

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

OR  
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF  
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

Commission file number: 1-14267

REPUBLIC SERVICES, INC.  
(Exact Name of Registrant as Specified in its Charter)

DELAWARE  
(State of Incorporation)

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

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

33301  
(Zip Code)

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

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

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

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

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

As of February 28, 2000, the registrant had outstanding 175,481,842 shares of Common Stock. At such date, the aggregate market value of the shares of the Common Stock held by non-affiliates of the registrant was approximately \$1,873,854,519.

DOCUMENTS INCORPORATED BY REFERENCE

Part III Portions of the Registrant's Proxy Statement relative to the 2000 Annual Meeting of Stockholders.

Part IV Portions of previously filed reports and registration statements.

INDEX  
TO FORM 10-K

	PAGE NUMBER
	-----
Item 1. Business.....	1
Item 2. Properties.....	16
Item 3. Legal Proceedings.....	17
Item 4. Submission of Matters to a Vote of Security Holders.....	17
Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters.....	18
Item 6. Selected Financial Data.....	19
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (including Item 7A).....	21
Item 8. Financial Statements and Supplementary Data.....	33
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.....	57
Item 10. Directors and Executive Officers of the Registrant.....	58
Item 11. Executive Compensation.....	58
Item 12. Security Ownership of Certain Beneficial Owners and Management.....	58
Item 13. Certain Relationships and Related Transactions.....	58
Item 14. Exhibits, Financial Statement Schedule and Reports on Form 8-K.....	59

## PART I

## ITEM 1. BUSINESS

## COMPANY OVERVIEW

We are a leading provider of services in the domestic non-hazardous solid waste industry. We provide non-hazardous solid waste collection services for commercial, industrial, municipal and residential customers through 151 collection companies in 24 states. We also own or operate 81 transfer stations and 55 solid waste landfills.

We had revenue of \$1,838.5 million and \$1,369.1 million and operating income of \$390.6 million and \$284.3 million for the years ended December 31, 1999 and 1998, respectively. The \$469.4 million, or 34.3%, increase in revenue and the \$106.3 million, or 37.4%, increase in operating income from 1998 to 1999 are primarily attributable to our successful execution of our growth and operating strategies described below.

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

Since 1995, we have acquired numerous solid waste companies with an aggregate of over \$1.7 billion in annual revenue. In September 1998, we agreed to purchase 16 landfills, 11 transfer stations, 136 commercial collection routes and related assets from Waste Management, Inc. By June 1999, we completed the purchase for approximately \$479.6 million in cash plus certain properties. In July 1999, we entered into an agreement with Allied Waste Industries, Inc. to acquire solid waste assets for approximately \$230.0 million in cash. In October 1999, after failing to receive regulatory approval to acquire these assets, we amended the agreement and agreed to acquire from Allied Waste one landfill operation, five transfer stations and a subset of small container hauling assets from four collection operations. In addition, we entered into an agreement with Allied Waste for the simultaneous purchase and sale of other solid waste assets. As of December 31, 1999, we have completed the purchase of certain assets for approximately \$19.7 million in cash. The closing of the remainder of the transactions, which were pending as of December 31, 1999, are subject to approval by various state and federal agencies, as well as the satisfaction of customary closing conditions. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Business Combinations."

We believe that we are well positioned to continue to increase our revenue and operating income in order to enhance stockholder value.

## INDUSTRY OVERVIEW

Based on analyst reports and industry trade publications, we believe that the United States non-hazardous solid waste services industry generated revenue of approximately \$37.0 billion in 1998, of which approximately 58% was generated by publicly-owned waste companies, and 42% was generated by privately-held waste companies and municipal and other local governmental authorities. Only four companies generated the substantial majority of the publicly-owned companies' total revenue of approximately \$21.0 billion in 1998. However, according to industry data, the domestic non-hazardous waste industry remains highly fragmented as privately-held companies and municipal and local governmental authorities generated total annual revenue of approximately \$16.0 billion.

We believe that in recent years there has been a trend toward rapid consolidation in the solid waste collection industry, which has historically been characterized by numerous small companies. We believe that this trend will continue as a result of the following factors:

Subtitle D Regulation. Subtitle D of the Resource Conservation and Recovery Act of 1976, as currently in effect, and similar state regulations have significantly increased the amount of capital,

technical expertise, operating costs and financial assurance obligations required to own and operate a landfill and other solid waste facilities. Many of the smaller participants in our industry have found these costs difficult, if not impossible, to bear. Large publicly owned companies, like our company, have greater access to capital, and a lower cost of capital, available to finance such increased capital expenditures and costs relative to many of the privately-owned companies in the industry. Additionally, the required permits for landfill development, expansion or construction have become more difficult to acquire. Consequently, many smaller, independent operators have decided to either close their operations or sell them to larger operators with greater access to capital.

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

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

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

#### GROWTH STRATEGY

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

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

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

**Sales and Marketing Activities.** We seek to manage our sales and marketing activities to enable our company to capitalize on our leading positions in many of the markets in which we operate. We currently have approximately 450 sales and marketing employees in the field, who are incentivized by a commission structure to generate high levels of revenue. For the most part, these employees directly solicit business from existing and prospective commercial, industrial, municipal and residential customers. We emphasize our rate and cost structures when we train new and existing sales personnel.

- - **ACQUISITION GROWTH.** As a result of the highly fragmented nature of the solid waste industry, we have been able to grow significantly through acquisitions. Our acquisition growth strategy focuses on the approximately \$16.0 billion of revenue generated by privately-held solid waste companies and municipal and local governmental authorities in 1998. We believe that our ability to acquire many of the privately-held companies is enhanced by increasing competition in the solid waste industry, increasing capital require-

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

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

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

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

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

Although we are seeking to expand our operations to selected new markets where the potential for growth and further integration of operations exists, our primary focus is on acquisition efforts in our existing markets in the Sunbelt, including Florida, Georgia, Nevada, Southern California and Texas, and in other domestic markets that have experienced higher than average population growth during the past several years. We are, however, not limited to this target criteria for acquisitions, and may also acquire additional non-hazardous solid waste operations as opportunities arise. We continuously review possible acquisition candidates and are in discussions from time to time with one or more of such candidates. In September 1998, we entered into an agreement with Waste Management to purchase 16 landfills, 11 transfer stations and 136 commercial collection routes across the United States, as well as to obtain disposal agreements at various Waste Management disposal sites. With the completion of these acquisitions in June 1999, we have expanded our presence in four existing markets and have entered 16 new markets. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Business Combinations."

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

**Acquire Business in Existing Markets.** Once we have a base of operations in a particular market, we focus on acquiring trucks and routes of smaller businesses that also operate in that market and surrounding markets, which are typically referred to as "tuck-in" acquisitions. We seek to consolidate the operations of such tuck-in businesses into our existing operations in that market. In addition, we seek to acquire landfills, transfer stations and collection companies that operate in markets that we are already servicing in order to fully integrate our operations from collection to disposal. By doing so, we are able to increase our revenue

and market share, lower our cost of operations as a percentage of revenue, and consolidate duplicative facilities and functions to maximize cost efficiencies and economies of scale.

**Privatize Municipal Operations and Acquire Divested Operations.** We also seek to acquire solid waste collection operations, transfer stations and landfills that municipalities and other governmental authorities are privatizing. Many municipalities are seeking to outsource or sell these types of solid waste operations, as they lack the capital, technical expertise and/or operational resources necessary to comply with increasingly stringent regulatory standards and/or to compete effectively with private-sector companies. In addition, we have acquired, and will continue to seek to acquire, operations and facilities that may be divested by other publicly-owned waste companies. Since late 1998, each of Waste Management and Allied Waste Industries were forced to divest certain of their operations and facilities due to governmental antitrust reviews of their respective acquisitions of other large publicly-owned waste companies, and we acquired many of these divested operations and facilities. We believe that both of these companies may divest additional operations and facilities for various reasons, including to raise cash to pay down debt, to eliminate collection operations where they may lack appropriate disposal capacity or to eliminate disposal operations where they may lack appropriate collection volumes, or other reasons. We expect to be able to evaluate and bid on such opportunities as they may arise from time to time.

#### OPERATING STRATEGY

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

- (1) utilize the extensive industry knowledge and experience of our executive management,
- (2) utilize a decentralized management structure in overseeing day-to-day operations,
- (3) integrate waste operations,
- (4) improve operating margins through economies of scale, cost efficiencies and asset utilization, and
- (5) achieve high levels of customer satisfaction.

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

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

H. Wayne Huizenga, who has served as our Chairman since our initial public offering in July 1998, has over 25 years of experience in the solid waste industry. After several years of owning and operating private waste hauling companies in Florida, he co-founded Waste Management in 1971. From 1971 to 1984, he served in various executive capacities with Waste Management, including President and Chief Operating Officer. By then, Waste Management had become the world's largest integrated solid waste services company. From 1987 to 1994, Mr. Huizenga served as Chairman and Chief Executive Officer of Blockbuster Entertainment Corporation, leading its growth from 19 stores to the world's largest video rental company. In August 1995, he became Chairman and Chief Executive Officer of AutoNation, our former parent company, which in three years has become the largest domestic automotive retailer with over 400 car dealerships in 19 states.

Harris W. Hudson, who has served as our Vice Chairman since our initial public offering, has over 35 years of experience in the solid waste industry. Mr. Hudson worked closely with Mr. Huizenga, from 1964 until 1982, at Waste Management and at the private waste hauling firms they operated prior to the formation of Waste Management. In 1982, Mr. Hudson retired as Vice President of Waste Management of Florida, Inc., a subsidiary of Waste Management. In 1983, Mr. Hudson founded Hudson Management Corporation, a solid waste collection company in Florida, and served as its Chairman and Chief Executive Officer until it merged with AutoNation in August 1995. By that time, Hudson Management had grown to over \$50.0 million in annual revenue, becoming one of Florida's largest privately-held solid waste collection

companies based on revenue. Since August 1995, Mr. Hudson has served in various capacities with AutoNation, including as Chairman of its Solid Waste Group.

James E. O'Connor, who has served as our Chief Executive Officer since December 1998, also worked at Waste Management from 1972 to 1978 and from 1982 to 1998. During that time, he served in various management positions, including Senior Vice President in 1997 and 1998, and Area President of Waste Management of Florida, Inc., from 1992 to 1997. Mr. O'Connor has over 24 years of experience in the solid waste industry.

James H. Cosman, our President and Chief Operating Officer, joined AutoNation as President of its Solid Waste Group in January 1997. Prior to joining AutoNation, Mr. Cosman was employed for over 24 years by Browning-Ferris Industries, Inc., a leading solid waste company that is now part of Allied Waste. During that time, he served in various management positions, including Regional Vice President -- Northern Region, from 1993 to 1996.

The other corporate officers with responsibility for our operational affairs have an average of over 17 years of management experience in the solid waste industry. Our five Regional Vice Presidents have an average of 19 years of experience in the industry, and our 19 Area Presidents have an average of 23 years of experience in the industry.

- - DECENTRALIZED MANAGEMENT STRUCTURE. We maintain a relatively small corporate headquarters staff, relying on a decentralized management structure to minimize administrative overhead costs and to manage our day-to-day operations more efficiently. Our local management has extensive industry experience in growing, operating and managing solid waste companies and has substantial experience in their local geographic markets. Recently, we added a fifth region to our field organizational structure which will allow us to more efficiently and effectively manage the numerous new markets we entered into during the previous 18 months. The Regional Vice Presidents and Area Presidents have extensive authority, responsibility and autonomy for operations within their geographic markets. Compensation for management within regions and areas is in large part based on the improvement in operating income produced in each manager's geographic area of responsibility. Starting January 1, 2000, compensation will also be based upon the cash flow generated in each manager's geographic area of responsibility. In addition, through long-term incentive programs, including stock options, we believe we have one of the lowest turnover levels in the industry for our local management teams. As a result of retaining experienced managers with extensive local knowledge, community relations and name recognition, we react rapidly to changes in our markets. We also seek to implement the best practices of our various regions and areas throughout our operations to improve operating margins.
- - INTEGRATED OPERATIONS. By controlling waste streams from the point of collection through disposal, we seek to achieve a high rate of waste integration. We expect that our fully integrated markets generally will have a lower cost of operations and more favorable cash flows than our non-integrated markets. Through acquisitions and other market development activities, we create market specific, integrated operations typically consisting of one or more collection companies, transfer stations and landfills. We consider acquiring companies which own or operate landfills with significant permitted disposal capacity and appropriate levels of waste volume. We also seek to acquire solid waste collection companies in markets in which we own or operate landfills. In addition, we generate internal growth in our disposal operations by constructing new landfills and expanding our existing landfills from time to time in markets in which we have significant collection operations or in markets that we determine lack sufficient disposal capacity. During the three months ended December 31, 1999, approximately 48% of the total volume of waste that we collected was disposed of at our own landfills. Because we do not have landfill facilities for all markets in which we provide collection services, we believe that through landfill and transfer station acquisitions and development we have the opportunity to increase our waste internalization rate and further integrate our operations. By further integrating operations in existing markets through acquisitions and development of landfills and transfer stations, we are able to reduce our disposal costs.
- - ECONOMIES OF SCALE AND COST EFFICIENCIES. To improve operating margins, our management focuses on achieving economies of scale and cost efficiencies. The consolidation of acquired businesses into existing

operations reduces costs by decreasing capital and expenses used for routing, personnel, equipment and vehicle maintenance, inventories and back-office administration. Generally, we are consolidating our administrative centers to reduce our general and administrative costs. We have reduced our selling, general and administrative expenses from 14.2% of revenue in 1996 to 9.6% of revenue in 1999, on a pro forma basis. In addition, our size allows our company to negotiate volume discounts for certain purchases, including waste disposal rates at landfills operated by third parties. Furthermore, we have taken steps to increase utilization of our assets. For example, to reduce the number of collection vehicles, drivers are paid incentive wages based upon the number of customers they service on each route. In addition, routes are frequently analyzed and rerouted to ensure that the highest number of customers are efficiently serviced over the fewest possible miles. By using assets more efficiently, operating expenses are lowered significantly.

- - HIGH LEVELS OF CUSTOMER SATISFACTION. Our goal of maintaining high levels of customer satisfaction complements our operating strategy. Our personalized sales process of periodically contacting commercial, industrial and municipal customers is oriented towards maintaining relationships and ensuring that service is being properly provided.

#### OPERATIONS

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

**Collection Services.** We provide solid waste collection services to commercial, industrial, municipal and residential customers in 24 states through 151 collection companies. In 1999, the revenue we derived from collection services was approximately one third from services provided to municipal and residential customers, one third from services provided to commercial customers and one third from services provided to industrial customers.

Our residential collection operations involve the curbside collection of refuse from small containers into collection vehicles for transport to transfer stations or directly to landfills. Residential solid waste collection services are typically performed under contracts with municipalities, which we generally secure by competitive bid and which give our company exclusive rights to service all or a portion of the homes in their respective jurisdictions. These contracts or franchises usually range in duration from one to five years, although some of our exclusive franchises are for as long as 20 years. Residential solid waste collection services may also be performed on a subscription basis, in which individual households contract directly with our company. The fees received for subscription residential collection are based primarily on market factors, frequency and type of service, the distance to the disposal facility and cost of disposal. In general, subscription residential collection fees are paid quarterly in advance by the residential customers receiving the service.

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

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

We also provide waste collection services to industrial and construction facilities on a contractual basis with terms generally ranging from a single pickup to as long as one year and we rent waste roll-off containers to construction sites. We collect the containers or compacted waste and transport them either to a landfill, where the waste is disposed of, or to a transfer station.

We own or operate 81 transfer stations. We deposit waste at these stations, as do other private haulers and municipal haulers, for compaction and transfer to trailers for transport to landfills, incinerators, recycling facilities or other disposal sites.



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

**Disposal Services.** As of December 31, 1999, we owned or operated 55 landfills, which had approximately 7,381 permitted acres and total available permitted disposal capacity of approximately 1.7 billion in-place cubic yards. The in-place capacity of our landfills is subject to change based on engineering factors, requirements of regulatory authorities and the ability to expand sites successfully. Some of our landfills accept non-hazardous special waste, including utility ash, asbestos and contaminated soils. See "-- Properties."

Most of our existing landfill sites have the potential for expanded disposal capacity beyond the currently permitted acreage. We monitor the availability of permitted disposal capacity at each of our landfills and evaluate whether to pursue expansion at a given landfill based on estimated future waste volumes and prices, remaining capacity and likelihood of obtaining expansion. We believe that each of our landfills has adequate permitted capacity. To satisfy future disposal demand, we are currently seeking to expand permitted capacity at certain of our landfills, although no assurances can be made that all future expansions will be permitted as designed.

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

#### SALES AND MARKETING

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

We employ approximately 450 sales and marketing employees. Our sales and marketing strategy is to provide high-quality comprehensive solid waste collection, recycling, transfer and disposal services to our customers at competitive prices. We target potential customers of all sizes, from small quantity generators to large "Fortune 500" companies and municipalities.

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

#### CUSTOMERS

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

#### REGULATION

Our facilities and operations are subject to a variety of federal, state and local requirements which regulate health, safety, the environment, zoning and land use. Operating and other permits are generally required for landfills, certain waste collection vehicles, fuel storage tanks and other facilities that we own or

operate, and these permits are subject to revocation, modification and renewal. Federal, state and local regulations vary, but generally govern wastewater or stormwater discharges, air emissions, the treatment, storage, transportation and disposal of hazardous and non-hazardous wastes and the remediation of contamination associated with the release of hazardous substances. These regulations provide governmental authorities with strict powers of enforcement, which include the ability to obtain injunctions and/or impose fines or penalties in the case of violations, including criminal penalties. The U.S. Environmental Protection Agency and various other federal, state and local environmental, health and safety agencies and authorities, including the Occupational Safety and Health Administration of the U.S. Department of Labor, administer these regulations.

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

Federal Regulation. The following summarizes the primary environmental and safety-related federal statutes of the United States affecting our facilities and operations:

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

Subtitle D of the RCRA establishes a framework for regulating the disposal of municipal solid wastes. Regulations under Subtitle D currently include minimum comprehensive solid waste management criteria and guidelines, including location restrictions, facility design and operating criteria, closure and post-closure requirements, financial assurance standards, groundwater monitoring requirements and corrective action standards, many of which had not commonly been in effect or enforced in the past in connection with municipal solid waste landfills. Each state was required to submit a permit program designed to implement Subtitle D regulations to the EPA by April 9, 1993. These state permit programs may include landfill requirements which are more stringent than those of Subtitle D. Some states have not yet fully implemented permit programs pursuant to the RCRA and Subtitle D. Once a state has an approved permit program it is required to review all existing landfill permits to ensure compliance with the new regulations.

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

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

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

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

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

(4) The Clean Air Act. The Clean Air Act imposes limitations on emissions from various sources, including landfills. In March 1996, the EPA enacted rules that require large municipal solid waste landfills to install landfill gas monitoring systems. These regulations apply to landfills that have been operating since November 1987, and that can accommodate 2.5 million cubic meters or more of municipal solid waste. The regulations apply whether the landfill is active or closed. The date by which each affected landfill must have the required gas collection and control system is dependent upon the adoption of state regulations and the date the EPA approves the state program. Many state regulatory agencies currently require monitoring systems for the collection and control of landfill gas. We do not expect that compliance with any new state regulations will have a material effect on us.

(5) The Occupational Safety and Health Act of 1970. This act authorizes the Occupational Safety and Health Administration to promulgate occupational safety and health standards. Various of these standards, including standards for notices of hazardous chemicals and the handling of asbestos, apply to our facilities and operations.

State Regulation. Each state in which we operate has its own laws and regulations governing solid waste disposal, water and air pollution and, in most cases, releases and cleanup of hazardous substances and liability for such matters. States also have adopted regulations governing the design, operation, maintenance and closure of landfills and transfer stations. Our facilities and operations are likely to be subject to these types of requirements. In addition, our solid waste collection and landfill operations may be affected by the trend in many states toward requiring the development of waste reduction and recycling programs. For example, several states have enacted laws that require counties or municipalities to adopt comprehensive plans to reduce, through waste planning, composting, recycling or other programs, the volume of solid waste deposited in landfills. Additionally, laws and regulations restricting the disposal of certain wastes, including yard waste,

newspapers, beverage containers, unshredded tires, lead-acid batteries and household appliances in solid waste landfills have been promulgated in several states and are being considered in others. Legislative and regulatory measures to mandate or encourage waste reduction at the source and waste recycling also are under consideration by Congress and the EPA.

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

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

Finally, with regard to our solid waste transportation operations, we are subject to the jurisdiction of the Interstate Commerce Commission and are regulated by the Federal Highway Administration, Office of Motor Carriers and by regulatory agencies in each state. Various states have enacted, or are considering enacting, laws and regulations that would restrict the interstate transportation and processing of solid waste. In 1978, the United States Supreme Court held similar laws and regulations unconstitutional; however, states have attempted to distinguish proposed laws and regulations from the laws and regulations involved in that ruling. In 1994, the Supreme Court ruled that state and local flow control laws and ordinances, which attempt to restrict waste from leaving its place of generation, were an impermissible burden on interstate commerce, and therefore, were unconstitutional. In response to these Supreme Court rulings, Congress has considered passing legislation authorizing states and local governments to restrict the free movement of solid waste in interstate commerce. If federal legislation authorizing state and local governments to restrict the free movement of solid waste in interstate commerce is enacted, such legislation could adversely affect our operations.

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

#### COMPETITION

We operate in a highly competitive industry, which is changing as a result of rapid consolidation. Entry into our business and the ability to operate profitably in the industry requires substantial amounts of capital and managerial experience.

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

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

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

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

#### LIABILITY INSURANCE AND BONDING

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

We have general liability, vehicle liability, employment practices liability, pollution liability, directors and officer liability, workers compensation and employer's liability coverage, as well as umbrella liability policies to provide excess coverage over the underlying limits contained in these primary policies. We also carry property insurance. Although we try to operate safely and prudently and while we have, subject to limitations and exclusions, substantial liability insurance, no assurance can be given that we will not be exposed to uninsured liabilities which could have a material adverse effect on our financial condition or results of operations.

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

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

## EMPLOYEES

As of December 31, 1999, we employed approximately 12,000 full time employees, approximately 2,600 of whom were covered by collective bargaining agreements. Our management believes that we have good relations with our employees.

## CORPORATE HISTORY

We were incorporated as a Delaware corporation in 1998 by our former parent company, AutoNation, Inc. In 1995, H. Wayne Huizenga, Harris W. Hudson and their associates made an investment in AutoNation, then known as Republic Waste Industries, Inc., and AutoNation subsequently acquired businesses in several industries, including automotive dealerships and car rental businesses in addition to over 100 non-hazardous solid waste companies. In 1998, AutoNation separated its non-hazardous solid waste services division from its other businesses by forming our company and we completed an initial public offering of shares of our common stock. In 1999, AutoNation sold substantially all of its remaining interest in our company in a secondary public offering.

## RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

Additional factors may negatively impact our acquisition growth strategy. Our acquisition strategy requires spending significant amounts of capital. If we are unable to obtain additional needed financing on acceptable terms, we may need to reduce the scope of our acquisition growth strategy, which could have a material adverse effect on our growth prospects. The intense competition among our competitors pursuing the same acquisition candidates may increase purchase prices for solid waste businesses and increase our capital requirements and/or prevent us from acquiring certain acquisition candidates. In addition, our inability to account for acquisitions under the pooling of interests method of accounting until May 2001 may impede our ability to complete some transactions. If any of the aforementioned factors force us to alter our growth strategy, our financial condition, results of operations and growth prospects could be adversely affected.

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

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

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

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

#### WE DEPEND ON KEY PERSONNEL.

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

**COMPLIANCE WITH ENVIRONMENTAL REGULATION MAY IMPEDE OUR GROWTH.**

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

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

Our plans include expanding the disposal and transfer capacities of certain of our landfills and transfer stations, respectively. Various parties, including citizens' groups and local politicians, remain active in challenging these expansions. Responding to these challenges has, at times, increased our costs and extended the time associated with establishing new facilities and expanding existing facilities. In addition, failure to receive regulatory approval would prohibit us from establishing new facilities and expanding existing facilities.

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

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

We currently accrue for landfill closure and post-closure costs based on consumption of landfill airspace. As of December 31, 1999, assuming that all available landfill capacity is used, we expect to expense approximately \$528.4 million of landfill closure and post-closure costs over the remaining lives of these facilities. We cannot assure you that our reserves for landfill and environmental costs will be adequate to cover the requirements of existing environmental regulations, future changes or interpretations of existing regulations or the identification of adverse environmental conditions previously unknown to us.

**POTENTIAL YEAR 2000 PROBLEMS MAY ADVERSELY AFFECT OUR BUSINESS.**

As of the date of this Annual Report on Form 10-K we believe that all of our systems are operating and we have not experienced any material issues from the date change in the year 2000. Also, as of the date of this Annual Report on Form 10-K, we are unaware of any third party issues from the date change in the year 2000 that would materially affect our financial condition or results of operations. Nevertheless, if any issues from the date change in the year 2000 presently unknown to us occur with us or with third party products and business dependencies, we may experience a delay or disruption in the delivery of services which could have a material adverse impact on our financial condition and results of operations including loss of revenue, increased operating costs, loss of customers or suppliers, or other significant disruptions to our business.



SEASONAL CHANGES AND ECONOMIC FLUCTUATIONS MAY ADVERSELY AFFECT OUR BUSINESS AND OPERATIONS.

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

Our commercial and industrial collection operations, and our landfills which accept construction and demolition debris, may be adversely affected by periods of economic downturn or declines in the construction industry.

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

We have a revolving short-term credit facility in the principal amount of \$500.0 million which expires in July 2000. We anticipate extending the maturity of this credit facility until July 2001. However, we cannot assure you that we will receive such extension and, if so, whether such extension will be on terms as favorable to us as those currently contained in the credit facility.

THE RESOLUTION OF CURRENT AND FUTURE LEGAL PROCEEDINGS MAY ADVERSLY AFFECT OUR COMPANY.

Our company currently is and will continue to be involved in a various administrative and legal proceedings in the ordinary course of business. No assurance can be given with respect to the outcome of these proceedings or the effect such outcomes may have on us, or that our insurance coverages or reserves with respect thereto are adequate. A significant judgment against us could have a material adverse effect on our financial position, results of operations or cash flows. See "Legal and Administrative Proceedings".

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

Through the date of our initial public offering in July 1998, we filed consolidated federal income tax returns with AutoNation. The Internal Revenue Service is auditing AutoNation's consolidated tax returns for fiscal years 1995 and 1996. In accordance with the tax sharing agreement we have with AutoNation, we may be liable for certain assessments imposed by the Internal Revenue Service resulting from this audit. No assurance can be given with respect to the outcome of this audit or the effect it may have on us, or that our reserves with respect thereto are adequate. A significant assessment against us could have a material adverse effect on our financial position, results of operations or cash flows.

## ITEM 2. PROPERTIES

Our corporate headquarters are located in Ft. Lauderdale, Florida in premises leased from a third party. As of December 31, 1999, we operated approximately 5,200 collection vehicles. Certain of our property and equipment are subject to operating leases or liens securing payment of portions of our indebtedness. We also lease certain of our offices and equipment. We believe that our facilities are sufficient for our current needs.

The following table provides certain information regarding the 55 landfills owned or operated by us as of December 31, 1999:

LANDFILL NAME	LOCATION	TOTAL ACREAGE	PERMITTED ACREAGE	UNUSED PERMITTED ACREAGE
Apex.....	Clark County, Nevada	2,285	1,233	1,102
Brazoria.....	Clute, Texas	1,000	195	75
Brent Run.....	Montrose, Michigan	370	106	67
Broadhurst Landfill(1).....	Jesup, Georgia	900	80	55
C&T Regional.....	Linn, Texas	200	79	17
CWI Florida.....	Winter Haven, Florida	80	58	14
Carleton Farms.....	Detroit, Michigan	495	388	261
Charter Waste.....	Abilene, Texas	396	300	283
Chiquita Canyon.....	Valencia, California	592	257	103
Cleveland Container/JMN.....	Shelby, North Carolina	174	77	40
Countywide.....	East Sparta, Ohio	818	88	10
Dozit Landfill.....	Morganfield, Kentucky	231	47	28
East Carolina Landfill.....	Aulander, North Carolina	729	113	63
Elk Run.....	Onaway, Michigan	99	40	33
Epperson Landfill.....	Williamstown, Kentucky	861	100	58
Foothills Landfill(1).....	Lenior, North Carolina	231	78	63
Forest Lawn.....	Three Oaks, Michigan	387	126	22
Front Range.....	Denver, Colorado	602	195	162
Green Ridge.....	Scottdale, Pennsylvania	580	87	44
Green Valley Landfill.....	Ashland, Kentucky	266	37	--
Honeygo Run.....	Perry Hall, Maryland	68	39	31
Kestrel Hawk.....	Racine, Wisconsin	218	125	37
Laughlin(1).....	Laughlin, Nevada	40	40	--
Mallard Ridge.....	Delavan, Wisconsin	659	42	9
Modern.....	York, Pennsylvania	716	230	63
National Serv-All.....	Fort Wayne, Indiana	265	204	32
Nine Mile Road.....	St. Augustine, Florida	154	28	--
North County.....	Houston, Texas	100	31	17
Northwest Tennessee.....	Union City, Tennessee	600	120	88
Oak Grove.....	Winder, Georgia	303	60	26
Ohio County Balefill(1).....	Beaver Dam, Kentucky	908	178	133
Pepperhill.....	North Charleston, SC	37	22	10
Pine Grove.....	Amada, Ohio	734	112	83
Pine Ridge.....	Griffin, Georgia	871	101	71
Pinellas(1).....	St. Petersburg, Florida	750	478	200
Presidio(1).....	Presidio, Texas	10	10	6
Republic/Alpine(1).....	Alpine, Texas	80	74	67
Republic/CSC.....	Avalon, Texas	298	205	124
Republic/Imperial.....	Imperial, California	250	73	27
Republic/Maloy.....	Campbell, Texas	388	195	130
Safety Lights.....	Memphis, Tennessee	49	21	--
San Angelo(1).....	San Angelo, Texas	257	232	109
Savannah Regional.....	Savannah, Georgia	123	56	42
Southern Illinois Regional.....	DeSoto, Illinois	249	113	19
Springfield Environmental.....	Mt. Vernon, Indiana	55	25	--
Swiftcreek Landfill.....	Macon, Georgia	830	81	28
Tay-Ban.....	Birch Run, Michigan	90	25	6
Tri-K Landfill.....	Stanford, Kentucky	572	64	49
United Refuse.....	Fort Wayne, Indiana	305	77	15
Upper Piedmont Environmental.....	Roxboro, North Carolina	614	70	46
Uwharrie Landfill(1).....	Mt. Gilead, North Carolina	905	58	26
Valleyview.....	Louisville, Kentucky	663	109	82
Victory Environmental.....	Terre Haute, Indiana	461	260	77
Wabash Valley.....	Wabash, Indiana	284	69	19
Whitefeather.....	Pinconning, Michigan	105	70	45
Total.....		24,307	7,381	4,217
		=====	=====	=====

(1) Operated but not owned by us.

## ITEM 3. LEGAL PROCEEDINGS

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

In September 1999, several lawsuits were filed by certain shareholders against us and certain of our officers and directors in the United States District Court for the Southern District of Florida. The plaintiffs in these lawsuits claim, on behalf of a purported class of purchasers of our common stock between January 28, 1999 and August 28, 1999, that the defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 by, among other things, allegedly making materially false and misleading statements regarding our growth and the assets we acquired from Waste Management. On December 29, 1999, the Court consolidated these lawsuits and the consolidated action has been named In Re: Republic Services, Inc. Securities Litigation. The plaintiffs filed a consolidated complaint on February 11, 2000. We believe the allegations contained in the consolidated complaint are without merit and we will vigorously defend this and any related actions. However, an unfavorable resolution of this lawsuit could have a material adverse effect on our financial position, results of operations or cash flow in one or more future periods.

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

No matters were submitted to our stockholders during the fourth quarter of 1999.

## PART II

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

## MARKET INFORMATION, HOLDERS AND DIVIDENDS

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

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

	HIGH ----	LOW ---
1999		
-----		
First Quarter.....	\$22 3/16	\$14 3/8
Second Quarter.....	25 1/2	15 3/4
Third Quarter.....	25 3/8	10 1/16
Fourth Quarter.....	14 7/16	8 7/8

	HIGH ----	LOW ---
1998		
-----		
Third Quarter.....	\$27 7/16	\$13 3/8
Fourth Quarter.....	24 9/16	14

On February 28, 2000 the last reported sales price of our common stock was \$10 11/16.

There were approximately 92 record holders of our common stock at February 28, 2000.

We do not intend to pay cash dividends on our common stock for the foreseeable future because we intend to retain all earnings for use in the operation and expansion of our business. Furthermore, our ability to declare or pay dividends is limited by the terms of the revolving credit facility which contains covenants that restrict the payment of cash dividends.

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

The following Selected Financial Data should be read in conjunction with our Consolidated Financial Statements and notes thereto as of December 31, 1999 and 1998 and for each of the three years in the period ended December 31, 1999 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Annual Report on Form 10-K. The selected statements of operations data and the other operating data for the years 1996 and 1995 and the selected balance sheet data at December 31, 1996 were derived from our Consolidated Financial Statements, which have been audited by Arthur Andersen LLP, independent certified public accountants. Our balance sheet data at December 31, 1995 were derived from our unaudited consolidated financial statements, which we believe reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of this data. See Notes 1, 3 and 7 of Notes to our Consolidated Financial Statements for a discussion of basis of presentation, business combinations and stockholders' equity and their effect on comparability of year-to-year data.

	YEAR ENDED DECEMBER 31,				
	1999	1998	1997	1996	1995
<b>STATEMENT OF OPERATIONS DATA:</b>					
Revenue.....	\$ 1,838.5	\$1,369.1	\$1,127.7	\$ 953.3	\$ 805.0
Expenses:					
Cost of operations.....	1,101.1	842.7	723.0	628.3	507.1
Depreciation, amortization and depletion.....	163.2	106.3	86.1	75.3	63.0
Selling, general and administrative.....	176.7	135.8	117.3	135.3	137.7
Restructuring and other charges.....	6.9	--	--	8.8	3.3
Operating income.....	390.6	284.3	201.3	105.6	93.9
Interest expense.....	(64.2)	(44.7)	(25.9)	(29.7)	(19.1)
Interest income.....	3.5	1.5	4.9	11.7	4.4
Other income (expense), net.....	(3.4)	(.9)	1.8	2.2	1.8
Income from continuing operations before income taxes.....	326.5	240.2	182.1	89.8	81.0
Provision for income taxes.....	125.7	86.5	65.9	38.0	31.6
Income from continuing operations.....	200.8	153.7	116.2	51.8	49.4
Loss from discontinued operations.....	--	--	--	--	(24.8)
Net income.....	\$ 200.8	\$ 153.7	\$ 116.2	\$ 51.8	\$ 24.6
Basic and diluted earnings per share(a).....	\$ 1.14	\$ 1.13	\$ 1.21	\$ .54	\$ .26
Weighted average common and common equivalent shares outstanding(a).....	175.7	135.6	95.7	95.7	95.7
Pro forma basic and diluted earnings per share(b).....	\$ 1.18				

	YEAR ENDED DECEMBER 31,				
	1999	1998	1997	1996	1995
<b>OTHER OPERATING DATA:</b>					
EBITDA (c).....	\$ 553.8	\$ 390.6	\$ 287.4	\$ 180.9	\$ 156.9
EBITDA margin (d).....	30.1%	28.5%	25.5%	19.0%	19.5%
Capital expenditures.....	\$ 289.6	\$ 193.0	\$ 165.3	\$ 146.9	\$ 147.9
Cash flows from operating activities.....	323.8	271.1	279.4	143.5	125.4
Cash flows from investing activities.....	(1,053.7)	(607.4)	(168.1)	(175.7)	(110.7)
Cash flows from financing activities.....	186.4	892.9	(135.5)	20.3	2.8

	DECEMBER 31,				
	1999	1998	1997	1996	1995
(UNAUDITED)					
<b>BALANCE SHEET DATA:</b>					
Cash and cash equivalents.....	\$ 13.1	\$ 556.6	\$ --	\$ 24.2	\$ 36.1
Total assets.....	3,288.3	2,812.1	1,348.0	1,090.3	838.9
Amounts due to AutoNation (e).....	--	--	266.1	254.9	125.0
Total debt.....	1,209.3	1,057.1	75.1	142.7	160.1
Total stockholders' equity.....	1,502.7	1,299.1	750.8	494.5	372.2

- (a) Prior to our initial public offering on July 1, 1998, we had 100 shares of common stock outstanding, all of which were owned by AutoNation. Historical share and per share data have been retroactively adjusted for the recapitalization of our 100 shares of common stock into 95.7 million shares of common stock in July 1998.
- (b) Pro forma basic and dilutive earnings per share exclude a \$6.9 million

pre-tax charge for costs related to our separation from AutoNation. They also exclude a \$2.9 million loss on the sale of our only international operation, a collection and disposal business in Costa Rica.

- (c) EBITDA represents operating income plus depreciation, amortization and depletion. While EBITDA data should not be construed as a substitute for operating income, net income or cash flows from operations in analyzing our operating performance, financial position and cash flows, we have included EBITDA data, which is not a measure of financial performance under generally accepted accounting principles, because we believe that this data is commonly used by certain investors to evaluate a company's performance in the solid waste industry. Due to the fact that not all companies calculate non-GAAP measures in the same manner, the EBITDA presentation herein may not be comparable to similarly titled measures reported by other companies.
- (d) EBITDA margin represents EBITDA divided by revenue.
- (e) In July 1998, we repaid all amounts due to AutoNation as of June 30, 1998 through the issuance of common stock and through all proceeds of our initial public offering.

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

You should read the following discussion in conjunction with our Consolidated Financial Statements and their Notes contained in this Annual Report on Form 10-K. All references to historical share and per share data of our common stock have been retroactively adjusted for the recapitalization of the 100 shares of our common stock into approximately 95.7 million shares of common stock in July 1998.

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 151 collection companies in 24 states. We also own or operate 81 transfer stations and 55 solid waste landfills.

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

The following table reflects our total revenue by source for the year ended December 31, 1999 (in millions):

Collection:		
Residential.....	\$ 391.2	21.3%
Commercial.....	548.5	29.8
Industrial.....	432.8	23.5
Other.....	46.7	2.6
	-----	-----
Total collection.....	1,419.2	77.2
Transfer and disposal.....	425.1	
Less: Intercompany.....	(159.1)	
	-----	-----
Transfer and disposal, net.....	266.0	14.5
Other.....	153.3	8.3
	-----	-----
Total revenue.....	\$1,838.5	100.0%
	=====	=====

Our revenue from collection operations consists of fees we receive from commercial, industrial, municipal and residential customers. Our residential and commercial collection operations in some markets are based on long-term contracts with municipalities. We generally provide industrial and commercial collection operations to individual customers under contracts with terms up to three years. Our revenue from landfill operations is from disposal or tipping fees charged to third parties. In general, we integrate our recycling operations with our collection operations and obtain revenue from the sale of recyclable materials. No one customer has individually accounted for more than 10% of our consolidated revenue in any of the last three years.

The cost of our collection operations is primarily variable and includes disposal, labor, fuel and equipment maintenance costs. We try to be more efficient by controlling the movement of waste streams from the point of collection through disposal. During the three months ended December 31, 1999, approximately 48% of the total volume of waste we collected was disposed of at our landfills.

Our landfill cost of operations includes daily operating expenses, costs of capital for cell development, accruals for closure and post-closure costs, and the legal and administrative costs of ongoing environmental compliance. We expense all indirect landfill development costs as they are incurred. We use life cycle accounting and the units-of-consumption method to recognize certain direct landfill costs. In life cycle accounting, certain direct costs are capitalized and charged to expense based upon the consumption of cubic yards of available airspace. These costs include all costs to:

- acquire,
- construct,
- close and
- maintain a site during the post closure period.



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

#### BUSINESS COMBINATIONS

We make decisions to acquire or invest in businesses based on financial and strategic considerations. We have included businesses that we acquired and which have been accounted for under the purchase method of accounting in our consolidated financial statements from the date of acquisition.

In July 1999, we entered into a definitive agreement with Allied Waste Industries, Inc. to acquire certain solid waste assets for approximately \$230.0 million in cash. In October 1999, after failing to receive regulatory approval relating to the acquisition of certain of the assets, the agreement was amended for us to acquire certain solid waste assets for a purchase price of \$71.0 million in cash. The assets to be acquired under the amended agreement include one landfill operation, five transfer stations and a subset of small container hauling assets from four collection operations. By December 31, 1999, we had completed the purchase of certain assets for approximately \$19.7 million in cash. In addition, we entered into a definitive agreement with Allied Waste for the simultaneous purchase and sale of certain other solid waste assets. All of these transactions will be accounted for under the purchase method of accounting. The portion of these transactions that were not closed by December 31, 1999 were subject to approval by various state and federal agencies as well as satisfaction of customary closing conditions.

In September 1998, we signed an agreement with Waste Management, Inc. to acquire assets and to enter into disposal agreements at various Waste Management facilities. By June 1999, we had completed the purchase of the assets for approximately \$479.6 million in cash plus properties, \$292.7 million of which were acquired during the six months ended June 30, 1999. The assets purchased included 16 landfills, 11 transfer stations and 136 commercial collection routes across the United States, and were accounted for under the purchase method of accounting.

In addition to the acquisitions from Allied Waste and Waste Management, we also acquired various other solid waste businesses during year ended December 31, 1999, which were accounted for under the purchase method of accounting. The aggregate purchase price we paid in these transactions was \$430.8 million in cash.

Cost in excess of fair value of net assets acquired for 1999 acquisitions totaled approximately \$415.9 million. As of December 31, 1999, we had intangible assets, net of accumulated amortization, of \$1,297.3 million, which consist primarily of the cost in excess of fair value of net assets acquired. We amortize cost in excess of the fair value of net assets acquired over forty years on a straight-line basis. As of December 31, 1999, the amortization expense associated with these intangible assets on an annualized basis is approximately \$36.1 million. We believe the forty year life assigned to the cost in excess of the fair value of net assets acquired is reasonable as the businesses we acquired are generally well-established companies which have been in existence for many years and have stable, long-term customer relationships.

During the year ended December 31, 1998, AutoNation acquired various solid waste businesses which it contributed to our company. The aggregate purchase price AutoNation paid in transactions accounted for under the purchase method of accounting was \$128.3 million, consisting of cash and approximately 3.4 million shares of AutoNation common stock. Subsequent to our initial public offering, we acquired various solid waste businesses. The aggregate purchase price we paid in transactions accounted for under the purchase method of accounting was \$450.5 million consisting of cash and certain properties. Cost in excess of fair value of net assets acquired for 1998 acquisitions totaled approximately \$572.4 million.

During the year ended December 31, 1997, AutoNation acquired various solid waste businesses which it contributed to our company. The aggregate purchase price AutoNation paid in transactions accounted for under the purchase method of accounting was \$147.9 million, consisting of cash and approximately 5.7 million

shares of AutoNation common stock. Cost in excess of the fair value of net assets acquired in these acquisitions totaled \$149.1 million. In addition, AutoNation issued an aggregate of approximately 34.1 million shares of AutoNation common stock in transactions accounted for under the pooling of interests method of accounting. We have retroactively included significant businesses that we acquired and accounted for under the pooling of interest method of accounting in our consolidated financial statements as if the companies had operated as one entity since inception. Included in the shares of AutoNation common stock issued in acquisitions accounted for under the pooling of interests method of accounting are approximately 0.3 million shares issued for acquisitions that were not material individually or in the aggregate and, consequently, prior period financial statements were not restated for such acquisitions.

See Note 3, Business Combinations, of the Notes to our Consolidated Financial Statements, for further discussion of business combinations.

#### BACKGROUND

In May 1998, AutoNation announced its intention to separate our company, which at the time was a wholly owned subsidiary of AutoNation, from AutoNation, and for our company to complete an initial public offering of common stock. As a result, we entered into certain agreements with AutoNation providing for the separation and governing various interim and ongoing relationships between our company and AutoNation.

As part of the separation, and prior to our initial public offering of common stock, we declared and paid a \$2.0 billion dividend in April 1998 to AutoNation with a series of promissory notes. In addition, we owed AutoNation approximately \$139.5 million and owed Republic Resources Company, at that time a subsidiary of ours, approximately \$165.4 million, net of an approximate \$90.5 million that Resources owed to our company. On June 30, 1998, we repaid \$565.4 million of the promissory notes that we owed to AutoNation with cash, assets we received from Resources and with the receivable that Resources owed to our company. In addition, we distributed all of our shares of common stock of Resources to AutoNation. We repaid the approximately \$139.5 million we owed to AutoNation and the approximately \$255.9 million we owed to Resources by issuing approximately 16.5 million shares of our common stock to AutoNation, and we repaid the remaining balance of the promissory notes due to AutoNation with all of the net proceeds from our issuance and sale of approximately 63.2 million shares of common stock in our initial public offering completed in July 1998, which totalled approximately \$1.4 billion.

Following our initial public offering and the repayment of amounts due to AutoNation, AutoNation owned approximately 63.9% of the outstanding shares of our common stock. Following the recapitalization of our common stock, repayment of amounts due to AutoNation and our initial public offering, we had the following shares of common stock outstanding (in millions):

Recapitalization of our common stock.....	95.7
Repayment of amounts due to AutoNation.....	16.5
Initial public offering of common stock.....	63.2
	-----
	175.4
	=====

In March 1999, AutoNation exercised registration rights that it had with our company in order to be able to sell its entire interest in our company, consisting of approximately 112.2 million shares of common stock, and in May 1999, AutoNation sold substantially all of these shares of common stock in a secondary public offering. We received no proceeds in the secondary public offering.

Prior to our initial public offering, our employees received options under AutoNation's stock option plans. In March 1999, options to purchase approximately 8.0 million shares of AutoNation common stock were cancelled and were replaced, on a one-for-one basis, with options to purchase shares of our common stock under our 1998 Stock Incentive Plan. These replacement options retained the vesting and exercise rights of the original options, subject to exercise limitations for individuals who signed stock option repricing agreements with AutoNation. The individual replacement options were priced so that the unrealized gain or loss on each of the AutoNation options was generally maintained under the replacement options. The compensation

expense related to our granting of replacement options with exercise prices below the quoted market price of the common stock at the date of grant was approximately \$2.0 million, which we recorded in the first quarter of 1999 as a one-time charge to earnings.

Prior to our initial public offering, we were a wholly owned subsidiary of AutoNation. As a result, AutoNation provided us with various services including:

- accounting,
- auditing,
- cash management,
- corporate communications,
- corporate development,
- financial and treasury,
- human resources and benefit plan administration,
- insurance and risk management,
- legal,
- purchasing and
- tax services.

AutoNation also provided our company with the services of a number of its executives and employees. In consideration for these services, AutoNation allocated to our company a portion of its general and administrative costs related to these services. Prior to the separation of the two companies this allocation had historically been based on the proportion of our invested capital as a percentage of the consolidated invested capital of AutoNation and its subsidiaries, including our company. In June 1998, we entered into a services agreement with AutoNation under which AutoNation agreed to continue to provide various services to our company in exchange for a monthly fee of \$1.25 million. Effective January 1, 1999, we negotiated a reduction in this fee to \$0.9 million per month. The services agreement expired on June 30, 1999. Our management believes that the amounts allocated to our company and/or charged under the services agreement were no less favorable to our company than costs we would have incurred to obtain such services on our own or from unaffiliated third parties.

We recorded other charges of \$6.9 million for the year ended December 31, 1999. These costs relate to our separation from AutoNation. They consist of \$2.0 million of compensation expense related to the granting of certain replacement employee stock options at exercise prices below the quoted market price of our common stock at the date of grant. See Note 8, Stock Options, of the Notes to our Consolidated Financial Statements for further information. They also consist of \$4.9 million of other additional charges directly related to our separation. We do not anticipate incurring additional costs related to our separation from AutoNation.

The historical consolidated financial information included in this Annual Report on Form 10-K does not necessarily reflect what our financial position and results of operations would have been had we been operated as a separate, stand-alone entity during the periods presented.

#### PRO FORMA CONSOLIDATED RESULTS OF OPERATIONS

Our pro forma net income was \$206.8 million, or \$1.18 per share, for the year ended December 31, 1999. Our pro forma operating results exclude a \$6.9 million pre-tax charge for costs related to our separation from AutoNation. They also exclude a \$2.9 million loss on the sale of our only international operation, a collection and disposal business in Costa Rica.

See Note 1, Basis of Presentation, of the Notes to our Consolidated Financial Statements, for further discussion of pro forma operating results.

## CONSOLIDATED RESULTS OF OPERATIONS

Years Ended December 31, 1999, 1998 and 1997

Our net income was \$200.8 million for the year ended December 31, 1999, as compared to \$153.7 million in 1998 and \$116.2 million in 1997. Our operating results for the year ended December 31, 1999 includes other charges further described below.

The following table summarizes our costs and expenses in millions of dollars and as a percentage of our revenue for 1997 through 1999:

	1999	%	1998	%	1997	%
	-----	-----	-----	-----	-----	-----
Revenue.....	\$1,838.5	100.0%	\$1,369.1	100.0%	\$1,127.7	100.0%
Cost of operations.....	1,101.1	59.9	842.7	61.6	723.0	64.1
Depreciation, amortization and depletion of property and equipment.....	130.3	7.1	88.4	6.5	76.1	6.7
Amortization of intangible assets.....	32.9	1.8	17.9	1.3	10.0	.9
Selling, general and administrative expenses.....	176.7	9.6	135.8	9.9	117.3	10.4
Other charges.....	6.9	.4	--	--	--	--
Operating income.....	\$ 390.6	21.2%	\$ 284.3	20.8%	\$ 201.3	17.9%
	=====	=====	=====	=====	=====	=====

Revenue. Revenue was \$1,838.5 million, \$1,369.1 million and \$1,127.7 million for the years ended December 31, 1999, 1998 and 1997, respectively. Revenue increased by \$469.4 million, or 34.3%, from 1998 to 1999. Revenue increased by \$241.4 million, or 21.4%, from 1997 to 1998. The following table reflects the components of our revenue growth for the years ended December 31, 1999 and 1998:

	1999	1998
	----	----
Price.....	2.3%	.4%
Volume.....	5.8	6.6
Total internal growth.....	8.1	7.0
Acquisitions.....	26.2	14.4
Total revenue growth.....	34.3%	21.4%
	=====	=====

Cost of Operations. Cost of operations was \$1,101.1 million, \$842.7 million and \$723.0, or, as a percentage of revenue, 59.9%, 61.6% and 64.1%, for the years ended December 31, 1999, 1998 and 1997, respectively. The increases in aggregate dollars are a result of the expansion of our operations through acquisitions and internal growth. The decreases in cost of operations as a percentage of revenue are primarily a result of our improved operating efficiencies and an increase in higher margin landfill operations primarily due to acquisitions.

Depreciation, Amortization and Depletion of Property and Equipment. Depreciation, amortization and depletion expenses for property and equipment were \$130.3 million, \$88.4 million and \$76.1 million, or, as a percentage of revenue, 7.1%, 6.5% and 6.7%, for the years ended December 31, 1999, 1998 and 1997, respectively. The increases in aggregate dollars for all periods presented and the increase as a percentage of revenue during 1999 is primarily due to acquisitions and capital expenditures.

Amortization of Intangible Assets. Expenses for amortization of intangible assets were \$32.9 million, \$17.9 million and \$10.0 million, or, as a percentage of revenue, 1.8%, 1.3% and .9%, for the years ended December 31, 1999, 1998 and 1997, respectively. The increase in aggregate dollars and as a percentage of revenue is primarily due to an increase in the aggregate dollar amount of acquisitions accounted for using the purchase method of accounting.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were \$176.7 million, \$135.8 million, \$117.3 million, or, as a percentage of revenue, 9.6%, 9.9% and 10.4%, for the years ended December 31, 1999, 1998 and 1997, respectively. The increases in aggregate dollars are a result of the expansion of our operations through acquisitions and internal growth. The decreases in selling, general and

administrative expenses as percentages of revenue in each of the years are primarily due to applying our existing overhead structure over an expanding revenue base. Included in selling, general and administrative expenses are allocations of AutoNation's corporate general and administrative costs of \$7.5 million and \$10.2 million for the years ended December 31, 1998 and 1997, respectively, and fees paid to AutoNation under the services agreement of \$5.3 million and \$7.5 million for the years ended December 31, 1999 and 1998, respectively. See Note 11, Related Party Transactions, of the Notes to our Consolidated Financial Statements for further information.

**Other Charges.** We recorded other charges of \$6.9 million for the year ended December 31, 1999. These costs relate to our separation from AutoNation. They include \$2.0 million of compensation expense related to the granting of certain replacement employee stock options at exercise prices below the quoted market price of our common stock at the date of grant. See Note 8, Stock Options, of the Notes to our Consolidated Financial Statements for further information. They also include \$4.9 million of other additional charges directly related to our separation. We do not anticipate incurring additional costs related to our separation from AutoNation.

**Operating Income.** Operating income was \$390.6 million, \$284.3 million and \$201.3 million, or, as a percentage of revenue, 21.2%, 20.8% and 17.9%, for the years ended December 31, 1999, 1998 and 1997, respectively.

**Interest Expense.** We incurred interest expense on our revolving credit facility, our unsecured notes, amounts due to AutoNation and debt we assumed in acquisitions. Interest expense was \$64.2 million, \$44.7 million and \$25.9 million for the years ended December 31, 1999, 1998 and 1997, respectively, and includes interest expense on amounts due to AutoNation of \$37.3 million and \$20.2 million for the years ended December 31, 1998 and 1997, respectively. We repaid in full the amounts due to AutoNation in July 1998 by issuing our common stock and from the net proceeds of our initial public offering.

**Interest and Other Income (Expense), Net.** Interest and other income, net of other expense, was \$1 million, \$.6 million and \$.6 million for the years ended December 31, 1999, 1998 and 1997, respectively. The variances during the periods are primarily due to fluctuations in cash balances on hand and related interest income. The amount recorded for the year ended December 31, 1999 includes a \$2.9 million loss on the sale of our only international operation, a collection and disposal business in Costa Rica.

**Income Taxes.** Our provision for income taxes was \$125.7 million, \$86.5 million and \$65.9 million for the years ended December 31, 1999, 1998 and 1997, respectively. The effective income tax rate was 38.5%, 36.0% and 36.2% for the years ended December 31, 1999, 1998 and 1997, respectively.

As of our initial public offering in July 1998, we are no longer included in AutoNation's federal tax returns.

#### LANDFILL AND ENVIRONMENTAL MATTERS

##### Available Airspace

The following table reflects landfill airspace activity for landfills owned or operated by us for the year ended December 31, 1999:

	BALANCE AS OF DECEMBER 31, 1998	NEW EXPANSIONS UNDERTAKEN	LANDFILLS ACQUIRED, NET OF DIVESTITURES	PERMITS GRANTED	AIRSPACE CONSUMED	CHANGES IN ENGINEERING ESTIMATES	BALANCE AS OF DECEMBER 31, 1999
	-----	-----	-----	-----	-----	-----	-----
Permitted airspace:							
Cubic yards (in millions)....	1,145.5	--	148.0	34.6	(27.1)	3.1	1,304.1
Number of sites.....	48		7				55
Expansion airspace:							
Cubic yards (in millions)....	84.6	184.6	135.1	(34.6)	--	--	369.7
Number of sites.....	7	11	4	(2)			20
	-----	-----	-----	-----	-----	-----	-----
Total available airspace:							
Cubic yards (in millions)....	1,230.1	184.6	283.1	--	(27.1)	3.1	1,673.8
	=====	=====	=====	=====	=====	=====	=====
Number of sites.....	48		7				55
	=====		=====				=====

As of December 31, 1999, we owned or operated 55 solid waste landfills with total available disposal capacity estimated to be 1.7 billion in-place cubic yards. Total available disposal capacity represents the sum of estimated permitted airspace plus an estimate of airspace deemed by us to be likely to be permitted. These estimates are developed annually by independent engineers together with our engineers utilizing information provided by annual aerial surveys. As of December 31, 1999, total available disposal capacity is estimated to be 1.3 billion in-place cubic yards of permitted airspace plus .4 billion in-place cubic yards of expansion airspace which has been determined by us as likely to be permitted. Before airspace included in an expansion area is determined as likely to be permitted and, therefore, included in our calculation of total available disposal capacity, it must meet our expansion criteria. See Note 4, Landfill and Accrued Environmental Costs, of the Notes to our Consolidated Financial Statements for further information.

As of December 31, 1999, 20 of our landfills meet the criteria for including expansion airspace in their total available disposal capacity. At projected annual volumes, these 20 landfills have an estimated remaining average site life of 37 years, including the expansion airspace. The average estimated remaining life of all of our landfills is 38 years.

As of December 31, 1999, three of our landfills that meet the criteria for including expansion airspace had obtained approval from local authorities and are proceeding into the state permitting process. Also, as of December 31, 1999, eight of our 20 landfills that meet the criteria for including expansion airspace had submitted permit applications to state authorities. The remaining nine landfills that meet the criteria for including expansion airspace are in the process of obtaining approval from local authorities and have not identified any fatal flaws or impediments associated with the expansions at either the local or state level.

#### Closure and Post-Closure Costs

During the year ended December 31, 1999, we consumed approximately 27.1 million cubic yards of airspace. During this same period, charges to expense for closure and post-closure were \$17.9 million, or \$.66 per cubic yard. As of December 31, 1999, accrued closure and post-closure costs were \$152.3 million. The current portion of these costs of \$23.7 million is reflected in our Consolidated Balance Sheets in other current liabilities. The long-term portion of these costs of \$128.6 million is reflected in our Consolidated Balance Sheets in accrued environmental and landfill costs. As of December 31, 1999, assuming that all available landfill capacity is used, we expect to expense approximately \$528.4 million of additional closure and post-closure costs over the remaining lives of our facilities.

Our estimates for closure and post-closure do not take into account discounts for the present value of total estimated costs. If total estimated costs were discounted to present value, they would be lower. Thus, if we discounted such costs, assuming closure and post-closure payments were made ratably over the life of the landfill and the post-closure period, respectively, and assuming the costs in current dollars are inflated by 2% until the expected time of payment and then discounted to present value at 6%, closure and post-closure expense would be reduced to \$9.9 million, or \$.37 per cubic yard, for the year ended December 31, 1999, a reduction of \$8.0 million, or \$.29 per cubic yard, from recorded expense. In addition, if we discounted such costs, the present value of the expected future expense related to closure and post-closure assuming all available landfill capacity is used would decrease to \$222.8 million.

## Investment in Landfills

The following table reflects changes in our investments in landfills for the year ended December 31, 1999 and the future expected investment as of December 31, 1999 (in millions):

	BALANCE AS OF DECEMBER 31, 1998	CAPITAL ADDITIONS	LANDFILLS ACQUIRED, NET OF DIVESTITURES	TRANSFERS AND ADJUSTMENTS	ADDITIONS CHARGED TO EXPENSE	BALANCE AS OF DECEMBER 31, 1999	EXPECTED FUTURE INVESTMENT
	-----	-----	-----	-----	-----	-----	-----
Non-depletable landfill land.....	\$ 55.3	\$ 1.9	\$ 8.7	\$(19.5)	\$ --	\$ 46.4	\$ --
Landfill development costs.....	452.3	25.8	306.5	43.0	--	827.6	1,041.2
Construction in progress -- landfill....	--	32.9	--	11.4	--	44.3	--
Accumulated depletion and amortization.....	(90.3)	--	.5	(1.0)	(44.3)	(135.1)	--
	-----	-----	-----	-----	-----	-----	-----
Net investment in landfill land and development costs.....	\$417.3	\$60.6	\$315.7	\$ 33.9	\$(44.3)	\$ 783.2	\$1,041.2
	=====	=====	=====	=====	=====	=====	=====
	TOTAL EXPECTED INVESTMENT						
	-----						
Non-depletable landfill land.....	\$ 46.4						
Landfill development costs.....	1,868.8						
Construction in progress -- landfill....	44.3						
Accumulated depletion and amortization.....	(135.1)						
	-----						
Net investment in landfill land and development costs.....	\$1,824.4						
	=====						

As of December 31, 1998, we owned or operated 48 solid waste landfills with total available disposal capacity estimated to be 1.2 billion in-place cubic yards. Our net investment in these landfills, excluding non-depletable land, was \$362.0 million, or approximately \$.29 per cubic yard.

As of December 31, 1999, we owned or operated 55 solid waste landfills with total available disposal capacity estimated to be 1.7 billion in-place cubic yards. Our net investment in these landfills, excluding non-depletable land, was \$736.8 million, or \$.44 per cubic yard. The \$.15 increase in our investment per cubic yard from December 31, 1998 to December 31, 1999 is primarily due to the net acquisition of seven landfills during the period. During the year ended December 31, 1999, our depletion and amortization expense relating to landfills was \$44.3 million, or \$1.63 per cubic yard.

As of December 31, 1999, we expect to spend an estimated additional \$1.0 billion on existing landfills, primarily related to cell construction and environmental structures, over their expected remaining lives. Our total expected gross investment, excluding non-depletable land, estimated to be \$1.9 billion, or \$1.14 per cubic yard, is used in determining our depletion and amortization expense based upon airspace consumed using the units-of-consumption method. Our estimates for expected future investment in landfills do not take into account discounts for the present value of total estimated costs. For further information, see "Closure and Post-Closure Costs".

We accrue costs related to environmental remediation activities through a charge to income in the period such liabilities become probable and can be reasonably estimated. No material amounts were charged to expense during the years ended December 31, 1999, 1998 and 1997.

## FINANCIAL CONDITION

At December 31, 1999, we had \$13.1 million of unrestricted cash. At December 31, 1998 we had \$556.6 million of unrestricted cash, which we used primarily to fund acquisitions in the first quarter of 1999.

As previously discussed, in July 1998, we completed our initial public offering of common stock, resulting in net proceeds of approximately \$1.4 billion. In July 1998, we repaid all remaining amounts due to AutoNation with all of the net proceeds of our initial public offering and by issuing additional shares of our common stock.

Prior to our initial public offering, we obtained working capital and capital for our general corporate purposes, including acquisitions, from AutoNation. Since our initial public offering, AutoNation has not provided funds to finance our operations or acquisitions. 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 had an original term of 364 days and the remaining \$500.0 million expires in July 2003. In July 1999, we extended the short-term portion of the credit facility for an additional one year term expiring in July 2000. Borrowings under the credit facility bear interest at LIBOR-based rates. We use our own operating cash flow and proceeds from our credit facilities to finance our working capital, capital expenditures, acquisitions and other requirements. As of



December 31, 1999, we had approximately \$430.4 million of availability under the short-term portion of 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 \$5.5 million, respectively. Proceeds from the notes were used to repay our revolving credit facility.

In December 1999, we entered into a \$100.0 million operating lease facility established to finance the acquisition of operating equipment consisting primarily of revenue-producing vehicles. As of December 31, 1999, \$36.1 million was outstanding under this facility.

At December 31, 1999, we had outstanding interest rate swap agreements denominated in dollars, maturing in February 2000, with an aggregate notional amount of \$175.0 million. As of December 31, 1999, we received a floating rate of interest based upon thirty day LIBOR rates or approximately 5.8% and paid a weighted average fixed rate of interest of 5.9% under these agreements.

We plan to extend the maturity of our revolving short-term credit facility prior to its expiration in July 2000 to July 2001. 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, accrued closure and post-closure, accrued self-insurance and amounts due to former owners during the year ended December 31, 1999 (in millions):

	ALLOWANCE FOR DOUBTFUL ACCOUNTS	CLOSURE AND POST-CLOSURE	SELF-INSURANCE	AMOUNTS DUE TO FORMER OWNERS
	-----	-----	-----	-----
Balance, December 31, 1998.....	\$ 22.1	\$ 73.4	\$ 28.0	\$ 26.7
Additions charged to expense.....	9.6	17.9	54.8	--
Additions due to acquisitions, net.....	2.3	69.6	2.0	42.2
Usage.....	(19.8)	(8.6)	(46.4)	(21.9)
	-----	-----	-----	-----
Balance, December 31, 1999.....	14.2	152.3	38.4	47.0
Current portion.....	14.2	23.7	21.7	47.0
	-----	-----	-----	-----
Long-term portion.....	\$ --	\$128.6	\$ 16.7	\$ --
	=====	=====	=====	=====

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

As of December 31, 1999, accounts receivable were \$250.9 million, net of allowance for doubtful accounts of \$14.2 million, resulting in days sales outstanding of 45, or 34 days net of deferred revenue.

## Property, Plant and Equipment

The following tables reflect the activity in our property, plant and equipment accounts for the year ended December 31, 1999 (in millions):

GROSS PROPERTY, PLANT AND EQUIPMENT						
	BALANCE AS OF DECEMBER 31, 1998	CAPITAL ADDITIONS	RETIREMENTS	ACQUISITIONS, NET OF DIVESTITURES	TRANSFERS AND ADJUSTMENTS	BALANCE AS OF DECEMBER 31, 1999
Other land.....	\$ 79.6	\$ 4.6	\$ --	\$ 2.0	\$ (3.4)	\$ 82.8
Non-depletable landfill land.....	55.3	1.9	--	8.7	(19.5)	46.4
Landfill development costs.....	452.3	25.8	--	306.5	43.0	827.6
Vehicles and equipment.....	806.4	138.9	(32.0)	48.5	(.5)	961.3
Buildings and improvements.....	152.0	8.0	(1.1)	14.9	13.7	187.5
Construction in progress -- landfill.....	--	32.9	--	--	11.4	44.3
Construction in progress -- other...	23.5	46.2	--	(1.7)	(43.6)	24.4
<b>Total.....</b>	<b>\$1,569.1</b>	<b>\$258.3</b>	<b>\$(33.1)</b>	<b>\$378.9</b>	<b>\$ 1.1</b>	<b>\$2,174.3</b>

ACCUMULATED DEPRECIATION, AMORTIZATION AND DEPLETION						
	BALANCE AS OF DECEMBER 31, 1998	ADDITIONS CHARGED TO EXPENSE	RETIREMENTS	ACQUISITIONS, NET OF DIVESTITURES	TRANSFERS AND ADJUSTMENTS	BALANCE AS OF DECEMBER 31, 1999
Landfill development costs.....	\$ (90.3)	\$ (44.3)	\$ --	\$ 0.5	\$ (1.0)	\$ (135.1)
Vehicles and equipment.....	(353.5)	(80.1)	27.5	3.0	3.2	(399.9)
Buildings and improvements.....	(29.2)	(5.9)	0.9	0.9	(0.5)	(33.8)
<b>Total.....</b>	<b>\$ (473.0)</b>	<b>\$(130.3)</b>	<b>\$ 28.4</b>	<b>\$ 4.4</b>	<b>\$ 1.7</b>	<b>\$ (568.8)</b>

The tables above exclude \$36.1 million of operating equipment consisting primarily of revenue producing vehicles that were subject to our operating lease facility as of December 31, 1999.

## LIQUIDITY AND CAPITAL RESOURCES

The major components of changes in cash flows for the years ended December 31, 1999, 1998 and 1997 are discussed below.

**Cash Flows from Operating Activities.** Cash provided by operating activities was \$323.8 million, \$271.1 million and \$279.4 million for the years ended December 31, 1999, 1998 and 1997, respectively. The changes in cash provided by operating activities during the periods are due to expansion of our business.

**Cash Flows from Investing Activities.** Cash flows from investing activities consist primarily of cash used for business acquisitions and capital additions. Cash used to acquire businesses, net of cash acquired, was \$737.8 million and \$425.2 million during the years ended December 31, 1999 and 1998, respectively. Prior to our initial public offering, business acquisitions were funded by AutoNation. Capital additions were \$289.6 million, \$193.0 million and \$165.3 million during the years ended December 31, 1999, 1998 and 1997, respectively.

We intend to finance capital expenditures and acquisitions through cash on hand, cash flow from operations, our \$1.0 billion revolving credit facility and other financing. We expect to use primarily cash for future business acquisitions.

**Cash Flows from Financing Activities.** Cash flows from financing activities during the years ended December 31, 1999, 1998 and 1997 included commercial bank and affiliate borrowings and repayments of debt, proceeds from our sale of common stock in our initial public offering in 1998 and proceeds from our sale of unsecured notes in 1999. In May 1999, we sold unsecured notes with a face value of \$600.0 million at a discounted price of \$598.5 million. Proceeds from the notes were used to repay our revolving credit facility. In December 1999, we entered into a \$100.0 million operating lease facility established to finance the acquisition of operating equipment consisting primarily of revenue-producing vehicles. At December 31, 1999, \$36.1 million was outstanding under this facility.

We used proceeds from bank facilities, affiliate borrowings and unsecured notes to fund acquisitions and capital additions, and to repay debt. We used all of the proceeds from our initial public offering of common stock in 1998 to repay amounts due to AutoNation.

#### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

	EXPECTED MATURITY DATE						TOTAL	FAIR VALUE DECEMBER 31, 1999
	2000	2001	2002	2003	2004	THEREAFTER		
(IN MILLIONS)								
<b>VARIABLE RATE DEBT:</b>								
Amount outstanding.....	\$ 53.2	\$ 1.0	\$ .8	\$500.8	\$ .7	\$ 43.2	\$599.7	\$599.7
Average interest rates....	6.71%	6.37%	6.08%	6.71%	5.60%	4.53%	6.55%	
<b>INTEREST RATE SWAPS:</b>								
Notional amount								
outstanding.....	\$175.0	\$ --	\$ --	\$ --	\$ --	\$ --	\$175.0	\$ --
Average pay rate.....	5.94%	--	--	--	--	--	5.94%	
Average receive rate.....	5.83%	--	--	--	--	--	5.83%	

The fair value of variable rate debt approximates the carrying value since interest rates are variable and, thus, approximates current market rates. The fair value of interest swaps represents the future cash flows through maturity using rates in effect at December 31, 1999 and is effectively the amount we would pay or receive to terminate the agreements.

#### 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.

#### YEAR 2000

As of the date of this Annual Report on Form 10-K we believe that all of our systems are operating and we have not experienced any material issues from the date change in the year 2000. Also, as of the date of this Annual Report on Form 10-K, we are unaware of any third party issues from the date change in the year 2000 that would materially affect our financial condition or results of operations. Nevertheless, if any issues from the date change in the year 2000 presently unknown to us occur with us or with third party products and business dependencies, we may experience a delay or disruption in the delivery of services which could have a material adverse impact on our financial condition and results of operations including loss of revenue, increased operating costs, loss of customers or suppliers, or other significant disruptions to our business.

During the fourth quarter of 1999, we completed a number of tasks relating to our preparation for the date change in the year 2000 including:

- testing and validation of industry standard automated applications and proprietary software applications,
- repairing or replacing hardware with non-compliant embedded chips,
- implementing contingency and business continuation plans and
- validating the readiness of material third parties.

We spent approximately \$2.9 million on our efforts related to the date change in the year 2000. These costs were funded through operating cash flows and were expensed as incurred during 1999 and 1998. We do not expect to incur any additional costs in this area.

## NEW ACCOUNTING PRONOUNCEMENTS

In June 1999, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133". SFAS 137 amends FASB Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," by deferring the effective date of SFAS 133 to fiscal years beginning after June 15, 2000. SFAS 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. We will adopt SFAS 133 beginning January 1, 2001. We do not expect the adoption of this standard to have a material impact on our consolidated financial position or results of operations.

## DISCLOSURE REGARDING FORWARD LOOKING STATEMENTS

Certain statements and information included herein constitute "forward-looking statements" within the meaning of the Federal Private Securities Litigation Reform Act of 1995 which include, among other things, the discussions of our growth and operating strategies and expectations concerning market position, future operations, margins, revenue, profitability, liquidity and capital resources, as well as statements concerning the integration of the operations of acquired businesses and achievement of financial benefits and operational efficiencies in connection therewith. 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, closure and post-closure costs, available airspace, and projected costs and expenses related to our landfills and property, plant and equipment, turn out to be correct or appropriate, and various factors that will impact our actual business and financial performance such as competition in the solid waste industry; our dependence on acquisitions for growth; our ability to manage growth; 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 obtain financing on acceptable terms to finance our operations and growth strategy and of our company to operate within the limitations imposed by financing arrangements; our dependence on key personnel; general economic conditions; our dependence on large, long-term collection contracts; risk associated with undisclosed liabilities of acquired businesses; the risks and costs associated with the date change in the year 2000; risks associated with pending legal proceedings; and other factors contained in this section and under the section entitled "BUSINESS -- Risk Factors." We assume no duty to update the forward looking statements.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	PAGE
	----
Report of Independent Certified Public Accountants.....	34
Consolidated Balance Sheets as of December 31, 1999 and 1998.....	35
Consolidated Statements of Operations for each of the Three Years Ended December 31, 1999.....	36
Consolidated Statements of Stockholders' Equity for each of the Three Years Ended December 31, 1999.....	37
Consolidated Statements of Cash Flows for each of the Three Years Ended December 31, 1999.....	38
Notes to Consolidated Financial Statements.....	39
Financial Statement Schedule II, Valuation and Qualifying Accounts and Reserves, for Each of the Three Years Ended December 31, 1999.....	62

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To Republic Services, Inc.:

We have audited the accompanying consolidated balance sheets of Republic Services, Inc. (a Delaware corporation) and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1999. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Republic Services, Inc. and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1999, in conformity with generally accepted accounting principles.

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

ARTHUR ANDERSEN LLP

Fort Lauderdale, Florida,  
January 24, 2000, except with respect to the  
matter discussed in paragraph 2 of Note 10,  
as to which the date is February 11, 2000.

## REPUBLIC SERVICES, INC.

CONSOLIDATED BALANCE SHEETS  
(IN MILLIONS, EXCEPT SHARE DATA)

	DECEMBER 31,	
	1999	1998
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 13.1	\$ 556.6
Restricted cash.....	10.3	7.1
Accounts receivable, less allowance for doubtful accounts of \$14.2 and \$22.1 at December 31, 1999 and 1998, respectively.....	250.9	182.7
Prepaid expenses and other current assets.....	57.7	37.6
Total Current Assets.....	332.0	784.0
PROPERTY AND EQUIPMENT, NET.....	1,605.5	1,096.1
INTANGIBLE ASSETS, NET.....	1,297.3	918.4
OTHER ASSETS.....	53.5	13.6
	\$3,288.3	\$2,812.1
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable.....	\$ 76.1	\$ 64.7
Accrued liabilities.....	88.3	119.5
Amounts due to former owners.....	47.0	26.7
Deferred revenue.....	64.1	46.6
Notes payable and current maturities of long-term debt.....	57.2	499.9
Other current liabilities.....	52.6	26.4
Total Current Liabilities.....	385.3	783.8
LONG-TERM DEBT, NET OF CURRENT MATURITIES.....	1,152.1	557.2
ACCRUED ENVIRONMENTAL AND LANDFILL COSTS.....	129.8	77.3
DEFERRED INCOME TAXES.....	94.4	71.4
OTHER LIABILITIES.....	24.0	23.3
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; 175,481,842 and 175,412,500 issued and outstanding, respectively.....	1.8	1.8
Additional paid-in capital.....	1,206.3	1,203.5
Retained earnings.....	294.6	93.8
Total Stockholders' Equity.....	1,502.7	1,299.1
	\$3,288.3	\$2,812.1
	=====	=====

The accompanying notes are an integral part of these statements.

## REPUBLIC SERVICES, INC.

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

	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
	-----	-----	-----
REVENUE.....	\$1,838.5	\$1,369.1	\$1,127.7
EXPENSES:			
Cost of operations.....	1,101.1	842.7	723.0
Depreciation, amortization and depletion.....	163.2	106.3	86.1
Selling, general and administrative.....	183.6	135.8	117.3
	-----	-----	-----
OPERATING INCOME.....	390.6	284.3	201.3
INTEREST EXPENSE.....	(64.2)	(44.7)	(25.9)
INTEREST INCOME.....	3.5	1.5	4.9
OTHER INCOME (EXPENSE), NET.....	(3.4)	(.9)	1.8
	-----	-----	-----
INCOME BEFORE INCOME TAXES.....	326.5	240.2	182.1
PROVISION FOR INCOME TAXES.....	125.7	86.5	65.9
	-----	-----	-----
NET INCOME.....	\$ 200.8	\$ 153.7	\$ 116.2
	=====	=====	=====
BASIC AND DILUTED EARNINGS PER SHARE.....	\$ 1.14	\$ 1.13	\$ 1.21
	=====	=====	=====
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING.....	175.7	135.6	95.7
	=====	=====	=====

The accompanying notes are an integral part of these statements.



## REPUBLIC SERVICES, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(IN MILLIONS)

	INVESTMENT BY AUTONATION	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS
	-----	-----	-----	-----
BALANCE AT DECEMBER 31, 1996.....	\$ 493.5	\$1.0	\$ --	\$ --
Net income.....	116.2	--	--	--
Business acquisitions contributed by AutoNation.....	148.4	--	--	--
Investment in former subsidiary.....	(17.4)	--	--	--
Other.....	9.1	--	--	--
	-----	-----	-----	-----
BALANCE AT DECEMBER 31, 1997.....	749.8	\$1.0	--	--
Net income.....	59.9	--	--	93.8
Business acquisitions contributed by AutoNation.....	128.3	--	--	--
Dividend to AutoNation.....	(2,000.0)	--	--	--
Dividend from former subsidiary.....	437.3	--	--	--
Transfer to additional paid-in capital.....	624.7	--	(624.7)	--
Issuance of common stock to AutoNation.....	--	.2	395.2	--
Sale of common stock.....	--	.6	1,433.0	--
	-----	-----	-----	-----
BALANCE AT DECEMBER 31, 1998.....	--	1.8	1,203.5	93.8
Net income.....	--	--	--	200.8
Issuance of compensatory stock options.....	--	--	2.0	--
Issuance of common stock.....	--	--	.8	--
	-----	-----	-----	-----
BALANCE AT DECEMBER 31, 1999.....	\$ --	\$1.8	\$1,206.3	\$294.6
	=====	=====	=====	=====

The accompanying notes are an integral part of these statements.

REPUBLIC SERVICES, INC.  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (IN MILLIONS)

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
<b>CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Net income.....	\$ 200.8	\$ 153.7	\$ 116.2
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and depletion of property and equipment.....	130.3	88.4	76.1
Amortization of intangible assets.....	32.9	17.9	10.0
Deferred tax provision.....	41.9	19.2	36.5
Provision for doubtful accounts.....	9.6	5.1	4.1
Other non-cash charges.....	2.8	--	--
Changes in assets and liabilities, net of effects from business acquisitions:			
Accounts receivable.....	(56.0)	(46.9)	(19.7)
Prepaid expenses and other assets.....	(12.3)	(11.3)	17.4
Accounts payable and accrued liabilities.....	(35.4)	(14.1)	(26.7)
Other liabilities.....	9.2	59.1	65.5
	-----	-----	-----
	323.8	271.1	279.4
	-----	-----	-----
<b>CASH USED IN INVESTING ACTIVITIES:</b>			
Purchases of property and equipment, net.....	(289.6)	(193.0)	(165.3)
Cash used in acquisitions, net of cash acquired.....	(737.8)	(425.2)	2.7
Amounts due former owners.....	(21.9)	--	--
Other.....	(4.4)	10.8	(5.5)
	-----	-----	-----
	(1,053.7)	(607.4)	(168.1)
	-----	-----	-----
<b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:</b>			
Net proceeds from (payments on) revolving credit facility.....	(428.0)	980.0	--
Proceeds from issuance of unsecured notes, net of discount.....	598.5	--	--
Proceeds from the sale of common stock.....	--	1,433.6	--
Proceeds from notes payable and long-term debt.....	181.8	10.6	5.2
Payments of notes payable and long-term debt.....	(202.0)	(61.8)	(100.2)
Decrease in amounts due to AutoNation.....	--	(1,469.5)	(47.3)
Proceeds from operating lease facility.....	36.1	--	--
Other.....	--	--	6.8
	-----	-----	-----
	186.4	892.9	(135.5)
	-----	-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	(543.5)	556.6	(24.2)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD.....	556.6	--	24.2
	-----	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD.....	\$ 13.1	\$ 556.6	\$ --
	=====	=====	=====

The accompanying notes are an integral part of these statements.

## REPUBLIC SERVICES, INC.

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

## 1. BASIS OF PRESENTATION

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

The historical Consolidated Financial Statements through the date of the secondary offering in May 1999 reflect the accounts of the Company as a subsidiary of AutoNation, Inc., formerly known as Republic Industries, Inc. (together with its subsidiaries, "AutoNation"), subject to corporate general and administrative expense allocations or charges under the Services Agreement as described in Note 11, Related Party Transactions. Such information does not necessarily reflect the financial position or results of operations of the Company as a separate, stand-alone entity.

All historical share and per share data of the Company's common stock, par value \$.01 per share ("Common Stock", which was formerly designated as either "Class A Common Stock" or "Class B Common Stock"), for the year ended December 31, 1998 in the Consolidated Financial Statements and the notes thereto have been retroactively adjusted for the recapitalization of AutoNation's 100 shares of Common Stock previously outstanding into 95.7 million shares of Class B Common Stock in July 1998.

In July 1998, the Company completed an initial public offering of its Class A Common Stock ("Initial Public Offering") resulting in net proceeds of approximately \$1.4 billion. In addition, in July 1998 the Company repaid in full all amounts due to AutoNation as of June 30, 1998 through the issuance of 16.5 million shares of Class A Common Stock and through the payment of all proceeds from the Initial Public Offering. Following the Initial Public Offering and the repayment of amounts due to AutoNation, approximately 63.9% of the outstanding shares of Common Stock were owned by AutoNation.

In March 1999, AutoNation converted all 95.7 million shares of its Class B Common Stock into Class A Common Stock on a one-for-one basis. In April 1999, AutoNation transferred all of its Class A Common Stock to its indirect, wholly-owned subsidiary, AutoNation Insurance Company, and the Company registered all 112.2 million shares of Class A Common Stock owned by AutoNation. In May 1999, the Company completed a secondary offering, in which AutoNation sold substantially all of the Class A Common Stock it owned in the Company. In June 1999, the Company amended its certificate of incorporation to eliminate the classifications of Common Stock.

Other charges of \$6.9 million for the year ended December 31, 1999 are included in selling, general and administrative expenses in the Consolidated Financial Statements. These costs relate to the Company's separation from AutoNation and consist of approximately \$2.0 million of compensation expenses related to the granting of certain replacement employee stock options at exercise prices below the quoted market price of the Company's Common Stock at the date of grant (see Note 8, Stock Options) and approximately \$4.9 million of additional charges directly related to the separation. The Company does not anticipate incurring additional costs relating to its separation from AutoNation.

The following unaudited pro forma consolidated statement of operations for the year ended December 31, 1999 excludes the \$6.9 million pre-tax charge resulting from the Company's separation from AutoNation. It

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

also excludes a \$2.9 million loss incurred during the three months ended December 31, 1999 on the sale of the Company's only international operation, a collection and disposal operation in Costa Rica.

	YEAR ENDED DECEMBER 31, 1999
	-----
Revenue.....	\$1,838.5
Expenses:	
Cost of operations.....	1,101.1
Depreciation, amortization and depletion.....	163.2
Selling, general and administrative.....	176.7
	-----
Operating income.....	397.5
Interest expense.....	(64.2)
Interest income.....	3.5
Other income (expense), net.....	(.5)
	-----
Income before income taxes.....	336.3
Provision for income taxes.....	129.5
	-----
Net income.....	\$ 206.8
	=====
Basic and diluted earnings per share.....	\$ 1.18
	=====
Weighted average common and common equivalent shares outstanding.....	175.7
	=====

The unaudited pro forma consolidated statement of operations is provided for informational purposes only and does not project the Company's results of operations for any future date or period.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## USE OF ESTIMATES

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

## RESTRICTED CASH

Restricted cash consists of amounts held in trust as a financial guaranty of the Company's performance as well as funds restricted for capital expenditures under certain debt facilities.

## PREPAID EXPENSES AND OTHER CURRENT ASSETS

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

	DECEMBER 31,	
	1999	1998
	-----	-----
Inventory.....	\$20.3	\$13.3
Prepaid expenses.....	19.7	13.7
Other assets.....	17.7	10.6
	-----	-----
	\$57.7	\$37.6
	=====	=====

Inventories totaled approximately \$20.3 million and \$13.3 million at December 31, 1999 and 1998, respectively, and consist primarily of equipment parts, compost materials and supplies that are valued under a method that approximates the lower of cost (first-in, first-out) or market.

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

## 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 Consolidated Statements of Operations.

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

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

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

1. Total construction costs are \$250,000 or greater;
2. The construction phase is three months or longer; and
3. The assets have a useful life of three years 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 \$5.6 million, \$8.8 million and \$8.8 million for the years ended December 31, 1999, 1998 and 1997, respectively.

A summary of property and equipment is as follows:

	DECEMBER 31,	
	1999	1998
	-----	-----
Other land.....	\$ 82.8	\$ 79.6
Non-depletable landfill land.....	46.4	55.3
Landfill development costs.....	827.6	452.3
Vehicles and equipment.....	961.3	806.4
Buildings and improvements.....	187.5	152.0
Construction-in-progress-landfill.....	44.3	--
Construction-in-progress-other.....	24.4	23.5
	-----	-----
	2,174.3	1,569.1
	-----	-----
Less: Accumulated depreciation, depletion and amortization--		
Landfill development costs.....	(135.1)	(90.3)
Vehicles and equipment.....	(399.9)	(353.5)
Building and improvements.....	(33.8)	(29.2)
	-----	-----
	(568.8)	(473.0)
	-----	-----
Property and equipment, net.....	\$1,605.5	\$1,096.1
	=====	=====

The Company periodically evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of property and equipment or whether the remaining balance of property and equipment should be evaluated for possible impairment. The Company uses an estimate of the related undiscounted cash flows over the remaining life of the property and equipment in assessing their recover-

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

ability. The Company measures impairment loss as the amount by which the carrying amount of the asset exceeds the fair value of the assets.

## INTANGIBLE AND OTHER ASSETS

Intangible and other assets consist primarily of the cost of acquired businesses in excess of the fair value of net assets acquired and other intangible assets. The cost in excess of the fair value of net assets is amortized over forty years on a straight-line basis. Other intangible assets include values assigned to customer lists, long-term contracts and covenants not to compete and are amortized generally over periods ranging from 5 to 25 years. Accumulated amortization of intangible assets was \$100.4 million and \$73.0 million at December 31, 1999 and 1998, respectively.

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

## ACCRUED LIABILITIES

A summary of accrued liabilities is as follows:

	DECEMBER 31,	
	1999	1998
	-----	-----
Accrued payroll and benefits.....	\$24.1	\$ 25.7
Accrued disposal costs.....	15.5	16.1
Accrued fees and taxes.....	16.3	12.7
Other.....	32.4	65.0
	-----	-----
	\$88.3	\$119.5
	=====	=====

## OTHER CURRENT LIABILITIES

A summary of other current liabilities is as follows:

	DECEMBER 31,	
	1999	1998
	-----	-----
Accrued environmental and landfill costs, current portion...	\$23.7	\$ 5.6
Self-insurance reserves, current.....	21.7	12.2
Other.....	7.2	8.6
	-----	-----
	\$52.6	\$26.4
	=====	=====

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

## REVENUE RECOGNITION

Revenue consists primarily of collection fees from commercial, industrial, residential and municipal customers and transfer and landfill disposal fees charged to third parties. Collection, transfer and disposal, and other services accounted for approximately 77.2%, 14.5% and 8.3%, respectively, of consolidated revenue for the year ended December 31, 1999. Advance billings are recorded as deferred revenue, and revenue is recognized over the period in which services are provided. No one customer has individually accounted for more than 10.0% of the Company's consolidated revenues in any of the past three years.

## INCOME TAXES

Effective with the Initial Public Offering in July 1998, the Company is no longer included in the consolidated federal income tax return of AutoNation. For the periods prior to the Initial Public Offering, all tax amounts have been recorded as if the Company filed a separate federal tax return. The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Accordingly, deferred income taxes have been provided to show the effect of temporary differences between the recognition of revenue and expenses for financial and income tax reporting purposes and between the tax basis of assets and liabilities and their reported amounts in the financial statements.

## COMPREHENSIVE INCOME

The Company has no components of other comprehensive income. Accordingly, net income equals comprehensive income for all periods presented.

## STATEMENTS OF CASH FLOWS

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

The Company made interest payments on notes payable and long-term debt of approximately \$53.7 million, \$44.0 million and \$24.3 million (net of capitalized interest of \$5.6 million, \$.8 million and \$.8 million) for the years ended December 31, 1999, 1998 and 1997, respectively. The Company made income tax payments of approximately \$100.3 million, \$65.4 million and \$29.4 million for the years ended December 31, 1999, 1998 and 1997, respectively.

## FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, restricted cash, receivables, accounts payable and accrued liabilities approximate fair value due to the short maturity of these instruments. The fair value of the Company's fixed rate unsecured notes using an estimate of interest rates currently available to the Company is \$575.8 million at December 31, 1999. The carrying value of the unsecured notes is \$598.5 million at December 31, 1999. The carrying amounts of the Company's remaining notes payable and long-term debt approximate fair value because interest rates are primarily variable and, accordingly, approximate current market rates.

## CONCENTRATION OF CREDIT RISK

The Company provides services to commercial, industrial, municipal and residential customers in the United States. Concentrations of credit risk with respect to trade receivables are limited due to the wide variety of customers and markets in which services are provided as well as their dispersion across many geographic areas in the United States. The Company performs ongoing credit evaluations of its customers, but

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

does not require collateral to support customer receivables. The Company establishes an allowance for doubtful accounts based on various factors including the credit risk of specific customers, age of receivables outstanding, historical trends and other information.

## NEW ACCOUNTING PRONOUNCEMENTS

In June 1999, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities -- Deferral of the Effective Date of FASB Statement No. 133". SFAS 137 amends FASB Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", by deferring the effective date of SFAS 133 to fiscal years beginning after June 15, 2000. SFAS 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. The Company will adopt SFAS 133 beginning January 1, 2001. The Company does not expect the adoption of this standard to have a material impact on our consolidated financial position or results of operations.

## 3. BUSINESS COMBINATIONS

Businesses acquired and accounted for under the purchase method of accounting are included in the Consolidated Financial Statements from the date of acquisition.

In July 1999, the Company entered into a definitive agreement with Allied Waste Industries, Inc. ("Allied") to acquire certain solid waste assets for approximately \$230.0 million in cash. In October 1999, after failing to receive regulatory approval relating to the acquisition of certain of the assets, the agreement was amended for the Company to acquire certain solid waste assets for a purchase price of \$71.0 million in cash. The assets to be acquired under the amended agreement include one landfill operation, five transfer stations and a subset of small container hauling assets from four collection operations. By December 31, 1999, the Company had completed the purchase of certain assets for approximately \$19.7 million in cash. In addition, the Company entered into a definitive agreement with Allied for the simultaneous purchase and sale of certain other solid waste assets. All of these transactions will be accounted for under the purchase method of accounting. The portion of these transactions that were not closed by December 31, 1999, are subject to approval by various state and federal agencies as well as satisfaction of customary closing conditions.

In September 1998, the Company entered into a definitive agreement with Waste Management, Inc. ("Waste Management") to acquire certain assets. The assets acquired included 16 landfills, 11 transfer stations and 136 collection routes across the United States as well as disposal agreements at various Waste Management sites. At December 31, 1998, closings had been completed for 6 landfills, 7 transfer stations and all of the collection routes discussed above, at a purchase price of approximately \$186.9 million in cash plus properties. By June 1999, the Company had completed the purchases of the remaining assets for approximately \$292.7 million in cash plus properties.

In addition to the acquisitions from Allied and Waste Management, the Company also acquired various other solid waste businesses during 1999. The aggregate purchase price paid by the Company in these transactions was \$430.8 million in cash.

During the year ended 1998, AutoNation acquired various solid waste businesses which were contributed to the Company. The aggregate purchase price paid by AutoNation in transactions accounted for under the purchase method of accounting was \$128.3 million, consisting of \$60.3 million in cash and approximately 3.4 million shares of AutoNation common stock valued at \$68.0 million. Subsequent to the Initial Public Offering, the Company acquired various solid waste businesses. The aggregate purchase price



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

paid by the Company in transactions accounted for under the purchase method of accounting was \$450.5 million consisting of cash and certain properties.

During the year ended December 31, 1997, AutoNation acquired various solid waste businesses which were contributed to the Company. The aggregate purchase price paid by AutoNation in transactions accounted for under the purchase method of accounting was \$147.9 million consisting of \$11.5 million in cash and 5.7 million shares of AutoNation common stock valued at \$136.4 million. In addition, AutoNation issued an aggregate of 34.1 million shares of AutoNation common stock in transactions accounted for under the pooling of interests method of accounting. Significant businesses acquired and accounted for under the pooling of interests method of accounting have been included retroactively in the Consolidated Financial Statements as if the companies had operated as one entity since inception. Included in the shares of AutoNation common stock issued in acquisitions accounted for under the pooling of interests method of accounting are approximately 0.3 million shares issued for acquisitions that were not material individually or in the aggregate and, consequently, prior period financial statements were not restated for such acquisitions.

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

	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
Property and equipment.....	\$383.6	\$180.3	\$ 36.8
Cost in excess of net assets acquired.....	415.9	572.4	149.1
Working capital deficit.....	(48.7)	(108.0)	(18.0)
Long-term debt assumed.....	(2.0)	(51.7)	(26.8)
Other assets (liabilities), net.....	(11.0)	(39.5)	4.6
Investment by AutoNation.....	--	(128.3)	(148.4)
Cash used in acquisitions, net of cash acquired.....	\$737.8	\$425.2	\$ (2.7)
	=====	=====	=====

The Company's unaudited pro forma consolidated results of operations assuming acquisitions accounted for under the purchase method of accounting had occurred at the beginning of the periods presented are as follows:

	YEARS ENDED DECEMBER 31,	
	1999	1998
Revenue.....	\$1,917.0	\$1,549.1
Net income.....	\$ 196.1	\$ 132.5
Basic and diluted earnings per share.....	\$ 1.12	\$ .98
Weighted average common and common equivalent shares outstanding.....	175.7	135.6

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.

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

## 4. LANDFILL AND ACCRUED ENVIRONMENTAL COSTS

## ACCRUED ENVIRONMENTAL AND LANDFILL COSTS

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

	DECEMBER 31,	
	1999	1998
Accrued landfill site closure/post-closure costs.....	\$152.3	\$73.4
Accrued environmental costs.....	1.2	9.5
	153.5	82.9
Less: current portion (included in other current liabilities).....	(23.7)	(5.6)
	\$129.8	\$77.3
	=====	=====

## LIFE CYCLE ACCOUNTING

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

## TOTAL AVAILABLE DISPOSAL CAPACITY

As of December 31, 1999, the Company owned or operated 55 solid waste landfills with total available disposal capacity of approximately 1.7 billion in-place cubic yards. Total available disposal capacity represents the sum of estimated permitted airspace plus an estimate of airspace which is likely to be permitted.

## LIKELY TO BE PERMITTED EXPANSION AIRSPACE

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

1. The land associated with the expansion airspace is either owned by the Company or is controlled by the Company pursuant to an option agreement;
2. The Company is committed to supporting the expansion project financially and with appropriate resources;
3. There are no identified fatal flaws or impediments associated with the project, including political impediments;
4. Progress is being made on the project;
5. The expansion is attainable within a reasonable time frame; and
6. The Company believes it is likely the expansion permit will be received.

Upon meeting the Company's expansion criteria, the rates used at each applicable landfill to expense costs to acquire, construct, close and maintain a site during the post-closure period are adjusted to include

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

likely to be permitted airspace and all additional costs to be capitalized or accrued associated with the expansion airspace.

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

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

Once a landfill meets the Company's expansion criteria, management continuously monitors each site's progress in obtaining the expansion permit. If at any point it is determined that an expansion area no longer meets the required criteria, the likely to be permitted airspace is removed from the landfill's total available capacity and the rates used at the landfill to expense costs to acquire, construct, close and maintain a site during the post-closure period are adjusted accordingly. The Company has never been denied an expansion permit for a landfill that included likely to be permitted airspace in its total available disposal capacity, although no assurances can be made that all future expansions will be permitted as designed.

## CAPITALIZED LANDFILL COSTS

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

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

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

## CLOSURE AND POST-CLOSURE COSTS

Landfill site closure and post-closure costs include estimated costs to be incurred for final closure of the landfills and estimated costs for providing required post-closure monitoring and maintenance of landfills. These costs are accrued and charged to cost of operations based upon consumed airspace in relation to total available disposal capacity using the units-of-consumption method of amortization. The Company estimates future cost requirements for closure and post-closure monitoring and maintenance for its solid waste facilities based on the technical standards of the Environmental Protection Agency's Subtitle D regulations and applicable state and local regulations. These estimates do not take into account discounts for the present value of total estimated costs. Accruals for closure and post-closure costs totaled approximately \$17.9 million, \$11.4 million and \$7.9 million during the years ended December 31, 1999, 1998 and 1997, respectively.

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

A number of the Company's landfills were previously operated by other entities. Accordingly, the Company assessed and recorded a closure and post-closure liability as of the date the landfill was acquired based upon the estimated total closure and post-closure costs and the percentage of total available disposal capacity utilized as of such date. Thereafter, the difference between the closure and post-closure costs accrued and the total estimated closure and post-closure costs to be incurred are accrued and charged to expense as airspace is consumed. Estimated aggregate closure and post-closure costs will be fully accrued for the Company's landfills at the time such facilities cease to accept waste and are closed. As of December 31, 1999, assuming that all available landfill capacity is used, the Company expects to expense approximately \$528.4 million of such costs over the remaining lives of these facilities.

## ENVIRONMENTAL COSTS

In the normal course of business, the Company is subject to ongoing environmental investigations by certain regulatory agencies, as well as other claims and disputes that could result in litigation. Environmental costs are accrued by the Company through a charge to income in the period such liabilities become probable and can be reasonably estimated. No material amounts were charged to expense during the years ended December 31, 1999, 1998 and 1997.

## 5. NOTES PAYABLE AND LONG-TERM DEBT

Notes payable and long-term debt are as follows:

	DECEMBER 31,	
	1999	1998
\$225.0 million unsecured notes, net of unamortized discount of \$1.0 million; interest payable semi-annually in May and November at 6 5/8%; principal due at maturity in 2004.....	\$ 224.0	\$ --
\$375.0 million unsecured notes, net of unamortized discount of \$.5 million; interest payable semi-annually in May and November at 7 1/8%; principal due at maturity in 2009.....	374.5	--
\$1.0 billion unsecured revolving credit facility; interest payable using LIBOR based rates (6.7% at December 31, 1999); \$500.0 million matures July 2000 and \$500.0 million matures July 2003.....	552.0	980.0
Bonds payable under loan agreements with California Pollution Control Financing Authority; interest at prevailing market rates (4.5% and 4.3% at December 31, 1999 and 1998, respectively).....	42.0	42.0
Other notes; secured by real property, equipment and other assets; interest rates ranging from 5% to 10%; maturing through 2009.....	16.8	35.1
	1,209.3	1,057.1
Less: Current portion.....	(57.2)	(499.9)
	<u>\$1,152.1</u>	<u>\$ 557.2</u>

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

Aggregate maturities of notes payable and long-term debt are as follows:

	DECEMBER 31, 1999
	-----
2000.....	\$ 57.2
2001.....	2.8
2002.....	2.1
2003.....	501.6
2004.....	226.5
Thereafter.....	419.1
	-----
	\$1,209.3
	=====

As of December 31, 1999, we had approximately \$430.4 million of availability under the short-term portion of the credit facility.

The unsecured notes, the unsecured revolving credit facility and the loan agreements with the California Pollution Control Financing Authority require the Company to maintain certain financial ratios and comply with certain financial covenants. At December 31, 1999, the Company was in compliance with the financial covenants under these agreements.

The Company uses interest rate swap agreements to manage its exposure to interest rate changes. The swaps involve the exchange of fixed and variable interest rate payments without exchanging the notional principal amount.

At December 31, 1999, the Company had outstanding interest rate swap agreements denominated in dollars, maturing in February 2000, with an aggregate notional amount of \$175.0 million. As of December 31, 1999, the Company received a floating rate of interest based upon thirty day LIBOR rates or approximately 5.8% and paid a weighted average fixed rate of interest of 5.9% under these agreements.

The fair value of these interest rate swap agreements represents the value of the spread between the interest rate the Company paid and the interest rate the Company received over the remaining life of the agreement or approximately \$20,000.

Counterparties to the interest rate swap agreements are major financial institutions who also participate in the Company's revolving credit facility.

## 6. INCOME TAXES

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

	1999	1998	1997
	-----	-----	-----
Current:			
Federal.....	\$ 69.9	\$59.8	\$20.9
State.....	13.9	7.5	8.5
Federal and state deferred.....	50.6	23.2	36.5
Change in valuation allowance.....	(8.7)	(4.0)	--
	-----	-----	-----
Provision for income taxes.....	\$125.7	\$86.5	\$65.9
	=====	=====	=====

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

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

	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
Statutory federal income tax rate.....	35.0%	35.0%	35.0%
Non-deductible expenses.....	1.2	1.3	1.5
State income taxes, net of federal benefit.....	3.5	2.1	2.0
Other, net.....	(1.2)	(2.4)	(2.3)
Effective income tax rate.....	38.5%	36.0%	36.2%
	====	====	====

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

	DECEMBER 31,	
	1999	1998
Book basis in property over tax basis.....	\$107.5	\$95.7
Accruals not currently deductible.....	(13.1)	(33.0)
Valuation allowance.....	--	8.7
Net deferred income tax liability.....	\$ 94.4	\$71.4
	=====	=====

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

## 7. STOCKHOLDERS' EQUITY

In April 1998, the Company declared a \$2.0 billion dividend to AutoNation that it paid in the form of notes payable ("Company Notes"). Interest expense on the Company Notes was \$27.6 million for the year ended December 31, 1998.

In June 1998, the Company received a dividend of certain assets from a former subsidiary totaling approximately \$437.3 million. In June 1998, the Company prepaid a portion of the amounts outstanding under the Company Notes totaling \$565.4 million using this dividend, cash and certain other assets.

In July 1998, the Company amended and restated its Certificate of Incorporation to authorize capital stock consisting of (a) 50,000,000 shares of preferred stock, par value \$.01 per share (the "Preferred Stock"), and (b) 750,000,000 shares of Common Stock of which 250,000,000 shares were authorized as Class A Common Stock, 125,000,000 shares were authorized as Class B Common Stock and 375,000,000 shares may be designated by the Company's Board of Directors as either Class A Common Stock or Class B Common Stock. In addition, all 100 shares of common stock previously held by AutoNation were converted into 95.7 million shares of Class B Common Stock. The Class A Common Stock and Class B Common Stock were identical in all respects, except holders of Class A Common Stock were entitled to one vote per share while holders of Class B Common Stock were entitled to five votes per share on all matters submitted to a vote of the stockholders, including the election of directors.

In July 1998, the Company repaid amounts due to AutoNation totaling \$395.4 million through the issuance of approximately 16.5 million shares of Class A Common Stock.

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

In July 1998, the Company completed the Initial Public Offering of approximately 63.2 million shares of its Class A Common Stock resulting in net proceeds of approximately \$1.4 billion. All of the proceeds from the Initial Public Offering were used to repay remaining amounts due under the Company Notes.

In March 1999, AutoNation converted all 95.7 million shares of its Class B Common Stock into Class A Common Stock on a one-for-one basis. In May 1999, the Company completed a secondary offering, in which AutoNation sold substantially all of the Class A Common Stock it owned in the Company. In June 1999, the Company amended its certificate of incorporation to eliminate the classifications of Common Stock.

## 8. STOCK OPTIONS

In July 1998, the Company adopted the 1998 Stock Incentive Plan ("Stock Incentive Plan") to provide for grants of options to purchase shares of Common Stock to employees, non-employee directors and independent contractors of the Company who are eligible to participate in the Stock Incentive Plan. Options granted under the Stock Incentive Plan are non-qualified and are granted at a price equal to the fair market value of the Company's Common Stock at the date of grant. Generally, options granted have a term of ten years from the date of grant, and vest in increments of 25% per year over a four year period on the yearly anniversary date of the grant. Options granted to non-employee directors have a term of ten years and vest immediately at the date of grant. The Company has reserved 20.0 million shares of Common Stock for issuance pursuant to options granted under the Stock Incentive Plan.

Prior to the Initial Public Offering, employees of the Company were granted stock options under AutoNation stock option plans. As of March 2, 1999, options to purchase approximately 8.0 million shares of AutoNation common stock held by the Company's employees were canceled by AutoNation, and the Company's Compensation Committee granted replacement options on a one-for-one basis ("Replacement Options"). The Replacement Options to purchase shares of Common Stock retained the vesting and exercise rights of the original options, subject to certain exercise limitations for individuals who signed stock option repricing agreements with AutoNation. The exercise prices for individual replacement options were established to maintain the unrealized gain or loss on each option for AutoNation stock that was cancelled. Compensation expense related to the granting of certain replacement options at exercise prices below the fair market value of the Common Stock at the date of grant was approximately \$2.0 million and has been included in selling, general and administrative expenses in the Company's Consolidated Statement of Operations for the year ended December 31, 1999.

In October 1999, the Board of Directors approved the Company's annual grant of options for fiscal year 2000. This grant allows participants to acquire approximately 2.8 million shares of Common Stock at an exercise price of \$11 7/8 per share, which was the quoted market price as of the grant date.

The following table summarizes stock option activity for the year ended December 31, 1999:

	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
	-----	-----
Options outstanding at beginning of year.....	.6	\$18.12
Granted to replace AutoNation options.....	8.0	17.38
Granted, other.....	6.5	15.47
Cancelled.....	(.1)	17.68
	-----	-----
Options outstanding at December 31, 1999.....	15.0	\$16.57
	=====	=====

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

The following table summarizes information about the Company's outstanding and exercisable stock options at December 31, 1999:

RANGE OF EXERCISE PRICE	OUTSTANDING			EXERCISABLE	
	SHARES	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE (YRS.)	WEIGHTED-AVERAGE EXERCISE PRICE	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
\$6.38 -- \$17.06.....	3.8	8.7	\$12.75	--	\$ --
\$17.50.....	8.0	6.6	17.50	--	--
\$18.06 -- \$33.86.....	3.2	8.9	18.81	.3	21.04
	15.0	7.6	\$16.57	.3	\$21.04
	====	===	=====	==	=====

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", in accounting for stock-based employee compensation arrangements whereby no compensation cost related to stock options is deducted in determining net income. Had compensation cost for stock option grants under the Company's Stock Incentive Plan been determined pursuant to SFAS No. 123, "Accounting for Stock-Based Compensation", the Company's net income would have decreased accordingly. Using the Black-Scholes option pricing model, the Company's pro forma net income and pro forma weighted average fair value of options granted, with related assumptions, assuming the Replacement Options were outstanding during the periods presented, are as follows:

	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
Pro forma net income.....	\$ 177.4	\$ 122.0	\$ 88.9
Pro forma earnings per share.....	1.01	.90	.93
Pro forma weighted average fair value of the Company's stock options granted.....	7.02	17.16	31.85
Risk free interest rates.....	6.34%	4.76%	5.74%
Expected lives.....	5 years	5 years	5 years
Expected volatility.....	40.0%	40.0%	40.0%

## 9. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is based on the combined weighted average number of common shares and common share equivalents outstanding which include, where appropriate, the assumed exercise of employee stock options. In computing diluted earnings per share, the Company utilizes the treasury stock method.

Earnings per share for the years ended December 31, 1998 and 1997 includes the retroactive effect of the recapitalization of the 100 shares of Common Stock held by AutoNation into 95.7 million shares of Common Stock.



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

Earnings per share is calculated as follows (in millions, except per share data):

	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
Numerator:			
Net income.....	\$200.8	\$153.7	\$116.2
Denominator:			
Denominator for basic earnings per share.....	175.4	135.6	95.7
Effect of dilutive securities -- Options to purchase common stock.....	.3	--	--
Denominator for diluted earnings per share.....	175.7	135.6	95.7
Basic and diluted earnings per share.....	\$ 1.14	\$ 1.13	\$ 1.21
Antidilutive securities not included in the diluted earnings per share calculation:			
Options to purchase common stock.....	9.0	--	--
Weighted average exercise price.....	\$18.23	\$ --	\$ --

## 10. COMMITMENTS AND CONTINGENCIES

## LEGAL PROCEEDINGS

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

In September 1999, several lawsuits were filed by certain shareholders against the Company and certain of its officers and directors in the United States Court for the Southern District of Florida. The plaintiffs in these lawsuits claim, on behalf of a purported class of purchasers of the Company's common stock between January 28, 1999 and August 28, 1999, that the defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 by, among other things, allegedly making materially false and misleading statements regarding the Company's growth and the assets acquired from Waste Management. On December 29, 1999 the Court consolidated these lawsuits and the consolidated action has been named In Re: Republic Services, Inc. Securities Litigation. The plaintiffs filed a consolidated complaint on February 11, 2000. Management believes the allegations contained in the consolidated complaint are without merit and will vigorously defend this and any related actions. However, an unfavorable resolution of this lawsuit could have a material adverse effect on the Company's consolidated financial position, result of operations or cash flows in one or more future periods.

## LEASE COMMITMENTS

During December 1999, the Company entered into a \$100.0 million operating lease facility established to finance the acquisition of operating equipment (primarily revenue-producing vehicles). At December 31, 1999, \$36.1 million was outstanding under the lease facility. In addition, the Company and its subsidiaries lease real property, equipment and software under various other operating leases with terms from one to twenty-five years.

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

Future minimum lease obligations under noncancelable real property, equipment and software leases with initial terms in excess of one year at December 31, 1999 are as follows:

Year Ending December 31:	
2000.....	\$ 9.0
2001.....	8.1
2002.....	32.7
2003.....	1.0
2004.....	1.0
Thereafter.....	6.0
	-----
	\$57.8
	=====

## LIABILITY INSURANCE

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

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

The Company's liabilities for unpaid and incurred but not reported claims at December 31, 1999 was \$38.4 million under its current risk management program and are included in other current and other liabilities in the accompanying Consolidated Balance Sheets. While the ultimate amount of claims incurred are dependent on future developments, in management's opinion, recorded reserves are adequate to cover the future payment of claims. However, it is reasonably possible that recorded reserves may not be adequate to cover the future payment of claims. Adjustments, if any, to estimates recorded resulting from ultimate claim payments will be reflected in operations in the periods in which such adjustments are known.

## OTHER MATTERS

In the normal course of business, the Company is required to post performance bonds, insurance policies, letters of credit, and/or cash deposits as a financial guarantee of the Company's performance. To date, the Company has satisfied financial responsibility requirements for regulatory agencies by making cash deposits, obtaining bank letters of credit or by obtaining surety bonds. At December 31, 1999, surety bonds and letters of credit totaling \$618.3 million were outstanding, which expire through 2007.

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. The Internal Revenue Service is auditing AutoNation's consolidated tax returns for fiscal years 1995 and 1996. In accordance with the Company's tax sharing agreement with AutoNation, the Company may be liable for certain assessments imposed by the Internal Revenue Service resulting from this audit. Management believes that the tax liabilities recorded are adequate.

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

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.

## 11. RELATED PARTY TRANSACTIONS

The following is an analysis of activity in the due to AutoNation account:

	YEARS ENDED	
	DECEMBER 31,	
	1998	1997
Balance at beginning of period.....	\$ 107.8	\$ 49.3
AutoNation overhead allocations.....	7.5	10.2
Service Agreement fees.....	7.5	--
Insurance allocations.....	9.7	15.9
Self-insurance reserve allocations.....	(9.8)	(7.3)
Intercompany purchases.....	42.4	13.8
Income taxes.....	24.0	28.7
Cash transfers.....	(49.6)	(2.8)
Repayment in shares of Common Stock.....	(139.5)	--
Balance at end of period.....	\$ --	\$107.8

Prior to the Initial Public Offering, due to AutoNation included allocations of various expenses from AutoNation including general and administrative expenses, risk management premiums, income taxes and other costs. Such liabilities were non-interest bearing and had no specified repayment terms. In July 1998, the Company repaid in full amounts due to AutoNation as of June 30, 1998 through the issuance of approximately 5.8 million shares of Common Stock. Subsequent to the Initial Public Offering, due to AutoNation consists primarily of charges under the Services Agreement described below. Such amounts were non-interest bearing and were repaid periodically using cash.

Prior to the Initial Public Offering, AutoNation's corporate general and administrative costs not specifically attributable to its operating subsidiaries were allocated to the Company based upon the ratio of the Company's invested capital to AutoNation's consolidated invested capital. Such allocations are included in the Company's selling, general and administrative costs and were approximately \$7.5 million and \$10.2 million for the years ended December 31, 1998 and 1997, respectively. These amounts approximate management's estimate of AutoNation's corporate general and administrative costs required to support the Company's operations. Management believes that the amounts allocated to the Company are reasonable and are no less favorable to the Company than the expenses the Company would have incurred to obtain such services on its own or from unaffiliated third parties.

In June 1998, the Company and AutoNation entered into a services agreement (the "Services Agreement") pursuant to which AutoNation provided to the Company certain accounting, auditing, cash management, corporate communications, corporate development, financial and treasury, human resources and benefit plan administration, insurance and risk management, legal, purchasing and tax services. The Services Agreement expired June 30, 1999. In exchange for the provision of such services, fees were payable by the Company to AutoNation in the amount of \$1.25 million per month. Effective January 1, 1999, such fees payable by the Company to AutoNation were reduced to \$.9 million per month. The Company believes that the fees for services provided under the Services Agreement are no less favorable to the Company than could be obtained by the Company internally or from unaffiliated third parties. Charges under the Services Agreement for the years ended December 31, 1999 and 1998 were \$5.3 million and \$7.5 million and are included in selling, general and administrative expenses.

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

Prior to the Initial Public Offering, the Company participated in AutoNation's combined risk management programs for property, casualty and general liability insurance. The Company was charged annual premiums of \$9.7 million and \$15.9 million for the years ended December 31, 1998 and 1997, respectively.

Notes payable to a former subsidiary represent borrowings prior to the Initial Public Offering under revolving credit facilities to fund the Company's operations and to repay debt assumed in acquisitions. Borrowings under these facilities bear interest at prime plus 50 basis points and were payable on demand. In July 1998, the Company repaid these notes through the issuance of approximately 10.7 million shares of Common Stock. Interest expense on these notes was \$9.7 million and \$20.2 million for the years ended December 31, 1998 and 1997, respectively.

## 12. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following is an analysis of certain items in the Consolidated Statements of Operations by quarter for 1999 and 1998:

		FIRST QUARTER -----	SECOND QUARTER -----	THIRD QUARTER -----	FOURTH QUARTER -----
Revenue.....	1999	\$403.5	\$455.6	\$490.6	\$488.8
	1998	\$300.8	\$335.9	\$355.0	\$377.4
Operating income.....	1999	\$ 79.4	\$102.6	\$103.5	\$105.1
	1998	\$ 59.0	\$ 70.7	\$ 75.3	\$ 79.3
Net income.....	1999	\$ 43.4	\$ 54.5	\$ 52.5	\$ 50.4
	1998	\$ 34.8	\$ 25.1	\$ 46.2	\$ 47.6
Basic and diluted net income per share.....	1999	\$ .25	\$ .31	\$ .30	\$ .29
	1998	\$ .36	\$ .26	\$ .26	\$ .27
Weighted average common and common equivalent shares outstanding.....	1999	175.4	176.5	175.5	175.5
	1998	95.7	95.7	175.4	175.4

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

None.

## PART III

The information required by Items 10, 11, 12 and 13 of Part III of Form 10-K will be set forth in the Proxy Statement of the Company relating to the 2000 Annual Meeting of Stockholders and is incorporated by reference herein.

## PART IV

## ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULE AND REPORTS ON FORM 8-K

## (a) Exhibits:

EXHIBITS -----	DESCRIPTION OF EXHIBIT -----
3.1	-- Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1998).
3.2	-- Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 4.2 of the Company's Registration Statement on Form S-8, Registration No. 333-81801, filed with the Commission on June 29, 1999).
3.3	-- Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1998).
4.1	-- The Company's Common Stock Certificate (incorporated by reference to Exhibit 4.4 of the Company's Registration Statement on Form S-8, Registration No. 333-81801, filed with the Commission on June 29, 1999).
4.2	-- Long Term Credit Agreement dated July 10, 1998 among the Company, Bank of America National Trust and Savings Association, as Administrative Agent, and the several financial institutions party thereto (incorporated by reference to Exhibit 4.1 of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1998).
4.3*	-- Indenture dated May 24, 1999 between the Company and The Bank of New York, as trustee.
4.4*	-- 6 5/8% Note due May 15, 2004 in the principal amount of \$200,000,000.
4.5*	-- 6 5/8% Note due May 15, 2004 in the principal amount of \$25,000,000.
4.6*	-- 7 1/8% Note due May 15, 2009 in the principal amount of \$200,000,000.
4.7*	-- 7 1/8% Note due May 15, 2009 in the principal amount of \$175,000,000.
10.1	-- Separation and Distribution Agreement dated June 30, 1998 by and between the Company and AutoNation, Inc. (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1998).
10.2	-- Amended and Restated Employee Benefits Agreement dated June 30, 1998 by and between the Company and AutoNation, Inc. (incorporated by reference to Exhibit 10.2 of the Company's Amendment No. 3 to Registration Statement on Form S-1, Registration No. 333-73259, filed with the Commission on April 27, 1999).
10.3	-- Services Agreement dated March 4, 1999 by and between the Company and AutoNation, Inc. (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1998).
10.4	-- First Amendment to Services Agreement dated March 4, 1999 by and between the Company and AutoNation, Inc. (incorporated by reference to Exhibit 10.4 of the Company's Registration Statement on Form S-1, Registration No. 333-73259, filed with the Commission on April 27, 1999).
10.5	-- Tax Indemnification and Allocation Agreement dated June 30, 1998 by and between the Company and AutoNation, Inc. (incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1998).
10.6	-- 1998 Stock Incentive Plan (incorporated by reference to Exhibit 10.5 of the Company's Registration Statement on Form S-1/A, Amendment No. 2, dated June 30, 1998).
10.7	-- Employment Agreement dated December 7, 1998 by and between James E. O'Connor and the Company (incorporated by reference to Exhibit 10.6 of the Company's Annual Report on Form 10-K for the year ended December 31, 1998).

EXHIBITS	DESCRIPTION OF EXHIBIT
10.8	-- Employment Agreement dated January 11, 1999 by and between James H. Cosman and the Company (incorporated by reference to Exhibit 10.7 of the Company's Annual Report on Form 10-K for the year ended December 31, 1998).
10.9	-- Employment Agreement dated July 1, 1999 by and between Tod C. Holmes and the Company (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1999).
21.1*	-- Subsidiaries of the Company.
27.1*	-- Financial Data Schedule for the Year Ended December 31, 1999 (for SEC use only).

\* filed herewith

(b) Financial Statement Schedule. The following financial statement schedule is filed on page 62 herewith:

Financial Statement Schedule II, Valuation and Qualifying Accounts and Reserves, for Each of the Three Years Ended December 31, 1999.

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

(c) Reports on Form 8-K:

Form 8-K, filed and dated January 26, 2000, including a press release announcing the Company's operating results for the three and twelve months ended December 31, 1999.



## SIGNATURES

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

REGISTRANT:

REPUBLIC SERVICES, INC.

By: /s/ H. WAYNE HUIZENGA

-----  
 H. Wayne Huizenga  
 Chairman of the Board

March 13, 2000

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

SIGNATURE -----	TITLE -----	DATE -----
/s/ H. WAYNE HUIZENGA ----- H. Wayne Huizenga	Chairman of the Board	March 13, 2000
/s/ HARRIS W. HUDSON ----- Harris W. Hudson	Vice Chairman and Director	March 13, 2000
/s/ JAMES E. O'CONNOR ----- James E. O'Connor	Chief Executive Officer and Director (principal executive officer)	March 13, 2000
/s/ TOD C. HOLMES ----- Tod C. Holmes	Senior Vice President and Chief Financial Officer (principal financial officer)	March 13, 2000
/s/ CHARLES F. SERIANNI ----- Charles F. Serianni	Chief Accounting Officer (principal accounting officer)	March 13, 2000
/s/ JOHN W. CROGHAN ----- John W. Croghan	Director	March 13, 2000
/s/ RAMON A. RODRIGUEZ ----- Ramon A. Rodriguez	Director	March 13, 2000
/s/ ALLAN C. SORENSEN ----- Allan C. Sorensen	Director	March 13, 2000

## REPUBLIC SERVICES, INC.

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

	BALANCE AT BEGINNING OF YEAR	ADDITIONS CHARGED TO INCOME	ACCOUNTS WRITTEN OFF	OTHER(1)	BALANCE AT END OF YEAR
	-----	-----	-----	-----	-----
CLASSIFICATIONS					
Allowance for doubtful accounts:					
1999.....	\$22.1	\$9.6	\$(19.8)	\$ 2.3	\$14.2
1998.....	13.6	5.1	(7.2)	10.6	22.1
1997.....	8.3	4.1	(4.1)	5.3	13.6

-----  
(1) Allowance of acquired businesses.

## EXHIBIT INDEX

EXHIBITS	DESCRIPTION OF EXHIBIT
-----	-----
3.1	-- Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1998).
3.2	-- Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 4.2 of the Company's Registration Statement on Form S-8, Registration No. 333-81801, filed with the Commission on June 29, 1999).
3.3	-- Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1998).
4.1	-- The Company's Common Stock Certificate (incorporated by reference to Exhibit 4.4 of the Company's Registration Statement on Form S-8, Registration No. 333-81801, filed with the Commission on June 29, 1999).
4.2	-- Long Term Credit Agreement dated July 10, 1998 among the Company, Bank of America National Trust and Savings Association, as Administrative Agent, and the several financial institutions party thereto (incorporated by reference to Exhibit 4.1 of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1998).
4.3*	-- Indenture dated May 24, 1999 between the Company and The Bank of New York, as trustee.
4.4*	-- 6 5/8% Note due May 15, 2004 in the principal amount of \$200,000,000.
4.5*	-- 6 5/8% Note due May 15, 2004 in the principal amount of \$25,000,000.
4.6*	-- 7 1/8% Note due May 15, 2009 in the principal amount of \$200,000,000.
4.7*	-- 7 1/8% Note due May 15, 2009 in the principal amount of \$175,000,000.
10.1	-- Separation and Distribution Agreement dated June 30, 1998 by and between the Company and AutoNation, Inc. (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1998).
10.2	-- Amended and Restated Employee Benefits Agreement dated June 30, 1998 by and between the Company and AutoNation, Inc. (incorporated by reference to Exhibit 10.2 of the Company's Amendment No. 3 to Registration Statement on Form S-1, Registration No. 333-73259, filed with the Commission on April 27, 1999).
10.3	-- Services Agreement dated March 4, 1999 by and between the Company and AutoNation, Inc. (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1998).
10.4	-- First Amendment to Services Agreement dated March 4, 1999 by and between the Company and AutoNation, Inc. (incorporated by reference to Exhibit 10.4 of the Company's Registration Statement on Form S-1, Registration No. 333-73259, filed with the Commission on April 27, 1999).
10.5	-- Tax Indemnification and Allocation Agreement dated June 30, 1998 by and between the Company and AutoNation, Inc. (incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1998).
10.6	-- 1998 Stock Incentive Plan (incorporated by reference to Exhibit 10.5 of the Company's Registration Statement on Form S-1/A, Amendment No. 2, dated June 30, 1998).
10.7	-- Employment Agreement dated December 7, 1998 by and between James E. O'Connor and the Company (incorporated by reference to Exhibit 10.6 of the Company's Annual Report on Form 10-K for the year ended December 31, 1998).
10.8	-- Employment Agreement dated January 11, 1999 by and between James H. Cosman and the Company (incorporated by reference to Exhibit 10.7 of the Company's Annual Report on Form 10-K for the year ended December 31, 1998).

EXHIBITS	DESCRIPTION OF EXHIBIT
10.9	-- Employment Agreement dated July 1, 1999 by and between Tod C. Holmes and the Company (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1999).
21.1*	-- Subsidiaries of the Company.
27.1*	-- Financial Data Schedule for the Year Ended December 31, 1999 (for SEC use only).

\* filed herewith

REPUBLIC SERVICES, INC., AS ISSUER,

AND

THE BANK OF NEW YORK, AS TRUSTEE

-----

INDENTURE

DATED AS OF MAY 24, 1999

-----

6 5/8% NOTES DUE 2004  
7 1/8% NOTES DUE 2009

## REPUBLIC SERVICES, INC.

## RECONCILIATION AND TIE WITH THE TRUST INDENTURE ACT OF 1939

TRUST INDENTURE ACT SECTION	INDENTURE SECTION
Section 310(a)(1).....	609
(a)(2).....	609
(b).....	608, 610
Section 311(a).....	613
Section 312(a).....	701
(b).....	702
(c).....	702
Section 313(a).....	703(a)
(b).....	703(a)
(c).....	703(a)
(d).....	703(b)
Section 314(a).....	704
(a)(4).....	705
(c)(1).....	103
(c)(2).....	103
(e).....	103
Section 315(a).....	601
(b).....	602
(c).....	601(a)
(d).....	601, 603
(e).....	514
Section 316(a)(last sentence).....	101 ("Outstanding")
(a)(1)(A).....	502, 512
(a)(1)(B).....	513
(b).....	508
(c).....	105
Section 317(a)(1).....	503
(a)(2).....	504
(b).....	1003
Section 318(a).....	108

Note: This reconciliation and tie shall not, for any purpose, be deemed to be a part of the Indenture.

## TABLE OF CONTENTS

ARTICLE ONE DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION.....	1
SECTION 101. DEFINITIONS.....	1
"AFFILIATE".....	2
"APPLICABLE PROCEDURES".....	2
"ATTRIBUTABLE DEBT".....	2
"BANKRUPTCY LAW".....	3
"BOARD OF DIRECTORS".....	3
"BOARD RESOLUTION".....	3
"BOOK-ENTRY SECURITY".....	3
"BUSINESS DAY".....	3
"CAPITAL STOCK".....	3
"CODE".....	3
"COMMISSION".....	3
"COMPANY".....	3
"COMPANY REQUEST"OR "COMPANY ORDER".....	3
"COMPARABLE TREASURY ISSUE".....	4
"COMPARABLE TREASURY PRICE".....	4
"CONSOLIDATED NET TANGIBLE ASSETS".....	4
"CONSOLIDATION".....	4
"CORPORATE TRUST OFFICE".....	4
"DEFAULT".....	5
"DEPOSITARY".....	5

"EVENT OF DEFAULT".....	5
"EXCHANGE ACT".....	5
"EXEMPTED DEBT".....	5
"FAIR MARKET VALUE".....	5
"FUNDED DEBT".....	5
"GENERALLY ACCEPTED ACCOUNTING PRINCIPLES"OR "GAAP".....	5
"GLOBAL SECURITIES".....	5
"GUARANTEE".....	5
"HOLDER".....	6
"INCUR".....	6
"INDEBTEDNESS".....	6
"INDENTURE".....	6
"INDENTURE OBLIGATIONS".....	6
"INDEPENDENT INVESTMENT BANKER".....	6
"INTEREST PAYMENT DATE".....	6
"ISSUE DATE".....	7
"LIEN".....	7
"MATURITY".....	7
"MOODY'S".....	7
"OFFICERS' CERTIFICATE".....	7
"OPINION OF COUNSEL".....	7
"OPINION OF INDEPENDENT COUNSEL".....	7
"OUTSTANDING".....	7
"PAYING AGENT".....	8
"PERSON".....	8
"PREDECESSOR SECURITY".....	9
"PREFERRED STOCK".....	9



"PRINCIPAL PROPERTY".....	9
"REDEMPTION DATE".....	9
"REDEMPTION PRICE".....	9
"REFERENCE TREASURY DEALER".....	9
"REFERENCE TREASURY DEALER QUOTATIONS".....	9
"REGULAR RECORD DATE".....	10
"RESPONSIBLE OFFICER".....	10
"RESTRICTED SUBSIDIARY".....	10
"S&P".....	10
"SECURITIES ACT".....	10
"SENIOR INDEBTEDNESS".....	10
"SPECIAL RECORD DATE".....	10
"STATED MATURITY".....	10
"SUBSIDIARY".....	10
"TEMPORARY CASH INVESTMENTS".....	10
"TREASURY RATE".....	11
"TRUSTEE".....	11
"TRUST INDENTURE ACT".....	12
"VOTING STOCK".....	12
SECTION 102. OTHER DEFINITIONS.....	12
SECTION 103. COMPLIANCE CERTIFICATES AND OPINIONS.....	12
SECTION 104. FORM OF DOCUMENTS DELIVERED TO TRUSTEE.....	13
SECTION 105. ACTS OF HOLDERS.....	14
SECTION 106. NOTICES, ETC., TO THE TRUSTEE, THE COMPANY.....	15
SECTION 107. NOTICE TO HOLDERS; WAIVER.....	16
SECTION 108. CONFLICT WITH TRUST INDENTURE ACT.....	16
SECTION 109. EFFECT OF HEADINGS AND TABLE OF CONTENTS.....	17

SECTION 110. SUCCESSORS AND ASSIGNS.....	17
SECTION 111. SEPARABILITY CLAUSE.....	17
SECTION 112. BENEFITS OF INDENTURE.....	17
SECTION 113. GOVERNING LAW.....	17
SECTION 114. LEGAL HOLIDAYS.....	17
SECTION 115. INDEPENDENCE OF COVENANTS.....	18
SECTION 116. SCHEDULES AND EXHIBITS.....	18
SECTION 117. COUNTERPARTS.....	18
ARTICLE TWO SECURITY FORMS.....	19
SECTION 201. FORMS GENERALLY.....	19
ARTICLE THREE THE SECURITIES.....	20
SECTION 301. TITLE AND TERMS.....	20
SECTION 302. DENOMINATIONS.....	21
SECTION 303. EXECUTION, AUTHENTICATION, DELIVERY AND DATING.....	21
SECTION 304. TEMPORARY SECURITIES.....	22
SECTION 305. REGISTRATION, REGISTRATION OF TRANSFER AND EXCHANGE.....	23
SECTION 306. BOOK ENTRY PROVISIONS FOR GLOBAL SECURITIES.....	24
SECTION 307. MUTILATED, DESTROYED, LOST AND STOLEN SECURITIES.....	26
SECTION 308. PAYMENT OF INTEREST; INTEREST RIGHTS PRESERVED.....	27
SECTION 309. CUSIP NUMBERS.....	28
SECTION 310. PERSONS DEEMED OWNERS.....	28
SECTION 311. CANCELLATION.....	28
SECTION 312. COMPUTATION OF INTEREST.....	29
ARTICLE FOUR DEFEASANCE AND COVENANT DEFEASANCE.....	30
SECTION 401. COMPANY'S OPTION TO EFFECT DEFEASANCE OR COVENANT DEFEASANCE.....	30

SECTION 402. DEFEASANCE AND DISCHARGE.....	30
SECTION 403. COVENANT DEFEASANCE.....	30
SECTION 404. CONDITIONS TO DEFEASANCE OR COVENANT DEFEASANCE.....	31
SECTION 405. DEPOSITED MONEY AND U.S. GOVERNMENT OBLIGATIONS TO BE HELD IN TRUST; OTHER MISCELLANEOUS PROVISIONS.....	33
SECTION 406. REINSTATEMENT.....	34
ARTICLE FIVE REMEDIES.....	35
SECTION 501. EVENTS OF DEFAULT.....	35
SECTION 502. ACCELERATION OF MATURITY; RESCISSION AND ANNULMENT.....	36
SECTION 503. COLLECTION OF INDEBTEDNESS AND SUITS FOR ENFORCEMENT BY TRUSTEE.....	37
SECTION 504. TRUSTEE MAY FILE PROOFS OF CLAIM.....	38
SECTION 505. TRUSTEE MAY ENFORCE CLAIMS WITHOUT POSSESSION OF SECURITIES.....	39
SECTION 506. APPLICATION OF MONEY COLLECTED.....	40
SECTION 507. LIMITATION ON SUITS.....	40
SECTION 508. UNCONDITIONAL RIGHT OF HOLDERS TO RECEIVE PRINCIPAL, PREMIUM AND INTEREST.....	41
SECTION 509. RESTORATION OF RIGHTS AND REMEDIES.....	41
SECTION 510. RIGHTS AND REMEDIES CUMULATIVE.....	41
SECTION 511. DELAY OR OMISSION NOT WAIVER.....	42
SECTION 512. CONTROL BY HOLDERS.....	42
SECTION 513. WAIVER OF PAST DEFAULTS.....	42
SECTION 514. UNDERTAKING FOR COSTS.....	43
SECTION 515. WAIVER OF STAY, EXTENSION OR USURY LAWS.....	43
SECTION 516. REMEDIES SUBJECT TO APPLICABLE LAW.....	43
ARTICLE SIX THE TRUSTEE.....	44
SECTION 601. DUTIES OF TRUSTEE.....	44
SECTION 602. NOTICE OF DEFAULTS.....	45

SECTION 603. CERTAIN RIGHTS OF TRUSTEE.....	45
SECTION 604. TRUSTEE NOT RESPONSIBLE FOR RECITALS, DISPOSITIONS OF SECURITIES OR APPLICATION OF PROCEEDS THEREOF.....	47
SECTION 605. TRUSTEE AND AGENTS MAY HOLD SECURITIES; COLLECTIONS; ETC.....	48
SECTION 606. MONEY HELD IN TRUST.....	48
SECTION 607. COMPENSATION AND INDEMNIFICATION OF TRUSTEE AND ITS PRIOR CLAIM.....	48
SECTION 608. CONFLICTING INTERESTS.....	49
SECTION 609. TRUSTEE ELIGIBILITY.....	49
SECTION 610. RESIGNATION AND REMOVAL; APPOINTMENT OF SUCCESSOR TRUSTEE.....	49
SECTION 611. ACCEPTANCE OF APPOINTMENT BY SUCCESSOR.....	51
SECTION 612. MERGER, CONVERSION, CONSOLIDATION OR SUCCESSION TO BUSINESS.....	52
SECTION 613. PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.....	52
ARTICLE SEVEN HOLDERS'LISTS AND REPORTS BY TRUSTEE AND COMPANY.....	54
SECTION 701. COMPANY TO FURNISH TRUSTEE NAMES AND ADDRESSES OF HOLDERS.....	54
SECTION 702. DISCLOSURE OF NAMES AND ADDRESSES OF HOLDERS.....	54
SECTION 703. REPORTS BY TRUSTEE.....	54
SECTION 704. REPORTS BY COMPANY.....	55
SECTION 705. STATEMENT AS TO COMPLIANCE.....	55
SECTION 706. STATEMENT BY OFFICERS AS TO DEFAULT.....	56
ARTICLE EIGHT CONSOLIDATION, MERGER, SALE OF ASSETS.....	57
SECTION 801. COMPANY MAY CONSOLIDATE, ETC., ONLY ON CERTAIN TERMS.....	57
SECTION 802. SUCCESSOR SUBSTITUTED.....	58
ARTICLE NINE SUPPLEMENTAL INDENTURES.....	59
SECTION 901. SUPPLEMENTAL INDENTURES AND AGREEMENTS WITHOUT CONSENT OF HOLDERS.....	59
SECTION 902. SUPPLEMENTAL INDENTURES AND AGREEMENTS WITH CONSENT OF HOLDERS.....	60

SECTION 903. EXECUTION OF SUPPLEMENTAL INDENTURES AND AGREEMENTS.....	61
SECTION 904. EFFECT OF SUPPLEMENTAL INDENTURES.....	62
SECTION 905. CONFORMITY WITH TRUST INDENTURE ACT.....	62
SECTION 906. REFERENCE IN SECURITIES TO SUPPLEMENTAL INDENTURES.....	62
SECTION 907. NOTICE OF SUPPLEMENTAL INDENTURES.....	62
ARTICLE TEN COVENANTS.....	63
SECTION 1001. PAYMENT OF PRINCIPAL, PREMIUM AND INTEREST.....	63
SECTION 1002. MAINTENANCE OF OFFICE OR AGENCY.....	63
SECTION 1003. MONEY FOR SECURITY PAYMENTS TO BE HELD IN TRUST.....	63
SECTION 1004. CORPORATE EXISTENCE.....	65
SECTION 1005. RESTRICTIONS ON LIENS.....	65
SECTION 1006. LIMITATION ON SALE AND LEASEBACK TRANSACTIONS.....	67
SECTION 1007. PROVISIONS OF FINANCIAL STATEMENTS.....	68
SECTION 1008. WAIVER OF CERTAIN COVENANTS.....	68
ARTICLE ELEVEN REDEMPTION OF SECURITIES.....	70
SECTION 1101. RIGHTS OF REDEMPTION.....	70
SECTION 1102. APPLICABILITY OF ARTICLE.....	70
SECTION 1103. ELECTION TO REDEEM; NOTICE TO TRUSTEE.....	70
SECTION 1104. SELECTION BY TRUSTEE OF SECURITIES TO BE REDEEMED.....	70
SECTION 1105. NOTICE OF REDEMPTION.....	71
SECTION 1106. DEPOSIT OF REDEMPTION PRICE.....	72
SECTION 1107. SECURITIES PAYABLE ON REDEMPTION DATE.....	72
SECTION 1108. SECURITIES REDEEMED OR PURCHASED IN PART.....	73
ARTICLE TWELVE SATISFACTION AND DISCHARGE.....	74
SECTION 1201. SATISFACTION AND DISCHARGE OF INDENTURE.....	74
SECTION 1202. APPLICATION OF TRUST MONEY.....	75
TESTIMONIUM	
SIGNATURES	

INDENTURE, dated as of May 24, 1999, between Republic Services, Inc. and The Bank of New York, as trustee (the "Trustee").

RECITALS OF THE COMPANY

The Company has duly authorized the creation of two separate series of securities under this Indenture: (i) an issue of 6 5/8% Notes due 2004 in the aggregate principal amount of \$225 million and (ii) an issue of 7 1/8% Notes due 2009 in the aggregate principal amount of \$375 million (together, the "Securities"), of substantially the tenor and amount hereinafter set forth, and to provide therefor the Company has duly authorized the execution and delivery of this Indenture and the Securities;

This Indenture is subject to, and shall be governed by, the provisions of the Trust Indenture Act that are required to be part of and to govern indentures qualified under the Trust Indenture Act;

All acts and things necessary have been done to make (i) the Securities, when duly issued and executed by the Company and authenticated and delivered hereunder, the valid obligations of the Company and (ii) this Indenture a valid agreement of the Company;

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities, as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 101. DEFINITIONS.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular;

(b) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(c) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP;

(d) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision;

(e) all references to \$, US\$, dollars or United States dollars shall refer to the lawful currency of the United States of America; and

(f) all references herein to particular Sections or Articles refer to this Indenture unless otherwise so indicated.

Certain terms used principally in Article Four are defined in Article Four.

"Affiliate" means, with respect to any specified Person: (i) any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person; (ii) any other Person that owns, directly or indirectly, 5% or more of such specified Person's Capital Stock or any officer or director of any such specified Person or other Person or, with respect to any natural Person, any person having a relationship with such Person by blood, marriage or adoption not more remote than first cousin; or (iii) any other Person 5% or more of the Voting Stock of which is beneficially owned or held directly or indirectly by such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Applicable Procedures" means, with respect to any transfer or transaction involving a Global Security or beneficial interest therein, the rules and procedures of the Depository for such Security to the extent applicable to such transaction and as in effect at the time of such transfer or transaction.

"Attributable Debt" means, when used in connection with a sale and leaseback transaction, at any date of determination, the product of (1) the net proceeds from such sale and leaseback transaction multiplied by (2) a fraction, the numerator of which is the number of full years of the term of the lease relating to the property involved in such sale and leaseback transaction (without regard to any options to renew or extend such term) remaining at the date of the making of such computation and the denominator of which is the number of full years of the term of such lease measured from the first day of such term.

"Bankruptcy Law" means Title 11, United States Bankruptcy Code of 1978, as amended, or any similar United States federal or state law or foreign law relating to bankruptcy, insolvency, receivership, winding up, liquidation, reorganization or relief of debtors or any amendment to, succession to or change in any such law.

"Board of Directors" means either the Board of Directors of the Company or any duly authorized committee or subcommittee of such Board, except as the context may otherwise require.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company, as the case may be, to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Book-Entry Security" means any Global Securities bearing the legend specified in Exhibits A and B evidencing all or part of a series of Securities, authenticated and delivered to the Depositary for such series or its nominee, and registered in the name of such Depositary or nominee.

"Business Day" means any day that is not a Saturday, a Sunday or a day on which banking institutions or trust companies in New York City and Fort Lauderdale, Florida are authorized or obligated by law to close.

"Capital Stock" means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests (including partnership interests) in (however designated) the equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or if at any time after the execution of this Indenture such Commission is not existing and performing the duties now assigned to it under the Securities Act, Exchange Act and Trust Indenture Act then the body performing such duties at such time.

"Company" means Republic Services, Inc., until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company by any one of its Chairman of the Board, its



President, its Chief Executive Officer, its Chief Financial Officer or a Vice President (regardless of Vice Presidential designation), and by any one of its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary and delivered to the Trustee.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term (the "Remaining Life") of the Securities to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Notes.

"Comparable Treasury Price" means, with respect to any Redemption Date, (A) the average of five Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (B) if the Independent Investment Banker obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such quotations.

"Consolidated Net Tangible Assets" means, as of any date, the total amount of assets of the Company and its Restricted Subsidiaries on a consolidated basis (less applicable reserves and other properly deductible items) after deducting therefrom (1) all current liabilities (excluding any current liabilities which are by their terms extendible or renewable at the option of the obligor thereon to a time more than 12 months after the time as of which the amount thereof is being computed or which is supported by other borrowings with a maturity of more than 12 months from the date of calculation,) (2) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles and (3) appropriate adjustments on account of minority interests of other Persons holding stock of the Company's Subsidiaries, all as set forth on the most recent balance sheet of the Company and its consolidated Subsidiaries (but, in any event, as of a date within 120 days of the date of determination) in each case excluding intercompany items and computed in accordance with generally accepted accounting principles as in effect from time to time.

"Consolidation" means, with respect to any Person, the consolidation of the accounts of such Person and each of its subsidiaries if and to the extent the accounts of such Person and each of its subsidiaries would normally be consolidated with those of such Person, all in accordance with GAAP. The term "Consolidated" shall have a similar meaning.

"Corporate Trust Office" means the office of the Trustee or an affiliate or agent thereof at which at any particular time the corporate trust business for the purposes of this Indenture shall be principally administered, which office at the date of execution

of this Indenture is located at 101 Barclay Street, Floor 21W, New York, New York 10286.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Depository" means, with respect to the Securities issued in the form of one or more Book-Entry Securities, The Depository Trust Company ("DTC"), its nominees and successors, or another Person designated as Depository by the Company, which must be a clearing agency registered under the Exchange Act.

"Event of Default" has the meaning specified in Section 501.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exempted Debt" means the sum, without duplication, of the following items outstanding as of the date Exempted Debt is being determined:  
(1) Indebtedness of Republic Services, Inc. and the Restricted Subsidiaries Incurred after the date of the Indenture and secured by Liens created, assumed or otherwise Incurred or permitted to exist pursuant to Section 1005 hereof and  
(2) Attributable Debt of Republic Services, Inc. and the Restricted Subsidiaries in respect of all sale and leaseback transactions with regard to any Principal Property entered into pursuant to Section 1006 hereof.

"Fair Market Value" means, with respect to any asset or property, the sale value that would be obtained in an arm's-length free market transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy. Fair Market Value shall be determined by the Board of Directors of the Company acting in good faith and shall be evidenced by a resolution of the Board of Directors.

"Funded Debt" means all Indebtedness for money borrowed, including purchase money indebtedness, having a maturity of more than one year from the date of its creation or having a maturity of less than one year but by its terms being renewable or extendible, at the option of the obligor in respect thereof, beyond one year from its creation.

"Generally Accepted Accounting Principles" or "GAAP" means generally accepted accounting principles in the United States as in effect on the Issue Date.

"Global Securities" means Global Securities to be issued as Book-Entry Securities issued to the Depository in accordance with Section 306.

"Guarantee" means any obligation, contingent or otherwise, of any person directly or indirectly guaranteeing any Indebtedness of any other Person and any

obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided, however, that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Holder" means the registered holder of any Security.

"Incur" means issue, assume, guarantee, incur or otherwise become liable for. The terms "Incurred," "Incurrence" and "Incurring" shall each have a correlative meaning.

"Indebtedness" means with respect to any Person at any date of determination (without duplication), indebtedness for borrowed money or indebtedness evidenced by bonds, notes, debentures or other similar instruments given to finance the acquisition of any businesses, properties or assets of any kind (including, without limitation, capital stock or other equity interests in any Person).

"Indenture" means this instrument as originally executed (including all exhibits and schedules thereto) and as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof.

"Indenture Obligations" means the obligations of the Company and any other obligor under this Indenture or under the Securities, to pay principal of, premium, if any, and interest when due and payable, and all other amounts due or to become due under or in connection with this Indenture, the Securities and the performance of all other obligations to the Trustee and the Holders under this Indenture and the Securities, according to the respective terms hereof and thereof.

"Independent Investment Banker" means either Banc of America Securities LLC or Merrill Lynch, Pierce, Fenner & Smith Incorporated, or, if both firms are unwilling or unable to select the Comparable Treasury Issue, an independent investment banking institution of national standing appointed by the Trustee after consultation with the Company.

"Interest Payment Date" means the Stated Maturity of an installment of interest on the Securities.

"Issue Date" means the original issue date of the Securities under this Indenture.

"Lien" with respect to any property or assets, means any mortgage or deed of trust, pledge, hypothecation, assignment, deposit arrangement, security interest, lien, charge, easement (other than any easement not materially impairing usefulness or marketability), encumbrance, preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever on or with respect to such property or assets (including, without limitation, any conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing), but not including the interest of a lessor under a lease that is an operating lease under GAAP.

"Maturity" means, when used with respect to the Securities, the date on which the principal of the Securities becomes due and payable as therein provided or as provided in this Indenture, whether at Stated Maturity or the Redemption Date and whether by declaration of acceleration, call for redemption or otherwise.

"Moody's" means Moody's Investors Service, Inc. or any successor rating agency.

"Officers' Certificate" means a certificate signed by the Chairman of the Board, the President, the Chief Executive Officer, the Chief Financial Officer or a Vice President (regardless of Vice Presidential designation), and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Company and in form and substance reasonably satisfactory to, and delivered to, the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Company or the Trustee, unless an Opinion of Independent Counsel is required pursuant to the terms of this Indenture, and who shall be reasonably acceptable to the Trustee, and which opinion shall be in form and substance reasonably satisfactory to the Trustee.

"Opinion of Independent Counsel" means a written opinion of counsel which is issued by a Person who is not an employee, director or consultant (other than non-employee legal counsel) of the Company and who shall be reasonably acceptable to the Trustee, and which opinion shall be in form and substance reasonably satisfactory to the Trustee.

"Outstanding" when used with respect to Securities means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(a) Securities theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(b) Securities, or portions thereof, for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company or any Affiliate thereof) in trust or set aside and segregated in trust by the Company or any Affiliate thereof (if the Company or any Affiliate thereof shall act as its own Paying Agent) for the Holders of such Securities; PROVIDED that if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor reasonably satisfactory to the Trustee has been made;

(c) Securities, to the extent provided in Sections 402 and 403, with respect to which the Company has effected defeasance or covenant defeasance as provided in Article Four; and

(d) Securities in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee and the Company proof reasonably satisfactory to each of them that such Securities are held by a bona fide purchaser in whose hands the Securities are valid obligations of the Company;

PROVIDED, HOWEVER, that in determining whether the Holders of the requisite principal amount of Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which a Responsible Officer of the Trustee actually knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the reasonable satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor.

"Paying Agent" means any Person (including the Company) authorized by the Company to pay the principal of, premium, if any, or interest on, any Securities on behalf of the Company.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 307 in exchange for a mutilated Security or in lieu of a lost, destroyed or stolen Security shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Security.

"Preferred Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or nonvoting) of such Person's preferred or preference stock, whether now outstanding or issued after the date of the Indenture, including, without limitation, all series and classes of such preferred or preference stock.

"Principal Property" means any land, land improvements or building, together with the land upon which it is erected and fixtures comprising a part thereof, in each case, owned or leased by the Company or any Restricted Subsidiary and located in the United States, the gross book value (without deduction of any reserve for depreciation) of which on the date as of which the determination is being made is an amount which exceeds 2% of Consolidated Net Tangible Assets but not including such land, land improvements, buildings or portions thereof which is financed through the issuance of tax exempt governmental obligations, or any such property that has been determined by Board Resolution of Republic Services, Inc. not to be of material importance to the respective businesses conducted by the Company or such Restricted Subsidiary effective as of the date such resolution is adopted.

"Redemption Date" when used with respect to any Security to be redeemed pursuant to any provision in this Indenture means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price" when used with respect to any Security to be redeemed pursuant to any provision in this Indenture means the price at which it is to be redeemed pursuant to this Indenture.

"Reference Treasury Dealer" means (i) each of Banc of America Securities LLC and Merrill Lynch, Pierce Fenner & Smith Incorporated, provided, however, that if either of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the Company will substitute for such initial purchaser another Primary Treasury Dealer and (2) any other Primary Treasury Dealer selected by the Independent Investment Banker after consultation with the Company.

"Reference Treasury Dealer Quotations" mean, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the

Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker at 5:00 p.m., New York City time, on the third Business Day preceding such Redemption Date.

"Regular Record Date" for the interest payable on any Interest Payment Date means the May 15th or November 15th (whether or not a Business Day) next preceding such Interest Payment Date.

"Responsible Officer" when used with respect to the Trustee means any officer assigned to the Corporate Trust Office or any agent of the Trustee appointed hereunder, including any vice president, assistant vice president, assistant secretary or any other officer or assistant officer of the Trustee or any agent of the Trustee appointed hereunder to whom any corporate trust matter is referred because of his or her knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this Indenture.

"Restricted Subsidiary" means any Subsidiary which, at the time of determination, owns or is a lessee pursuant to a capital lease of any Principal Property.

"S&P" means Standard & Poor's Rating Group, a division of McGraw Hill, Inc. or any successor rating agency.

"Securities Act" means the Securities Act of 1933, as amended.

"Senior Indebtedness" means any Indebtedness of the Company which is not expressly subordinated in right of payment to any other Indebtedness of the Company.

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 308.

"Stated Maturity" means, when used with respect to any Security, the date specified in such Security as the fixed date on which the payment of principal or interest of such Security is due and payable.

"Subsidiary" of a Person means, with respect to any Person, any corporation, association, partnership or other business entity of which at least a majority of the total voting power of the Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by (1) such Person, (2) such Person and one or more Subsidiaries of such Person or (3) one or more Subsidiaries of such Person.

"Temporary Cash Investments" means (1) any evidence of Indebtedness, maturing not more than one year after the date of acquisition, issued by the United States

of America, or an instrumentality or agency thereof, and guaranteed fully as to principal, premium, if any, and interest by the United States of America, (2) any certificate of deposit, maturing not more than one year after the date of acquisition, issued by, or time deposit of, a commercial banking institution that is a member of the Federal Reserve System and that has combined capital and surplus and undivided profits of not less than \$500,000,000, whose debt has a rating, at the time as of which any investment therein is made, of "P-1" (or higher) according to Moody's or any successor rating agency or "A-1" (or higher) according to S&P or any successor rating agency, including the Trustee or any of its affiliates, (3) commercial paper, maturing not more than one year after the date of acquisition, issued by a corporation (other than an Affiliate or Subsidiary of the Company) organized and existing under the laws of the United States of America with a rating, at the time as of which any investment therein is made, of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P, including the Trustee or any of its affiliates, and (4) any money market deposit accounts issued or offered by a domestic commercial bank having capital and surplus in excess of \$500,000,000; PROVIDED that the short term debt of such commercial bank has a rating, at the time of investment, of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P.

"Treasury Rate" means, with respect to any Redemption Date, (1) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity corresponding to the comparable Treasury Issue (if no maturity is within three months before or after the Remaining Life, yields for the two published Maturities most closely corresponding to the Comparable Treasury Issue will be determined and the Treasury Rate will be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (2) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date. The Treasury Rate will be calculated on the third Business Day preceding the Redemption Date.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this Indenture, until a successor trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean such successor trustee.



"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended, or any successor statute.

"Voting Stock" of a Person means Capital Stock of any class or kind ordinarily having the power to vote for the election of directors of the Company.

Section 102. OTHER DEFINITIONS.

TERM	DEFINED IN SECTION
----	-----
"Act"	105
"Agent Members"	306
"CUSIP"	309
"Defaulted Interest"	308
"Defeased Securities"	401
"Securities"	Recitals
"Security Register"	305
"Security Registrar"	305
"Special Payment Date"	308
"Successor Company"	801
"U.S. Government Obligations"	404

Section 103. COMPLIANCE CERTIFICATES AND OPINIONS.

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company and any other obligor on the Securities (if applicable) shall furnish to the Trustee an Officers' Certificate in a form and substance reasonably acceptable to the Trustee stating that all conditions precedent, if any, provided for in this Indenture (including any covenant compliance with which constitutes a condition precedent) relating to the proposed action have been complied with, and an Opinion of Counsel in a form and substance reasonably acceptable to the Trustee stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that, in the case of any such application or request as to which the furnishing of such certificates or opinions is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or Opinion of Counsel with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(a) a statement that each individual signing such certificate or individual or firm signing such opinion has read and understands such covenant or condition and the definitions herein relating thereto;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of each such individual or such firm, he or it has made such examination or investigation as is necessary to enable him or it to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such individual or such firm, such condition or covenant has been complied with.

#### Section 104. FORM OF DOCUMENTS DELIVERED TO TRUSTEE.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate of an officer of the Company or other obligor on the Securities may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or opinion may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company or other obligor on the Securities stating that the information with respect to such factual matters is in the possession of the Company or other obligor on the Securities, unless such officer or counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous. Opinions of Counsel required to be delivered to the Trustee may have qualifications customary for opinions of the type required and counsel delivering such Opinions of Counsel may rely on certificates of the Company or government or other officials customary for opinions of the type required, including certificates certifying as to matters of fact, including that various financial covenants have been complied with.

Any certificate or opinion of an officer of the Company or other obligor on the Securities may be based, insofar as it relates to accounting matters, upon a certificate or opinion of, or representations by, an accountant or firm of accountants in the employ of the Company, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the accounting matters upon which his certificate or opinion may be based are erroneous. Any certificate or opinion of any independent firm of public accountants filed with the Trustee shall contain a statement that such firm is independent with respect to the Company.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

#### Section 105. ACTS OF HOLDERS.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section 105.

(b) The ownership of Securities shall be proved by the Security Register.

(c) Any request, demand, authorization, direction, notice, consent, waiver or other Act by the Holder of any Security shall bind every future Holder of the same Security or the Holder of every Security issued upon the transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done, suffered or omitted to be done by the Trustee, any Paying Agent or the Company or any other obligor of the Securities in reliance thereon, whether or not notation of such action is made upon such Security.

(d) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer

acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

(e) If the Company shall solicit from the Holders any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, by or pursuant to a Board Resolution, fix in advance a record date for the determination of such Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so. Notwithstanding Trust Indenture Act Section 316(c), any such record date shall be the record date specified in or pursuant to such Board Resolution, which shall be a date not more than 30 days prior to the first solicitation of Holders generally in connection therewith and no later than the date such first solicitation is completed.

If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the close of business on such record date shall be deemed to be Holders for purposes of determining whether Holders of the requisite proportion of Securities then Outstanding have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for this purpose the Securities then Outstanding shall be computed as of such record date; PROVIDED that no such request, demand, authorization, direction, notice, consent, waiver or other Act by the Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after such record date.

(f) For purposes of this Indenture, any action by the Holders which may be taken in writing may be taken by electronic means or as otherwise reasonably acceptable to the Trustee.

Section 106. NOTICES, ETC., TO THE TRUSTEE, THE COMPANY.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with:

(a) the Trustee by any Holder or by the Company or any other obligor on the Securities shall be sufficient for every purpose (except as provided in Section 501(d), in which case, the notice shall be delivered by certified mail) hereunder if in writing and mailed, first-class postage prepaid, or delivered by recognized overnight courier, to or with the Trustee at its Corporate Trust Office, Attention: Corporate Trust Trustee Administration, or at any other address previously furnished in writing to the

Holders or the Company, or any other obligor on the Securities by the Trustee and shall be deemed given upon actual receipt by the Trustee; or

(b) the Company by the Trustee or any Holder shall be sufficient for every purpose (except as provided in Section 501(d), in which case, the notice shall be delivered by certified mail) hereunder if in writing and mailed, first-class postage prepaid, or delivered by recognized overnight courier, to the Company addressed to Republic Services, Inc., 110 S.E. 6th Street, 28th Floor, Fort Lauderdale, Florida 33301, Attention: Chief Financial Officer, or at any other address previously furnished in writing to the Trustee by the Company.

Section 107. NOTICE TO HOLDERS; WAIVER.

Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, or delivered by recognized overnight courier, to each Holder affected by such event, at its address as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Any notice when mailed to a Holder in the aforesaid manner shall be conclusively deemed to have been received by such Holder whether or not actually received by such Holder. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of regular mail service or by reason of any other cause, it shall be impracticable to mail notice of any event as required by any provision of this Indenture, then any method of giving such notice as shall be reasonably satisfactory to the Trustee and reasonably calculated to reach its destination shall be deemed to be a sufficient giving of such notice.

Section 108. CONFLICT WITH TRUST INDENTURE ACT.

If any provision hereof limits, qualifies or conflicts with any provision of the Trust Indenture Act or another provision which is required or deemed to be included in this Indenture by any of the provisions of the Trust Indenture Act, the provision or requirement of the Trust Indenture Act shall control. If any provision of this Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or

excluded, the latter provision shall be deemed to apply to this Indenture as so modified or to be excluded, as the case may be.

Section 109. EFFECT OF HEADINGS AND TABLE OF CONTENTS.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 110. SUCCESSORS AND ASSIGNS.

All covenants and agreements in this Indenture by the Company and the Trustee shall bind their respective successors and assigns, whether so expressed or not.

Section 111. SEPARABILITY CLAUSE.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 112. BENEFITS OF INDENTURE.

Nothing in this Indenture or in the Securities, express or implied, shall give to any Person (other than the parties hereto and their successors hereunder, any Paying Agent and the Holders) any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 113. GOVERNING LAW.

THIS INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS PRINCIPLES THEREOF.

Section 114. LEGAL HOLIDAYS.

In any case where any Interest Payment Date, Redemption Date, Maturity or Stated Maturity of any Security shall not be a Business Day, then (notwithstanding any other provision of this Indenture or of the Securities) payment of interest or principal or premium, if any, need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on such Interest Payment Date or Redemption Date, or at the Maturity or Stated Maturity and no interest shall accrue with respect to such payment for the period from and after such Interest Payment Date, Redemption Date, Maturity or Stated Maturity, as the case may be, to the next succeeding Business Day.

## Section 115. INDEPENDENCE OF COVENANTS.

All covenants and agreements in this Indenture shall be given independent effect so that if a particular action or condition is not permitted by any such covenants, the fact that it would be permitted by an exception to, or be otherwise within the limitations of, another covenant shall not avoid the occurrence of a Default or an Event of Default if such action is taken or condition exists.

## Section 116. SCHEDULES AND EXHIBITS.

All schedules and exhibits attached hereto are by this reference made a part hereof with the same effect as if herein set forth in full.

## Section 117. COUNTERPARTS.

This Indenture may be executed in any number of counterparts, each of which shall be deemed an original; but all such counterparts shall together constitute but one and the same instrument.

ARTICLE TWO  
SECURITY FORMS

Section 201. FORMS GENERALLY.

The (i) 6 5/8% Notes due 2004 and the Trustee's certificate of authentication thereon shall be in substantially the form of Exhibit A hereto; and (ii) the 7 1/8% Notes due 2009 and the Trustee's certification of authentication thereon shall be in substantially the form of Exhibit B hereto, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted hereby and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange, any organizational document or governing instrument or applicable law or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of the Securities. Any portion of the text of any Security may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Security.

The definitive Securities shall be printed, lithographed or engraved or produced by any combination of these methods or may be produced in any other manner permitted by the rules of any securities exchange on which the Securities may be listed, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities.

The Securities shall be issued initially in the form of one or more Global Securities, substantially in the forms set forth on Exhibits A and B, respectively, deposited upon issuance with the Trustee, as custodian for the Depository, registered in the name of the Depository or its nominee, in each case for credit to an account of a direct or indirect participant of the Depository, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of the Global Securities may from time to time be increased (but in no event shall the aggregate principal amount of the Global Securities exceed \$600 million) or decreased upon the written direction of the Company by adjustments made on the records of the Trustee, as custodian for the Depository or its nominee, as hereinafter provided.

The terms and provisions contained in the form of the Securities set forth in Exhibits A and B shall constitute, and are hereby expressly made, a part of this Indenture and, to the extent applicable, the Company and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby.



## ARTICLE THREE

## THE SECURITIES

## Section 301. TITLE AND TERMS.

The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is limited to \$600,000,000 in principal amount of Securities, except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities pursuant to Section 303, 304, 305, 307, 906 or 1108.

The Securities shall be known and designated as the "6 5/8% Notes due 2004" and the "7 1/8% Notes due 2009" of the Company.

The Stated Maturity of the 6 5/8% Notes due 2004 shall be May 15, 2004, and the 6 5/8% Notes due 2004 shall each bear interest at the rate of 6 5/8% per annum, as such interest rate may be adjusted as set forth in the 6 5/8% Notes due 2004, from May 24, 1999, or from the most recent Interest Payment Date to which interest has been paid, payable semiannually on May 15 and November 15 in each year, commencing November 15, 1999, until the principal thereof is paid or duly provided for.

The Stated Maturity of the 7 1/8% Notes due 2009 shall be May 15, 2009, and the 7 1/8% Notes due 2009 shall each bear interest at the rate of 7 1/8% per annum, as such interest rate may be adjusted as set forth in the 7 1/8% Notes due 2009, from April 24, 1999, or from the most recent Interest Payment Date to which interest has been paid, payable semiannually on May 15 and November 15 in each year, commencing November 15, 1999, until the principal thereof is paid or duly provided for.

The principal of, premium, if any, and interest on, the Securities shall be payable and the Securities shall be exchangeable and transferable at an office or agency of the Company in The City of New York maintained for such purposes (which initially will be the Corporate Trust Office of the Trustee; PROVIDED, HOWEVER, that payment of interest may be made at the option of the Company by check mailed to addresses of the Persons entitled thereto as shown on the Security Register.

The Securities shall be redeemable as provided in Article Eleven and in the Securities.

The Indebtedness evidenced by the Securities shall rank PARI PASSU in right of payment with all other Senior Indebtedness.

At the election of the Company, the entire Indebtedness on the Securities or certain of the Company's obligations and covenants and certain Defaults and Events of Default thereunder may be defeased as provided in Article Four.

Section 302. DENOMINATIONS.

The Securities shall be issuable only in fully registered form without coupons and only in denominations of \$1,000 and any integral multiple thereof.

Section 303. EXECUTION, AUTHENTICATION, DELIVERY AND DATING.

The Securities shall be executed on behalf of the Company by one of its Chairman of the Board, its President, its Chief Executive Officer, its Chief Financial Officer or one of its Vice Presidents. The signatures of any of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signature of an individual who was at any time the proper officer of the Company shall bind the Company, notwithstanding that such individual has ceased to hold such office prior to the authentication and delivery of such Securities or did not hold such office at the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Securities; and the Trustee in accordance with such Company Order shall authenticate and deliver such Securities as provided in this Indenture and not otherwise.

Each Security shall be dated the date of its authentication.

No Security endorsed thereon shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein duly executed by the Trustee by manual signature of an authorized signatory, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder and is entitled to the benefits of this Indenture.

In case the Company, pursuant to Article Eight, shall, in a single transaction or through a series of related transactions, be consolidated, amalgamated, combined or merged with or into any other Person or shall sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets to any Person, and the successor Person resulting from such consolidation, amalgamation, or combination or

surviving such merger, or into which the Company shall have been merged, or the successor Person which shall have participated in the sale, assignment, conveyance, transfer, lease or other disposition as aforesaid, shall have executed an indenture supplemental hereto with the Trustee pursuant to Article Eight, any of the Securities authenticated or delivered prior to such consolidation, amalgamation, combination, merger, sale, assignment, conveyance, transfer, lease or other disposition may, from time to time, at the request of the successor Person, be exchanged for other Securities executed in the name of the successor Person with such changes in phraseology and form as may be appropriate, but otherwise in substance of like tenor as the Securities surrendered for such exchange and of like principal amount; and the Trustee, upon Company Request of the successor Person, shall authenticate and deliver Securities as specified in such request for the purpose of such exchange. If Securities shall at any time be authenticated and delivered in any new name of a successor Person pursuant to this Section 303 in exchange or substitution for or upon registration of transfer of any Securities, such successor Person, at the option of the Holders but without expense to them, shall provide for the exchange of all Securities at the time Outstanding for Securities authenticated and delivered in such new name.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Securities on behalf of the Trustee. Unless limited by the terms of such appointment, an authenticating agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as any Security Registrar or Paying Agent to deal with the Company and its Affiliates.

If an officer whose signature is on a Security no longer holds that office at the time the Trustee authenticates such Security such Security shall be valid nevertheless.

#### Section 304. TEMPORARY SECURITIES.

Pending the preparation of definitive Securities, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as conclusively evidenced by their execution of such Securities.

If temporary Securities are issued, the Company will cause definitive Securities to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities shall be exchangeable for definitive Securities upon surrender of the temporary Securities at the office or agency of the Company designated

for such purpose pursuant to Section 1002, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Securities of authorized denominations. Until so exchanged, the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities.

Section 305. REGISTRATION, REGISTRATION OF TRANSFER AND EXCHANGE.

The Company shall cause the Trustee to keep, so long as it is the Security Registrar, at the Corporate Trust Office of the Trustee, or such other office as the Trustee may designate, a register (the register maintained in such office or in any other office or agency designated pursuant to Section 1002 being herein sometimes referred to as the "Security Register") in which, subject to such reasonable regulations as the Security Registrar may prescribe, the Company shall provide for the registration of Securities and of transfers of Securities. The Trustee shall initially be the "Security Registrar" for the purpose of registering Securities and transfers of Securities as herein provided. The Company may change the Security Registrar or appoint one or more co-Security Registrars without prior notice; PROVIDED THAT the Company shall promptly notify the Trustee if the Company changes the Security Registrar or appoints a co-Security Registrar.

Upon surrender for registration of transfer of any Security at the office or agency of the Company designated pursuant to Section 1002, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of the same series of any authorized denomination or denominations, of a like aggregate principal amount.

Furthermore, any Holder of the Global Security shall, by acceptance of such Global Security, agree that transfers of beneficial interests in such Global Security may be effected only through a book-entry system maintained by the Holder of such Global Security (or its agent), and that ownership of a beneficial interest in a Security shall be required to be reflected in a book entry.

At the option of the Holder, Securities may be exchanged for other Securities of any authorized denomination or denominations, of a like aggregate principal amount, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, Securities of the same series which the Holder making the exchange is entitled to receive.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same Indebtedness, and entitled to the same

benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Security presented or surrendered for registration of transfer, or for exchange, repurchase or redemption, shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made to a Holder for any registration of transfer, exchange or redemption of Securities, other than exchanges pursuant to Sections 305 or 307 not involving any transfer, except for any tax or other governmental charge that may be imposed in connection therewith.

The Company shall not be required (a) to issue, register the transfer of or exchange any Security during a period beginning at the opening of business 15 days before the mailing of a notice of redemption of the Securities selected for redemption under Section 1104 and ending at the close of business on the day of such mailing or (b) to register the transfer of or exchange any Security so selected for redemption in whole or in part, except the unredeemed portion of Securities being redeemed in part.

Any Security authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, any Global Security, whether pursuant to this Section 305, Sections 303, 304, 307, 906 or 1108 or otherwise, shall also be a Global Security and bear the legend specified in Exhibits A and B hereto.

#### Section 306. BOOK ENTRY PROVISIONS FOR GLOBAL SECURITIES.

(a) Each Global Security initially shall (i) be registered in the name of the Depository for such Global Security or the nominee of such Depository, (ii) be deposited with, or on behalf of, the Depository or with the Trustee as custodian for such Depository and (iii) bear legends as set forth in Exhibits A and B hereto.

Members of, or participants in, the Depository ("Agent Members") shall have no rights under this Indenture with respect to any Global Security held on their behalf by the Depository, or the Trustee as its custodian, or under such Global Security, and the Depository may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depository or shall impair, as between the Depository and its Agent Members, the operation of customary practices governing the exercise of the rights of a holder of any Security.

(b) Notwithstanding any other provision in this Indenture, no Global Security may be exchanged in whole or in part for Securities registered, and no transfer of a Global Security in whole or in part may be registered, in the name of any Person other than the Depositary for such Global Security or a nominee thereof unless (i) such Depositary (A) has notified the Company that it is unwilling or unable to continue as Depositary for such Global Security or (B) has ceased to be a clearing agency registered as such under the Exchange Act, and in either case the Company fails to appoint a successor Depositary, (ii) the Company, at its option, executes and delivers to the Trustee a Company Order stating that it elects to cause the issuance of the Securities in certificated form and that all Global Securities shall be exchanged in whole for Securities that are not Global Securities (in which case, such exchange shall be effected by the Trustee) or (iii) there shall have occurred and be continuing an Event of Default or any Default.

(c) If any Global Security is to be exchanged for other Securities or canceled in whole, it shall be surrendered by or on behalf of the Depositary or its nominee to the Trustee, as Security Registrar, for exchange or cancellation as provided in this Article Three. If any Global Security is to be exchanged for other Securities or canceled in part, or if another Security is to be exchanged in whole or in part for a beneficial interest in any Global Security, then either (i) such Global Security shall be so surrendered for exchange or cancellation as provided in this Article Three or (ii) the principal amount thereof shall be reduced or increased by an amount equal to the portion thereof to be so exchanged or canceled, or equal to the principal amount of such other Security to be so exchanged for a beneficial interest therein, as the case may be, by means of an appropriate adjustment made on the records of the Trustee, as Security Registrar, whereupon the Trustee, in accordance with the Applicable Procedures, shall instruct the Depositary or its authorized representative to make a corresponding adjustment to its records. Upon any such surrender or adjustment of a Global Security, the Trustee shall, subject to this Section 306(c) and as otherwise provided in this Article Three, authenticate and deliver any Securities issuable in exchange for such Global Security (or any portion thereof) to or upon the order of, and registered in such names as may be directed by, the Depositary or its authorized representative. Upon the request of the Trustee in connection with the occurrence of any of the events specified in the preceding paragraph, the Company shall promptly make available to the Trustee a reasonable supply of Securities that are not in the form of Global Securities. The Trustee shall be entitled to conclusively rely upon any order, direction or request of the Depositary or its authorized representative which is given or made pursuant to this Article Three if such order, direction or request is given or made in accordance with the Applicable Procedures.

(d) Every Security authenticated and delivered upon registration of transfer of, or in exchange for or in lieu of, a Global Security or any portion thereof, whether pursuant to this Article Three or otherwise, shall be authenticated and delivered

in the form of, and shall be, a Global Security, unless such Security is registered in the name of a Person other than the Depository for such Global Security or a nominee thereof.

(e) The Depository or its nominee, as registered owner of a Global Security, shall be the Holder of such Global Security for all purposes under this Indenture and the Securities, and owners of beneficial interests in a Global Security shall hold such interests pursuant to the Applicable Procedures. Accordingly, any such owner's beneficial interest in a Global Security will be shown only on, and the transfer of such interest shall be effected only through, records maintained by the Depository or its nominee or its Agent Members.

Section 307. MUTILATED, DESTROYED, LOST AND STOLEN SECURITIES.

If (a) any mutilated Security is surrendered to the Trustee, or (b) the Company and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Security, and there is delivered to the Company and the Trustee, such security or indemnity, in each case, as may be required by them to save each of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and upon a Company Request the Trustee shall authenticate and deliver, in exchange for any such mutilated Security or in lieu of any such destroyed, lost or stolen Security, a replacement Security of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a replacement Security, pay or purchase such Security, as the case may be.

Upon the issuance of any replacement Securities under this Section, the Company may require the payment of a sum sufficient to pay all documentary, stamp or similar issue or transfer taxes or other governmental charges that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every replacement Security issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all benefits of this Indenture equally and proportionately with any and all other Securities duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

## Section 308. PAYMENT OF INTEREST; INTEREST RIGHTS PRESERVED.

Interest on any Security which is payable, and is punctually paid or duly provided for, on the Stated Maturity of such interest shall be paid to the Person in whose name the Security (or any Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest payment.

Any interest on any Security which is payable, but is not punctually paid or duly provided for, on the Stated Maturity of such interest, and interest on such defaulted interest at the then applicable interest rate borne by the Securities, to the extent lawful (such defaulted interest and interest thereon herein collectively called "Defaulted Interest"), shall forthwith cease to be payable to the Holder on the Regular Record Date; and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in Subsection (a) or (b) below:

(a) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities (or any relevant Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security and the date (not less than 30 days after such notice) of the proposed payment (the "Special Payment Date"), and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the Special Payment Date, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this Subsection provided. Thereupon, the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the Special Payment Date and shall fix the Special Record Date not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company in writing of such Special Record Date. In the name and at the expense of the Company, the Trustee shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder at its address as it appears in the Security Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date and Special Payment Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Securities are



registered on such Special Record Date and shall no longer be payable pursuant to the following Subsection (b).

(b) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by this Indenture not inconsistent with the requirements of such exchange, if, after written notice given by the Company to the Trustee of the proposed payment pursuant to this Subsection, such payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section 308, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

#### Section 309. CUSIP NUMBERS.

The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use), and the Company, or the Trustee on behalf of the Company, shall use CUSIP numbers in notices of redemption or exchange as a convenience to Holders; PROVIDED, HOWEVER, that any such notice shall state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of redemption or exchange and that reliance may be placed only on the other identification numbers printed on the Securities; and PROVIDED FURTHER, HOWEVER, that failure to use CUSIP numbers in any notice of redemption or exchange shall not affect the validity or sufficiency of such notice. The Company will promptly notify the Trustee of any change in the "CUSIP" numbers.

#### Section 310. PERSONS DEEMED OWNERS.

Prior to and at the time of due presentment of a Security for registration of transfer, the Company, the Trustee and any agent of the Company, or the Trustee may treat the Person in whose name any Security is registered as the owner of such Security for the purpose of receiving payment of principal of, premium, if any, and (subject to Section 308) interest on, such Security and for all other purposes whatsoever, whether or not such Security is overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

#### Section 311. CANCELLATION.

All Securities surrendered for payment, purchase, redemption, registration of transfer or exchange shall be delivered to the Trustee and, if not already canceled, shall

be promptly canceled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly canceled by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities canceled as provided in this Section 311, except as expressly permitted by this Indenture. All canceled Securities held by the Trustee shall, upon written request of the Company, be disposed in accordance with the Trustee's standard procedures, unless by a Company Order received by the Trustee prior to such disposition, the Company shall direct that the canceled Securities be returned to it. The Trustee shall provide the Company a list of all Securities that have been canceled from time to time as requested by the Company.

Section 312. COMPUTATION OF INTEREST.

Interest on the Securities shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

## ARTICLE FOUR

## DEFEASANCE AND COVENANT DEFEASANCE

## Section 401. COMPANY'S OPTION TO EFFECT DEFEASANCE OR COVENANT DEFEASANCE.

The Company may, at its option by Board Resolution, at any time, with respect to a series of Securities, elect to have either Section 402 or Section 403 be applied to all of the Outstanding Securities of the applicable series (the "Defeased Securities"), upon compliance with the conditions set forth below in this Article Four.

## Section 402. DEFEASANCE AND DISCHARGE.

Upon the Company's exercise under Section 401 of the option applicable to this Section 402, the Company and any other obligor upon the applicable series of Securities, if any, shall be deemed to have been discharged from its obligations with respect to the Defeased Securities on the date the conditions set forth in Section 404 below are satisfied (hereinafter, "defeasance"). For this purpose, such defeasance means that the Company and any other obligor under this Indenture shall be deemed to have paid and discharged the entire Indebtedness represented by the Defeased Securities, which shall thereafter be deemed to be "Outstanding" only for the purposes of Section 405 and the other Sections of this Indenture referred to in (a) and (b) below, and to have satisfied all its other obligations under such series of Securities and this Indenture insofar as such series of Securities are concerned (and the Trustee, at the expense of the Company and upon Company Request, shall execute proper instruments acknowledging the same), except for the following which shall survive until otherwise terminated or discharged hereunder: (a) the rights of Holders of Defeased Securities to receive, solely from the trust fund described in Section 404 and as more fully set forth in such Section, payments in respect of the principal of, premium, if any, and interest on, such series of Securities, when such payments are due, (b) the Company's obligations with respect to such Defeased Securities under Sections 303, 304, 305, 307, 1002 and 1003, (c) the rights, powers, trusts, duties and immunities of the Trustee hereunder, including, without limitation, the Trustee's rights under Section 607, and (d) this Article Four. Subject to compliance with this Article Four, the Company may exercise its option under this Section 402 notwithstanding the prior exercise of its option under Section 403 with respect to a series of Securities.

## Section 403. COVENANT DEFEASANCE.

Upon the Company's exercise under Section 401 of the option applicable to this Section 403, the Company shall be released from its obligations under any covenant or provision contained or referred to in Sections 1005, 1006 and 1007, with respect to the Defeased Securities, on and after the date the conditions set forth in Section 404 below

are satisfied (hereinafter, "covenant defeasance"), and the Defeased Securities shall thereafter be deemed to be not "Outstanding" for the purposes of any direction, waiver, consent or declaration or Act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "Outstanding" for all other purposes hereunder, and the Events of Default under Section 501(c) and (d) shall cease to be in full force and effect with respect to the applicable series of Securities. For this purpose, such covenant defeasance means that, with respect to the Defeased Securities, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such Section, whether directly or indirectly, by reason of any reference elsewhere herein to any such Section or by reason of any reference in any such Section to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 501(c) and (d) but, except as specified above, the remainder of this Indenture and such Defeased Securities shall be unaffected thereby.

Section 404. CONDITIONS TO DEFEASANCE OR COVENANT DEFEASANCE.

The following shall be the conditions to application of either Section 402 or Section 403 to the Defeased Securities:

(1) The Company shall irrevocably have deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such series of Securities, (a) cash in United States dollars in an amount, (b) U.S. Government Obligations which through the scheduled payment of principal and interest in respect thereof in accordance with their terms and with no further reinvestment will provide, not later than one day before the due date of payment, money in an amount, or (c) a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, and which shall be applied by the Trustee to pay and discharge, the principal of, premium, if any, and interest on, the Defeased Securities, on the Stated Maturity of such principal or interest. For this purpose, "U.S. Government Obligations" means securities that are (i) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian with respect to any such U.S. Government Obligation or a specific payment of principal of or interest on any such U.S. Government Obligation held by such custodian for the account of the holder of such depository

receipt, PROVIDED that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of principal of or interest on the U.S. Government Obligation evidenced by such depository receipt;

(2) In the case of an election under Section 402, the Company shall have delivered to the Trustee an Opinion of Independent Counsel in the United States stating that (A) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the date hereof, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such Opinion of Independent Counsel in the United States shall confirm that, the Holders of the Outstanding Securities will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred;

(3) In the case of an election under Section 403, the Company shall have delivered to the Trustee an Opinion of Independent Counsel in the United States to the effect that the Holders of the Outstanding Securities will not recognize income, gain or loss for federal income tax purposes as a result of such covenant defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred;

(4) No Default or Event of Default shall have occurred and be continuing on the date of such deposit or insofar as Section 501(e) is concerned, at any time during the period ending on the 91st day after the date of deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period);

(5) Such defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a default under, this Indenture or any other material agreement or instrument to which the Company or any Restricted Subsidiary is a party or by which it is bound;

(6) Such defeasance or covenant defeasance shall not result in the trust arising from such deposit constituting an investment company within the meaning of the Investment Company Act of 1940, as amended, unless such trust shall be registered under such Act or exempt from registration thereunder;

(7) The Company shall have delivered to the Trustee an Opinion of Independent Counsel in the United States to the effect that after the 91st day following

the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally;

(8) The Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the holders of the applicable series of Securities over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others;

(9) No event or condition shall exist that would prevent the Company from making payments of the principal of, premium, if any, and interest on the applicable series of Securities on the date of such deposit or at any time ending on the 91st day after the date of such deposit; and

(10) The Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Independent Counsel, each stating that all conditions precedent provided for relating to either the defeasance under Section 402 or the covenant defeasance under Section 403 (as the case may be) have been complied with.

Opinions of Counsel or Opinions of Independent Counsel required to be delivered under this Section shall be in form and substance reasonably satisfactory to the Trustee and may have qualifications customary for opinions of the type required and counsel delivering such opinions may rely on certificates of the Company or government or other officials customary for opinions of the type required, which certificates shall be limited as to matters of fact, including that various financial covenants have been complied with.

Section 405. DEPOSITED MONEY AND U.S. GOVERNMENT OBLIGATIONS TO BE HELD IN TRUST; OTHER MISCELLANEOUS PROVISIONS.

Subject to the provisions of the last paragraph of Section 1003, all United States dollars and U.S. Government Obligations (including the proceeds thereof) deposited with the Trustee pursuant to Section 404 in respect of the Defeased Securities shall be held in trust and applied by the Trustee, in accordance with the provisions of such series of Securities and this Indenture, to the payment, either directly or through any Paying Agent (excluding the Company or any of its Affiliates acting as Paying Agent), as the Trustee may determine, to the Holders of such series of Securities of all sums due and to become due thereon in respect of principal, premium, if any, and interest, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Government Obligations deposited pursuant to Section 404 or the principal and interest received in respect thereof other than

any such tax, fee or other charge which by law is imposed, assessed or for the account of the Holders of the Defeased Securities.

Anything in this Article Four to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon Company Request any United States dollars or U.S. Government Obligations held by it as provided in Section 404 which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, are in excess of the amount thereof which would then be required to be deposited to effect defeasance or covenant defeasance.

Section 406. REINSTATEMENT.

If the Trustee or Paying Agent is unable to apply any United States dollars or U.S. Government Obligations in accordance with Section 402 or 403, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's obligations under this Indenture and the applicable series of Securities shall be revived and reinstated, with present and prospective effect, as though no deposit had occurred pursuant to Section 402 or 403, as the case may be, until such time as the Trustee or Paying Agent is permitted to apply all such United States dollars or U.S. Government Obligations in accordance with Section 402 or 403, as the case may be; PROVIDED, HOWEVER, that if the Company makes any payment to the Trustee or Paying Agent of principal of, premium, if any, or interest on any Security of such series following the reinstatement of its obligations, the Trustee or Paying Agent shall promptly pay any such amount to the Holders of the Securities of such series and the Company shall be subrogated to the rights of the Holders of such series of Securities to receive such payment from the United States dollars and U.S. Government Obligations held by the Trustee or Paying Agent pursuant to Section 402 or 403.

## ARTICLE FIVE

## REMEDIES

## Section 501. EVENTS OF DEFAULT.

"Event of Default," wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) with respect to a particular series of Securities:

(a) there shall be a default in the payment of any installment of interest on any of the Securities of such series when it becomes due and payable, and such default shall continue for a period of 30 days;

(b) there shall be a default in the payment of the principal of (or premium, if any, on) any of the Securities of such series when it becomes due and payable, whether at Maturity, upon redemption by declaration or otherwise);

(c) there shall be a default in the performance, or breach, of any covenant or agreement of the Company applicable to such series of Securities (other than a default in the performance, or breach, of a covenant or agreement which is specifically dealt with in clause (a) and (b)) and such default or breach shall continue for a period of 60 days after written notice to the Company specifying such failure and requiring the Company or any Restricted Subsidiary to remedy the same has been given, by certified mail, (x) to the Company by the Trustee or (y) to the Company and the Trustee by the holders of at least 25% in aggregate principal amount of the Outstanding Securities of each affected series, with each affected series voting as a separate class;

(d) any Indebtedness of the Company or any Restricted Subsidiary of the Company with an aggregate principal amount of at least \$25,000,000 shall not have been paid when due and shall continue not to be paid for 25 days after written notice by certified mail, (x) to the Company by the Trustee or (y) to the Company and the Trustee by the holders of at least 25% in aggregate principal amount of the Outstanding Securities of each series (with the Holders of all Outstanding Securities voting as one class);

(e) (i) there shall have been the entry by a court of competent jurisdiction of (A) a decree or order for relief in respect of the Company or any of its Significant Subsidiaries in an involuntary case or proceeding under any applicable Bankruptcy Law or (B) a decree or order adjudging the Company or any Subsidiary bankrupt or insolvent, or seeking reorganization, arrangement, adjustment or composition of or in respect of the Company or any Subsidiary under any applicable federal or state



law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or any Subsidiary or of any substantial part of their respective properties, or ordering the winding up or liquidation of their affairs, and any such decree or order for relief shall continue to be in effect, or any such other decree or order shall be unstayed and in effect, for a period of 60 consecutive days or (ii) (A) the Company or any Subsidiary commences a voluntary case or proceeding under any applicable Bankruptcy Law or any other case or proceeding to be adjudicated bankrupt or insolvent, (B) the Company or any Subsidiary consents to the entry of a decree or order for relief in respect of the Company or such Subsidiary in an involuntary case or proceeding under any applicable Bankruptcy Law or to the commencement of any bankruptcy or insolvency case or proceeding against it, (C) the Company or any Subsidiary files a petition or answer or consent seeking reorganization or relief under any applicable federal or state law, (D) the Company or any Subsidiary (1) consents to the filing of such petition or the appointment of, or taking possession by, a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or such Subsidiary or of any substantial part of their respective properties, (2) makes an assignment for the benefit of creditors or (3) admits in writing its inability to pay its debts generally as they become due or (E) the Company or any Subsidiary takes any corporate action in furtherance of any such actions in this paragraph (e)(ii).

Section 502. ACCELERATION OF MATURITY; RESCISSION AND ANNULMENT.

If an Event of Default (other than an Event of Default specified in Sections 501(e)) shall occur and be continuing, unless the principal and interest with respect to all of the Securities of such series shall have already become due and payable, the Trustee or the Holders of not less than 25% in aggregate principal amount of the Securities of all series affected thereby then Outstanding may, and the Trustee at the request of such Holders shall, declare all unpaid principal of, premium, if any, and accrued interest on all Securities of the series affected thereby to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by the Holders of the Securities) and upon any such declaration, such principal, premium, if any, and interest shall become due and payable immediately. If an Event of Default specified in clause (e) of Section 501 occurs and is continuing, unless the principal and interest with respect to the Securities shall have already become due and payable, then all the Securities shall IPSCO FACTO become and be due and payable immediately in an amount equal to the principal amount of the Securities, together with accrued and unpaid interest, if any, to the date the Securities become due and payable, without any declaration or other act on the part of the Trustee or any Holder. Thereupon, the Trustee may, at its discretion, proceed to protect and enforce the rights of the Holders of the Securities by appropriate judicial proceedings.

In the event of a declaration of acceleration because of an Event of Default set forth in clause (d) of Section 501 has occurred and is continuing, such declaration

acceleration shall be automatically rescinded and annulled if the Event of Default triggering such Event of Default pursuant to clause (d) above shall be remedied or cured by the Company or the relevant Subsidiary or waived by the holders of the relevant Indebtedness within 60 days after the declaration of acceleration with respect thereto.

At any time after a declaration of acceleration with respect to any of the Securities of any series, but before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the holders of a majority in aggregate principal amount of the Outstanding Securities of any affected series (with each affected series voting as a separate class), by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if:

(a) the Company has paid or deposited with the Trustee a sum sufficient to pay

(i) all sums paid or advanced by the Trustee under this Indenture and the reasonable compensation, fees and expenses, disbursements and advances of the Trustee, its agents and counsel,

(ii) all overdue interest on all Outstanding Securities of such series,

(iii) the principal of and premium, if any, on any Outstanding Securities of such series which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by such series of Securities, and

(iv) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate borne by the applicable series of Securities;

(b) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction; and

(c) all Events of Default, other than the non-payment of principal of, premium, if any, and interest on the applicable series Securities which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 513. No such rescission shall affect any subsequent Default or impair any right consequent thereon.

Section 503. COLLECTION OF INDEBTEDNESS AND SUITS FOR ENFORCEMENT BY TRUSTEE.

The Company covenants that if

(a) default is made in the payment of any interest on any Security of any series when such interest becomes due and payable and such default continues for a period of 30 days, or

(b) default is made in the payment of the principal of or premium, if any, on any Security of any series at the Stated Maturity thereof or otherwise,

the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such series of Securities, the whole amount then due and payable on the Securities of such series for principal and premium, if any, and interest, with interest upon the overdue principal and premium, if any, and, to the extent that payment of such interest shall be legally enforceable, upon overdue installments of interest, at the rate borne by the Securities of such series; and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Company or any other obligor upon the Securities of such series and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon the Securities of such series, wherever situated.

If an Event of Default occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders under this Indenture by such appropriate private or judicial proceedings as the Trustee shall deem most effectual to protect and enforce such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein or therein, or to enforce any other proper remedy or to enforce any other proper remedy, subject however to Section 512. No recovery of any such judgment upon any property of the Company shall affect or impair any rights, powers or remedies of the Trustee or the Holders.

#### Section 504. TRUSTEE MAY FILE PROOFS OF CLAIM.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor, upon the Securities of any series or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of such series of Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether

the Trustee shall have made any demand on the Company for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(a) to file and prove a claim for the whole amount of principal, and premium, if any, and interest owing and unpaid in respect of the Securities of any series and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders allowed in such judicial proceeding, and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay the Trustee any amount due it for the reasonable compensation, fees and expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 607.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities of any series or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

For purposes of this Section, the Trustee is hereby designated as the attorney-in-fact for the Holders.

**Section 505. TRUSTEE MAY ENFORCE CLAIMS WITHOUT POSSESSION OF SECURITIES.**

All rights of action and claims under this Indenture with respect to any series of Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities of such series or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name and as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, fees and expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Securities of such series in respect of which such judgment has been recovered.

## Section 506. APPLICATION OF MONEY COLLECTED.

Any money collected by the Trustee pursuant to this Article or otherwise on behalf of the Holders or the Trustee pursuant to this Article or through any proceeding or any arrangement or restructuring in anticipation or in lieu of any proceeding contemplated by this Article shall be applied, subject to applicable law, in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal, premium, if any, or interest, upon presentation of the several Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 607;

SECOND: To the payment of the amounts then due and unpaid upon the Securities for principal, premium, if any, and interest, in respect of which or for the benefit of which such money has been collected, on the Securities of such series in the order of the maturity of the installments of such interest, such payments to be made ratably to the Persons entitled thereto, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal, premium, if any, and interest; and

THIRD: The balance, if any, to the Person or Persons entitled thereto, including the Company, provided that all sums due and owing to the Holders and the Trustee have been paid in full as required by this Indenture.

## Section 507. LIMITATION ON SUITS.

No Holder of any series of Securities shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture or any series of Securities, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(a) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(b) the Holders of not less than 25% in aggregate principal amount of the Outstanding Securities of each affected series (voting as one class) shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as trustee hereunder;

(c) such Holder or Holders have offered to the Trustee indemnity reasonably satisfactory to it against the costs, fees and expenses and liabilities to be incurred in compliance with such request;

(d) the Trustee for 60 days after its receipt of such notice, request and offer (and, if requested, provision) of indemnity has failed to institute any such proceeding; and

(e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities of the affected series (voting as one class);

it being understood and intended that no one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture or any Security of any series to affect, disturb or prejudice the rights of any other Holders, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture or any Security of any series, except in the manner provided in this Indenture and for the equal and ratable benefit of all the Holders.

Section 508. UNCONDITIONAL RIGHT OF HOLDERS TO RECEIVE PRINCIPAL, PREMIUM AND INTEREST.

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right based on the terms stated herein, which is absolute and unconditional, to receive payment of the principal of, premium, if any, and (subject to Section 308) interest on such Security on the respective Stated Maturities expressed in such Security (or, in the case of redemption or repurchase, on the Redemption Date or the repurchase date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

Section 509. RESTORATION OF RIGHTS AND REMEDIES.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case the Company, any other obligor on the Securities, the Trustee and the Holders shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

Section 510. RIGHTS AND REMEDIES CUMULATIVE.

No right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or

otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 511. DELAY OR OMISSION NOT WAIVER.

No delay or omission of the Trustee or of any Holder of any Security to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

Section 512. CONTROL BY HOLDERS.

The Holders of not less than a majority in aggregate principal amount of the Outstanding Securities of any or all series affected (voting as one class) shall have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee under this Article Five, PROVIDED that

(a) such direction shall not be in conflict with any rule of law or with this Indenture (including, without limitation, Section 507), expose the Trustee to personal liability or be unduly prejudicial to Holders not joining therein; and

(b) subject to the provisions of Section 315 of the Trust Indenture Act, the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Section 513. WAIVER OF PAST DEFAULTS.

Prior to the acceleration of the maturity of the Securities, the Holders of not less than a majority in aggregate principal amount of the Outstanding Securities of any or all series affected may on behalf of the Holders of all Outstanding Securities of such series waive any past Default or Event of Default and its consequences, except a Default or Event of Default

(a) in the payment of the principal of, premium, if any, or interest on any Security (which may only be waived with the consent of each Holder of Securities affected); or

(b) in respect of a covenant or a provision hereof which under this Indenture cannot be modified or amended without the consent of the Holder of each Security Outstanding affected by such modification or amendment.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 514. UNDERTAKING FOR COSTS.

All parties to this Indenture agree, and each Holder of any Security by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant, but the provisions of this Section shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the Outstanding Securities (voting as one class), or to any suit instituted by any Holder for the enforcement of the payment of the principal of, premium, if any, or interest on, any Security on or after the respective Stated Maturities expressed in such Security (or, in the case of redemption, on or after the Redemption Date).

Section 515. WAIVER OF STAY, EXTENSION OR USURY LAWS.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury or other law wherever enacted, now or at any time hereafter in force, which would prohibit or forgive the Company from paying all or any portion of the principal of, premium, if any, or interest on the Securities contemplated herein or in the Securities or which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 516. REMEDIES SUBJECT TO APPLICABLE LAW.

All rights, remedies and powers provided by this Article Five may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions of this Indenture are intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this



Indenture invalid, unenforceable or not entitled to be recorded, registered or filed under the provisions of any applicable law.

ARTICLE SIX

THE TRUSTEE

Section 601. DUTIES OF TRUSTEE.

Subject to the provisions of Trust Indenture Act Sections 315(a) through 315(d):

(a) if a Default or an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in its exercise thereof as a prudent person would exercise or use under the circumstances in the conduct of his own affairs;

Default: (b) except during the continuance of a Default or an Event of

(1) the Trustee need perform only those duties as are specifically set forth in this Indenture and no covenants or obligations shall be implied in this Indenture against the Trustee; and

(2) in the absence of bad faith or willful misconduct on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions which by any provision hereof are required to be furnished to the Trustee, to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein);

(c) the Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) this Subsection (c) does not limit the effect of Subsection (b) of this Section 601;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith, in accordance with a direction of the Holders of a majority in principal amount of Outstanding Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power confirmed upon the Trustee under this Indenture;

(d) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it;

(e) whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to Subsections (a), (b), (c) and (d) of this Section 601; and

(f) the Trustee shall not be liable for interest on any money or assets received by it except as the Trustee may agree in writing with the Company. Assets held in trust by the Trustee need not be segregated from other assets except to the extent required by law.

#### Section 602. NOTICE OF DEFAULTS.

Within 90 days after a Responsible Officer of the Trustee receives actual notice of the occurrence of any Default, the Trustee shall transmit by mail to all Holders and any other Persons entitled to receive reports pursuant to Section 313(c) of the Trust Indenture Act, as their names and addresses appear in the Security Register, notice of such Default hereunder actually known to the Trustee, unless such Default shall have been cured or waived; PROVIDED, HOWEVER, that, except in the case of a Default in the payment of the principal of, premium, if any, or interest on any Security, the Trustee shall be protected in withholding such notice if and so long as a trust committee of Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Holders.

#### Section 603. CERTAIN RIGHTS OF TRUSTEE.

Subject to the provisions of Section 601 hereof and Trust Indenture Act Sections 315(a) through 315(d):

(a) the Trustee may conclusively rely and shall be protected in acting or refraining from acting upon receipt by it of any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture,

note, other evidence of Indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) the Trustee may consult with counsel of its selection and any advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon in accordance with such advice or Opinion of Counsel;

(d) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee security or indemnity satisfactory to the Trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(e) the Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion, rights or powers conferred upon it by this Indenture other than any liabilities arising out of the negligence, bad faith or willful misconduct of the Trustee;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, appraisal, bond, debenture, note, coupon, security or other paper or document unless requested in writing to do so by the Holders of not less than a majority in aggregate principal amount of the Securities then Outstanding; PROVIDED that, if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of this Indenture, the Trustee may require reasonable indemnity against such expenses or liabilities as a condition to proceeding; the reasonable expenses of every such investigation so requested by the Holders of not less than 25% in aggregate principal amount of the Securities Outstanding shall be paid by the Company or, if paid by the Trustee or any predecessor Trustee, shall be repaid by the Company upon demand; PROVIDED, FURTHER, the Trustee in its discretion may make such further inquiry or investigation into such facts or matters as it may deem fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(h) the Trustee shall not be required to take notice, and shall not be deemed to have notice, of any Default or Event of Default hereunder, except Events of Default described in paragraphs (a) and (b) of Section 501 hereof unless the Trustee shall be notified specifically of the Default or Event of Default on a written instrument or document received by the Trustee at its Notice Address by the Company or by the Holders of at least 10% of the aggregate principal amount of the Securities then outstanding and such notice references the Securities and this Indenture. In the absence of delivery of notice satisfying those requirements, the Trustee may assume conclusively that there is no Default or Event of Default, except as noted above;

(i) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, conclusively rely upon an Officers' Certificate; and

(j) the rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and to each agent, custodian and other Person employed by the Trustee to act hereunder.

Section 604. TRUSTEE NOT RESPONSIBLE FOR RECITALS, DISPOSITIONS OF SECURITIES OR APPLICATION OF PROCEEDS THEREOF.

The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities, except that the Trustee represents that it is duly authorized to execute and deliver this Indenture, authenticate the Securities and perform its obligations hereunder and that the statements made by it in any Statement of Eligibility and Qualification on Form T-1 to be supplied to the Company will be true and accurate subject to the qualifications set forth therein. The Trustee shall not be accountable for the use or application by the Company of Securities or the proceeds thereof.

## Section 605. TRUSTEE AND AGENTS MAY HOLD SECURITIES; COLLECTIONS; ETC.

The Trustee, any Paying Agent, Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities, with the same rights it would have if it were not the Trustee, Paying Agent, Security Registrar or such other agent and, subject to Trust Indenture Act Sections 310 and 311, may otherwise deal with the Company and receive, collect, hold and retain collections from the Company with the same rights it would have if it were not the Trustee, Paying Agent, Security Registrar or such other agent.

## Section 606. MONEY HELD IN TRUST.

All moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds, except to the extent required by mandatory provisions of law. Except for funds or securities deposited with the Trustee pursuant to Article Four, the Trustee shall be required to invest all moneys received by the Trustee, until used or applied as herein provided, in Temporary Cash Investments in accordance with the written directions of the Company.

In the event of a loss on the sale of such investments (after giving effect to any interest or other income thereon except to the extent theretofore paid to the Company), the Trustee shall have no responsibility in respect of such loss except that the Trustee shall notify the Company of the amount of such loss and the Company shall promptly pay such amount to the Trustee to be credited as part of the moneys originally invested.

## Section 607. COMPENSATION AND INDEMNIFICATION OF TRUSTEE AND ITS PRIOR CLAIM.

The Company covenants and agrees to pay to the Trustee from time to time, such compensation as agreed to in writing by the Company and the Trustee and reasonable compensation for all other services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of all express trust), and the Company covenants and agrees to pay or reimburse the Trustee and each predecessor Trustee upon its request for all reasonable fees, expenses, disbursements and advances incurred or made by or on behalf of the Trustee in accordance with any of the provisions of this Indenture and as agreed upon in the fee agreement between the Trustee and the Company (including the reasonable compensation and the fees, expenses and disbursements of its counsel and of all agents and other persons not regularly in its employ); except any such expense, disbursement or advance as may arise from its negligence, bad faith or willful misconduct. The Company also covenants and agrees to indemnify the Trustee and its directors, officers, agents and employees and each predecessor Trustee (the "Indemnitees") for, and to hold them

harmless against, any claim, loss, liability, damage, tax, assessment or other governmental charge (other than taxes applicable to the Trustee's compensation hereunder) or expense incurred without negligence, bad faith or willful misconduct on its part, arising out of or in connection with the acceptance or administration of this Indenture or the trusts hereunder and its duties hereunder, including enforcement of this Section 607 and also including any liability which the Indemnitees may incur as a result of failure to withhold, pay or report any tax, assessment, fine, penalty, damages or other governmental charge, and the costs, fees and expenses of defending itself against or investigating any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The obligations of the Company under this Section 607 to compensate and indemnify the Indemnitees and each predecessor Trustee and to pay or reimburse the Trustee and each predecessor Trustee for reasonable fees, expenses, disbursements and advances shall constitute an additional obligation hereunder and shall survive the satisfaction and discharge of this Indenture and the resignation or removal of the Trustee and each predecessor Trustee.

Section 608. CONFLICTING INTERESTS.

The Trustee shall comply with the provisions of Section 310(b) of the Trust Indenture Act.

Section 609. TRUSTEE ELIGIBILITY.

There shall at all times be a Trustee hereunder which shall be eligible to act as trustee under Trust Indenture Act Section 310(a) and which shall have a combined capital and surplus of at least \$50,000,000, to the extent there is an institution eligible and willing to serve. If the Trustee does not have a Corporate Trust Office in The City of New York, the Trustee may appoint an agent in The City of New York reasonably acceptable to the Company to conduct any activities which the Trustee may be required under this Indenture to conduct in The City of New York. If such Trustee publishes reports of condition at least annually, pursuant to law or to the requirements of federal, state, territorial or District of Columbia supervising or examining authority, then for the purposes of this Section 609, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 609, the Trustee shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 610. RESIGNATION AND REMOVAL; APPOINTMENT OF SUCCESSOR TRUSTEE.

(a) No resignation or removal of the Trustee and no appointment of a successor trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor trustee under Section 611.

(b) The Trustee, or any trustee or trustees hereafter appointed, may at any time resign by giving written notice thereof to the Company no later than 30 Business Days prior to the proposed date of resignation. Upon receiving such notice of resignation, the Company shall promptly appoint a successor trustee by written instrument executed by authority of the Board of Directors of the Company, a copy of which shall be delivered to the resigning Trustee and a copy to the successor trustee. If an instrument of acceptance by a successor trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may, or any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper, appoint and prescribe a successor trustee.

(c) The Trustee may be removed at any time for any cause or for no cause by an Act of the Holders of not less than a majority in aggregate principal amount of the Outstanding Securities, delivered to the Trustee and to the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with the provisions of Trust Indenture Act Section 310(b) after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months,

(2) the Trustee shall cease to be eligible under Section 609 and shall fail to resign after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any case, (i) the Company by a Board Resolution may remove the Trustee, or (ii) subject to Section 514, the Holder of any Security who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Company, by a Board Resolution, shall promptly appoint a successor trustee and shall comply with the applicable requirements of Section 611. If, within 60 days after such resignation, removal or incapability, or the occurrence of such vacancy, the Company has not appointed a successor Trustee, a successor trustee shall be appointed by the Act of the Holders of a majority in principal amount of the Outstanding Securities delivered to the Company and the retiring Trustee. If no successor trustee shall have been so appointed by the Company or the Holders of the Securities and accepted appointment in the manner provided herein, the Trustee or the Holder of any Security who has been a bona fide Holder for at least six months may, subject to Section 514, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor trustee.

(f) The Company shall give notice of each resignation and each removal of the Trustee and each appointment of a successor trustee by mailing written notice of such event by first-class mail, postage prepaid, to the Holders of Securities as their names and addresses appear in the Security Register. Each notice shall include the name of the successor trustee and the address of its Corporate Trust Office or agent hereunder.

#### Section 611. ACCEPTANCE OF APPOINTMENT BY SUCCESSOR.

Every successor trustee appointed hereunder shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee as if originally named as Trustee hereunder; but, nevertheless, on the written request of the Company or the successor trustee, upon payment of its charges pursuant to Section 607 then unpaid, such retiring Trustee shall pay over to the successor trustee all moneys, Temporary Cash Investments and other property relating thereto at the time held by it hereunder and shall execute and deliver an instrument transferring to such successor trustee all such rights, powers, duties and obligations. Upon request of any such successor trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers.

No successor trustee with respect to the Securities shall accept appointment as provided in this Section 611 unless at the time of such acceptance such successor trustee shall be eligible to act as trustee under the provisions of Trust Indenture Act Section 310(a) and this Article Six and shall have a combined capital and surplus of at least \$50,000,000 and have a Corporate Trust Office or an agent selected in accordance with Section 609.



Upon acceptance of appointment by any successor trustee as provided in this Section 611, the Company shall give notice thereof to the Holders of the Securities, by mailing such notice to such Holders at their addresses as they shall appear on the Security Register. If the acceptance of appointment is substantially contemporaneous with the appointment, then the notice called for by the preceding sentence may be combined with the notice called for by Section 610. If the Company fails to give such notice within 10 days after acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be given at the expense of the Company.

Section 612. MERGER, CONVERSION, CONSOLIDATION OR SUCCESSION TO BUSINESS.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee (including the trust created by this Indenture) shall be the successor of the Trustee hereunder, PROVIDED that such corporation shall be eligible under Trust Indenture Act Section 310(a) and this Article Six and shall have a combined capital and surplus of at least \$50,000,000 and have a Corporate Trust Office or an agent selected in accordance with Section 609, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

In case at the time such successor to the Trustee shall succeed to the trusts created by this Indenture any of the Securities shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor Trustee and deliver such Securities so authenticated; and, in case at that time any of the Securities shall not have been authenticated, any successor to the Trustee may authenticate such Securities either in the name of any predecessor hereunder or in the name of the successor trustee; and in all such cases such certificate shall have the full force which it is anywhere in the Securities or in this Indenture provided that the certificate of the Trustee shall have; PROVIDED that the right to adopt the certificate of authentication of any predecessor Trustee or to authenticate Securities in the name of any predecessor Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

Section 613. PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.

If and when the Trustee shall be or become a creditor of the Company (or other obligor under the Securities), the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Company (or any such other obligor). A Trustee who has resigned or been removed shall be subject to Trust

Indenture Act Section 311(a) to the extent indicated therein, as qualified by Trust Indenture Act Section 311(b).

## ARTICLE SEVEN

## HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

## Section 701. COMPANY TO FURNISH TRUSTEE NAMES AND ADDRESSES OF HOLDERS.

The Company will furnish or cause to be furnished to the Trustee

(a) semiannually, not more than 10 days after each Regular Record Date, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders as of such Regular Record Date; and

(b) at such other times as the Trustee may reasonably request in writing, within 30 days after receipt by the Company of any such request, a list of similar form and content to that in subsection (a) hereof as of a date not more than 15 days prior to the time such list is furnished;

PROVIDED, HOWEVER, that if and so long as the Trustee shall be the Security Registrar, no such list need be furnished.

## Section 702. DISCLOSURE OF NAMES AND ADDRESSES OF HOLDERS.

Holders may communicate pursuant to Trust Indenture Act Section 312(b) with other Holders with respect to their rights under this Indenture or the Securities, and the Trustee shall comply with Trust Indenture Act Section 312(b). The Company, the Trustee, the Security Registrar and any other Person shall have the protection of Trust Indenture Act Section 312(c). Further, every Holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee or any agent of either of them shall be held accountable by reason of the disclosure of any information as to the names and addresses of the Holders in accordance with Trust Indenture Act Section 312, regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under Trust Indenture Act Section 312.

## Section 703. REPORTS BY TRUSTEE.

(a) Within 60 days after May 1 of each year commencing with the first May 1 after the issuance of Securities, the Trustee, if so required under the Trust Indenture Act, shall transmit by mail to all Holders, in the manner and to the extent provided in Trust Indenture Act Section 313(c), a brief report dated as of such May 1 in accordance with and with respect to the matters required by Trust Indenture Act Section 313(a). The Trustee shall also transmit by mail to all Holders, in the manner and

to the extent provided in Trust Indenture Act Section 313(c), a brief report in accordance with and with respect to the matters required by Trust Indenture Act Section 313(b)(2).

(b) A copy of each report transmitted to Holders pursuant to this Section 703 shall, at the time of such transmission, be mailed to the Company and filed with each stock exchange, if any, upon which the Securities are listed and also with the Commission. The Company will notify the Trustee promptly if the Securities are listed on any stock exchange.

Section 704. REPORTS BY COMPANY.

The Company shall file with the Trustee and the Commission, and transmit to Holders, such information, documents and other reports, and such summaries thereof, as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant to such Act; PROVIDED that any such information, documents or reports required to be filed with the Commission pursuant to Section 13 or 15(d) of the Exchange Act shall be filed with the Trustee within 15 days after the same is so required to be filed with the Commission.

The Trustee shall be under no obligation to analyze or make any credit decision with respect to any financial statements or reports received by it hereunder, but shall hold such financial statements or reports solely for the benefit of and/or review by the holders of the Securities.

Delivery of such reports, information and documents to the Trustee hereunder and under Section 1007 is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 705. STATEMENT AS TO COMPLIANCE.

The Company will deliver to the Trustee within 120 days after the end of each fiscal year of the Company ending after the date hereof, an Officers' Certificate stating whether or not to the best knowledge of the signers thereof the Company is in compliance (without regard to periods of grace or notice requirements) with all conditions and covenants under this Indenture, and if the Company shall not be in compliance, specifying such non-compliance and the nature and status thereof of which such signers may have knowledge.

## Section 706. STATEMENT BY OFFICERS AS TO DEFAULT.

The Company shall deliver to the Trustee, as soon as possible and in any event within five days after the Company becomes aware of the occurrence of any Event of Default or an event which, with notice or the lapse of time or both, would constitute an Event of Default, an Officers' Certificate setting forth the details of such Event of Default or default and the action which the Company proposes to take with respect thereto.

## ARTICLE EIGHT

## CONSOLIDATION, MERGER, SALE OF ASSETS

## Section 801. COMPANY MAY CONSOLIDATE, ETC., ONLY ON CERTAIN TERMS.

The Company will not, in a single transaction or through a series of related transactions, consolidate, amalgamate, combine or merge with or into any other Person or, directly or indirectly, sell, assign, convey, lease, transfer or otherwise dispose of all or substantially all of its properties and assets to any Person or group of Persons, or permit any of its Restricted Subsidiaries to enter into any such transaction or series of transactions, if such transaction or series of transactions, in the aggregate, would result in a sale, assignment, conveyance, lease, transfer or disposition of all or substantially all of the properties and assets of the Company and its Restricted Subsidiaries on a Consolidated basis to any other Person or group of Persons, unless at the time and after giving effect thereto:

(i) either (a) the Company will be the continuing corporation in the case of a merger, combination or consolidation or (b) the Person (if other than the Company) formed by such consolidation or the resulting, surviving or transferee Person, if other than the Company (the "Successor Company",) will be a corporation duly organized and validly existing under the laws of the United States of America, any state thereof or the District of Columbia and such Person expressly assumes, by a supplemental indenture, in a form reasonably satisfactory to the Trustee, all the obligations of the Company under the Securities and this Indenture, and in each case, the Securities and the Indenture will remain in full force and effect as so supplemented;

(ii) immediately after giving effect to such transaction or series of transactions on a PRO FORMA basis, including, without limitation, any Indebtedness Incurred or anticipated to be Incurred in connection with or in respect of such transaction or series of transactions, no Default or Event of Default will have occurred and be continuing and the Company will have delivered to the Trustee an Officer's Certificate to that effect;

(iii) at the time of the transaction the Company or the Successor Company will have delivered, or caused to be delivered, to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officers' Certificate and an Opinion of Counsel, each to the effect that such transaction or series of transactions, and, if a supplemental indenture is required in connection with such transaction or series of transactions to

effectuate such assumption, such supplemental indenture in respect thereof comply with this covenant and that all conditions precedent in the Indenture relating to such transaction have been satisfied.

Notwithstanding the foregoing, any Restricted Subsidiary may consolidate, amalgamate or combine with or merge with or into or, directly or indirectly, sell, assign, convey, lease, transfer or otherwise dispose of all or substantially all of its properties and assets to the Company or, subject to the condition set forth in clause (ii) in the preceding sentence, to any other Restricted Subsidiary.

Section 802. SUCCESSOR SUBSTITUTED.

Upon any consolidation, combination, amalgamation or merger, or any sale, assignment, conveyance, transfer, lease or disposition of all or substantially all of the properties and assets of the Company, if any, in accordance with Section 801, the successor Person formed by such consolidation or into which the Company is merged or the successor Person to which such sale, assignment, conveyance, transfer, lease or disposition is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture and the Securities with the same effect as if such successor had been named as the Company herein, in the Securities and the Company shall be discharged from all obligations and covenants under the Indenture and the Securities; PROVIDED that in the case of a transfer by lease, the predecessor shall not be released from the payment of principal and interest on the Securities.

## ARTICLE NINE

## SUPPLEMENTAL INDENTURES

## Section 901. SUPPLEMENTAL INDENTURES AND AGREEMENTS WITHOUT CONSENT OF HOLDERS.

Without the consent of any Holders, the Company and any other obligor under the Securities when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto or agreements or other instruments with respect to the Indenture or any series of the Securities, in form satisfactory to the Trustee, for any of the following purposes:

(a) to evidence the succession of another Person to the Company pursuant to the provisions of Article Eight and the assumption by such successor of the covenants, agreements and obligations of the Company in the Indenture and in the Securities;

(b) to surrender any right or power conferred upon the Company by the Indenture, to add to the covenants of the Company such further covenants, restrictions, conditions or provisions for the protection of the Holders as the Board of Directors of the Company shall consider to be for the protection of the Holders, and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants, restrictions, conditions, or provisions a default or an Event of Default under the Indenture (PROVIDED, HOWEVER, that with respect to any such additional covenant, restriction, condition, or provision, such supplemental indenture may provide for a period of grace after default, which may be shorter or longer than that allowed in the case of other defaults, may provide for an immediate enforcement upon such default, may limit the remedies available to the Trustee upon such default, or may limit the right of Holders of a majority in aggregate principal amount of any series of the Securities to waive such default);

(c) to cure any ambiguity or to correct or supplement any provision contained in the Indenture, in any supplemental indenture or in the Securities of any series that may be defective or inconsistent with any other provision contained herein or therein, to convey, transfer, assign, mortgage or pledge any property to or with the Trustee, or to make such other provisions in regard to matters or questions arising under the Indenture as shall not adversely affect the interests of any Holders;

(d) to modify or amend the Indenture in such a manner as to permit the qualification of the Indenture or any supplemental indenture under the Trust Indenture Act as then in effect;



(e) to comply with the provisions of Article Eight;

(f) to add guarantees with respect to any series of the Securities of any series or to secure any series of the Securities of any series;

(g) to make any change that does not adversely affect the rights of any Holder; and

(h) to evidence and provide for the acceptance of appointment by a successor or separate Trustee with respect to the Securities of any series and to add to or change any of the provisions of the Indenture as shall be necessary to provide for or facilitate the administration of the Indenture by more than one Trustee.

Section 902. SUPPLEMENTAL INDENTURES AND AGREEMENTS WITH CONSENT OF HOLDERS.

Except as permitted by Section 901, with the consent of the Holders of at least a majority in aggregate principal amount of the Outstanding Securities of all series affected thereby (voting as one class), by Act of said Holders delivered to the Company and the Trustee, the Company when authorized by Board Resolutions, and the Trustee may (i) enter into an indenture or indentures supplemental hereto or agreements in form and substance reasonably satisfactory to the Trustee, for the purpose of adding any provisions to, amending, modifying or changing in any manner, or eliminating any of the provisions of the Indenture, of any supplemental indenture or the Securities of each such series (including but not limited to, for the purpose of modifying in any manner the rights of the Holders under this Indenture or the Securities of such series) or (ii) waive compliance with any provision in the Indenture or the Securities of such series (other than waivers of past defaults covered by Section 513 and waivers of covenants covered by Section 1008); PROVIDED, HOWEVER, that no such supplemental indenture, agreement or instrument shall, without the consent of the Holder of each Outstanding Security of all series affected thereby:

(a) reduce the percentage in principal amount of the Outstanding Securities of such series, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver or compliance with certain provisions of this Indenture;

(b) reduce the rate of or extend the time for payment of interest on the Securities of such series or reduce the amount of any payment of interest on the Securities of such series;

(c) reduce the principal of or extend the Stated Maturity of the Securities of such series;

(d) reduce the premium payable upon the redemption of the Securities of such series or change the time at which the Securities of such series may or shall be redeemed;

(e) impair the right to institute suit for enforcement of any payment of principal, premium, if any, or interest on the Securities of such series after the Stated Maturity thereof (or in the case of redemption, on or after the Redemption Date);

(f) make the Securities of such series payable in a currency other than U.S. dollars;

(g) modify any of the provisions of this Section 902 or Section 513 or 1008, except to increase the percentage of such Outstanding Securities of such series required for such actions or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each such Security of such series affected thereby;

(h) amend or modify any of the provisions of this Indenture in any manner which subordinates the Securities of such series issued hereunder in right of payment to any other Indebtedness of the Company;

(i) release any security that may have been granted with respect to the Securities of such series; or

(j) make any change in the provisions of the Indenture relating to waivers of defaults or amendments that require unanimous consent.

Upon the written request of the Company, accompanied by a copy of Board Resolutions authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of Holders as aforesaid, the Trustee shall join with the Company in the execution of such supplemental indenture.

It shall not be necessary for any Act of Holders under this Section 902 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Section 903. EXECUTION OF SUPPLEMENTAL INDENTURES AND AGREEMENTS.

In executing, or accepting the additional trusts created by, any supplemental indenture, agreement, instrument or waiver permitted by this Article Nine or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Trust Indenture Act Sections 315(a) through 315(d) and Section 601 hereof) shall be fully protected in relying upon, an Opinion of Counsel and an Officers' Certificate stating that the execution of such supplemental indenture,

agreement or instrument (a) is authorized or permitted by this Indenture and (b) does not violate the provisions of any agreement or instrument evidencing any other Indebtedness of the Company or any Restricted Subsidiary. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture, agreement or instrument which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Section 904. EFFECT OF SUPPLEMENTAL INDENTURES.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities of the series affected thereby theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

Section 905. CONFORMITY WITH TRUST INDENTURE ACT.

Every supplemental indenture executed pursuant to this Article Nine shall conform to the requirements of the Trust Indenture Act as then in effect.

Section 906. REFERENCE IN SECURITIES TO SUPPLEMENTAL INDENTURES.

Securities of any series authenticated and delivered after the execution of any supplemental indenture pursuant to this Article Nine may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series.

Section 907. NOTICE OF SUPPLEMENTAL INDENTURES.

Promptly after the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of Section 902, the Company shall give notice thereof to the Holders of each Outstanding Security of any series affected, in the manner provided for in Section 106, setting forth in general terms the substance of such supplemental indenture. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

## ARTICLE TEN

## COVENANTS

## Section 1001. PAYMENT OF PRINCIPAL, PREMIUM AND INTEREST.

The Company shall duly and punctually pay the principal of, premium, if any, and interest on each of the series of Securities in accordance with the terms of the applicable series of the Securities and this Indenture.

## Section 1002. MAINTENANCE OF OFFICE OR AGENCY.

The Company shall maintain an office or agency where Securities may be presented or surrendered for payment. The Company also will maintain in The City of New York an office or agency where Securities may be surrendered for registration of transfer, redemption or exchange and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The office of the Trustee or its affiliates, at its corporate trust office initially located at 101 Barclay Street, Floor 21W, New York, New York 10286, will be such office or agency of the Company, unless the Company shall designate and maintain some other office or agency for one or more of such purposes. The Company will give prompt written notice to the Trustee of the location and any change in the location of any such offices or agencies. If at any time the Company shall fail to maintain any such required offices or agencies or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the office of the Trustee or its affiliates and the Company hereby appoints the Trustee or its affiliates such agent as its agent to receive all such presentations, surrenders, notices and demands.

The Company may from time to time designate one or more other offices or agencies (in or outside of The City of New York) where the Securities may be presented or surrendered for any or all such purposes, and may from time to time rescind such designation. The Company will give prompt written notice to the Trustee of any such designation or rescission and any change in the location of any such office or agency.

The Trustee shall initially act as Paying Agent for the Securities.

## Section 1003. MONEY FOR SECURITY PAYMENTS TO BE HELD IN TRUST.

If the Company or any of its Affiliates shall at any time act as Paying Agent, it will, on or before each due date of the principal of, premium, if any, or interest on any of the Securities, segregate and hold in trust for the benefit of the Holders entitled thereto a sum sufficient to pay the principal, premium, if any, or interest so becoming due

until such sums shall be paid to such Persons or otherwise disposed of as herein provided, and will promptly notify the Trustee of its action or failure so to act.

If the Company or any of its Affiliates is not acting as Paying Agent, the Company will, on or before 10:00 a.m. New York City time of each due date of the principal of, premium, if any, or interest on any of the Securities, deposit with a Paying Agent a sum in same day funds sufficient to pay the principal, premium, if any, or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal, premium or interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of such action or any failure so to act.

If the Company is not acting as Paying Agent, the Company will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

(a) hold all sums held by it for the payment of the principal of, premium, if any, or interest on the Securities in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(b) give the Trustee notice of any Default by the Company (or any other obligor upon the Securities) in the making of any payment of principal, premium, if any, or interest on the Securities;

(c) at any time during the continuance of any such Default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent; and

(d) acknowledge, accept and agree to comply in all aspects with the provisions of this Indenture relating to the duties, rights and liabilities of such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of, premium, if any, or interest on any Security and remaining unclaimed for two years after such principal and premium, if

any, or interest has become due and payable shall promptly be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; PROVIDED, HOWEVER, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in the NEW YORK TIMES and THE WALL STREET JOURNAL (national edition), and mail to each such Holder, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification, publication and mailing, any unclaimed balance of such money then remaining will promptly be repaid to the Company.

Section 1004. CORPORATE EXISTENCE.

Subject to Article Eight, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect the corporate existence and related rights and franchises (charter and statutory) of the Company and each Restricted Subsidiary; provided, however, that the Company shall not be required to preserve any such right or franchise or the corporate existence of any such Restricted Subsidiary or any trademark, trade name or service mark of the Company or any Restricted Subsidiary if the Board of Directors of the Company shall determine that the preservation thereof is no longer necessary or desirable in the conduct or the business of the Company and its Restricted Subsidiaries taken as a whole and that the loss thereof is not adverse in any material respect to the ability of the Company to perform its obligations hereunder.

Section 1005. RESTRICTIONS ON LIENS.

(a) The Company will not, and will not permit any Restricted Subsidiary of the Company to, Incur any Lien on any shares of stock, Indebtedness or other obligations of a Subsidiary or any Principal Property of the Company or a Restricted Subsidiary, whether such shares of stock, Indebtedness or other obligations of a Subsidiary or Principal Property is owned at the date of the Indenture or thereafter acquired, without in any such case effectively providing that all the Securities will be directly secured equally and ratably with such Lien.

(b) The foregoing restrictions will not apply to:

(1) the Incurrence of any Lien on any shares of stock, Indebtedness or other obligations of a Subsidiary or any Principal Property acquired after the date of the Indenture (including acquisitions by way of merger or consolidation) by the Company or a Restricted Subsidiary contemporaneously with such acquisition, or within 120 days thereafter, to secure or provide for the payment or financing of any part of the purchase

price thereof, or the assumption of any Lien upon any shares of stock, Indebtedness or other obligations of a Subsidiary or any Principal Property acquired after the date of the Indenture existing at the time of such acquisition, or the acquisition of any shares of stock, Indebtedness or other obligations of a subsidiary or any Principal Property subject to any Lien without the assumption thereof, PROVIDED that every such Lien referred to in this clause (1) shall attach only to the shares of stock, Indebtedness or other obligations of a Subsidiary or any Principal Property so acquired and fixed improvements thereon;

(2) any Lien on any shares of stock, Indebtedness or other obligations of a Subsidiary or any Principal Property existing at the date of the Indenture;

(3) any Lien on any shares of stock, Indebtedness or other obligations of a Subsidiary or any Principal Property in favor of the Company or any Restricted Subsidiary;

(4) any Lien on Principal Property being constructed or improved securing loans to finance such construction or improvements;

(5) any Lien on shares of stock, Indebtedness or other obligations of a Subsidiary or any Principal Property Incurred in connection with the issuance of tax exempt government obligations; and

(6) any renewal of or substitution for any Lien permitted by any of the preceding clauses (1) through (5), PROVIDED, in the case of a Lien permitted under clause (1), (2) or (4), the debt secured is not increased nor the Lien extended to any additional assets.

(c) Notwithstanding the foregoing, the Company or any Restricted Subsidiary may create or assume Liens in addition to those permitted by clauses (1) through (6), and renew, extend or replace such Liens, provided that at the time of such creation, assumption, renewal, extension or replacement of such Lien, and after giving effect thereto, together with any sale and leaseback transactions permitted under Section 1006(b) hereof, Exempted Debt does not exceed 20% of Consolidated Net Tangible Assets.

(d) For the purposes of this Section 1005 and Section 1006, the giving of a guarantee which is secured by a Lien on any shares of stock, Indebtedness or other obligations of a Subsidiary or any Principal Property, and the creation of a Lien on any shares of stock, Indebtedness or other obligations of a Subsidiary or any Principal Property to secure Indebtedness that existed prior to the creation of such Lien, shall be deemed to involve the creation of Indebtedness in an amount equal to the principal amount guaranteed or secured by such Lien.

## Section 1006. LIMITATION ON SALE AND LEASEBACK TRANSACTIONS.

(a) The Company will not, and will not permit any Restricted Subsidiary to, sell or transfer, directly or indirectly, except to the Company or a Restricted Subsidiary, any Principal Property as an entirety, or any substantial portion thereof, with the intention of taking back a lease of such property, except a lease for a period of two years or less at the end of which it is intended that the use of such property by the lessee will be discontinued; PROVIDED that, notwithstanding the foregoing, the Company or any Restricted Subsidiary may sell any such Principal Property and lease it back for a longer period:

(1) if the Company or such Restricted Subsidiary would be entitled, pursuant to Section 1005 hereof, to create a mortgage on the property to be leased securing Funded Debt in an amount equal to the Attributable Debt with respect to such sale and leaseback transaction without equally and ratably securing the outstanding Securities; or

(2) if the Company promptly informs the Trustee of such transaction, the net proceeds of such transaction are at least equal to the Fair Market Value (as determined by Board Resolution) of such property, and the Company causes an amount equal to the net proceeds of the sale to be applied to the retirement, within 180 days after receipt of such proceeds, of Funded Debt Incurred or assumed by the Company or a Restricted Subsidiary (including the Securities); PROVIDED further that, in lieu of applying all or any part of such net proceeds to such retirement, the Company may, within 75 days after such sale or transfer, deliver or cause to be delivered to the applicable trustee for cancellation either debentures or notes evidencing Funded Debt of the Company (which may include the Outstanding Securities) or of a Restricted Subsidiary previously authenticated and delivered by the applicable trustee, and not theretofore tendered for sinking fund purposes or called for a sinking fund or otherwise applied as a credit against an obligation to redeem or retire such Notes or debentures. If the Company so delivers debentures or Notes to the applicable trustee with an Officers' Certificate, the amount of cash that the Company will be required to apply to the retirement of Funded Debt will be reduced by an amount equal to the aggregate of the then applicable optional redemption prices (not including any optional sinking fund redemption prices) of such debentures or Notes, or if there are no such redemption prices, the principal amount of such debentures or Notes, provided, that in the case of debentures or Notes which provide for an amount less than the principal amount thereof to be due and payable upon a declaration of the maturity thereof, such amount of cash shall be reduced by the amount of principal of such debentures or Notes that would be due and payable as of the date of such application upon a declaration of acceleration of the maturity thereof pursuant to the terms of the indenture pursuant to which such debentures or Notes were issued; or



(3) if the Company, within 180 days after the sale or transfer, applies or causes a Restricted Subsidiary to apply an amount equal to the greater of the net proceeds of such sale or transfer or Fair Market Value of the Principal Property so sold and leased back at the time of entering into such sale and leaseback transaction (in either case as determined by Board Resolution of the Company) to purchase other Principal Property having a Fair Market Value at least equal to the Fair Market Value of the Principal Property (or portion thereof) sold or transferred in such sale and leaseback transaction.

(b) Notwithstanding the foregoing, the Company or any Restricted Subsidiary may enter into sale and leaseback transactions in addition to those permitted in this paragraph and without any obligation to retire any outstanding notes or other Funded Debt, provided that at the time of entering into such sale and leaseback transactions and after giving effect thereto, together with any Liens permitted under Section 1005(c) hereof, Exempted Debt does not exceed 20% of Consolidated Net Tangible Assets.

#### Section 1007. PROVISIONS OF FINANCIAL STATEMENTS.

Whether or not the Company is subject to Section 13(a) or 15(d) of the Exchange Act, the Company will, to the extent permitted under the Exchange Act, file with the Commission the annual reports, quarterly reports and other documents which the Company would have been required to file with the Commission pursuant to Sections 13(a) or 15(d) if the Company was so subject, such documents to be filed with the Commission on or prior to the date (the "Required Filing Date") by which the Company would have been required so to file such documents if the Company was so subject. The Company will also in any event (x) within 15 days of each Required Filing Date (i) transmit by mail to all holders, as their names and addresses appear in the security register, without cost to such holders and (ii) file with the Trustee copies of the annual reports, quarterly reports and other documents which the Company would have been required to file with the Commission pursuant to Sections 13(a) or 15(d) of the Exchange Act if the Company were subject to either of such Sections and (y) if filing such documents by the Company with the Commission is not permitted under the Exchange Act, promptly upon written request and payment of the reasonable cost of duplication and delivery, supply copies of such documents to any prospective holder at the Company's cost.

#### Section 1008. WAIVER OF CERTAIN COVENANTS.

The Company may omit in any particular instance to comply with any covenant or condition set forth in Sections 1005, 1006 and 1007 if, before or after the time for such compliance, the Holders of not less than a majority in aggregate principal amount of the Securities at the time Outstanding of each series affected thereby (voting as one class) shall, by Act of such Holders, waive such compliance in such instance with

such covenant or provision, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such covenant or condition shall remain in full force and effect.

## ARTICLE ELEVEN

## REDEMPTION OF SECURITIES

## Section 1101. RIGHTS OF REDEMPTION.

Each series of Securities will be redeemable, as a whole or in part, at the option of the Company, at any time or from time to time, at a Redemption Price (a "Redemption Price") equal to the greater of (i) 100% of the principal amount of the applicable series of Securities to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the applicable series of Securities discounted to the Redemption Date (the "Redemption Date") on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Rate, plus 15 basis points for the 6 5/8% Notes due 2004 and 20 basis points for the 7 1/8% Notes due 2009, respectively, plus, in each case, accrued interest thereon to the Redemption Date.

## Section 1102. APPLICABILITY OF ARTICLE.

Redemption of Securities at the election of the Company or otherwise, as permitted or required by any provision of this Indenture, shall be made in accordance with such provision and this Article Eleven.

## Section 1103. ELECTION TO REDEEM; NOTICE TO TRUSTEE.

The election of the Company to redeem any Securities pursuant to Section 1101 shall be evidenced by a Company Order and an Officers' Certificate. In case of any redemption at the election of the Company, the Company shall, not less than 45 days prior to the Redemption Date fixed by the Company (unless a shorter notice period shall be satisfactory to the Trustee), notify the Trustee in writing of such Redemption Date and of the principal amount of the applicable series of Securities to be redeemed.

## Section 1104. SELECTION BY TRUSTEE OF SECURITIES TO BE REDEEMED.

If less than all of the applicable series of Securities are to be redeemed, the particular Securities or portions thereof to be redeemed shall be selected not more than 60 nor less than 30 days prior to the Redemption Date. The Trustee shall select the Securities or portions thereof to be redeemed on a PRO RATA basis, by lot or by any other method the Trustee shall deem fair and appropriate. The amounts to be redeemed shall be equal to \$1,000 or any integral multiple thereof.

The Trustee shall promptly notify the Company and the Security Registrar in writing of the Securities selected for redemption and, in the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to redemption of Securities shall relate, in the case of any Security redeemed or to be redeemed only in part, to the portion of the principal amount of such Security which has been or is to be redeemed.

Section 1105. NOTICE OF REDEMPTION.

Notice of redemption shall be given by first-class mail, postage prepaid, mailed not less than 30 days nor more than 60 days prior to the Redemption Date, to each Holder of Securities to be redeemed, at its address appearing in the Security Register.

All notices of redemption shall state:

- (a) the Redemption Date;
- (b) the Redemption Price;

(c) if less than all Outstanding Securities of a series are to be redeemed, the identification of the particular Securities to be redeemed;

(d) in the case of a Security to be redeemed in part, the principal amount of such Security to be redeemed and that after the Redemption Date upon surrender of such Security, new Security or Securities in the aggregate principal amount equal to the unredeemed portion thereof will be issued;

(e) that Securities called for redemption must be surrendered to the Paying Agent to collect the Redemption Price;

(f) that on the Redemption Date, the Redemption Price will become due and payable upon each such Security or portion thereof to be redeemed, and that (unless the Company shall default in payment of the Redemption Price) interest thereon shall cease to accrue on and after said date;

(g) the names and addresses of the Paying Agent and the offices or agencies referred to in Section 1002 where such Securities are to be surrendered for payment of the Redemption Price;

(h) the CUSIP number, if any, relating to such Securities; and

(i) the procedures that a Holder must follow to surrender the Securities to be redeemed.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's written request, by the Trustee in the name and at the expense of the Company. If the Company elects to give notice of redemption, it shall provide the Trustee with a certificate stating that such notice has been given in compliance with the requirements of this Section 1105.

The notice if mailed in the manner herein provided shall be conclusively presumed to have been given, whether or not the Holder receives such notice. In any case, failure to give such notice by mail or any defect in the notice to the Holder of any Security designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other Security.

#### Section 1106. DEPOSIT OF REDEMPTION PRICE.

On or prior to 10:00 a.m. New York City time on any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company or any of its Affiliates is acting as Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money in same day funds sufficient to pay the Redemption Price of, and (except if the Redemption Date shall be an Interest Payment Date or Special Payment Date) accrued interest on, all the applicable series of Securities or portions thereof which are to be redeemed on that date. The Paying Agent shall promptly mail or deliver to Holders of Securities so redeemed payment in an amount equal to the Redemption Price of the Securities purchased from each such Holder. Subject to Section 601(f), all money, if any, earned on funds held in trust by the Trustee or any Paying Agent shall be remitted to the Company.

#### Section 1107. SECURITIES PAYABLE ON REDEMPTION DATE.

Notice of redemption having been given as aforesaid, the Securities of the series so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Securities of such series shall cease to bear interest. Upon surrender of any such Security for redemption in accordance with said notice, such Security shall be paid by the Company at the Redemption Price, together with accrued interest to the Redemption Date; PROVIDED, HOWEVER, that installments of interest whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such on the relevant Regular Record Dates and Special Record Dates according to the terms and the provisions of Section 308.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal and premium, if any, shall, until paid, bear interest from the Redemption Date at the rate borne by such Security.

Section 1108. SECURITIES REDEEMED OR PURCHASED IN PART.

Any Security which is to be redeemed or purchased only in part shall be surrendered to the Paying Agent at the office or agency maintained for such purpose pursuant to Section 1002 (with, if the Company, the Security Registrar or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company, the Security Registrar or the Trustee, as the case may be, duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing), and the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Security without service charge, a new Security or Securities, of any authorized denomination as requested by such Holder in aggregate principal amount equal to, and in exchange for, the unredeemed portion of the principal of the Security so surrendered that is not redeemed or purchased.

## ARTICLE TWELVE

## SATISFACTION AND DISCHARGE

## Section 1201. SATISFACTION AND DISCHARGE OF INDENTURE.

This Indenture shall be discharged and shall cease to be of further effect (except as to surviving rights of registration of transfer or exchange of Securities as expressly provided for herein) as to all Outstanding Securities of any series hereunder, and the Trustee, upon Company Request and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

(a) either

(1) all the Securities of such series theretofore authenticated and delivered (other than (i) lost, stolen or destroyed Securities of such series which have been replaced or paid as provided in Section 308 or (ii) all Securities of such series for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust as provided in Section 1003) have been delivered to the Trustee for cancellation; or

(2) all such Securities of such series not theretofore delivered to the Trustee for cancellation (i) have become due and payable or, (ii) will become due and payable at their Stated Maturity within one year; and the Company has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust an amount in United States dollars sufficient (in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee) to pay and discharge (without consideration of any reinvestment and after payment of all taxes or other charges and assessments in respect thereof payable by the Trustee) the entire Indebtedness on the Securities of such series not theretofore delivered to the Trustee for cancellation, including the principal of, premium, if any, and accrued interest on, the Securities of such series at such Maturity, Stated Maturity or Redemption Date;

(b) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(c) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Independent Counsel, in form and substance satisfactory to the

Trustee, each stating that (i) all conditions precedent herein relating to the satisfaction and discharge hereof have been complied with, (ii) no default with respect to the Securities of such series has occurred and is continuing on the date of such deposit and (iii) such deposit does not result in a breach or violation of, or constitute a default under, the Indenture or any other agreement or instrument to which the Company is a party.

Notwithstanding the satisfaction and discharge hereof, the obligations of the Company to the Trustee under Section 607 and, if United States dollars shall have been deposited with the Trustee pursuant to subclause (2) of subsection (a) of this Section 1201, the obligations of the Trustee under Section 1202 and the last paragraph of Section 1003 shall survive.

Section 1202. APPLICATION OF TRUST MONEY.

Subject to the provisions of the last paragraph Section 1003, all United States dollars deposited with the Trustee pursuant to Section 1201 shall be held in trust and applied by it, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal of, premium, if any, and interest on, the Securities for whose payment such United States dollars have been deposited with the Trustee.

\* \* \*



IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, all as of the day and year first above written.

REPUBLIC SERVICES, INC.

By: /s/ Edward A. Lang, III

-----  
Name: Edward A. Lang, III  
Title: Vice President, Finance and Treasurer

THE BANK OF NEW YORK

By: /s/ Remo J. Reale

-----  
Name: Remo J. Reale  
Title: Vice President

## (FACE OF NOTE)

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY OR A SUCCESSOR DEPOSITARY. TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF CEDE & CO. OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTION 306 OF THE INDENTURE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT AND ANY SUCH CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

## REPUBLIC SERVICES, INC.

-----

6-5/8% NOTE DUE 2004

CUSIP NO. 760759AB6

No. 1

\$200,000,000

Republic Services, Inc., a Delaware corporation (herein called the "Company," which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co. or registered assigns, the principal sum of TWO HUNDRED MILLION DOLLARS (\$200,000,000) United States dollars on May 15, 2004, at the office or agency of the Company referred to below, and to pay interest thereon from May 24, 1999, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semiannually on May 15 and November 15 in each year, commencing November 15, 1999 at the rate of 6 5/8% per annum, in United States dollars, until the principal hereof is paid or duly provided for. Interest shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security is registered at the close of business on the Regular Record Date for such interest, which shall be the May 1 or November 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid, or duly provided for, and interest on such defaulted interest at the interest rate borne by the Securities, to the extent lawful, shall forthwith cease to be payable to the Holder on such Regular Record Date, and may either be paid to the Person in whose name this Security (or any Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice thereof shall be given to Holders of Securities not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, all as more fully provided in this Indenture.

Payment of the principal of, premium, if any, and interest on, this Security, and exchange or transfer of this Security, will be made at the office or agency of the Company in The City of New York maintained for such purpose (which initially will be a corporate trust office of the Trustee or its affiliate located at 101 Barclay Street, Floor 21W, New York, NY 10286), or at such other office or agency as may be maintained for

such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; PROVIDED, HOWEVER, that payment of interest may be made at the option of the Company by check mailed to the address of the Person entitled thereto as such address shall appear on the Security Register.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been duly executed by the Trustee referred to on the reverse hereof or by the authenticating agent appointed as provided in the Indenture by manual signature of an authorized signer, this Security shall not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed by the manual or facsimile signature of its authorized officer.

REPUBLIC SERVICES, INC.

By: /s/ Edward A. Lang, III

-----  
Name: Edward A. Lang, III

Title: Vice President, Finance and Treasurer

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the 6 5/8% Notes due 2004 referred to in the within-mentioned Indenture.

THE BANK OF NEW YORK, as Trustee

By: /s/ Remo J. Reale

-----  
Authorized Signatory

Dated: May 24, 1999

(REVERSE SIDE OF NOTE)

REPUBLIC SERVICES, INC.

6 5/8% Note due 2004

This Security is one of a duly authorized issue of Securities of the Company designated as its 6 5/8% Notes due 2004 (herein called the "Securities"), limited (except as otherwise provided in the Indenture referred to below) in aggregate principal amount to \$200,000,000, issued under and subject to the terms of an indenture (herein called the "Indenture") dated as of May 24, 1999, between the Company and The Bank of New York, as trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties, obligations and immunities thereunder of the Company, the Trustee and the Holders of the Securities, and of the terms upon which the Securities are, and are to be, authenticated and delivered.

The Securities may be redeemed at any time, at the option of the Company, in whole or in part, at any time and from time to time, upon not less than 30 and not more than 60 days' notice to the Holders thereof as provided in the Indenture, at a Redemption Price equal to the greater of (1) 100% of the principal amount of the Securities to be redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Rate plus 15 basis points, plus, in each case, accrued interest to the Redemption Date (subject to the right of holders of record of such Securities on relevant record dates to receive interest due on an interest payment date), if any.

If less than all of the Securities are to be redeemed, the Trustee shall select, not more than 60 nor less than 30 days before the Redemption Date, the Securities or portions thereof to be redeemed on a pro rata basis, by lot or by any other method the Trustee shall deem fair and appropriate.

In the case of any redemption of Securities in accordance with the Indenture, interest installments whose Stated Maturity is on or prior to the Redemption Date will be payable to the Holders of such Securities of record as of the close of business on the relevant Regular Record Date or Special Record Date referred to on the face hereof. Securities (or portions thereof) for whose redemption and payment provision is made in accordance with the Indenture shall cease to bear interest from and after the Redemption Date.

In the event of redemption or repurchase of this Security in accordance with the Indenture in part only, a new Security or Securities for the unredeemed portion hereof shall be issued in the name of the Holder hereof upon the cancellation hereof.

If an Event of Default shall occur and be continuing, the principal amount of all the Securities may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture contains provisions for defeasance at any time of (a) the entire Indebtedness on the Securities and (b) certain covenants and Defaults and Events of Default, in each case upon compliance with certain conditions set forth therein.

The Indenture permits, with certain exceptions (including certain amendments permitted without the consent of any Holders and certain amendments which required the consent of all of the Holders) as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders under the Indenture and the Securities at any time by the Company and the Trustee with the consent of the Holders of at least a majority in aggregate principal amount of the Securities of all series at the time Outstanding that are affected (voting as one class). The Indenture also contains provisions permitting the Holders of at least a majority in aggregate principal amount of the Securities (100% of the Holders in certain circumstances) of all series at the time Outstanding that are affected (voting as one class), on behalf of the Holders of all the Securities of such affected series, to waive compliance by the Company with certain provisions of the Indenture and the Securities of such series and certain past Defaults and Events of Default under the Indenture and the Securities and their consequences. Any such consent or waiver by or on behalf of the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Security.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company or any other obligor on the Securities (in the event such other obligor is obligated to make payments in respect of the Securities), which is absolute and unconditional, to pay the principal of, and premium, if any, and interest on, this Security at the times, place, and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in the Borough of Manhattan, The City of New York, duly endorsed by, or accompanied by a



written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or its attorney duly authorized in writing, and thereupon one or more new Securities, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities in certificated form are issuable only in registered form without coupons in denominations of \$1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, the Securities are exchangeable for a like aggregate principal amount of Securities of a differing authorized denomination, as requested by the Holder surrendering the same.

Except as indicated in the Indenture, no service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

THIS SECURITY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE TO CONFLICT OF LAWS PRINCIPLES THEREOF.

All terms used in this Security which are defined in the Indenture and not otherwise defined herein shall have the meanings assigned to them in the Indenture.

(FACE OF NOTE)

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY OR A SUCCESSOR DEPOSITARY. TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF CEDE & CO. OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTION 306 OF THE INDENTURE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT AND ANY SUCH CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

## REPUBLIC SERVICES, INC.

-----

6-5/8% NOTE DUE 2004

CUSIP NO. 760759AB6

No. 2

\$25,000,000

Republic Services, Inc., a Delaware corporation (herein called the "Company," which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co. or registered assigns, the principal sum of TWENTY-FIVE MILLION DOLLARS (\$25,000,000) United States dollars on May 15, 2004, at the office or agency of the Company referred to below, and to pay interest thereon from May 24, 1999, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semiannually on May 15 and November 15 in each year, commencing November 15, 1999 at the rate of 6 5/8% per annum, in United States dollars, until the principal hereof is paid or duly provided for. Interest shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security is registered at the close of business on the Regular Record Date for such interest, which shall be the May 1 or November 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid, or duly provided for, and interest on such defaulted interest at the interest rate borne by the Securities, to the extent lawful, shall forthwith cease to be payable to the Holder on such Regular Record Date, and may either be paid to the Person in whose name this Security (or any Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice thereof shall be given to Holders of Securities not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, all as more fully provided in this Indenture.

Payment of the principal of, premium, if any, and interest on, this Security, and exchange or transfer of this Security, will be made at the office or agency of the Company in The City of New York maintained for such purpose (which initially will be a corporate trust office of the Trustee or its affiliate located at 101 Barclay Street, Floor 21W, New York, NY 10286), or at such other office or agency as may be maintained for

such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; PROVIDED, HOWEVER, that payment of interest may be made at the option of the Company by check mailed to the address of the Person entitled thereto as such address shall appear on the Security Register.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been duly executed by the Trustee referred to on the reverse hereof or by the authenticating agent appointed as provided in the Indenture by manual signature of an authorized signer, this Security shall not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed by the manual or facsimile signature of its authorized officer.

REPUBLIC SERVICES, INC.

By: /s/ Edward A. Lang, III

-----

Name: Edward A. Lang, III

Title: Vice President, Finance and Treasurer

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the 6 5/8% Notes due 2004 referred to in the within-mentioned Indenture.

THE BANK OF NEW YORK, as Trustee

By: /s/ Remo J. Reale

-----  
Authorized Signatory

Dated: May 24, 1999

(REVERSE SIDE OF NOTE)

REPUBLIC SERVICES, INC.

6 5/8% Note due 2004

This Security is one of a duly authorized issue of Securities of the Company designated as its 6 5/8% Notes due 2004 (herein called the "Securities"), limited (except as otherwise provided in the Indenture referred to below) in aggregate principal amount to \$25,000,000, issued under and subject to the terms of an indenture (herein called the "Indenture") dated as of May 24, 1999, between the Company and The Bank of New York, as trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties, obligations and immunities thereunder of the Company, the Trustee and the Holders of the Securities, and of the terms upon which the Securities are, and are to be, authenticated and delivered.

The Securities may be redeemed at any time, at the option of the Company, in whole or in part, at any time and from time to time, upon not less than 30 and not more than 60 days' notice to the Holders thereof as provided in the Indenture, at a Redemption Price equal to the greater of (1) 100% of the principal amount of the Securities to be redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Rate plus 15 basis points, plus, in each case, accrued interest to the Redemption Date (subject to the right of holders of record of such Securities on relevant record dates to receive interest due on an interest payment date), if any.

If less than all of the Securities are to be redeemed, the Trustee shall select, not more than 60 nor less than 30 days before the Redemption Date, the Securities or portions thereof to be redeemed on a pro rata basis, by lot or by any other method the Trustee shall deem fair and appropriate.

In the case of any redemption of Securities in accordance with the Indenture, interest installments whose Stated Maturity is on or prior to the Redemption Date will be payable to the Holders of such Securities of record as of the close of business on the relevant Regular Record Date or Special Record Date referred to on the face hereof. Securities (or portions thereof) for whose redemption and payment provision is made in accordance with the Indenture shall cease to bear interest from and after the Redemption Date.

In the event of redemption or repurchase of this Security in accordance with the Indenture in part only, a new Security or Securities for the unredeemed portion hereof shall be issued in the name of the Holder hereof upon the cancellation hereof.

If an Event of Default shall occur and be continuing, the principal amount of all the Securities may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture contains provisions for defeasance at any time of (a) the entire Indebtedness on the Securities and (b) certain covenants and Defaults and Events of Default, in each case upon compliance with certain conditions set forth therein.

The Indenture permits, with certain exceptions (including certain amendments permitted without the consent of any Holders and certain amendments which required the consent of all of the Holders) as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders under the Indenture and the Securities at any time by the Company and the Trustee with the consent of the Holders of at least a majority in aggregate principal amount of the Securities of all series at the time Outstanding that are affected (voting as one class). The Indenture also contains provisions permitting the Holders of at least a majority in aggregate principal amount of the Securities (100% of the Holders in certain circumstances) of all series at the time Outstanding that are affected (voting as one class), on behalf of the Holders of all the Securities of such affected series, to waive compliance by the Company with certain provisions of the Indenture and the Securities of such series and certain past Defaults and Events of Default under the Indenture and the Securities and their consequences. Any such consent or waiver by or on behalf of the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Security.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company or any other obligor on the Securities (in the event such other obligor is obligated to make payments in respect of the Securities), which is absolute and unconditional, to pay the principal of, and premium, if any, and interest on, this Security at the times, place, and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in the Borough of Manhattan, The City of New York, duly endorsed by, or accompanied by a



written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or its attorney duly authorized in writing, and thereupon one or more new Securities, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities in certificated form are issuable only in registered form without coupons in denominations of \$1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, the Securities are exchangeable for a like aggregate principal amount of Securities of a differing authorized denomination, as requested by the Holder surrendering the same.

Except as indicated in the Indenture, no service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

THIS SECURITY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE TO CONFLICT OF LAWS PRINCIPLES THEREOF.

All terms used in this Security which are defined in the Indenture and not otherwise defined herein shall have the meanings assigned to them in the Indenture.

(FACE OF NOTE)

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY OR A SUCCESSOR DEPOSITARY. TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF CEDE & CO. OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTION 306 OF THE INDENTURE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT AND ANY SUCH CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

## REPUBLIC SERVICES, INC.

-----  
7-1/8% NOTE DUE 2009

CUSIP NO. 760759AA8

No. 1

\$200,000,000

Republic Services, Inc., a Delaware corporation (herein called the "Company," which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co. or registered assigns, the principal sum of TWO HUNDRED MILLION DOLLARS (\$200,000,000) United States dollars on May 15, 2009, at the office or agency of the Company referred to below, and to pay interest thereon from May 24, 1999, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semiannually on May 15 and November 15 in each year, commencing November 15, 1999 at the rate of 7-1/8% per annum, in United States dollars, until the principal hereof is paid or duly provided for. Interest shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security is registered at the close of business on the Regular Record Date for such interest, which shall be the May 1 or November 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid, or duly provided for, and interest on such defaulted interest at the interest rate borne by the Securities, to the extent lawful, shall forthwith cease to be payable to the Holder on such Regular Record Date, and may either be paid to the Person in whose name this Security (or any Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice thereof shall be given to Holders of Securities not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, all as more fully provided in this Indenture.

Payment of the principal of, premium, if any, and interest on, this Security, and exchange or transfer of this Security, will be made at the office or agency of the Company in The City of New York maintained for such purpose (which initially will be a corporate trust office of the Trustee or its affiliate located at 101 Barclay Street, Floor 21W, New York, NY 10286), or at such other office or agency as may be maintained for

such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; PROVIDED, HOWEVER, that payment of interest may be made at the option of the Company by check mailed to the address of the Person entitled thereto as such address shall appear on the Security Register.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been duly executed by the Trustee referred to on the reverse hereof or by the authenticating agent appointed as provided in the Indenture by manual signature of an authorized signer, this Security shall not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed by the manual or facsimile signature of its authorized officer.

REPUBLIC SERVICES, INC.

By: /s/ Edward A. Lang, III

-----

Name: Edward A. Lang, III

Title: Vice President, Finance and Treasurer

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the 7 1/8% Notes due 2009 referred to in the within-mentioned Indenture.

THE BANK OF NEW YORK, as Trustee

By: /s/ Remo J. Reale

-----

Authorized Signatory

Dated: May 24, 1999

(REVERSE SIDE OF NOTE)

REPUBLIC SERVICES, INC.

7 1/8% Note due 2009

This Security is one of a duly authorized issue of Securities of the Company designated as its 7 1/8% Notes due 2009 (herein called the "Securities"), limited (except as otherwise provided in the Indenture referred to below) in aggregate principal amount to \$200,000,000, issued under and subject to the terms of an indenture (herein called the "Indenture") dated as of May 24, 1999, between the Company and The Bank of New York, as trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties, obligations and immunities thereunder of the Company, the Trustee and the Holders of the Securities, and of the terms upon which the Securities are, and are to be, authenticated and delivered.

The Securities may be redeemed at any time, at the option of the Company, in whole or in part, at any time and from time to time, upon not less than 30 and not more than 60 days' notice to the Holders thereof as provided in the Indenture, at a Redemption Price equal to the greater of (1) 100% of the principal amount of the Securities to be redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Rate plus 20 basis points, plus, in each case, accrued interest to the Redemption Date (subject to the right of holders of record of such Securities on relevant record dates to receive interest due on an interest payment date), if any.

If less than all of the Securities are to be redeemed, the Trustee shall select, not more than 60 nor less than 30 days before the Redemption Date, the Securities or portions thereof to be redeemed on a pro rata basis, by lot or by any other method the Trustee shall deem fair and appropriate.

In the case of any redemption of Securities in accordance with the Indenture, interest installments whose Stated Maturity is on or prior to the Redemption Date will be payable to the Holders of such Securities of record as of the close of business on the relevant Regular Record Date or Special Record Date referred to on the face hereof. Securities (or portions thereof) for whose redemption and payment provision is made in accordance with the Indenture shall cease to bear interest from and after the Redemption Date.

In the event of redemption or repurchase of this Security in accordance with the Indenture in part only, a new Security or Securities for the unredeemed portion hereof shall be issued in the name of the Holder hereof upon the cancellation hereof.

If an Event of Default shall occur and be continuing, the principal amount of all the Securities may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture contains provisions for defeasance at any time of (a) the entire Indebtedness on the Securities and (b) certain covenants and Defaults and Events of Default, in each case upon compliance with certain conditions set forth therein.

The Indenture permits, with certain exceptions (including certain amendments permitted without the consent of any Holders and certain amendments which required the consent of all of the Holders) as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders under the Indenture and the Securities at any time by the Company and the Trustee with the consent of the Holders of at least a majority in aggregate principal amount of the Securities of all series at the time Outstanding that are affected (voting as one class). The Indenture also contains provisions permitting the Holders of at least a majority in aggregate principal amount of the Securities (100% of the Holders in certain circumstances) of all series at the time Outstanding that are affected (voting as one class), on behalf of the Holders of all the Securities of such affected series, to waive compliance by the Company with certain provisions of the Indenture and the Securities of such series and certain past Defaults and Events of Default under the Indenture and the Securities and their consequences. Any such consent or waiver by or on behalf of the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Security.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company or any other obligor on the Securities (in the event such other obligor is obligated to make payments in respect of the Securities), which is absolute and unconditional, to pay the principal of, and premium, if any, and interest on, this Security at the times, place, and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in the Borough of Manhattan, The City of New York, duly endorsed by, or accompanied by a



written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or its attorney duly authorized in writing, and thereupon one or more new Securities, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities in certificated form are issuable only in registered form without coupons in denominations of \$1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, the Securities are exchangeable for a like aggregate principal amount of Securities of a differing authorized denomination, as requested by the Holder surrendering the same.

Except as indicated in the Indenture, no service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

THIS SECURITY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE TO CONFLICT OF LAWS PRINCIPLES THEREOF.

All terms used in this Security which are defined in the Indenture and not otherwise defined herein shall have the meanings assigned to them in the Indenture.

## (FACE OF NOTE)

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY OR A SUCCESSOR DEPOSITARY. TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF CEDE & CO. OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTION 306 OF THE INDENTURE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT AND ANY SUCH CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

## REPUBLIC SERVICES, INC.

-----

7-1/8% NOTE DUE 2009

CUSIP NO. 760759AA8

No. 2

\$175,000,000

Republic Services, Inc., a Delaware corporation (herein called the "Company," which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co. or registered assigns, the principal sum of ONE HUNDRED SEVENTY-FIVE MILLION DOLLARS (\$175,000,000) United States dollars on May 15, 2009, at the office or agency of the Company referred to below, and to pay interest thereon from May 24, 1999, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semiannually on May 15 and November 15 in each year, commencing November 15, 1999 at the rate of 7-1/8% per annum, in United States dollars, until the principal hereof is paid or duly provided for. Interest shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security is registered at the close of business on the Regular Record Date for such interest, which shall be the May 1 or November 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid, or duly provided for, and interest on such defaulted interest at the interest rate borne by the Securities, to the extent lawful, shall forthwith cease to be payable to the Holder on such Regular Record Date, and may either be paid to the Person in whose name this Security (or any Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice thereof shall be given to Holders of Securities not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, all as more fully provided in this Indenture.

Payment of the principal of, premium, if any, and interest on, this Security, and exchange or transfer of this Security, will be made at the office or agency of the Company in The City of New York maintained for such purpose (which initially will be a corporate trust office of the Trustee or its affiliate located at 101 Barclay Street, Floor 21W, New York, NY 10286), or at such other office or agency as may be maintained for

such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; PROVIDED, HOWEVER, that payment of interest may be made at the option of the Company by check mailed to the address of the Person entitled thereto as such address shall appear on the Security Register.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been duly executed by the Trustee referred to on the reverse hereof or by the authenticating agent appointed as provided in the Indenture by manual signature of an authorized signer, this Security shall not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed by the manual or facsimile signature of its authorized officer.

REPUBLIC SERVICES, INC.

By: /s/ Edward A. Lang, III

-----  
Name: Edward A. Lang, III

Title: Vice President, Finance and Treasurer

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the 7 1/8% Notes due 2009 referred to in the within-mentioned Indenture.

THE BANK OF NEW YORK, as Trustee

By: /s/ Remo J. Reale

-----  
Authorized Signatory

Dated: May 24, 1999

(REVERSE SIDE OF NOTE)

REPUBLIC SERVICES, INC.

7 1/8% Note due 2009

This Security is one of a duly authorized issue of Securities of the Company designated as its 7 1/8% Notes due 2009 (herein called the "Securities"), limited (except as otherwise provided in the Indenture referred to below) in aggregate principal amount to \$175,000,000, issued under and subject to the terms of an indenture (herein called the "Indenture") dated as of May 24, 1999, between the Company and The Bank of New York, as trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties, obligations and immunities thereunder of the Company, the Trustee and the Holders of the Securities, and of the terms upon which the Securities are, and are to be, authenticated and delivered.

The Securities may be redeemed at any time, at the option of the Company, in whole or in part, at any time and from time to time, upon not less than 30 and not more than 60 days' notice to the Holders thereof as provided in the Indenture, at a Redemption Price equal to the greater of (1) 100% of the principal amount of the Securities to be redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Rate plus 20 basis points, plus, in each case, accrued interest to the Redemption Date (subject to the right of holders of record of such Securities on relevant record dates to receive interest due on an interest payment date), if any.

If less than all of the Securities are to be redeemed, the Trustee shall select, not more than 60 nor less than 30 days before the Redemption Date, the Securities or portions thereof to be redeemed on a pro rata basis, by lot or by any other method the Trustee shall deem fair and appropriate.

In the case of any redemption of Securities in accordance with the Indenture, interest installments whose Stated Maturity is on or prior to the Redemption Date will be payable to the Holders of such Securities of record as of the close of business on the relevant Regular Record Date or Special Record Date referred to on the face hereof. Securities (or portions thereof) for whose redemption and payment provision is made in accordance with the Indenture shall cease to bear interest from and after the Redemption Date.

In the event of redemption or repurchase of this Security in accordance with the Indenture in part only, a new Security or Securities for the unredeemed portion hereof shall be issued in the name of the Holder hereof upon the cancellation hereof.

If an Event of Default shall occur and be continuing, the principal amount of all the Securities may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture contains provisions for defeasance at any time of (a) the entire Indebtedness on the Securities and (b) certain covenants and Defaults and Events of Default, in each case upon compliance with certain conditions set forth therein.

The Indenture permits, with certain exceptions (including certain amendments permitted without the consent of any Holders and certain amendments which required the consent of all of the Holders) as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders under the Indenture and the Securities at any time by the Company and the Trustee with the consent of the Holders of at least a majority in aggregate principal amount of the Securities of all series at the time Outstanding that are affected (voting as one class). The Indenture also contains provisions permitting the Holders of at least a majority in aggregate principal amount of the Securities (100% of the Holders in certain circumstances) of all series at the time Outstanding that are affected (voting as one class), on behalf of the Holders of all the Securities of such affected series, to waive compliance by the Company with certain provisions of the Indenture and the Securities of such series and certain past Defaults and Events of Default under the Indenture and the Securities and their consequences. Any such consent or waiver by or on behalf of the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Security.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company or any other obligor on the Securities (in the event such other obligor is obligated to make payments in respect of the Securities), which is absolute and unconditional, to pay the principal of, and premium, if any, and interest on, this Security at the times, place, and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in the Borough of Manhattan, The City of New York, duly endorsed by, or accompanied by a



written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or its attorney duly authorized in writing, and thereupon one or more new Securities, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities in certificated form are issuable only in registered form without coupons in denominations of \$1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, the Securities are exchangeable for a like aggregate principal amount of Securities of a differing authorized denomination, as requested by the Holder surrendering the same.

Except as indicated in the Indenture, no service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

THIS SECURITY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE TO CONFLICT OF LAWS PRINCIPLES THEREOF.

All terms used in this Security which are defined in the Indenture and not otherwise defined herein shall have the meanings assigned to them in the Indenture.

## Subsidiaries of Republic Services, Inc.

Name of Company	State of Incorporation
A-Best Disposal, Inc.	OH
A.G. Disposal Service, Inc.	NY
AAA Disposal of Tennessee, Inc.	TN
Ace Disposal Service, Inc.	OH
ADAJ Corporation	CA
Addington Environmental, Inc.	KY
Alameda Associates	CA
All Refuse Services, Inc.	NY
All Service Refuse Company, Inc.	FL
Alpco Waste Systems, Inc.	NY
Anderson Refuse Company, Inc.	IN
Anderson Solid Waste, Inc.	CA
Antler Park, Inc.	IN
Arc Disposal Company, Inc.	IL
Ariana, LLC	DE
ASCO Sanitation	MS
Astro Waste Services	ME
Atlas Transport, Inc.	CA
Barker Brothers Waste Incorporated	TN
Barker Brothers, Inc.	TN
Berrien County Landfill, Inc.	MI
BI-CO Transfer Station, Inc.	IN
BLT - REPUBLIC, L.L.C.	DE
BLT Enterprises of Oxnard, Inc.	CA
Bluegrass Recycling & Transfer Company	KY
Boone & Casey Trucking, LLC	KY
Bosman Brothers, Inc.	IL
Burgess Refuse Removal Service, Inc.	NC
Calvert Trash Service Incorporated	MD
Calvert Trash Systems Incorporated	MD
Capital Waste & Recycling, Inc.	NY
Cates Rubbish Removal Services, Inc.	NH
Central Pike Demolition Landfill, Inc.	TN
Clinton Disposal Services, Inc.	NY
Coggins Waste Management, Inc.	NJ
Collection Service Company, Inc.	NC
Collection Services, Inc.	KY
Commercial Waste Disposal, Inc.	KY
Compactor Rental Systems of Delaware, Inc.	DE
Consolidated Disposal Service, LLC	DE
Continental Waste Industries - Gary, Inc.	IN
Continental Waste Industries, Inc.	DE
Covington Waste, Inc.	TN
CWI of FLA, Inc.	FL
CWI of Illinois, Inc.	IL
CWI of Missouri, Inc.	MO
CWI of Northwest Indiana, Inc.	IN
D. W. Gutzmer Rubbish Disposal, Inc.	NY
Disposal Services, Inc.	NY
Dozit Company, Inc.	KY
Duncan Disposal, Inc. f/k/a Wes Tex Waste Services	TX
E & P Investment Corporation	IL
East Carolina Environemtnal, Inc.	KY
ECO Services of SC, Inc. & Sea Island Maintenance	SC

## Subsidiaries of Republic Services, Inc.

Name of Company	State of Incorporation
El Centro Sanitation Service, Co.	CA
Envirocycle, Inc.	FL
Environmental Specialists, Inc.	MO
Epperson Waste Disposal, Inc.	KY
Fenn-Vac, Inc.	SC
Fennell Container Co., Inc.	SC
Fisk Environmental Services, Inc.	IN
Fisk Sanitation Service, Inc.	IN
FLL, Inc.	MI
Foothills Environmental Landfill, LLC	NC
G.E.M. Environmental Management, Inc.	DE
Garbage Disposal Service, Inc.	NC
Gilliam Transfer, Inc.	MO
Green Disposal, Inc.	UT
Green Valley Disposal Company, Inc.	WI
Green Valley Environmental Corp.	KY
Greenfield Environmental Development Corp.	DE
Gulf Coast Waste Service, Inc.	FL
Hanks Disposal, Inc.	IN
Helpers Hand of America, Inc.	IN
Hillside Disposal Service, Inc.	IL
Hinkson Container Service, Inc.	PA
Honeygo Run Reclamation, Inc.	MD
Independent Hauling, Inc.	PA
Indiana Recycling LLC - East Chicago Transfer Station	IN
Jamax Corporation	IN
JMN, Inc.	NC
K & K Trash Removal, Inc.	MD
Karat Corp.	NJ
L.R. Stuart and Son, Inc.	VA
M-G Disposal Service, LLC	DE
McCusker & Sons Paper Salvage, Inc.	PA
McCusker Recycling, Inc.	PA
Meyer Mechanical Services, Inc.	IN
Meyer Transportation, LLC	IN
Meyer Waste Systems, Inc.	IN
Mid-East Waste Services, Inc.	NC
Midwest Material Management, Inc.	IN
National Serv-All, Inc.	IN
Noble Risley, Jr. & Sons, Inc.	IL
Northwest Tennessee Disposal Corp.	TN
NRL, Inc.	KY
Oceanside Partnership	CA
Ogborne Trash Removal, Inc.	DE
Ogborne Waste Removal, Inc.	PA
Ohio County Balefill, Inc.	KY
Olympic Disposal	NY
Peninsula Waste Systems, LLC	MD
Pepperhill Development Co., Inc.	SC
Perdomo & Sons, Inc.	CA
Pinellas Environmental, Inc.	KY
Prichard Landfill Corporation	WV
Rainbow Disposal, Inc.	IN
Raritan Valley Disposal Service Co., Inc.	NJ
Raritan Valley Recycling, Inc.	NJ
Recycling Concepts, Inc.	NC
Reliable Disposal	MI

## Subsidiaries of Republic Services, Inc.

Name of Company	State of Incorporation
Republic Acquisition Company	DE
Republic Dumpco, Inc.	NV
Republic Environmental Technology, Inc.	NV
Republic Imperial Acquisition Corp.	OK
Republic Services of Florida GP, Inc.	DE
Republic Services Aviation, Inc.	FL
Republic Services fo Georgia LP, Inc.	DE
Republic Services Group of Pennsylvania Hauling, LLC	PA
Republic Services Group of Pennsylvania I, LLC	PA
Republic Services Group of Pennsylvania II, LLC	PA
Republic Services Group of Pennsylvania III, LLC	PA
Republic Services Group of Pennsylvania IV, LLC	PA
Republic Services Holding Company, Inc.	DE
Republic Services Leasing, Inc.	DE
Republic Services of Arizona Hauling, LLC	AZ
Republic Services of California Holding Company, Inc.	DE
Republic Services of California I, LLC	DE
Republic Services of California II, LLC	DE
Republic Services of Canada, Inc.	Canada
Republic Services of Charlotte, LLC	NC
Republic Services of Colorado Hauling, LLC	CO
Republic Services of Colorado I, LLC	CO
Republic Services of Florida LP, Inc.	DE
Republic Services of Florida, Limited Partnership	DE
Republic Services of Georgia GP, Inc.	DE
Republic Services of Georgia, Limited Partnership	DE
Republic Services of Illinois Waukegan, LLC	DE
Republic Services of Illinois, LLC	DE
Republic Services of Indiana, LLC	IN
Republic Services of Kentucky, LLC	KY
Republic Services of Maryland, LLC	MD
Republic Services of Michigan Hauling, LLC	MI
Republic Services of Michigan Holding Company, Inc.	DE
Republic Services of Michigan I, LLC	MI
Republic Services of Michigan II, LLC	MI
Republic Services of Michigan III, LLC	MI
Republic Services of Michigan IV, LLC	MI
Republic Services of Michigan V, LLC	MI
Republic Services of New Jersey, Inc. f/k/a Middlesex	NJ
Republic Services of New Jersey, LLC	NJ
Republic Services of New York Hauling, LLC	NY
Republic Services of New York I, LLC	NY
Republic Services of New York II, LLC	NY
Republic Services of North Carolina, LLC	NC
Republic Services of Ohio Hauling, LLC	OH
Republic Services of Ohio I, LLC	OH
Republic Services of Ohio II, LLC	OH
Republic Services of Ohio III, LLC	OH
Republic Services of Ohio IV, LLC	OH
Republic Services of Ohio V, LLC	OH
Republic Services of Tennessee I, LLC	DE
Republic Services of Virginia, LLC	VA
Republic Services of Wisconsin GP, Inc.	DE
Republic Services of Wisconsin Hauling, LLC	WI
Republic Services of Wisconsin I, LLC	WI
Republic Services of Wisconsin II, LLC	WI
Republic Services of Wisconsin LP, Inc.	DE

## Subsidiaries of Republic Services, Inc.

Name of Company	State of Incorporation
Republic Services of Wisconsin, Limited Partnership	DE
Republic Services Vasco Road, LLC	DE
Republic Services, Inc.	DE
Republic Silverstate Disposal, Inc.	NV
Republic Wabash Company	DE
Republic Waste Services of Texas LP, Inc.	DE
Republic Waste Services of Texas, Ltd.	TX
RITM, LLC	DE
Robert A. Moor, Jr. Disposal Services, Inc.	PA
Rochester Dismantling and Roll-Off, Inc.	NY
RS/WM Holding Company, LLC	DE
RSI Purchasing and Leasing, Inc.	DE
Rubbish Control, LLC	DE
Safety Lights, Inc.	TN
Sandy Hollow Landfill Corp.	WV
Sanifill, Inc.	TN
Schofield Corporation of Orlando	FL
South Trans, Inc.	NJ
Southern Illinois Regional Landfill, Inc.	IL
Specialized Waste Systems, Inc.	CA
Spector Waste Paper Corp.	NY
Springfield Environmental, Inc.	IN
Springfield Environmental, Inc.	DE
Suburban Disposal Service, Inc.	SC
Suburban Sanitation of California, Inc.	CA
Suburban Sanitation Services, Inc.	AZ
Sunrise Disposal, Inc.	IN
Swift Creek Environmental, Inc.	GA
Taormina Industries, LLC	DE
Tay-Ban Corporation	MI
Terre Haute Recycling, Inc.	IN
The LETCO Group, Limited Partnership	DE
Town & Country Disposal, Inc.	NY
Tri-County Refuse Service, Inc.	MI
Tri-K Landfill, Inc.	KY
Tri-State Ltd.	IN
Triple G Landfills, Inc.	IN
United Refuse Co., Inc.	IN
Upper Piedmont Environmental, Inc.	KY
Upstate Disposal Services, Inc.	DE
Upstate Disposal Services, LLC	NY
Uwharrie Environmental, Inc.	KY
Victory Environmental Services, Inc.	DE
Victory Waste Incorporated	CA
W.R. Lalevee Realty Company, Inc.	NJ
Wabash Valley Landfill Company, Ltd.	PA
Wabash Valley Refuse Removal Company, L.P.	IN
Westchester Investments, Inc.	IN
Wilshire Disposal Services, Inc.	CA
Wood River Rubbish Company, Inc.	ID
WPP Services, Inc.	OH
York Waste Disposal, Inc.	PA
Zakaroff Services	CA

YEAR			
	DEC-31-1999		
	JAN-01-1999		
	DEC-31-1999	13,100,000	
		0	
		265,100,000	
		14,200,000	
		0	
		332,000,000	
		2,174,300,000	
		568,800,000	
		3,288,300,000	
385,300,000		1,152,100,000	
		0	
		0	
		1,800,000	
3,288,300,000		1,500,900,000	
		0	
		1,838,500,000	
		0	
		1,101,100,000	
		346,800,000	
		0	
		0	
		326,500,000	
		125,700,000	
200,800,000		0	
		0	
		0	
		200,800,000	
		1.14	
		1.14	