

REPUBLIC SERVICES INC

Form DEF 14A

April 01, 2005

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

REPUBLIC SERVICES, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

April 1, 2005

Dear Stockholder:

We invite you to attend the 2005 Annual Meeting of Stockholders of Republic Services, Inc., which we will hold at 10:30 a.m. on Thursday, May 12, 2005 on the 7th Floor of the AutoNation Tower, 110 S.E. 6th Street, Fort Lauderdale, Florida 33301. On the following pages we describe in the formal notice and proxy statement the matters our stockholders will consider at the annual meeting.

In addition to the specific matters we will request our stockholders to act upon, we will report on our business and provide our stockholders an opportunity to ask questions of general interest.

Whether or not you plan to attend in person, it is important that you have your shares represented at the annual meeting. **Please date and sign your proxy card and return it in the enclosed envelope as soon as possible.** The board of directors recommends that stockholders vote FOR each of the director nominees, FOR the Company's proposal described in the proxy statement and AGAINST the stockholder proposal described in the proxy statement. Thank you.

Sincerely,

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

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**110 S.E. 6th Street  
Fort Lauderdale, Florida 33301**

**NOTICE OF THE 2005 ANNUAL MEETING OF STOCKHOLDERS**

To the Stockholders of Republic Services, Inc.:

We will hold the 2005 Annual Meeting of Stockholders of Republic Services, Inc. at 10:30 a.m. on Thursday, May 12, 2005 on the 7th Floor of the AutoNation Tower, 110 S.E. 6th Street, Fort Lauderdale, Florida 33301, for the following purposes:

- (1) To elect directors to a term of office expiring at the annual meeting of stockholders in the year 2006 or until their respective successors are duly elected and qualified;
- (2) To ratify the appointment of Ernst & Young LLP as our company's independent public accountants for 2005;
- (3) To consider the stockholder proposal further described on page 25; and
- (4) To transact such other business as may properly come before the annual meeting or any adjournment thereof.

Only stockholders of record at the close of business on March 21, 2005 are entitled to notice of and to vote at the annual meeting or any adjournment of the annual meeting.

We cordially invite you to attend the annual meeting in person. **Even if you plan to attend in person, we request that you date, sign and return the enclosed proxy at your earliest convenience.** You may revoke your proxy at any time before its use.

By Order of the Board of Directors,

David A. Barclay  
*Senior Vice President,  
General Counsel and Assistant  
Secretary*

Fort Lauderdale, Florida  
April 1, 2005

**PLEASE DATE AND SIGN THE ENCLOSED PROXY AND RETURN IT  
PROMPTLY IN THE ENVELOPE PROVIDED FOR THAT PURPOSE.**

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**REPUBLIC SERVICES, INC.**

110 S.E. 6th Street

Fort Lauderdale, Florida 33301

**PROXY STATEMENT**

We furnish this proxy statement in connection with the solicitation of proxies by our board of directors for use at our 2005 Annual Meeting of Stockholders, or any postponement or adjournment of the meeting. We will hold the annual meeting at 10:30 a.m. on Thursday, May 12, 2005 on the 7th Floor of the AutoNation Tower, 110 S.E. 6th Street, Fort Lauderdale, Florida 33301.

We mailed this proxy statement, the notice of annual meeting, the proxy card and our annual report to our stockholders on or about April 1, 2005.

**Record Date**

Only stockholders of record at the close of business on March 21, 2005 may vote at the annual meeting.

**Shares Outstanding and Voting Rights**

The only voting stock of our company currently outstanding is our common stock. As of the close of business on March 21, 2005, there were 146,578,768 shares of common stock outstanding. Each share of common stock issued and outstanding is entitled to one vote on each of the matters properly presented at the annual meeting.

**Proxy Procedure**

Proxies properly executed and returned in a timely manner will be voted at the annual meeting according to the voting instructions noted on the proxies. Proxies without voting instructions will be voted to elect the individuals nominated as directors in this proxy statement, for our company's proposal set forth in the notice of annual meeting, against the stockholder proposal further described on page 25, and in the best judgment of the persons acting under the proxies on other matters presented for a vote. Any stockholder giving a proxy has the power, at any time before it is voted, to revoke it in person at the annual meeting, by written notice to the secretary of our company at the address above, or by delivery to the secretary of our company of a later-dated proxy.

The inspector of elections appointed for the meeting will tabulate the votes cast by proxy or in person at the annual meeting. The inspector will count these votes in determining whether or not a quorum is present. A majority of the shares entitled to vote, represented in person or by proxy, will constitute a quorum for the transaction of business at the annual meeting. Abstentions and broker shares, which are shares held in street name, that are voted as to any matter at the meeting will be included in determining the number of shares present or represented at the annual meeting. Broker shares that are not voted on any matter at the annual meeting will not be included in determining the number of shares present or represented at the annual meeting.

Our 401(k) Plan provides that the trustee of the 401(k) Plan shall vote the number of shares of our common stock allocated to a participant's account as instructed by the participant. Courts have held that trustees are required to follow participants' instructions

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unless they determine that doing so would breach their fiduciary responsibilities under the Employee Retirement Income Security of 1974, as amended. Voting instruction forms are being mailed to all participants in the 401(k) Plan. If a participant also owns shares outside the 401(k) Plan, the participant must return both the proxy card and the voting instruction forms as indicated on those forms.

#### **Voting Requirements**

Each director will be elected by the affirmative vote of a plurality of the votes cast by the shares of common stock present at the annual meeting, in person or by proxy, and entitled to vote on the election of directors. The affirmative vote of the holders of a majority of our common stock present at the annual meeting, in person or by proxy, and entitled to vote, is required for each other item and to approve any other matter duly brought to a vote at the annual meeting.

Broker shares that are not voted on a particular proposal at the annual meeting will have no effect on that matter. Abstentions from voting on a particular proposal will have the effect of votes against the particular proposal.

#### **Costs of Solicitation**

Our board of directors will solicit proxies by mail. Our directors, officers and a small number of other employees of our company may also solicit proxies personally or by mail, telephone, or otherwise. We will not compensate these persons for their solicitation. We will request brokerage firms, banks, fiduciaries, voting trustees or other nominees to forward the soliciting material to each beneficial owner of stock held of record by them. We have hired The Altman Group, Inc. to coordinate the solicitation of proxies by and through these holders for a fee of approximately \$6,500 plus expenses. We will bear the entire cost of the solicitation.

### **BIOGRAPHICAL INFORMATION REGARDING DIRECTORS/ NOMINEES AND EXECUTIVE OFFICERS**

#### **Directors**

We provide below biographical information for each current director and each person who is a nominee for election as a director of our company at the annual meeting.

**James E. O Connor**, age 55, was named Chairman of the board of directors in January 2003. He continues to serve as Chief Executive Officer and as a director, positions he was named to in December 1998. From 1972 to 1978 and from 1982 to 1998, Mr. O Connor served in various positions with Waste Management, Inc., an integrated solid waste service company, including Senior Vice President from 1997 to 1998, Area President of Waste Management of Florida, Inc. from 1992 to 1997, Senior Vice President of Waste Management North America from 1991 to 1992 and Vice President Southeastern Region from 1987 to 1991.

**Harris W. Hudson**, age 62, was named our Vice Chairman, Secretary and a director in May 1998. From 1996 until 1998, Mr. Hudson served as Chairman of the Solid Waste Group of AutoNation, Inc., our former parent company and the nation's largest automotive

retailer. In 1995 and 1996, Mr. Hudson served as President of AutoNation. From 1983 until 1995, Mr. Hudson served as Chairman, Chief Executive Officer and President of Hudson Management Corporation, a solid waste collection company that he founded. In 1995, Hudson Management merged with AutoNation (then known as Republic Waste Industries, Inc.). From 1964 until 1982, Mr. Hudson served as Vice President of Waste Management of Florida and its predecessor.

**John W. Croghan**, age 74, was named a director in July 1998. Since April 2002, Mr. Croghan has served as Chairman of Rail-Splitter Capital Management, LLC, an investment management firm formerly known as CMF Capital Management, Inc. Mr. Croghan was President and General Partner of Lincoln Partners, a partnership of Lincoln Capital Management Inc. He was a founder and, from 1967 through December 2000, the Chairman of Lincoln Capital Management, an investment management firm. Mr. Croghan was retired from January 2001 until April 2002. He is a director of Schwarz Paper Company.

**W. Lee Nutter**, age 61, was named a director in February 2004 to fill a vacancy on our board resulting from the board voting to increase the number of directors. Mr. Nutter is Chairman, President and Chief Executive Officer of Rayonier, Inc., a leading supplier of high performance specialty cellulose fibers. Mr. Nutter joined Rayonier in 1967 in the Northwest Forest Operations and in 1984 was named Vice President, Timber and Wood, Inc., a leading supplier of high performance specialty cellulose fibers; Vice President, Forest Products in 1985; Senior Vice President, Operations in 1986 and Executive Vice President in 1987. Mr. Nutter was elected President and Chief Operating Officer and a director of Rayonier in 1996 and to his current position effective January 1999. Mr. Nutter serves on the board of directors and the Executive Committee of the American Forest and Paper Association and on the board of directors of the National Council for Air and Stream Improvement. Mr. Nutter is also a member of the North Florida Regional Board of SunTrust Bank.

**Ramon A. Rodriguez**, age 59, was named a director in March 1999. Mr. Rodriguez has served as President and Chief Executive Officer of Madsen, Sapp, Mena, Rodriguez & Co., P.A., a firm of certified public accountants, since 1981. He is a past Chairman of the Florida Board of Accountancy and was also President of the Florida Institute of Certified Public Accountants. Mr. Rodriguez is also a member of the board of directors of Bancshares of Florida, a bank holding company and of DME Corporation, a defense contractor.

**Allan C. Sorensen**, age 66, was named a director in November 1998. Mr. Sorensen is the President and Chief Executive Officer, a co-founder and Vice Chairman of the board of directors of Interim Health Care, Inc., which Interim Services, Inc., now known as Spherion Corporation, spun-off in October 1997. Prior to that, Mr. Sorensen served as a director and in various capacities including President, Chief Executive Officer and Chairman of Interim Services from 1967 to 1997. He was a member of the board of directors of H&R Block, Inc. from 1979 until 1993 when Interim Services was spun off in an initial public offering.

**Michael W. Wickham**, age 58, was named a director in October 2004 to fill a vacancy on our board resulting from the retirement of a former director. From 1996 to 2003, Mr. Wickham served as President and Chief Executive Officer of Roadway Corporation. He also served as Chairman of Roadway from 1998 until his planned

retirement in December 2003. He served as President of Roadway from July 1990 through March 1998 and Director of Roadway since 1989.

#### **Executive Officers**

We provide below biographical information for each of our executive officers who is not a nominee for director.

**Michael J. Cordesman**, age 57, was named President and Chief Operating Officer in February 2003. From March 2002 until February 2003, he served as our Vice President and Chief Operating Officer. Mr. Cordesman served as our Eastern Region Vice President from June 2001 until February 2003. From 1999 to 2001, Mr. Cordesman served as Vice President of the Central Region for Superior Services, Inc. From 1980 until 1999, Mr. Cordesman served in various positions with Waste Management including Vice President of the Mid-Atlantic Region from 1992 until 1999.

**David A. Barclay**, age 42, was named Senior Vice President, General Counsel and Assistant Secretary in August 1998. Mr. Barclay served as Senior Vice President and General Counsel of AutoNation's Solid Waste Group from March 1998 until July 1998. Prior to that, from January 1997 to February 1998, Mr. Barclay was Vice President and Associate General Counsel of AutoNation.

**Tod C. Holmes**, age 56, was named Senior Vice President and Chief Financial Officer in August 1998. Mr. Holmes served as our Vice President - Finance from June 1998 until August 1998 and as Vice President of Finance of AutoNation's Solid Waste Group from January 1998 until July 1998. From 1987 to 1998, Mr. Holmes served in various positions with Browning-Ferris Industries, Inc., including Vice President, Investor Relations from 1996 to 1998, Divisional Vice President, Collection Operations from 1995 to 1996, Divisional Vice President and Regional Controller - Northern Region from 1993 to 1995, and Divisional Vice President and Assistant Corporate Controller from 1991 to 1993.

### **PROPOSAL 1 ELECTION OF DIRECTORS**

The board of directors currently consists of seven members. The board of directors, upon recommendation of the nominating and corporate governance committee, and with respect to Messrs. O'Connor and Hudson, also in accordance with the terms of their employment agreements, has designated the persons named below as nominees for election as directors, for a term expiring at the annual meeting of stockholders in the year 2006. All nominees are currently serving as directors. Mr. Wickham was named to the board of directors in October 2004 to fill a vacancy created by the retirement of a former director. Each director is elected by the affirmative vote of a plurality of the votes cast by the shares of common stock present at the annual meeting, in person or by proxy, and entitled to vote for the election of directors. It is the intention of the persons named in the enclosed form of proxy to vote the proxies they receive for the election of the nominees named below, unless a particular proxy withholds authorization to do so or provides other contrary instructions. Each of the nominees has indicated that he is willing and able to serve as a director. If before the annual meeting any nominee becomes unable to serve, an event which is not anticipated by the board of directors, the proxies will be voted for the election of whomever the board of directors may designate.



## Nominees For Director

James E. O Connor  
Harris W. Hudson  
John W. Croghan  
W. Lee Nutter  
Ramon A. Rodriguez  
Allan C. Sorensen  
Michael W. Wickham

**The board of directors unanimously recommends a vote FOR the election of each of the nominees for director named above. Proxies executed and returned will be so voted unless contrary instructions are indicated thereon.**

### **BOARD OF DIRECTORS AND CORPORATE GOVERNANCE MATTERS**

The board of directors develops our business strategy, establishes our overall policies and standards, and reviews the performance of management in executing our business strategy and implementing our policies and standards. We keep directors informed of our operations at meetings and through reports and analyses presented to the board of directors and committees of the board. Significant communications between the directors and management also occur apart from meetings of the board of directors and committees of the board.

#### **Corporate Governance**

The board of directors held five meetings and took seven actions by unanimous written consent during 2004. Each incumbent director attended at least 80% of the total number of meetings of the board of directors and the total number of meetings held by all committees of the board on which he served. Two directors attended our 2004 annual meeting of stockholders.

The board of directors has determined that our five non-management directors, Messrs. Croghan, Nutter, Rodriguez, Sorensen and Wickham, have met the standards of independence as set forth in our Corporate Governance Guidelines, which are consistent with the listing standards established by the New York Stock Exchange. The non-management directors meet at least once per year in an executive session. The non-management directors elect a presiding director for each executive session at which the non-management directors meet. In 2004, our non-management directors met three times in executive session.

Our executive officers attend ISS-accredited seminars and continuing education programs relating to corporate governance matters.

#### **Presiding Director**

The board of directors has created the position of Presiding Director to serve as the lead non-management director of the board of directors. The Presiding Director position shall at all times be held by an independent director, as that term is defined from time to time by the listing standards of the New York Stock Exchange and as determined by the board of directors in accordance with its Corporate Governance Guidelines.

The Presiding Director will have, in addition to the powers and authorities of a member of our board of directors, the power and authority to (a) preside at all meetings of non-management directors when they meet in executive session without the participation of management, (b) set agendas, priorities and procedures for meetings of non-management directors when they meet in executive session without the participation of management, (c) coordinate with non-management directors the review, revision, addition or deletion of proposed agenda items for any meeting of the board of directors, (d) request access to any employee of the company at any time, and (e) retain independent outside financial, legal or other advisors on behalf of any committee or subcommittee of the board of directors.

The nominating and corporate governance committee shall recommend a member of the board of directors to serve as Presiding Director. Upon approval by the board of directors, such person shall serve as Presiding Director for a period of not more than two (2) consecutive years. The current Presiding Director of the company is Mr. Sorensen, who was approved by the board of directors effective as of October 1, 2004.

#### **Board Committees and Meetings**

The board of directors has established four committees: the executive committee, the audit committee, the compensation committee and the nominating and corporate governance committee. Committee member appointments are re-evaluated annually and approved by the board of directors at its next regularly scheduled meeting that follows the annual meeting of stockholders. Information regarding each of the current committees is as follows:

##### ***Executive Committee***

The executive committee consists of Messrs. O Connor and Hudson. The executive committee has full authority to exercise all the powers of the board of directors between meetings of the board of directors, except as reserved by the board of directors.

The executive committee does not have the power to elect or remove executive officers, approve a merger of our company, recommend a sale of substantially all of our assets, recommend a dissolution of our company, amend our certificate of incorporation or by-laws, declare dividends on our outstanding securities, or, except as authorized by the board of directors, issue any common stock or preferred stock. The board of directors has given the executive committee authority to approve acquisitions, borrowings, guarantees or other transactions not involving more than \$50 million in cash, securities or other consideration. The executive committee took twelve actions by unanimous written consent during 2004.

##### ***Audit Committee***

The audit committee consists of Messrs. Rodriguez (Chairman), Croghan, Nutter, Sorensen and Wickham. The five members of the audit committee meet the independence, education and experience requirements of the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated in accordance therewith, and the listing standards of the New York Stock Exchange. Our board has also determined that Messrs. Croghan and Rodriguez each qualify as an audit committee financial expert within the meaning of Item 401(h) of Regulation S-K under the Securities Act of 1934, as amended.

The audit committee assists the board of directors in monitoring (a) the integrity of our financial statements, (b) our compliance with legal and regulatory requirements, and (c) the independence and performance of our internal and external auditors. Furthermore, the audit committee has the ultimate authority and responsibility to select, evaluate and, where appropriate, terminate and replace the independent auditor. The audit committee operates under a written charter adopted by the board of directors. This charter was amended and restated by our board of directors during 2002, 2003 and again in 2004. A copy of our current Audit Committee Charter is available to view at our website, [www.republicservices.com](http://www.republicservices.com), and was included as an appendix to our proxy statement for the 2004 annual meeting of stockholders. The audit committee held seven meetings and took two actions by unanimous written consent during 2004.

***Compensation Committee***

The compensation committee consists of Messrs. Nutter (Chairman), Croghan, Rodriguez, Sorensen and Wickham. The five members of the compensation committee are independent as that term is defined under the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated in accordance therewith, and in the listing standards of the New York Stock Exchange.

The compensation committee reviews our company's compensation philosophy and programs, exercises authority with respect to the payment of salaries and incentive compensation to directors who are not members of the compensation committee and to executive officers, and administers our company's stock incentive plan. The compensation committee operates under a written charter adopted by the board of directors, which was amended and restated on January 27, 2005. A copy of the Third Amended and Restated Compensation Committee Charter is available to view at our website, [www.republicservices.com](http://www.republicservices.com), and is included herein as Appendix A. The compensation committee held six meetings and took three actions by unanimous written consent during 2004.

***Nominating and Corporate Governance Committee***

The nominating and corporate governance committee was formed in late 2002, although previously our audit committee also had responsibility as our nominating committee. The nominating and corporate governance committee consists of Messrs. Croghan (Chairman), Nutter, Rodriguez, Sorensen and Wickham. The five members of the nominating and corporate governance committee are independent as that term is defined under the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated in accordance therewith, and in the listing standards of the New York Stock Exchange.

The nominating and corporate governance committee is responsible for soliciting recommendations for candidates for the board of directors, developing and reviewing background information for such candidates, and making recommendations to the board of directors with respect to candidates for directors proposed by shareholders. In evaluating candidates for potential director nomination, the nominating and corporate governance committee will consider, among other things, candidates that are independent, if required, who possess personal and professional integrity, have good business judgment, and have relevant business and industry experience, education and skills, and who would be effective as a director in conjunction with the full board in collectively serving the long-term

interests of our stockholders in light of the needs and challenges facing the board of directors at the time. All candidates will be reviewed in the same manner, regardless of the source of recommendation. Messrs. O Connor and Hudson are nominated for election to our board of directors at each annual meeting of stockholders pursuant to the terms of their employment agreements with us. See Executive Compensation-Employment Agreements, elsewhere in this proxy statement.

During 2004, pursuant to our bylaws, our board of directors voted to increase the number of directors by one to a total of seven directors, which resulted in a vacancy on the board. In filling this vacancy and the vacancy created by the retirement of a former director, our nominating and corporate governance committee paid a fee to a professional search firm to assist it in identifying, evaluating and conducting due diligence on potential appointees. The search firm identified and recommended Messrs. Nutter and Wickham and participated in various meetings of the nominating and corporate governance committee at which the appointment of Messrs. Nutter and Wickham was discussed. Messrs. Nutter and Wickham were appointed to our board of directors to fill these vacancies on February 12, 2004 and October 27, 2004, respectively, and subsequent to that were appointed to our audit, compensation and nominating and corporate governance committees.

In addition to the foregoing duties, the nominating and corporate governance committee is also responsible for developing and recommending to the board of directors a set of Corporate Governance Guidelines applicable to us. The nominating and corporate governance committee operates under a written charter adopted by the board of directors. A copy of our nominating and corporate governance committee charter is available to view at our website, [www.republicservices.com](http://www.republicservices.com) and was included as an appendix to our proxy statement for the 2004 annual meeting of stockholders. The nominating and corporate governance committee will consider nominations from stockholders that are entitled to vote for the election of directors. The nominating and corporate governance committee held five meetings and took two actions by unanimous written consent during 2004.

## EXECUTIVE COMPENSATION

*The following statement made by the compensation committee of the board of directors of Republic Services, Inc. shall not be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, and shall not otherwise be deemed filed under either of these acts.*

### **Executive Compensation Policies**

The compensation committee of the board of directors is responsible for reviewing and approving executive compensation, including base salaries, awards of stock options and restricted stock, and annual and long-term awards under the company's Executive Incentive Plan. The compensation committee currently consists of Mr. Nutter, the Chairman of the committee, and Messrs. Croghan, Rodriguez, Sorensen and Wickham, each of whom is a non-employee director of our company.

Our executive compensation packages are designed to attract, motivate and retain executive talent. In determining the compensation of our executive officers, the committee takes into account factors which it considers relevant. These factors include individual management performance during the year, consideration of industry trends and business conditions in general, as well as market compensation for executives of comparable background and experience.

During 2000, the committee engaged a compensation consulting firm to conduct a comprehensive review of executive compensation. This review was undertaken to determine whether the compensation packages afforded to our executive officers were competitive and/or complete when compared with similarly situated companies. During both 2002 and 2003, the committee engaged another compensation consulting firm to conduct further reviews of executive compensation. In both of these further reviews, the consulting firm was asked to review the current compensation packages for the company's top 25 officers and compare them with packages offered to officers at a targeted universe of peer group companies as established during the 2000 review. The analysis and development of findings entailed regular status review meetings with the committee. Ultimately, the consulting firm provided the committee with its findings and analysis, which were taken into account in determining the committee's policies and bases for compensating the company's executive officers and its chief executive officer.

The general structure of each executive compensation package remains primarily weighted toward incentive forms of compensation so that an executive officer's interests are aligned with the interests of the company's stockholders. The compensation packages have been designed based on recommendations received from the compensation consulting firm and are generally designed as follows:

*1. Salary.* The company's executive officers did not receive salary increases for 2004. In lieu of a salary increase, the company's executive officers received a grant of restricted stock in January 2004 that fully vested on January 1, 2005.

*2. Restricted Stock.* In 2004, we granted 7,500 shares of restricted stock to the company's executive officers under the 1998 Stock Incentive Plan in lieu of salary increases. We granted these shares of restricted stock at \$26.16 per share, based on the closing price of our common stock on the date of grant. These shares of restricted stock vested on January 1, 2005. Separately during 2004, we granted an

additional 72,000 shares of restricted stock to the company's executive officers under the company's 1998 Stock Incentive Plan in lieu of option grants. We granted these shares of restricted stock at \$26.16 per share, based on the closing price of our common stock on the date of grant. The shares of restricted stock vest at the rate of 25% per year in each of the four years following the date of grant, subject to vesting acceleration based on the Company's achievement of certain annual performance goals. As a result of the Company's performance in 2004, the vesting schedule acceleration resulted in one-half of the shares vesting on the first anniversary of the date of grant. The company anticipates that it will continue to make annual restricted stock grants to its executive officers in lieu of stock options.

*3. Executive Incentive Plan.* The Executive Incentive Plan authorizes the granting of annual awards and long-term awards to executive officers selected from time to time by the compensation committee to participate in the plan. Annual awards are designed to recognize the annual achievement by a participant of short-term goals and objectives of the company. Long-term awards are designed to recognize the impact of the participant upon the achievement by the company of longer term success in enhancing stockholder values.

*Annual Awards.* For 2004, our executive officers were eligible to receive annual awards under our Executive Incentive Plan based upon achieving predetermined levels of (a) earnings per share and (b) free cash flow. Free cash flow is defined as cash provided by operating activities less purchases of property and equipment, plus proceeds from the sale of property and equipment. During 2004, we exceeded our predetermined level of earnings per share and achieved our predetermined level of free cash flow and, accordingly, our executive officers were granted bonuses of 160% of such pre-determined levels.

*Long-Term Awards.* Long-term awards under the Executive Incentive Plan are based on three-year rolling performance periods of three calendar years each. A new performance period begins on January 1 of each year, and payouts with respect to each performance period are scheduled following the end of each applicable three-year period. The payouts are based upon achieving predetermined levels of (a) cash flow value creation, which we define as net income plus after-tax interest expense plus depreciation, depletion, amortization and accretion less capital charges (net average assets multiplied by our targeted weighted-average cost of capital), and (b) return on invested capital. The committee believes using these variables serves to align management's interests with the company's stockholders. The committee also believes these variables tie long-term compensation more directly to actual executive performance rather than measures based upon the vagaries of the stock market.

In 2002, after determining that one-time charges incurred in the fourth quarter of 2001 would preclude the executives from achieving the performance targets set at the beginning of 2001 for the three-year period ending December 31, 2003, the compensation committee revised the three-year performance period to a two-year performance period ending December 31, 2003 (thus eliminating the impact of 2001) and reduced the potential awards for such two-year performance period to equal two-thirds of the amounts originally granted for the three-year period. In 2004, the compensation committee also established new long-term targets and awards for a new three-year period ending December 31, 2006.

### **Compensation of the Chief Executive Officer**

In determining the 2005 compensation paid to Mr. O Connor, our Chief Executive Officer, the committee took into account his abilities, business experience and performance during the 2004 fiscal year. The committee's assessment of Mr. O Connor's performance included expanding our business, continuing to integrate acquired businesses, increasing profitability and maximizing stockholder value. During 2004, Mr. O Connor received a salary of \$840,007. Mr. O Connor also received 27,000 shares of restricted stock. Under the Executive Incentive Plan, Mr. O Connor received an annual award of \$940,808 and a long-term award in the amount of \$652,500. The committee believes that tying Mr. O Connor's remuneration to the objectives described above, including the performance of our common stock, will enhance our company's long-term performance and stability by providing Mr. O Connor with an incentive to meet these objectives.

### **Compensation Deduction Limitation**

Section 162(m) of the Internal Revenue Code imposes a limitation on the deductibility of nonperformance-based compensation in excess of \$1 million paid to named executive officers. The committee believes that the company should be able to continue to manage its executive compensation program for named executive officers so as to preserve the related federal income tax deductions.

### **Summary**

The committee believes that the company's executive compensation policies and programs serve the interests of the stockholders and the company effectively. The committee believes that the compensation packages provided to our named executive officers provide motivation for executives to contribute to the company's overall success and enhance stockholder value. The committee will continue to monitor the effectiveness of the company's compensation programs and will recommend changes, when appropriate, to meet the company's needs.

Compensation Committee:

W. Lee Nutter, Chairman  
John W. Croghan  
Ramon A. Rodriguez  
Allan C. Sorensen  
Michael W. Wickham

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**Compensation Committee Interlocks and Insider Participation**

Messrs. Sorensen, Croghan and Rodriguez served as members of the compensation committee throughout 2004. Mr. Nutter became a member of the compensation committee on March 1, 2004 and Mr. Wickham became a member of the compensation committee on October 28, 2004. No member of the compensation committee was an officer or employee of our company during the prior year or was formerly an officer of our company. During the year ended December 31, 2004, none of our executive officers served on the compensation committee of any other entity, any of whose directors or executive officers served either on our board of directors or on our compensation committee.

**Performance Graph**

The following performance graph compares the performance of our common stock to the New York Stock Exchange Composite Index and to an index of peer companies we selected. The peer group consists of Allied Waste Industries, Inc. and Waste Management, Inc. The graph covers the period from December 31, 1999 to December 31, 2004. The graph assumes that the value of the investment in our common stock and in each index was \$100 at December 31, 1999 and that all dividends were reinvested.

**Cumulative Total Return**  
**Based on initial investment of \$100 on December 31, 1999**  
**Indexed Returns**  
**Years Ending**

<b>Company Name/Index</b>	<b>Base Period December 1999</b>	<b>December 2000</b>	<b>December 2001</b>	<b>December 2002</b>	<b>December 2003</b>	<b>December 2004</b>
Republic Services, Inc.	\$ 100	\$ 120.61	\$ 140.14	\$ 147.23	\$ 180.76	\$ 239.37
NYSE Composite Index	100	101.01	90.70	72.72	94.01	105.44
Peer Group	100	162.05	182.14	130.72	170.43	167.84



**Summary Compensation Table**

The following tables set forth compensation information regarding our Chief Executive Officer and our other four most highly compensated executive officers during the year ended December 31, 2004:

Name and Principal Position	Year	Long-Term Compensation					
		Annual Compensation		Awards	Payouts	All Other Compensation	
		Salary	Bonus	Restricted Stock Award(s)	Securities Underlying Options/SARs		LTIP Payout
James E. O Connor (Chairman and Chief Executive Officer)	2004	\$ 840,007	\$ 940,808	\$ 706,320		\$ 652,500	\$ 48,306(3)
	2003	811,032	294,002		60,000	350,224	40,583(4)
	2002	787,423	995,400		60,000		13,679(5)
Harris W. Hudson (Vice Chairman and Secretary)	2004	303,461		78,480			5,055(7)
	2003	401,140			10,000		4,008(8)
	2002	501,306	\$ 179,414(6)		10,000		
Michael J. Cordesman(9) (President and Chief Operating Officer)	2004	425,016	408,015	457,800		217,500	16,925(10)
	2003	385,887	106,254		40,000	74,767	17,874(11)
	2002	331,392	313,200		40,000		19,541(12)
Tod C. Holmes (Senior Vice President and Chief Financial Officer)	2004	400,001	320,001	457,800		435,000	19,356(13)
	2003	369,935	100,000		40,000	246,600	15,449(14)
	2002	348,289	315,000		40,000		5,058(5)
David A. Barclay (Senior Vice President and General Counsel)	2004	324,989	207,994	457,800		275,500	15,405(15)
	2003	307,847	64,998		40,000	148,222	12,099(16)
	2002	297,999	216,000		40,000		3,626(5)

- (1) Except as otherwise disclosed, the aggregate total value of perquisites, other personal benefits, securities or property, or other annual compensation did not equal or exceed the lesser of \$50,000 or ten percent of the annual salary and bonus for any person named in the table during 2002, 2003 or 2004.
- (2) The 7,500 shares of restricted stock that were granted in lieu of salary increases vested on January 1, 2005. The 72,000 shares that were granted in lieu of option grants vest 25% per year in each of the four years following the date of grant, subject to vesting acceleration based on the Company's achievement of certain annual performance goals. As a result of the Company's performance in 2004, the vesting schedule acceleration resulted in one-half of the 72,000 shares of restricted stock vesting on the first anniversary of the date of grant. Cash dividends are payable on the shares of restricted stock.
- (3) Consists of \$9,180 for financial planning; \$4,100 of matching contributions under our 401(k) Plan; \$26,604 of matching contributions under our Deferred Compensation Plan; and \$8,422 of imputed income from life insurance.
- (4) Consists of \$4,000 of matching contributions under our 401(k) Plan; \$32,601 of matching contributions under our Deferred Compensation Plan; and \$3,982 of imputed income from life insurance.
- (5) Consists of matching contributions under our 401(k) Plan and our Supplemental Savings Plan.

- (6) Amounts reflect payments made on behalf of Mr. Hudson for aircraft use, which was included in his Form W-2 as compensation.
- (7) Consists of \$3,075 of matching contributions under our 401(k) Plan and \$1,980 of imputed income from life insurance.
- (8) Consists of \$3,000 of matching contributions under our 401(k) Plan and \$1,008 of imputed income from life insurance.
- (9) Mr. Cordesman began serving as our Vice President and Chief Operating Officer in March 2002 and became our President and Chief Operating Officer in February 2003.
- (10) Consists of \$570 for financial planning; \$4,100 of matching contributions under our 401(k) Plan; \$8,116 of matching contributions under our Deferred Compensation Plan; and \$4,139 of imputed income from life insurance.
- (11) Consists of \$2,043 of relocation expense; \$4,000 of matching contributions under our 401(k) Plan; \$10,017 of matching contributions under our Deferred Compensation Plan; and \$1,814 of imputed income from life insurance.
- (12) Consists of \$18,500 of relocation expense and \$1,041 of matching contributions under our 401(k) Plan.
- (13) Consists of \$450 for financial planning; \$4,100 of matching contributions under our 401(k) Plan; \$10,925 of matching contributions under our Deferred Compensation Plan; and \$3,881 of imputed income from life insurance.
- (14) Consists of \$4,000 of matching contributions under our 401(k) Plan; \$9,685 of matching contributions under our Deferred Compensation Plan; and \$1,764 of imputed income from the life insurance.
- (15) Consists of \$3,762 for financial planning; \$4,100 of matching contributions under our 401(k) Plan; \$6,823 of matching contributions under our Deferred Compensation Plan; and \$720 of imputed income from life insurance.
- (16) Consists of \$4,000 of matching contributions under our 401(k) Plan; \$6,587 of matching contributions under our Deferred Compensation Plan; and \$1,512 of imputed income from life insurance.

**Aggregated Option Exercises and Year-End Option Values**

	<b>Shares Acquired On Exercise</b>	<b>Value Realized</b>	<b>Number of Securities Underlying Unexercised Options At December 31, 2004</b>		<b>Value of Unexercised In-the-Money Options At December 31, 2004(1)</b>	
			<b>Exercisable</b>	<b>Unexercisable</b>	<b>Exercisable</b>	<b>Unexercisable</b>
James E. O Connor	75,000	\$ 1,165,328	375,000	90,000	\$ 5,776,425	\$ 1,413,000
Harris W. Hudson			795,000		12,829,250	
Michael J. Cordesman	20,000	227,096	28,750	56,250	419,475	838,975
Tod C. Holmes	35,000	546,481	140,000	60,000	2,212,925	942,000
David A. Barclay	45,000	691,183	130,382	60,000	2,029,152	942,000

(1)