 2002:

	Three Months Ended March 31, 2002	
	Net Income (in millions)	Basic and Diluted Earnings Per Share
Reported	$54.9	$ .32
SFAS 143:		
Reversal of closure and post-closure expense previously reported	3.4	.02
Reversal of landfill purchase price amortization previously reported	.2	—
Accretion expense	(1.4)	(.01)
Landfill amortization	(2.3)	(.01)
Total adjustments for SFAS 143	(.1)	—
Methane Gas Collection Systems:		
Reversal of depreciation previously reported	.1	—
Depletion expense	(.5)	—
Total adjustment for methane gas collection systems	(.4)	—
Adjusted	$54.4	$ .32

The following table summarizes the balance sheet impact of adopting SFAS 143 and the Company's change in accounting relating to methane gas collection systems:

	Balance at December 31, 2002	Change	Balance at January 1, 2003
Property and equipment:			
Landfill development costs	$1,026.3	$ 188.6	$1,214.9
Buildings and improvements	270.9	(11.7)	259.2
Accumulated depletion and amortization	(304.1)	(245.4)	(549.5)
	$ 993.1	$ (68.5)	$ 924.6
Goodwill:			
Goodwill	$1,687.7	$ (6.9)	$1,680.8
Accumulated amortization	(143.5)	(.1)	(143.6)
	$1,544.2	$ (7.0)	$1,537.2
Final capping, closure and post-closure liabilities:			
Current landfill liabilities	$ 17.9	$ —	$ 17.9
Long-term landfill liabilities	179.0	(14.5)	164.5
	$ 196.9	$ (14.5)	$ 182.4

Certain amounts in the 2002 Condensed Consolidated Financial Statements have been reclassified to conform to the 2003 presentation.

2. LANDFILL, ENVIRONMENTAL AND LEGAL COSTS

Landfill, Environmental And Legal Costs

A summary of liabilities recorded for landfill, environmental and legal costs is as follows:

	March 31,	
	2003	2002
Landfill final capping, closure and post-closure costs	$189.0	$183.4
Remediation	58.0	60.4
Environmental and legal costs	3.5	3.0

	250.5	246.8
Less: Current portion (included in other current liabilities)	24.7	22.8
	$225.8	$224.0

Life Cycle Accounting

The Company uses life cycle accounting and the units-of-consumption method to recognize certain landfill costs over the life of the site. In life cycle accounting, all costs to acquire and construct a site are capitalized, 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. Changes in these estimates primarily relate to changes in available airspace, inflation and applicable regulations. Changes in available airspace include changes due to the addition of airspace lying in probable expansion areas.

Total Available Disposal Capacity

As of March 31, 2003, the Company owned or operated 56 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 expansion airspace that the Company believes has a probable likelihood of ultimately being permitted.

Probable Expansion Airspace

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

1. The land associated with the expansion airspace is either owned by the Company or is controlled by the Company pursuant to an option agreement;

2. The Company is committed to supporting the expansion project financially and with appropriate resources;

3. There are no identified fatal flaws or impediments associated with the project, including political impediments;

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 or accrue costs to acquire, construct, cap, close and maintain a site during the post-closure period are adjusted to include probable expansion airspace and all additional costs to be capitalized or accrued associated with the expansion airspace.

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

1. Obtaining approval from local authorities;

2. Submitting a permit application 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 probable expansion airspace is removed from the landfill's total available

capacity and the rates used at the landfill to expense or accrue costs to acquire, construct, cap, close and maintain a site during the post-closure period are adjusted accordingly.

Capitalized Landfill Costs

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

Costs related to acquiring land, excluding the estimated residual value of unpermitted, non-buffer land, and costs related to permitting and cell construction are depleted as airspace is consumed using the units-of-consumption method.

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 probable expansion airspace to total available airspace. Landfill purchase price is amortized using the units-of-consumption method over the total available airspace including probable expansion airspace where appropriate.

Final Capping, Closure and Post-Closure Costs

During the first quarter of 2003, the Company changed the methodology it used to record final capping, closure and post-closure expense in accordance with SFAS 143. SFAS 143 does not change the basic landfill accounting policies followed by the Company and others in the waste industry. Through December 31, 2002, the industry has generally amortized capitalized costs and accrued future final capping, closure and post-closure obligations using the units-of-consumption method as cubic yards of available airspace are consumed over the life of the related landfill. This practice is referred to as life cycle accounting and will continue to be followed except as modified by SFAS 143 as discussed below.

The table below reflects significant changes between the Company's historical methodology and the methodology the Company currently uses to account for final capping, closure and post-closure activities and for methane gas collection systems:

DESCRIPTION	HISTORICAL PRACTICE	CURRENT PRACTICE (EFFECTIVE JANUARY 1, 2003)
DEFINITIONS:		
Final Capping	Costs related to installation of the components that comprise the permanent final cover over areas of a landfill where airspace capacity has been consumed.	No change.
Closure	Includes routine maintenance costs incurred after a site ceases to accept waste, but prior to being certified closed.	No change, except that it includes the final portion of the methane gas collection system to be constructed.
Post-Closure	Includes routine monitoring and maintenance of a landfill after it has been certified as closed by the applicable state regulatory agency.	No change, except it includes methane gas collection systems in all cases where the need for such systems are considered probable.
DISCOUNT RATE:	Not applicable.	Credit-adjusted, risk-free rate of 6.75%.
INFLATION:	Not applicable.	Inflation rate of 2.5%
COST ESTIMATES:	Cost estimates generally assume work will be performed by third parties.	No change, except that the cost of any activities performed internally is increased to represent an estimate of the amount a third party would charge to perform such activity. This third party profit is taken in to income in the period the work is performed internally.

DESCRIPTION	HISTORICAL PRACTICE	CURRENT PRACTICE (EFFECTIVE JANUARY 1, 2003)
METHANE GAS COLLECTION SYSTEMS:	Capitalized when constructed and charged to expense through depreciation over the shorter of their useful life or the life of the landfill.	During the active life of a landfill, included in cell development costs when the need for such systems is considered probable; charged to expense through depletion as airspace is consumed using the units-of-consumption method. Systems associated with the last final capping event at a landfill are included in closure.
RECOGNITION OF LIABILITY:		
Final Capping	Accrued over the life of the landfill. Costs are charged to cost of operations and accrued liabilities as airspace is consumed using the units-of-consumption method. Costs are not discounted.	All final capping costs are recorded as a liability and asset at fair value as the obligation is incurred. The discounted cash flow associated with each final capping event is recorded to an accrued liability, with a corresponding increase to landfill assets as airspace is consumed related to the specific final capping event. Interest is accreted on the liability using the effective interest method until the liability is paid.
Closure and Post-Closure	Accrued over the life of the landfill. Costs are charged to cost of operations and accrued liabilities as airspace is consumed using the units-of-consumption method. Costs are not discounted.	Accrued over the life of the landfill. The discounted cash flow associated with the fair value of such liabilities is recorded to accrued liabilities, with a corresponding increase in landfill assets as airspace is consumed. Interest is accreted on the liability using the effective interest method until the liability is paid.
STATEMENT OF INCOME:		
Cost of Operations	Expense charged to cost of operations equal to amount of liability accrued.	Not applicable.
Landfill Asset Amortization	Not applicable.	The landfill asset is amortized as airspace is consumed over the life of a specific capping event for final capping or the life of a landfill for closure and post-closure.
Accretion	Not applicable.	Expense recognized as a component of operating expenses at credit-adjusted, risk-free rate (6.75%) using the effective interest method.

The Company has future obligations for final capping, closure and post-closure costs with respect to the landfills it owns or operates as set forth in applicable landfill permits. Final capping, closure and post-closure costs include estimated costs to be incurred for final capping and closure of landfills and estimated costs for providing required post-closure monitoring and maintenance of landfills. The permit requirements are based on the Subtitle C and Subtitle D regulations of the Resource Conservation and Recovery Act (RCRA), as implemented and applied on a state-by-state basis. Obligations associated with monitoring and controlling methane gas migration and emissions are set forth in applicable landfill permits and these requirements are based upon the provisions of the Clean Air Act of 1970, as amended. Final capping typically includes installing flexible membrane and geosynthetic clay liners, drainage and compact soil layers, and topsoil, and is constructed over an area of the landfill where total airspace capacity has been consumed and waste disposal operations have ceased. These final capping activities occur throughout the operating life of a landfill. Other closure activities and post-closure activities occur after the entire landfill ceases to accept waste and closes. These activities involve methane gas control, leachate management and groundwater monitoring, surface water monitoring and control, and other operational and maintenance activities that occur after the site ceases to accept waste. The post-closure period generally runs for up to 30 years after final site closure for municipal solid waste landfills and a shorter period for construction and demolition landfills and inert landfills.

Estimates of future expenditures for final capping, closure and post-closure are developed annually by independent engineers together with the Company's engineers. These estimates are reviewed by management at least annually and are used by the Company's operating and accounting personnel to adjust the rates used to capitalize and amortize these costs. These estimates involve projections of costs that will be

incurred after the landfill ceases operations and during the legally required post-closure monitoring period. Additionally, the Company currently retains post-closure responsibility for several closed landfills.

Under SFAS 143, a liability for an asset retirement obligation must be recognized in the period in which it is incurred and should be initially measured at fair value. Absent quoted market prices, the estimate of fair value should be based on the best available information, including the results of present value techniques in accordance with Statement of Financial Accounting Concepts No. 7, “Using Cash Flow and Present Value in Accounting Measurements” (“SFAC 7”). The offset to the liability must be capitalized as part of the carrying amount of the related long-lived asset. Changes in the liability due to the passage of time are recognized as operating items in the income statement and are referred to as accretion expense. Changes in the liability due to revisions to estimated future cash flows are recognized by increasing or decreasing the liability with the offset adjusting the carrying amount of the related long-lived asset.

In applying the provisions of SFAS 143, the Company has concluded that a landfill’s asset retirement obligation includes estimates of all costs related to final capping, closure and post-closure. Costs associated with a landfill’s daily maintenance activities during the operating life of the landfill, such as leachate disposal, groundwater and gas monitoring, and other pollution control activities, will continue to be charged to expense as incurred. In addition, costs historically accounted for as capital expenditures during the operating life of a landfill, such as cell development costs, will continue to be capitalized when incurred, and charged to expense using life cycle accounting and the units-of-consumption method based on the consumption of cubic yards of available airspace.

The Company defines final capping as activities required to permanently cover a portion of a landfill that has been completely filled with waste. Final capping occurs in phases throughout the life of a landfill as specific areas are filled to capacity and the final elevation for that specific area is reached in accordance with the provisions of the operating permit. The Company considers final capping events to be discrete activities that are recognized as asset retirement obligations separately from other closure and post-closure obligations. These capping events occur generally during the operating life of a landfill and can be associated with waste actually placed under an area to be capped. As a result, the Company uses a separate rate per ton for recognizing the principal amount of the liability associated with each capping event. The Company amortizes the asset recorded pursuant to this approach as waste volume equivalent to the capacity covered by the capping event is placed into the landfill based upon the consumption of cubic yards of available airspace covered by the capping event.

The Company recognizes asset retirement obligations and the related amortization expense for closure and post-closure (excluding obligations for final capping) using the units-of-consumption method over the total remaining capacity of the landfill. The total remaining capacity includes probable expansion airspace.

In general, the Company relies on third parties to fulfill most of its obligations for final capping, closure and post-closure. Accordingly, the fair market value of these obligations is based upon quoted and actual prices paid for similar work. The Company does intend to perform some of its final capping, closure and post-closure obligations using internal resources. Where internal resources are expected to be used to fulfill an asset retirement obligation, the Company has added a profit margin onto the estimated cost of such services to better reflect their fair market value as required by SFAS 143. These services primarily relate to managing construction activities during final capping and maintenance activities during closure and post-closure. If the Company does perform these services internally, the added profit margin would be recognized as a component of operating income in the period earned.

SFAC 7 states that an estimate of fair value should include the price that marketplace participants are able to receive for bearing the uncertainties in cash flows. However, when utilizing discounted cash flow techniques, reliable estimates of market premiums may not be obtainable. In this situation, SFAC 7 indicates that it is not necessary to consider a market risk premium in the determination of expected cash flows. While the cost of asset retirement obligations associated with final capping, closure and post-closure can be quantified and estimated, there is not an active market that can be utilized to determine the fair value of these activities. In the case of the waste industry, no market exists for selling the responsibility for final capping, closure and post-closure independent of selling the landfill in its entirety. Accordingly, the Company

believes that it is not possible to develop a methodology to reliably estimate a market risk premium and has excluded a market risk premium from its determination of expected cash flow for landfill asset retirement obligations in accordance with SFAC 7.

Under SFAS 143, the primary modification to the Company's historical methodology is to require that final capping, closure and post-closure costs be inflated and discounted to present value. The Company's estimates of future final capping, closure and post-closure costs historically have not taken into account discounts for the present value of costs to be paid in the future. Consequently, the amount of expense (accretion expense plus amortization expense) will be higher in the later years of a landfill's life than in earlier years.

The Company's estimates of costs to discharge asset retirement obligations for landfills are developed in today's dollars. These costs are inflated each year to reflect a normal escalation of prices up to the year they are expected to be paid. The Company uses a 2.5% inflation rate, which is the rate used by most waste industry participants.

These estimated costs are then discounted to their present value using a credit-adjusted, risk-free rate. The Company's credit-adjusted, risk-free rate was determined to be 6.75% based upon the estimated all-in yield the Company believes it would need to offer to sell thirty-year debt in the public market. Changes in asset retirement obligations due to the passage of time are measured by recognizing accretion expense in a manner that results in a constant effective interest rate applied to the average carrying amount of the liability. The effective interest rate used to calculate accretion expense is the Company's credit-adjusted, risk-free rate.

In accordance with SFAS 143, changes due to revision of the estimates of the amount or timing of the original undiscounted cash flows used to record a liability are recognized by increasing or decreasing the carrying amount of the asset retirement obligation liability and the carrying amount of the related asset. Upward revisions in the amount of undiscounted estimated cash flows used to record a liability must be discounted using the credit-adjusted, risk-free rate in effect at the time of the change. Downward revisions in the amount of undiscounted estimated cash flows used to record a liability must be discounted using the credit-adjusted, risk-free rate that existed when the original liability was recognized.

The Company intends to annually review its calculations with respect to landfill asset retirement obligations unless there is a significant change in the facts and circumstances related to a landfill during the year, in which case the Company will review its calculations as soon as practical after the significant change has occurred.

The following table summarizes the activity in the Company's asset retirement obligation liabilities for three months ended March 31, 2003:

Asset retirement obligation liability at December 31, 2002	$196.9
Cumulative effect of change in account principle	(14.5)
Additions incurred during the period	4.0
Amounts settled during the period	(.5)
Accretion expense	3.1
Asset retirement obligation liability at March 31, 2003	189.0
Current portion	17.9
Long-term portion	$171.1

The following table summarizes the activity in the Company's accrued closure and post-closure account for the three months ended March 31, 2002:

Balance at January 1, 2002	$179.1
Additions charged to expense	5.5
Usage	(1.2)
Balance March 31, 2002	$183.4

The fair value of assets that are legally restricted for purposes of settling final capping, closure and post-closure obligations was approximately $5.5 million at March 31, 2003, and are included as restricted cash in the Company's Condensed Consolidated Balance Sheets.

Remediation

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

Environmental Costs

In the normal course of business, the Company is subject to ongoing environmental investigations by certain regulatory agencies, as well as other claims and disputes that could result in litigation. Environmental costs are accrued by the Company through a charge to income in the period such liabilities become probable and can be reasonably estimated. No material amounts were charged to expense during the three months ended March 31, 2003 and 2002.

3. 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 Income.

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 seven to forty years for buildings and improvements, five to twelve years for vehicles, seven to ten years for most landfill equipment, three to fifteen years for all other equipment, and five to twelve years for furniture and fixtures.

Landfills and landfill improvements are stated at cost and include direct costs incurred to obtain landfill permits and direct costs incurred to acquire, construct and develop sites. These costs are depleted based on consumed airspace. All indirect landfill development costs are expensed as incurred. (For further information, see Note 2, Landfill, Environmental and Legal Costs.)

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

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

Interest is capitalized on qualified assets while they undergo activities to ready them for their intended use. Capitalization of interest ceases once an asset is placed into service or if construction activity is suspended for more than a brief period of time. The interest capitalization rate is based upon the Company's

weighted average cost of indebtedness. Interest capitalized was $.4 million for the three months ended March 31, 2003 and 2002.

A summary of property and equipment is as follows:

	March 31, 2003	December 31, 2002
Other land	$ 88.7	$ 89.7
Non-depletable landfill land	53.7	54.0
Landfill development costs	1,225.2	1,026.3
Vehicles and equipment	1,374.7	1,356.8
Buildings and improvements	263.7	270.9
Construction-in-progress — landfill	27.1	32.3
Construction-in-progress — other	11.7	9.1
	3,044.8	2,839.1
Less: Accumulated depreciation, depletion and amortization— Landfill development costs	(573.0)	(304.1)
Vehicles and equipment	(600.4)	(570.1)
Building and improvements	(55.5)	(54.9)
	(1,228.9)	(929.1)
Property and equipment, net	$ 1,815.9	$1,910.0

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

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

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

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

4. BUSINESS COMBINATIONS

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

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

The Company acquired various solid waste businesses during the three months ended March 31, 2003 and 2002. The aggregate purchase price paid by the Company in these transactions was $7.7 million and $4.2 million in cash, respectively.

The following summarizes the preliminary purchase price allocations for business combinations consummated during the periods presented:

	Three Months Ended March 31,	
	2003	2002
Property and equipment	$ 3.1	$ .9
Goodwill	7.8	3.1
Working capital surplus (deficit)	(3.2)	.2
Cash used in acquisitions, net of cash acquired	$ 7.7	$4.2

Substantially all of the intangible assets recorded for these acquisitions are deductible for tax purposes.

The Company's unaudited pro forma consolidated results of operations assuming all significant acquisitions during the three months ended March 31, 2003 had occurred at the beginning of the periods presented are as follows:

	Three Months Ended March 31,	
	2003	2002
Revenue	$595.1	$553.1
Net income	$ 16.8	$ 54.9
Basic and diluted earnings per share	$ .10	$ .32
Weighted average diluted common and common equivalent shares outstanding	163.3	169.1

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 the periods presented.

5. GOODWILL AND OTHER INTANGIBLE ASSETS

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

The following table summarizes the activity in goodwill and other intangible assets and related accumulated amortization accounts for the three months ended March 31, 2002 and 2003:

	Gross Intangible Assets		
	Goodwill	Other	Total
Balance, December 31, 2001	$1,669.6	$49.2	$1,718.8
Acquisitions	3.1	—	3.1
Other additions	—	.6	.6
Divestitures	(3.8)	—	(3.8)
Retirements	—	(4.6)	(4.6)
Balance, March 31, 2002	$1,668.9	$45.2	$1,714.1

	Accumulated Amortization		
	Goodwill	Other	Total
Balance, December 31, 2001	$(147.1)	$(20.1)	$(167.2)
Amortization expense	—	(1.9)	(1.9)
Divestitures	.2	—	.2
Retirements	—	4.6	4.6
Balance, March 31, 2002	$(146.9)	$(17.4)	$(164.3)

	Gross Intangible Assets		
	Goodwill	Other	Total
Balance, December 31, 2002	$1,687.7	$40.0	$1,727.7
Cumulative effect of change in accounting principle	(6.9)	—	(6.9)
Acquisitions	7.8	—	7.8
Other additions	—	—	—
Divestitures	.5	—	.5
Balance, March 31, 2003	$1,689.1	$40.0	$1,729.1

	Accumulated Amortization		
	Goodwill	Other	Total
Balance, December 31, 2002	$(143.5)	$(14.3)	$(157.8)
Cumulative effect of change in accounting principle	(.1)	—	(.1)
Amortization expense	—	(.9)	(.9)
Divestitures	.2	—	.2
Balance, March 31, 2003	$(143.4)	$(15.2)	$(158.6)

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

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

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

The Company incurred no impairment of goodwill as a result of its annual goodwill impairment test in 2002. However, there can be no assurance that goodwill will not be impaired at any time in the future.

6. NOTES PAYABLE AND LONG-TERM DEBT

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

	March 31, 2003	December 31, 2002
$225.0 million unsecured notes, net of unamortized discount of $.3 million, and including $10.7 million and $8.2 million of adjustments to fair market value, respectively; interest payable semi-annually in May and November at 6 5/8%; principal due at maturity in 2004	$ 235.4	$ 232.9
$375.0 million unsecured notes, net of unamortized discount of $.4 million; interest payable semi-annually in May and November at 7 1/8%; principal due at maturity in 2009	374.6	374.6
$450.0 million unsecured notes, net of unamortized discount of $2.3 million and $2.4 million, and including $1.5 million and $.9 million of adjustments to fair market value, respectively; interest payable semi-annually in February and August at 6 3/4%; principal due at maturity in 2011	449.2	448.5
$750.0 million unsecured revolving credit facility; interest payable using LIBOR-based rates; $300.0 million matures July 2003 and $450.0 million matures 2007	—	—
Tax-exempt bonds and other tax-exempt financing; fixed and floating interest rates based on prevailing market rates	377.3	378.2
Other debt; unsecured and secured by real property, equipment and other assets	7.6	7.9
	1,444.1	1,442.1
Less: Current portion	(2.7)	(2.8)
	$1,441.4	$1,439.3

As of March 31, 2003, the Company had $423.3 million of availability under its revolving credit facility.

As of March 31, 2003, the Company had $165.4 million of restricted cash, of which $121.5 million were proceeds from the issuance of tax-exempt bonds and other tax-exempt financing that will be used to fund capital expenditures. Restricted cash also includes amounts held in trust as a guarantee of the Company’s performance.

Interest expense paid was $16.0 million (net of $.4 million of capitalized interest) and $16.7 million (net of $.4 million of capitalized interest) for the three months ended March 31, 2003 and 2002, 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. The Company has also entered into interest rate swap agreements to manage risk associated with fluctuations in interest rates and to take advantage of favorable floating interest rates. The swap agreements have total notional values of $225 million and $105 million, and mature in 2004 and 2011, respectively. These maturities are identical to the Company’s public notes that were sold in 1999 and 2001, respectively. Under the swap agreements, the Company pays interest at floating rates based on changes in LIBOR and receives interest at fixed rates of 6 5/8% and 6 3/4%, respectively. The Company has designated these agreements as hedges in changes in the fair value of the Company’s fixed-rate debt and accounts for them in accordance with SFAS 133. The Company has determined that these agreements qualify for the short-cut method under SFAS 133 and, therefore, changes in the fair value of the agreements are assumed to be perfectly effective in hedging changes in the fair value of the Company’s fixed rate debt due to changes in interest rates.

As of March 31, 2003, interest rate swap agreements are reflected at fair market value of $12.2 million and are included in other assets and as an adjustment to long-term debt in the accompanying Unaudited Condensed Consolidated Balance Sheets. During the three months ended March 31, 2003 and 2002, the Company recorded net interest income of $2.2 million and $1.3 million, respectively, related to its interest rate swap agreements which is included in interest expense in the accompanying Unaudited Condensed Consolidated Statements of Income.

7. INCOME TAXES

Income taxes have been provided for the three months ended March 31, 2003 and 2002 based upon the Company's anticipated annual effective income tax rate of 38.0%. Income taxes paid were $.6 million for the three months ended March 31, 2003 and 2002.

8. STOCK OPTIONS

In July 1998, the Company adopted the 1998 Stock Incentive Plan ("Stock Incentive Plan") to provide for grants of options to purchase shares of common stock to employees and non-employee directors of the Company who are eligible to participate in the Stock Incentive Plan. Options granted under the Stock Incentive Plan are non-qualified and are granted at a price equal to the fair market value of the Company's Common Stock at the date of grant. Generally, options granted have a term of ten years from the date of grant, and vest in increments of 25% per year over a four year period beginning on the first anniversary date of the grant. Options granted to non-employee directors have a term of ten years and are fully vested at the grant date. In May 2002, the Company's stockholders approved and adopted an amendment and restatement of the Stock Incentive Plan, which modified a number of its provisions, including an increase in the number of shares of Common Stock reserved for issuance under the Stock Incentive Plan from 20.0 million to 27.0 million. As of March 31, 2003, 7.5 million options remain available for future grants.

A summary of stock option transactions for the three months ended March 31, 2003 is as follows:

	Shares	Weighted-Average Exercise Price
Options outstanding at beginning of year	12.6	$16.61
Granted	1.9	19.23
Exercised	(.2)	16.88
Cancelled	(.2)	15.90
Options outstanding at March 31, 2003	14.1	$16.97
Options exercisable at March 31, 2003	9.0	$16.99

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

	Three Months Ended March 31,	
	2003	2002
Net income, as reported	$16.8	$54.9
Less: Stock-based employee compensation expense pursuant to SFAS 123, net of tax	.8	2.7
Net income, pro forma	$16.0	$52.2
Basic and diluted earnings per share- As reported	$ .10	$ .32
Pro forma	$ .10	$ .31
Assumptions -		
Risk-free interest rates	2.7%	2.7%
Expected lives	5 years	5 years
Expected volatility	40.0%	40.0%

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9. STOCKHOLDERS’ EQUITY AND EARNINGS PER SHARE

During 2000, 2001 and 2002, the Board of Directors authorized the repurchase of up to $150.0 million, $125.0 million and $175.0 million, respectively, of its Common Stock. As of March 31, 2003, the Company had repurchased a total of 20.1 million shares of its stock for $356.3 million, of which 2.9 million shares were acquired during the three months ended March 31, 2003 for $56.2 million.

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 months ended March 31, 2003 and 2002 is calculated as follows (in thousands, except per share data):

	Three Months Ended March 31,	
	2003	2002
Numerator:		
Net income	$ 16,800	$ 54,900
Denominator:		
Denominator for basic earnings per share	162,072	168,094
Effect of dilutive securities — Options to purchase common stock	1,267	956
Denominator for diluted earnings per share	163,339	169,050
Basic and diluted earnings per share	$ .10	$ .32
Antidilutive securities not included in the diluted earnings per share calculation:		
Options to purchase common stock	230	2,604
Weighted average exercise price	$ 23.45	$ 18.90

10. SEGMENT INFORMATION

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

Summarized financial information concerning the Company’s reportable segments for the respective three months ended March 31 is shown in the following table:

2003	Gross Operating Revenue	Intercompany Operating Revenue(b)	Net Operating Revenue	Depreciation, Amortization, Depletion and Accretion	Operating Income	Capital Expenditures	Total Assets
Eastern Region	$135.5	$ (20.1)	$115.4	$ 8.4	$ 17.8	$ .7	$ 801.6
Central Region	153.2	(33.4)	119.8	17.0	23.1	5.6	933.3
Southern Region	162.7	(17.7)	145.0	15.0	26.1	6.5	817.3
Southwestern Region	79.1	(7.3)	71.8	6.8	11.4	3.3	370.1
Western Region	177.1	(34.5)	142.6	11.5	36.4	3.3	799.3
Corporate Entities (a)	.1	(.1)	—	1.2	(9.4)	4.6	432.3
Total	$707.7	$(113.1)	$594.6	$59.9	$105.4	$24.0	$4,153.9

2002	Gross Operating Revenue	Intercompany Operating Revenue(b)	Net Operating Revenue	Depreciation, Amortization and Depletion	Operating Income	Capital Expenditures	Total Assets
Eastern Region	$130.4	$(16.9)	$113.5	$ 7.4	$ 21.0	$ 4.2	$ 843.1
Central Region	129.1	(25.7)	103.4	11.2	22.6	7.4	881.2
Southern Region	152.4	(15.5)	136.9	12.7	28.9	8.8	823.2
Southwestern Region	73.5	(6.9)	66.6	5.3	9.6	2.2	354.4
Western Region	165.3	(33.8)	131.5	9.7	35.7	8.0	815.5
Corporate Entities (a)	—	—	—	(1.9)	(10.9)	7.0	154.6
Total	$650.7	$(98.8)	$551.9	$44.4	$106.9	$37.6	$3.872.0

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

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

Total revenue of the Company by revenue source for the three months ended March 31, 2003 and 2002 is as follows:

	Three Months Ended March 31,	
	2003	2002
Collection:		
Residential	$ 145.4	$124.6
Commercial	173.9	171.1
Industrial	120.5	117.9
Other	12.5	12.1
Total collection	452.3	425.7
Transfer and disposal	215.3	187.1
Less: Intercompany	(112.2)	(97.3)
Transfer and disposal, net	103.1	89.8
Other	39.2	36.4
Total revenue	$ 594.6	$551.9

11. FUEL HEDGE

During June 2001, the Company entered into option agreements for approximately 14.3 million gallons of heating oil. Under SFAS 133, the options qualified for and were designated as effective hedges of changes in the prices of forecasted diesel fuel purchases. These option agreements settled each month in equal notional amounts through December 2002. The option agreements were structured as zero-cost collars indexed to the price of heating oil. These option agreements expired in December 2002. In accordance with SFAS 133, $1.2 million, representing the effective portion of the change in fair value for the three months ended March 31, 2002, net of tax, has been recorded in stockholders’ equity as a component of accumulated other comprehensive income. The ineffective portion of the change in fair value was a gain of approximately $.1 million for the three months ended March 31, 2002, and has been included in other income (expense), net in the accompanying Unaudited Condensed Consolidated Statements of Income. Realized losses of $.6 million related to these option agreements are included in cost of operations in the Company’s Unaudited Condensed Consolidated Statements of Income for the three months ended March 31, 2002.

12. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

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

Lease Commitments

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

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 subject to policy limits. Accruals are based on claims filed and estimates of claims incurred but not reported.

The Company's liabilities for unpaid and incurred but not reported claims at March 31, 2003 were $78.7 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 March 31, 2003, letters of credit totaling $373.6 million were outstanding, and surety bonds totaling $634.3 million were outstanding, which will expire on various dates through 2015. In addition, at March 31, 2003, the Company had $165.4 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. ("AutoNation"). The Internal Revenue Service is auditing

AutoNation's consolidated tax returns for fiscal years 1995 through 1999. In accordance with the Company's tax sharing agreement with AutoNation, the Company may be liable for certain assessments imposed by the Internal Revenue Service for the periods through June 1998, resulting from this audit. In addition, the Internal Revenue Service is auditing the Company's consolidated tax returns for fiscal years 1998 and 1999. Management believes that the tax liabilities recorded are adequate. However, a significant assessment in excess of liabilities recorded against the Company could have a material adverse effect on the Company's financial position, results of operations or cash flows.

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, 2002.

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 141 collection companies in 22 states. We also own or operate 92 transfer stations and 56 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, remediation and composting operations.

The following table reflects our total revenue by source for the three months ended March 31, 2003 and 2002 (dollars in millions):

	Three Months Ended March 31,			
	2003		2002	
Collection:				
Residential	$ 145.4	24.5%	$124.6	22.5%
Commercial	173.9	29.2	171.1	31.0
Industrial	120.5	20.3	117.9	21.4
Other	12.5	2.1	12.1	2.2
Total collection	452.3	76.1	425.7	77.1
Transfer and disposal	215.3		187.1	
Less: Intercompany	(112.2)		(97.3)	
Transfer and disposal, net	103.1	17.3	89.8	16.3
Other	39.2	6.6	36.4	6.6
Total revenue	$ 594.6	100.0%	$551.9	100.0%

Our revenue from collection operations consists of fees we receive from commercial, industrial, municipal and residential customers. Our residential and commercial collection operations in some markets are based on long-term contracts with municipalities. We generally provide industrial and commercial collection 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 5% 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 three months ended March 31, 2003 and 2002, approximately 54% and 53%, 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, costs for final capping, closure and post-closure, 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 related to cell development. In life cycle accounting, certain direct costs are capitalized, and charged to expense based upon the consumption of cubic yards of available airspace. These costs include all costs to acquire and construct a site. Obligations associated with final capping, closure and post-closure are capitalized, and amortized on a unit-of-consumption basis as airspace is consumed.

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

Business Combinations

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

We acquired various solid waste businesses during the three months ended March 31, 2003 and 2002. The aggregate purchase price we paid in these transactions was $7.7 million and $4.2 million in cash, respectively.

See Note 4, 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 $16.8 million for the three months ended March 31, 2003, or $.10 per share, as compared to $54.9 million, or $.32 per share, for the three months ended March 31, 2002. Net income for the three months ended March 31, 2003 includes an after-tax expense of $37.8 million (net of an income tax benefit of $23.1 million), or $.23 per share, as a cumulative effect of a change in accounting principle resulting from the adoption of Statement of Financial Accounting Standards No. 143, “Accounting for Asset Retirement Obligations,” and a change in accounting principle relating to our accounting for methane gas collection systems. See Note 1, Basis of Presentation, of the Notes to our Unaudited Condensed Consolidated Financial Statements for further discussion of these changes in accounting principles.

The following table summarizes our costs and expenses in millions of dollars and as a percentage of our revenue for the three months ended March 31, 2003 and 2002:

	Three Months Ended March 31,			
	2003		2002	
Revenue	$594.6	100.0%	$551.9	100.0%
Expenses:				
Cost of operations	367.7	61.9	342.0	62.0
Depreciation, amortization and depletion of property and equipment	55.5	9.3	42.1	7.6
Amortization of intangible assets	1.3	.2	2.3	.4
Accretion	3.1	.5	—	—
Selling, general and administrative expenses	61.6	10.4	58.6	10.6
Operating income	$105.4	17.7%	$106.9	19.4%

Revenue was $594.6 million and $551.9 million for the three months ended March 31, 2003 and 2002, respectively, an increase of 7.7%. The following table reflects the components of our revenue growth for the three months ended March 31, 2003 and 2002:

	2003	2002
Core price	1.7%	1.3%
Recycling commodities	.5	(.3)
Total price	2.2	1.0
Core volume	2.8	(.4)
Non-core volume	.3	.4
Total volume	3.1	—
Total internal growth	5.3	1.0
Acquisitions	1.7	2.1
Taxes (a)	.7	—
Total revenue growth	7.7%	3.1%

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

Price growth for the three months ended March 31, 2003 includes approximately .1% of growth attributable to fuel surcharges that were levied against certain customers to offset rising fuel prices. Core volume growth for the three months ended March 31, 2003 is primarily attributable to municipal residential collection contracts that we were awarded during the first and second quarters of 2002.

Cost of operations was $367.7 million for the three months ended March 31, 2003 versus $342.0 million for the comparable 2002 period. The increase in aggregate dollars is primarily a result of the expansion of our operations through internal growth and acquisitions. Cost of operations as a percentage of revenue was 61.9% for the three months ended March 31, 2003 versus 62.0% for the comparable 2002 period. The decrease in cost of operations as a percentage of revenue for the three months ended March 31, 2003 versus the comparable period last year is primarily a result of the elimination of closure and post-closure expense as a component of cost of operations in accordance with SFAS 143 and the termination of our operating lease facility. These positives were partially offset by increased fuel prices, an increase in waste taxes levied on landfill volumes in certain states, the economic slowdown and an increase in costs associated with the long-haul transport of waste by third-party vendors. We believe that cost of operations may continue to remain high or increase further depending upon the cost of fuel and other key components of our cost structure and the severity and duration of the economic slowdown.

Expenses for depreciation, amortization and depletion of property and equipment were $55.5 million for the three months ended March 31, 2003 versus $42.1 million for the comparable 2002 period. Expenses for depreciation, amortization and depletion of property and equipment as a percentage of revenue were 9.3% for the three months ended March 31, 2003 versus 7.6% for the comparable 2002 period. The increase in such expenses in aggregate dollars and as a percentage of revenue versus the comparable periods last year is primarily due to an increase in landfill amortization associated with the adoption of SFAS 143 and, to a lesser extent, due to increased depreciation expense resulting from capital expenditures, acquisitions and the purchase of equipment originally placed into service pursuant to an operating lease.

Expenses for amortization of intangible assets were $1.3 million for the three months ended March 31, 2003 versus $2.3 million for the comparable 2002 period. Amortization of intangible assets as a percentage of revenue was .2% for the three months ended March 31, 2003 versus .4% for the comparable 2002 period.

Accretion expense was $3.1 million for the three months ended March 31, 2003, or .5% as a percentage of revenue, versus $0 for the comparable period last year. The increase in accretion expense is due to the adoption of SFAS 143.

Selling, general and administrative expenses were $61.6 million for the three months ended March 31, 2003 versus $58.6 million for the comparable 2002 period. Selling, general and administrative expenses as a percentage of revenue were 10.4% for the three months ended March 31, 2003 versus 10.6% for the comparable 2002 period. The increase in such expenses in aggregate dollars versus the comparable period last year is primarily the result of the expansion of our operations through internal growth and acquisitions. The decrease in such expenses as a percentage of revenue is primarily due to a decrease in bad debt expense.

Interest Expense

Interest expense relates primarily to borrowings under our unsecured notes and tax-exempt bonds. Interest expense was $20.4 million for the three months ended March 31, 2003 versus $19.2 million for the comparable 2002 period. The increase in interest expense in aggregate dollars is due to higher average outstanding debt balances.

Capitalized interest was $.4 million for the three months ended March 31, 2003 and 2002.

Interest and Other Income (Expense), Net

Interest and other income, net of other expense, was $3.0 million for the three months ended March 31, 2003 versus $.8 million for the comparable 2002 period.

Income Taxes

The provision for income taxes was $33.4 million for the three months ended March 31, 2003 versus $33.6 million for the comparable 2002 period. The effective income tax rate was 38.0% for the three months ended March 31, 2003 and 2002. 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 three months ended March 31, 2003:

	Balance as of December 31, 2002	Expansions Undertaken	Permits Granted	Airspace Consumed	Changes in Design	Changes in Engineering Estimates	Balance as of March 31, 2003
Permitted airspace:							
Cubic yards (in millions)	1,357.9	—	.5	(8.9)	—	(.9)	1,348.6
Number of sites	56		—				56
Expansion airspace:							
Cubic yards (in millions)	353.3	61.6	—	—	11.4	(3.5)	422.8
Number of sites	20	—	—				20
Total available airspace:							
Cubic yards (in millions)	1,711.2	61.6	.5	(8.9)	11.4	(4.4)	1,771.4
Number of sites	56						56

As of March 31, 2003, we owned or operated 56 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 probable expansion airspace. These estimates are developed annually by independent engineers together with our engineers utilizing information provided by

annual aerial surveys. As of March 31, 2003, 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 probable expansion airspace. Before airspace included in an expansion area is determined to be probable expansion airspace and, therefore, included in our calculation of total available disposal capacity, it must meet our expansion criteria. See Note 2, Landfill, Environmental and Legal Costs, of the Notes to our Unaudited Condensed Consolidated Financial Statements for further information.

As of March 31, 2003, twenty of our landfills meet the criteria for including expansion airspace in their total available disposal capacity. At projected annual volumes, these twenty landfills have an estimated remaining average site life of 33 years, including the expansion airspace. The average estimated remaining life of all of our landfills is 30 years.

As of March 31, 2003, four 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 March 31, 2003, ten of our twenty landfills that meet the criteria for including expansion airspace had submitted permit applications to state authorities. The remaining six landfills that meet the criteria for including expansion airspace are in the process of obtaining approval from local authorities and have not identified any fatal flaws or impediments associated with the expansions at either the local or state level.

Final Capping, Closure and Post-Closure Costs

During the three months ended March 31, 2003, we adopted Statement of Financial Accounting Standards No. 143, “Accounting for Asset Retirement Obligations.” This statement required us to change the methodology we used to record final capping, closure and post-closure costs. See Note 2, Landfill, Environmental and Legal Costs, of the Notes to our Unaudited Condensed Consolidated Financial Statements for further information.

As of March 31, 2003, accrued final capping, closure and post-closure costs were $189.0 million. The current portion of these costs of $17.9 million is reflected in our Unaudited Condensed Consolidated Balance Sheets in other current liabilities. The long-term portion of these costs of $171.1 million is reflected in our Unaudited Condensed Consolidated Balance Sheets in accrued landfill, environmental and legal costs.

Investment in Landfills

The following table reflects changes in our investments in landfills for the three months ended March 31, 2003 and the future expected investment as of March 31, 2003 (in millions):

	Balance as of December 31, 2002	Cumulative Effect of Changes in Accounting Principles	Capital Additions	Retirements	Transfers and Adjustments
Non-depletable landfill land	$ 54.0	$ —	$ .1	$ —	$ (.4)
Landfill development costs	1,026.3	188.6	—	(1.1)	7.4
Construction in progress — landfill	32.3	—	2.5	—	(7.7)
Accumulated depletion and amortization	(304.1)	(248.4)	—	—	.5
Net investment in landfill land and development costs	$ 808.5	$ (59.8)	$2.6	$(1.1)	$ (.2)

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	Non- Cash Additions for Asset Retirement Obligations	Additions Charged to Expense	Balance as of March 31, 2003	Expected Future Investment	Total Expected Investment
Non-depletable landfill land	$ —	$ —	$ 53.7	$ —	$ 53.7
Landfill development costs	4.0	—	1,225.2	1,611.4	2,836.6
Construction in progress — landfill	—	—	27.1	—	27.1
Accumulated depletion and amortization	—	(21.0)	(573.0)	—	(573.0)
Net investment in landfill land and development costs	$4.0	$(21.0)	$ 733.0	$1,611.4	$2,344.4

The following table reflects our net investment in our landfills, excluding non-depletable land, our depletion, amortization and accretion expense, and our closure and post-closure expense for the three months ended March 31, 2003 and 2002. It also shows on a pro forma basis what our depletion, amortization and accretion expense would have been if SFAS 143 and the change in accounting principle relating to our methane gas collection systems were effective in 2002:

	Three Months Ended March 31, 2003		
	2003	Pro Forma 2002	2002
Number of landfills owned or operated	56	54	54
Net investment, excluding non-depletable land (in millions)	$ 679.3	$ 666.1	$ 725.9
Total estimated available disposal capacity (in millions of cubic yards)	1,771.4	1,740.8	1,740.8
Net investment per cubic yard	$ .38	$ .38	$ .42
Landfill depletion and amortization expense (in millions)	$ 21.0	$ 18.3	$ 14.1
Accretion expense (in millions)	3.1	2.3	—
Closure and post-closure expense (in millions)	—	—	5.5
	$ 24.1	$ 20.6	$ 19.6
Airspace consumed (in millions of cubic yards)	8.9	7.6	7.6
Depletion, amortization, accretion, closure and post-closure expense per cubic yard of airspace consumed	$ 2.71	$ 2.71	$ 2.58

During the three months ended March 31, 2003, our weighted average compaction rate was approximately 1,500 pounds per cubic yard.

As of March 31, 2003, we expect to spend an estimated additional $1.6 billion on existing landfills, primarily related to cell construction, over their expected remaining lives. Our total expected gross investment, excluding non-depletable land, estimated to be $2.3 billion, or $1.28 per cubic yard, is used in determining our depletion and amortization expense based upon airspace consumed using the units-of-consumption method.

We accrue costs related to environmental remediation activities through a charge to income in the period such liabilities become probable and can be reasonably estimated. We also accrue costs related to environmental remediation activities associated with properties acquired through business combinations as a charge to goodwill or landfill purchase price allocated to airspace, as appropriate. No material amounts were charged to expense during the three months ended March 31, 2003 and 2002, respectively.

Financial Condition

At March 31, 2003, we had $165.4 million of restricted cash, of which $121.5 million related to proceeds from tax-exempt bonds and other tax-exempt financing that will be used to fund capital expenditures. At March 31, 2003, we had $377.3 million of tax-exempt bonds and other tax-exempt financing outstanding at favorable interest rates.

In July 1998, we entered into a $1.0 billion unsecured revolving credit facility with a group of banks. $500.0 million of the credit facility was scheduled to expire in July 2002 and the remaining $500.0 million was scheduled to expire in July 2003. As a result of our strong financial position and liquidity, in February 2002, we reduced the short- and long-term portions of our credit facility to $300.0 million and $450.0 million, respectively. In July 2002, we renewed the short- and long-term portions of our credit facility on substantially the same terms and conditions. The short-term portion of the facility expires in July 2003 and the long-term portion expires in 2007. Borrowings under the credit facility bear interest at LIBOR-based rates. We use our operating cash flow and proceeds from our credit facilities to finance our working capital, capital expenditures, acquisitions, share repurchases and other requirements. As of March 31, 2003, we had $423.3 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 March 31, 2002, $76.3 million was outstanding under this facility. In July 2002, we exercised our right to purchase the equipment underlying this facility by paying $72.6 million using our excess cash, which was the balance outstanding under the facility at that time.

In August 2001, we sold $450.0 million of unsecured notes in the public market. The notes bear interest at 6 3/4% and mature in 2011. Interest on these notes is payable semi-annually in February and August. The notes were offered at a discount of $2.6 million. Proceeds from the notes were used to repay our revolving credit facility.

In order to manage risk associated with fluctuations in interest rates and to take advantage of favorable floating interest rates, we have entered into interest rate swap agreements with investment grade rated financial institutions. The swap agreements have total notional values of $225.0 million and $105.0 million, respectively, and require our company to pay interest at floating rates based upon changes in LIBOR and receive interest at fixed rates of 6 5/8% and 6 3/4%, respectively. The swap agreements terminate in May 2004 and August 2011, respectively.

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

Selected Balance Sheet Accounts

The following table reflects the activity in our allowance for doubtful accounts, final capping, closure, post-closure and remediation liabilities, accrued self-insurance and amounts due to former owners during the three months ended March 31, 2003 (in millions):

	Allowance for Doubtful Accounts	Final Capping, Closure and Post-Closure	Remediation	Self-Insurance	Amounts Due to Former Owners
Balance, December 31, 2002	$19.0	$196.9	$58.9	$ 75.0	$ 7.5
Cumulative effect of change in accounting principle	—	(14.5)	—	—	—
Asset additions	—	4.0	—	—	—
Accretion	—	3.1	—	—	—
Other additions charged to expense	2.8	—	—	33.4	—
Additions due to acquisitions, net of divestitures	—	—	—	—	1.9
Usage	(2.2)	(.5)	(.9)	(29.7)	(3.5)
Balance, March 31, 2003	19.6	189.0	58.0	78.7	5.9
Current portion	19.6	17.9	4.2	37.5	5.9
Long-term portion	$ —	$171.1	$53.8	$ 41.2	$ —

Our expense related to doubtful accounts as a percentage of revenue for the three months ended March 31, 2003 was .5%. As of March 31, 2003, accounts receivable were $251.3 million, net of allowance for doubtful accounts of $19.6 million, resulting in days sales outstanding of 38, or 25 days net of deferred revenue.

Property and Equipment

The following tables reflect the activity in our property and equipment accounts for the three months ended March 31, 2003 (in millions):

	Gross Property and Equipment							
	Balance as of December 31, 2002	Cumulative Effect of Changes in Accounting Principles	Capital Additions	Retirements	Acquisitions, Net of Divestitures	Non-Cash Additions to Asset Retirement Obligations	Transfers and Adjustments	Balance as of March 31, 2003
Other land	$ 89.7	$ —	$ .3	$ —	$ —	$ —	$(1.3)	$ 88.7
Non-depletable landfill land	54.0	—	.1	—	—	—	(.4)	53.7
Landfill development costs	1,026.3	188.6	—	(1.1)	—	4.0	7.4	1,225.2
Vehicles and equipment	1,356.8	—	19.5	(1.1)	2.5	—	(3.0)	1,374.7
Buildings and improvements	270.9	(11.7)	—	(.2)	.6	—	4.1	263.7
Construction in progress — landfill	32.3	—	2.5	—	—	—	(7.7)	27.1
Construction in progress — other	9.1	—	1.6	—	—	—	1.0	11.7
Total	$2,839.1	$176.9	$24.0	$(2.4)	$3.1	$4.0	$ .1	$3,044.8

	Accumulated Depreciation, Amortization and Depletion						
	Balance as of December 31, 2002	Cumulative Effect of Changes in Accounting Principles	Additions Charged to Expense	Retirements	Divestitures	Transfers and Adjustments	Balance as of March 31, 2003
Landfill development costs	$(304.1)	$(248.4)	$(21.0)	$ —	$ —	$ .5	$ (573.0)
Vehicles and equipment	(570.1)	—	(32.3)	.9	—	1.1	(600.4)
Buildings and improvements	(54.9)	3.0	(2.3)	.1	—	(1.4)	(55.5)
Total	$(929.1)	$(245.4)	$(55.6)	$1.0	$ —	$ .2	$(1,228.9)

Liquidity and Capital Resources

The major components of changes in cash flows for the three months ended March 31, 2003 and 2002 are discussed below.

Cash Flows From Operating Activities. Cash provided by operating activities was $100.8 million and $134.5 million for the three months ended March 31, 2003 and 2002, respectively. The changes in cash provided by operating activities during the periods are due to expansion of our business, the timing of payments received for accounts receivable, and timing of payments for accounts payable and income taxes. We use cash flows from operations to fund capital expenditures, acquisitions, share repurchases and debt repayments.

Cash Flows Used In Investing Activities. Cash used in investing activities consists primarily of cash used for capital additions and business acquisitions in 2003 and 2002. Cash used to acquire businesses, net of cash acquired, was $7.7 million and $4.2 million during the three months ended March 31, 2003 and 2002, respectively.

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

Cash Flows Used in Financing Activities. Cash used in financing activities for the three months ended March 31, 2003 and 2002 was $52.1 million and $76.0 million, respectively.

During 2000, 2001 and 2002, our board of directors authorized the repurchase of up to $150.0 million, $125.0 million and $175.0 million, respectively, of our common stock. As of March 31, 2003, we repurchased a total of 20.1 million shares of our stock for $356.3 million of which 2.9 million shares were acquired during the three months ended March 31, 2003 for $56.2 million. We intend to finance future stock repurchases through cash on hand, cash flow from operations, our revolving credit facility and other financings.

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

We have received investment grade ratings from several credit rating agencies. As of March 31, 2003, our senior debt was rated Baa3 by Moody's, BBB by Standard & Poor's and BBB+ by Fitch.

EBITDA

EBITDA for the three months ended March 31, 2003 and 2002 is calculated as follows (in millions):

	Three Months Ended March 31,	
	2003	2002
Operating income	$105.4	$106.9
Depreciation, amortization and depletion	56.8	44.4
Accretion	3.1	—
EBITDA	$165.3	$151.3

We believe that the presentation of EBITDA, which is a non-GAAP financial measure, provides useful information regarding our results of operations as it is a basis we use to value potential acquisition candidates and is the basis used by others to value our common stock. Our definition of EBITDA may not be comparable to similarly titled measures presented by other companies.

Free Cash Flow

We define free cash flow as cash provided by operating activities less purchases of property and equipment plus proceeds from the sale of property and equipment as presented in our consolidated statement of cash flows. Our free cash flow for the three months ended March 31, 2003 is calculated as follows (in millions):

	Three Months Ended March 31, 2003
Cash provided by operating activities	$100.8
Purchases of property and equipment	(24.0)
Proceeds from the sale of property and equipment	1.4
Free cash flow	$ 78.2

We believe that the presentation of free cash flow, which is a non-GAAP financial measure, provides useful information regarding our ability to execute our financial strategy. We also believe that free cash flow is the best measure of our financial performance because strong, sustainable free cash flow is indicative of high quality earnings. We use free cash flow to determine certain components of selected employees' compensation. Our definition of free cash flow may not be comparable to similarly titled measures presented by other companies.

Seasonality

Our operations can be adversely affected by periods of inclement weather which could 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.

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 our 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 our estimates and assumptions concerning our selected balance sheet accounts, final capping, closure and post-closure costs, available airspace, and projected costs and expenses related to our landfills and property and equipment, labor and fuel rates, and inflationary and general and economic trends turn out to be correct or appropriate, and various factors that will impact our actual business and financial performance such as: competition and demand for services in the solid waste industry; general economic conditions including but not limited to inflation, changes in fuel, labor and other variable costs and changes in commodity prices, which are generally not within our control; our ability to maintain our investment grade rating and to generate sufficient cash flow; our dependence on acquisitions for growth; our ability to manage growth; our dependence on large, long-term collection contracts; risk associated with undisclosed liabilities of acquired businesses; our dependence on key personnel; compliance with and future changes in environmental regulations; our ability to obtain approval from regulatory agencies in connection with expansions at our landfills; the ability to extend the maturity of our short-term credit facility; our ability to purchase our common stock at prices that are accretive to earnings per share; the outcome of the IRS audit; and other risk factors and more detailed information contained in our Annual Report on Form 10-K and our other filings with the Securities and Exchange Commission.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our market sensitive financial instruments consist primarily of variable rate debt. Therefore, our major market risk exposure is 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.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

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

(b) Changes in Internal Controls

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

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PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

10.1 - Employment Agreement dated January 31, 2003 by and between Michael Cordesman and Republic Services, Inc.

10.2 - Amendment Number One dated January 31, 2003 to the Employment Agreement dated as of October 25, 2000 by and between James E. O'Connor and Republic Services, Inc.

10.3 - Amendment Number One dated January 31, 2003 to the Employment Agreement dated as of October 25, 2000 by and between Tod C. Holmes and Republic Services, Inc.

10.4 - Amendment Number One dated January 31, 2003 to the Employment Agreement dated as of October 25, 2000 by and between David A. Barclay and Republic Services, Inc.

10.5 - Amendment Number One dated February 28, 2003 to the Employment Agreement dated as of January 31, 2003 by and between Michael Cordesman and Republic Services, Inc.

18.1 - Ernst & Young LLP letter regarding change in accounting principle.

99.1 - Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of James E. O'Connor, Chairman and Chief Executive Officer.

99.2 - Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Tod C. Holmes, Senior Vice President and Chief Financial Officer.

(b) Reports on Form 8-K:

Form 8-K, dated and furnished February 3, 2003 under Item 9 including a press release announcing the Company's operating results for the three and twelve months ended December 31, 2002. This Form 8-K is not deemed incorporated by reference into any of our filings with the Securities and Exchange Commission.

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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: May 13, 2003

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CERTIFICATION

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

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

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

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

    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

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

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

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

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

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

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

Date: May 13, 2003

By: /s/ JAMES E. O'CONNOR

James E. O'Connor
Chairman and Chief Executive Officer

CERTIFICATION

I, Tod C. Holmes, certify that:

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

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

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

    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

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

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

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

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

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

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

Date: May 13, 2003

By: /s/ TOD C. HOLMES

Tod C. Holmes
Senior Vice President and
Chief Financial Officer

Exhibit 10.1

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT ("Agreement") is effective as of January 31, 2003 (the "Effective Date"), by and between REPUBLIC SERVICES, INC., a Delaware corporation (the "Company"), and MICHAEL CORDESMAN, a Florida resident (the "Employee").

Employee and the Company are parties to that Executive Employment Agreement dated as of May 14, 2001 (the "Existing Employment Agreement").

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 employ and/or continue the employment of the Employee as its President and Chief Operating Officer, and the Employee agrees to accept such employment, subject to the terms and conditions of this Agreement.

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

(c) DUTIES AND RESPONSIBILITIES. During the Employment Period, the Employee shall serve as President and Chief Operating Officer and shall have such authority and responsibility and perform such duties as may be assigned to him from time to time by the Chief Executive Officer 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's employment shall be full time and 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. Except upon the prior written consent of the Company, the Employee, during the Employment Period, will not accept any other employment. 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 $425,000 commencing on February 28, 2003 and continuing until February 29, 2004 (the "Base Salary"). Notwithstanding the foregoing, Employee's Base Salary may be increased at anytime and from time to time to levels greater than the level set forth in the preceding sentence at the discretion of the Board of Directors of the Company to reflect merit or other increases. The Employee's Base Salary for any period following February 29, 2004 shall remain at the level specified herein unless the Board of Directors expressly provides otherwise.

(b) BONUS. In addition to the Base Salary, the Employee shall be eligible to receive a bonus ("Bonus") in an amount up to 50% of the Employee's Base Salary during the 2003 Fiscal Year. The Bonus shall be based on the achievement of corporate goals and objectives as established by the Compensation Committee of the Board of Directors. The achievement of said goals and objectives shall be determined by the Compensation Committee of the Board of Directors. With respect to any Fiscal Year during which the Employee is employed by the Company for less than the entire Fiscal Year, the Bonus shall be prorated for the period during which the Employee was so employed. The Bonus shall be payable within thirty (30) days after the end of the Company's Fiscal Year. The term "Fiscal Year" as used herein shall mean each period of twelve (12) calendar months commencing on January 1st of each calendar year during the Employment Period and expiring on December 31st of such year. The maximum percentage of Base Salary which the Employee's Bonus for any year after the 2003 Fiscal Year may represent shall remain as set for the 2003 Fiscal Year unless the Board of Directors expressly provides otherwise.

(c) MERIT AND OTHER BONUSES. Employee shall be entitled to such other bonuses as may be determined by the Board of Directors of the Company or by a committee of the Board of Directors as determined by the Board of Directors, in its sole discretion.

(d) EXISTING STOCK OPTIONS. 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, as amended and restated (the "Outstanding Option Grants"). The options issued or to be issued under the Outstanding Option Grants shall continue to be subject to the terms of the Option Agreements, except to the extent otherwise provided for in this Agreement.

(e) OTHER STOCK OPTIONS. The Employee shall be entitled to participate and receive option grants under the 1998 Stock Incentive Plan, as amended and restated, and such other incentive or

stock option plans as may be in effect from time-to-time, as determined by the Board of Directors of the Company.

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

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

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

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

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

(k) EXPENSES. 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.

(l) TAX AND ESTATE PLANNING. During the term of this Agreement, the Employee shall be reimbursed, on an annual basis, for all out-of-pocket expenses reasonably incurred by him for financial, tax and estate planning, provided that the total amount of such reimbursement for any year shall not exceed two percent (2%) of his Base Salary in such year. The Employee shall retain the right to determine the provider for any such services.

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 materially reduced the duties and responsibilities of the Employee to a level not appropriate for an officer of a publicly-traded company holding the position provided for in Section 1(a), (ii) the Company has breached any material provision of this Agreement and has not cured such breach within 30 days of receipt of written notice of such breach from the Employee, (iii) 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)), (iv) the Company has terminated the Employee's participation in one or more of the Company's sponsored benefit or incentive plans and no other executive officer has had his participation terminated, (v) a failure by the Company (1) to continue any bonus plan, program or arrangement in which Employee in which Employee is entitled to participate ("Bonus Plans"), provided that any such Bonus Plans may be modified at the Company's discretion from time to time but shall be deemed terminated if (x) any such plan does not remain substantially in the form in effect prior to such modification and (y) if plans providing Employee with substantially similar benefits are not substituted therefor ("Substitute Plans"), or (2) to continue Employee as a participant in the Bonus Plans and Substitute Plans on at least a basis which is substantially the same as to potential amount of the bonus the Employee participated in prior to any change in such plans or awards, in accordance with the Bonus Plans and the Substitute Plans (a plan shall be considered to be on a basis substantially the same as another if the potential amount payable thereunder is at least 90% of the potential amount payable under the other plan), (vi) the Employee's office is relocated by the Company to a location which is not located within the Florida counties of Miami-Dade, Broward or Palm Beach, or (vii) the Company's termination without Cause of the continuation of the Employment Period provided in this Agreement. 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) for two (2) years from the date of termination, 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 second 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, (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 two (2) years from the date of termination of employment, (d) all long term incentive cash grants provided to the Employee shall immediately vest as if all targets and conditions had been met and shall be paid by the Company to the Employee at such times as the Company would have been required to make such payments if this Agreement had remained in effect, provided, however, that in the case of incentives

partially or completely contingent on the providing of service for a specific period of time, the total amount to be paid by the Company shall be equal to the maximum amount payable if all conditions were met, multiplied by a fraction, the numerator of which is the period of service that would have been served if the Employee's employment had terminated as of the last day of the fiscal year in which his employment was terminated, and the denominator of which is the total period of time specified as a condition to the incentive, and (e) as of the termination date the Employee shall be paid the balance of all amounts credited to Employee's deferred compensation account plus a gross-up payment to reimburse the Employee for all income and other taxes imposed with respect to the payment of said balance and all income and other taxes arising as a result of said gross-up payment such that the payment of the deferred compensation balance of the Employee is made to the Employee free of all taxes thereon whatsoever (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 except for the obligations set forth in Section 13 of this Agreement after the date of such termination; 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 (i) the Severance Payment provided in Section 3(c) shall be for three (3) years from the date of termination and that the Severance Payment shall be paid in a single lump sum in full, (ii) the product of three multiplied by the maximum Bonus that Employee would have been eligible for with respect to the Fiscal Year in which such termination occurs, assuming that all performance objectives are met, in a single lump sum. The foregoing payments 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 b 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:

(i) 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;

(ii) 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

(iii) 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. GROSS-UP PAYMENT.

(a) Amount. If any payment or benefit provided to the Employee by the Company (a "Base Payment") is subject to the tax (the "Excise Tax") imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (or any other similar tax that may hereafter be imposed), the Company shall pay to the Employee the "Gross-Up Payment" determined as follows. The "Gross-Up Payment" shall be equal to the sum of (i) the Excise Tax imposed with respect to the Base Payment, plus (ii) the Excise Tax imposed with respect to the Gross-Up Payment, plus (iii) all other taxes imposed on the Employee with respect to the Gross-Up Payment, including income taxes and the Employee's share of FICA, FUTA and other payroll taxes. The Gross-Up Payment shall not include the payment of any tax on the Base Payment other than the Excise Tax. The Gross-Up Payment is intended to place the Employee in the same economic position the Employee would have been in if the Excise Tax did not apply, and shall be calculated in accordance with such intent.

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

(c) Payment and Calculation Procedures. The Gross-Up Payment attributable to a Base Payment shall be paid to the Employee in cash and at such times as such Base Payment is paid or provided pursuant to this Agreement. Simultaneously with or prior to the Company's payment of a Base Payment, the Company shall deliver to the Employee a written statement specifying the total amount of the Base Payment and the Excise Tax and Gross-Up Payment relating to the Base Payment, if any, together with all supporting calculations and conclusions. If the Employee disagrees with the Company's determination of the Excise Tax or Gross-Up Payment, the Employee shall submit to the Company, no later than 30 days after receipt of the Company's written statement, a written notice advising the Company of

the disagreement and setting forth the Employee's calculation of said amounts. The Employee's failure to submit such notice within such period shall be conclusively deemed to be an agreement by the Employee as to the amount of the Excise Tax and Gross-Up Payment, if any. If the Company agrees with the Employee's calculations, it shall pay any shortfall in the Gross-Up Payment to the Employee within 20 days after receipt of such a notice from the Employee. If the Company does not agree with the Employee's calculations, it shall provide the Employee with a written notice within 20 days after the receipt of the Employee's calculations advising the Employee that the disagreement is to be referred to an independent accounting firm for resolution. Such disagreement shall be referred to an independent "Big 4" accounting firm which is not the regular accounting firm of the Company and which is designated by the Company. The Company shall be required to designate such accounting firm within 10 days after issuance of the Company's notice of disagreement. The accounting firm shall review all information provided to it by the parties and submit a written report to the parties setting forth its calculation of the Excise Tax and the Gross-Up Payment within 15 days after submission of the matter to it, and such decision shall be final and binding on all of the parties. The fees and expenses charged by said accounting firm shall be paid by the Company. If the amount of the Gross-Up Payment actually paid by the Company was less than the amount calculated by the accounting firm, the Company shall pay the shortfall to the Employee within 5 days after the accounting firm submits its written report. If the amount of the Gross-Up Payment actually paid by the Company was greater than the amount calculated by the accounting firm, the Employee shall pay the excess to the Company within 5 days after the accounting firm submits its written report.

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

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

6. SUCCESSOR TO COMPANY. The Company shall require any successor, whether direct or indirect, to all or substantially all of the business, properties and assets of the Company whether by purchase, merger, consolidation or otherwise, prior to or simultaneously with such purchase, merger, consolidation or other acquisition to execute and to deliver to 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.

7. 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.

8. 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.

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

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

11. 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.

12. 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 7 hereof. The rights and obligations of the Company under this Agreement shall inure to the benefit of and be binding upon its respective successors and assigns.

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

14. 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.

15. 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.

16. 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.

17. 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.

18. 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.

19. 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.

20. ATTORNEY'S FEES. If at any time following a Change of Control of the Company, 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. If at any time when there has not previously been a Change of Control of the Company, there should arise any dispute or litigation as to the validity, interpretation or application of any term or condition of the Agreement, the prevailing party in such dispute or litigation shall be entitled to recover from the non-prevailing party its costs and reasonable attorneys' fees (including expenses of investigation and disbursements for the fees and expenses of experts, etc.) incurred in such dispute or litigation. The provisions of this Section 20, without implication as to any other section hereof, shall survive the expiration or termination of this Agreement and Employee's employment hereunder.

21. 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.

[SIGNATURES ON FOLLOWING PAGE]

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

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

EMPLOYEE:

/s/ Michael Cordesman

MICHAEL CORDESMAN

Address for Notices:

5760 Northwest 120th Avenue
Coral Springs, Florida 33076

SCHEDULE 5(E)

GROSS-UP PAYMENT EXAMPLE

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

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

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

clause (i): Excise Tax on Base Payment (600,000 x .20)	120,000.00
clause (ii): Excise Tax on Gross-Up Payment (342,857.14 x .20)	68,571.43
clause (iii): Other taxes on Gross-Up Payment (342,857.14 x .45)	154,285.71
TOTAL TAXES SUBJECT TO GROSS-UP	342,857.14

Exhibit 10.2

AMENDMENT NUMBER ONE

This AMENDMENT NUMBER ONE (hereinafter the "Amendment") is made and entered into as of this 31 day of January, 2003, by and between REPUBLIC SERVICES, INC., a Delaware corporation, (hereinafter the "Company") and JIM O'CONNOR, a Florida Resident (hereinafter the "Employee"):

RECITALS

WHEREAS, the Company and the Employee have heretofore entered into a certain Employment Agreement dated as of October 25, 2000 ("Employment Agreement"; terms defined therein being used herein as therein defined); and

WHEREAS, the Company and the Employee wish to make amendments to the Employment Agreement as set forth below;

A. For all purposes therein, Section 2 of the Employment Agreement is hereby amended to insert the following:

2. Compensation.

***

(l) Tax and Estate Planning. During the term of this Agreement, the Employee shall be reimbursed, on an annual basis, for all out-of-pocket expenses reasonably incurred by him for financial, tax and estate planning, provided that the total amount of such reimbursement for any year shall not exceed two percent (2%) of his Base Salary in such year. The Employee shall retain the right to determine the provider for any such services.

B. All other provisions or terms of the Employment Agreement are hereby ratified and confirmed, including but not limited to, the provisions and terms of Sections 5, 6, and 7 thereof.

IN WITNESS WHEREOF, the Company and the Employee have executed this Amendment effective as of the date first written above.

REPUBLIC SERVICES, INC.,
a Delaware corporation

By: /s/ Harris W. Hudson

Its: Vice Chairman

EMPLOYEE:

/s/ Jim O'Connor

JIM O'CONNOR

Exhibit 10.3

AMENDMENT NUMBER ONE

This AMENDMENT NUMBER ONE (hereinafter the "Amendment") is made and entered into as of this 31 day of January, 2003, by and between REPUBLIC SERVICES, INC., a Delaware corporation, (hereinafter the "Company") and TOD HOLMES, a Florida Resident (hereinafter the "Employee"):

RECITALS

WHEREAS, the Company and the Employee have heretofore entered into a certain Employment Agreement dated as of October 25, 2000 ("Employment Agreement"; terms defined therein being used herein as therein defined); and

WHEREAS, the Company and the Employee wish to make amendments to the Employment Agreement as set forth below;

A. For all purposes therein, Section 2 of the Employment Agreement is hereby amended to insert the following:

2. Compensation.

***

(l) Tax and Estate Planning. During the term of this Agreement, the Employee shall be reimbursed, on an annual basis, for all out-of-pocket expenses reasonably incurred by him for financial, tax and estate planning, provided that the total amount of such reimbursement for any year shall not exceed two percent (2%) of his Base Salary in such year. The Employee shall retain the right to determine the provider for any such services.

B. For all purposes therein, Section 4(a) of the Employment Agreement is hereby deleted and substituted in lieu thereof is the following:

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 (i) the

Severance Payment provided in Section 3(c), except that the continuation of Salary under 3(c) shall be for three (3) years from the date of termination and that the Severance Payment shall be paid in a single lump sum in full, (ii) the product of three multiplied by the maximum Bonus that Employee would have been eligible for with respect to the Fiscal Year in which such termination occurs, assuming that all performance objectives are met, in a single lump sum. The foregoing payments 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.

C. All other provisions or terms of the Employment Agreement are hereby ratified and confirmed, including but not limited to, the provisions and terms of Sections 5, 6, and 7 thereof.

IN WITNESS WHEREOF, the Company and the Employee have executed this Amendment effective as of the date first written above.

REPUBLIC SERVICES, INC., a Delaware corporation

By: /s/ James E. O'Connor

Its: Chairman and Chief Executive Officer

EMPLOYEE:

/s/ Tod Holmes

TOD HOLMES

Exhibit 10.4

AMENDMENT NUMBER ONE

This AMENDMENT NUMBER ONE (hereinafter the "Amendment") is made and entered into as of this 31 day of January, 2003, by and between REPUBLIC SERVICES, INC., a Delaware corporation, (hereinafter the "Company") and DAVID A. BARCLAY, a Florida Resident (hereinafter the "Employee"):

RECITALS

WHEREAS, the Company and the Employee have heretofore entered into a certain Employment Agreement dated as of October 25, 2000 ("Employment Agreement"; terms defined therein being used herein as therein defined); and

WHEREAS, the Company and the Employee wish to make amendments to the Employment Agreement as set forth below;

A. For all purposes therein, Section 2 of the Employment Agreement is hereby amended to insert the following:

2. Compensation.

***

(l) Tax and Estate Planning. During the term of this Agreement, the Employee shall be reimbursed, on an annual basis, for all out-of-pocket expenses reasonably incurred by him for financial, tax and estate planning, provided that the total amount of such reimbursement for any year shall not exceed two percent (2%) of his Base Salary in such year. The Employee shall retain the right to determine the provider for any such services.

B. For all purposes therein, Section 4(a) of the Employment Agreement is hereby deleted and substituted in lieu thereof is the following:

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 (i) the

Severance Payment provided in Section 3(c), except that the continuation of Salary under 3(c) shall be for three (3) years from the date of termination and that the Severance Payment shall be paid in a single lump sum in full, (ii) the product of three multiplied by the maximum Bonus that Employee would have been eligible for with respect to the Fiscal Year in which such termination occurs, assuming that all performance objectives are met, in a single lump sum. The foregoing payments 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.

C. All other provisions or terms of the Employment Agreement are hereby ratified and confirmed, including but not limited to, the provisions and terms of Sections 5, 6, and 7 thereof.

IN WITNESS WHEREOF, the Company and the Employee have executed this Amendment effective as of the date first written above.

REPUBLIC SERVICES, INC., a Delaware corporation

By: /s/ James E. O'Connor

Its: Chairman and Chief Executive Officer

EMPLOYEE:

/s/ David A. Barclay

DAVID A. BARCLAY

Exhibit 10.5

AMENDMENT NUMBER ONE

This AMENDMENT NUMBER ONE (hereinafter the "Amendment") is made and entered into as of this 28th day of February 2003, by and between REPUBLIC SERVICES, INC., a Delaware corporation, (hereinafter the "Company") and MICHAEL CORDESMAN, a Florida Resident (hereinafter the "Employee"):

RECITALS

WHEREAS, the Company and the Employee have heretofore entered into a certain Employment Agreement dated as of January 31, 2003 ("Employment Agreement"; terms defined therein being used herein as therein defined); and

WHEREAS, the Company and the Employee wish to make amendments to the Employment Agreement as set forth below;

A. For all purposes therein, Section 2, clause (a) of the Employment Agreement is hereby deleted, in its entirety, and replaced with the following:

2. Compensation.

(a) BASE SALARY. In consideration for the Employee's services hereunder and the restrictive covenants contained herein, the Employee shall be paid (i) an annual base salary of $360,000 commencing on February 28, 2003 and continuing until July 31, 2003, and (ii) an annual base salary of $425,000 commencing on August 1, 2003 and continuing until February 29, 2004. Notwithstanding the foregoing, Employee's Base Salary may be increased at anytime and from time to time to levels greater than the level set forth in the preceding sentence at the discretion of the Board of Directors of the Company to reflect merit or other increases. The Employee's Base Salary for any period following February 29, 2004 shall remain at $425,000 unless the Board of Directors expressly provides otherwise.

B. All other provisions or terms of the Employment Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, the Company and the Employee have executed this Amendment effective as of the date first written above.

REPUBLIC SERVICES, INC., a Delaware corporation

By: /s/ James E. O'Connor

Its: Chairman and Chief Executive Officer

EMPLOYEE:

/s/ Michael Cordesman

MICHAEL CORDESMAN

EXHIBIT 18.1

May 12, 2003

Tod C. Holmes
Senior Vice President and Chief Financial Officer
Republic Services, Inc.
110 SE 6th Street, 28th Floor
Fort Lauderdale, FL 33301

Dear Sir:

Note 1 of Notes to the condensed consolidated financial statements of Republic Services, Inc. included in its Form 10-Q for the three months ended March 31, 2003 describes a change in the method of accounting for methane gas collection systems associated with landfills from capitalizing such systems when installed and depreciating them over their estimated useful lives to including the cost of the gas systems in the total expected investment in landfills and amortizing these costs on a units of consumption basis over the total productive capacity of the landfill. There are no authoritative criteria for determining a preferable method of accounting for landfill methane gas collections systems based on the particular circumstances; however, we conclude that such change in the method of accounting for landfill methane gas collection is to an acceptable alternative method which, based on your business judgment to make this change and for the stated reasons, is preferable in your circumstances. We have not conducted an audit in accordance with generally accepting auditing standards of any financial statements of the Company as of any date or for any period subsequent to December 31, 2002, and therefore we do not express any opinion on any financial statements of Republic Services, Inc. subsequent to that date.

Very truly yours,

/s/ Ernst & Young LLP

Fort Lauderdale, Florida

EXHIBIT 99.1

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

In connection with the Quarterly Report of Republic Services, Inc., (the "Company") on Form 10-Q for the period ending March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James E. O'Connor, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ James E. O'Connor
- ---------------------------------------
James E. O'Connor
Chairman and Chief Executive Officer
May 13, 2003

A signed original of this written statement required by Section 906 has been provided to Republic Services, Inc., and will be retained by Republic Services, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 99.2

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

In connection with the Quarterly Report of Republic Services, Inc., (the "Company") on Form 10-Q for the period ending March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tod C. Holmes, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Tod C. Holmes
- ---------------------------------------
Tod C. Holmes
Senior Vice President and
Chief Financial Officer
May 13, 2003

A signed original of this written statement required by Section 906 has been provided to Republic Services, Inc., and will be retained by Republic Services, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.