REPUBLIC SERVICES INC
Form 10-K
February 21, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2007

OR

o **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	Name of Each Exchange on which Registered
Common Stock, par value $.01 per share	**The New York Stock Exchange**

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 þ No o

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. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

As of June 30, 2007, the aggregate market value of the shares of the Common Stock held by non-affiliates of the registrant was $5,836,412,371.

As of February 15, 2008, the registrant had outstanding 183,537,011 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s Proxy Statement relative to the 2008 Annual Meeting of Stockholders are incorporated by reference in Part III hereof.

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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 136 collection companies in 21 states. We also own or operate 94 transfer stations, 58 solid waste landfills and 33 recycling facilities.

As of December 31, 2007, our operations were organized into five regions whose boundaries may change from time to time: Eastern, Central, Southern, Southwestern and Western. Each region is organized into several operating areas and each area contains multiple operating locations. Each of our regions and substantially all our areas provide collection, transfer, recycling and disposal services. We believe that this organizational structure facilitates the integration of our operations within each region, which is a critical component of our operating strategy. See Note 10 of the Notes to Consolidated Financial Statements for further discussion of our operating segments.

We had revenue of $3,176.2 million and $3,070.6 million and operating income of $536.0 million and $519.5 million for the years ended December 31, 2007 and 2006, respectively. The $105.6 million, or 3.4%, increase in revenue and the $16.5 million, or 3.2%, increase in operating income from 2006 to 2007 is primarily attributable to the successful execution of our operating and growth strategies described below.

Our presence in high growth markets throughout the Sunbelt, including California, Florida, Georgia, Nevada, North Carolina, South Carolina 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.

We continue to focus on enhancing shareholder value by implementing our financial, operating and growth strategies as described below.

We were incorporated as a Delaware corporation in 1996.

Industry Overview

Based on analysts reports and industry trade publications, we believe that the United States non-hazardous solid waste services industry generates annual revenue of approximately $52 billion, of which approximately 58% is generated by publicly owned waste companies, 16% is generated by privately held waste companies, and 26% is generated by municipal and other local governmental authorities. Three companies generate the substantial majority of the publicly owned companies total revenue. However, according to industry data, the non-hazardous waste industry in the United States remains highly fragmented as privately held companies and municipal and other local governmental authorities generate approximately 42% of total industry revenue. In general, growth in the solid waste industry is linked to growth in the overall economy, including the level of new households and business formation.

Financial Strategy

Key components of our financial strategy include our ability to generate free cash flow and sustain or improve our return on invested capital. Our definition of free cash flow, which is not a measure determined in accordance with U.S. generally accepted accounting principles, is cash provided by operating activities less purchases of property and equipment, plus proceeds from sales of property and equipment as presented in our consolidated statements of cash flows. We believe that free cash flow is a driver of shareholder value and provides useful information regarding the recurring cash provided by our operating activities after expenditures for property and equipment, net of proceeds from sales of property and equipment. It also demonstrates our ability to execute our financial strategy. Consequently, we have developed incentive programs and we conduct monthly field operating reviews that help focus our entire company on the importance of increasing free cash flow and maintaining and improving returns on invested capital.

The presentation of free cash flow has material limitations. Free cash flow does not represent our cash flow available for discretionary expenditures because it excludes certain expenditures that are required or that we have committed to such as debt service requirements and dividend payments. Our definition of free cash flow may not be comparable to similarly titled measures presented by other companies.

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

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

Customer Service. We will continue to reinvest in our existing fleet of vehicles, equipment, landfills and facilities to ensure a high level of service to our customers.

Internal Growth

Price Growth. Growth through price increases is the most cost-effective means of expanding our business. Price increases also allow us to recover historical and current year increases in operating costs which ultimately enhances our operating margins.

Volume Growth. Growth through increases in our customer base and services provided is the most capital efficient means for us to build our business. This includes not only expanding landfill and transfer capacity and investing in trucks and containers, but also includes investing in information tools and training needed to ensure high productivity and quality service throughout all functional areas of our business.

Market Rationalization. We have and will continue to focus on further strengthening our business platform and improving our business integration. We will also continue to develop and implement strategies that improve the performance of our locations and lines of business that are performing below our company average. To achieve these objectives, we will continue to pursue strategic acquisitions that augment our existing business platform. In addition, we will continue to evaluate opportunities to divest of businesses in markets that have limited potential for vertical integration or inadequate returns on invested capital.

Share Repurchases. If we are unable to identify opportunities that satisfy our growth strategy, we intend to continue to use our free cash flow to repurchase shares of our common stock at prices that provide value to our stockholders. As of December 31, 2007, we had repurchased a total of 74.8 million shares, or approximately 41% of our common stock outstanding at the commencement of our share repurchase program in 2000, for $2.2 billion. From 2000 through 2007, our board of directors authorized the repurchase of $2.3 billion of our outstanding common stock, of which $136.4 million remained available for repurchases at December 31, 2007. In January 2008, our board of directors authorized the repurchase of an additional $250.0 million of our common stock. We believe that our share repurchase program will continue to enhance shareholder value.

Dividends. In July 2003, our board of directors initiated a quarterly cash dividend of $.04 per share. The dividend was increased each year thereafter, the latest increase occurring in the third quarter of 2007. Our current quarterly dividend per share is $.17. We may consider increasing our quarterly cash dividend if we believe it will enhance shareholder value.

Maintain Our Credit Rating. We believe that a key component of our financial strategy includes maintaining an investment grade rating on our senior debt. This has allowed us, and will continue to allow us, to readily access capital markets at competitive rates. As such, we intend to continue to use our free cash flow to repay our borrowings, if appropriate.

For certain risks related to our financial strategy, see Item 1A., Risk Factors.

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Operating Strategy

We seek to leverage existing assets and revenue growth to increase operating margins and enhance shareholder value. Our operating strategy for accomplishing this goal includes the following:

utilize the extensive industry knowledge and experience of our executive management team,

utilize a decentralized management structure in overseeing day-to-day operations,

integrate waste operations,

improve operating margins through economies of scale, cost efficiencies and asset utilization,

achieve high levels of customer satisfaction, and

utilize business information systems to improve consistency in financial and operational performance.

For certain risks related to our operating strategy, see Item 1A., Risk Factors.

Experienced Executive Management Team. We believe that we have one of the most experienced executive management teams in the solid waste industry.

James E. O Connor, who has served as our Chief Executive Officer since December 1998, also became our Chairman in January 2003. He worked at Waste Management, Inc. from 1972 to 1978 and from 1982 to 1998. During that time, he served in various management positions, including Senior Vice President in 1997 and 1998, and Area President of Waste Management of Florida, Inc. from 1992 to 1997. Mr. O Connor has over 33 years of experience in the solid waste industry.

Michael J. Cordesman, who has served as our Chief Operating Officer since March 2002 and also as our President since February 2003, has over 27 years of experience in the solid waste industry. He joined us in June 2001 as our Eastern Region Vice President. From 1999 to 2001, Mr. Cordesman served as Vice President of the Central Region for Superior Services Inc. From 1980 to 1999, he served in various positions with Waste Management, Inc., including Vice President of the Mid-Atlantic Region from 1992 to 1999.

The other corporate officers with responsibility for our operations have an average of over 26 years of management experience in the solid waste industry. Our five regional vice presidents and our 21 area presidents have an average of 26 years of experience in the industry.

In addition, Harris W. Hudson, who has served as our Vice Chairman since our initial public offering in 1998, has over 43 years of experience in the solid waste industry, including 11 years with Waste Management, Inc. and 19 years with private waste collection companies.

Decentralized Management Structure. We maintain a relatively small corporate headquarters staff, relying on a decentralized management structure to minimize administrative overhead costs and to manage our day-to-day operations more efficiently. Our local management has extensive industry experience in growing, operating and managing solid waste companies and has substantial experience in their local geographic markets. Each regional management team includes a vice president, controller, sales manager, maintenance manager and an operations manager. We believe that our strong regional management teams allow us to more effectively and efficiently drive our company s initiatives and help ensure consistency throughout our organization. Our regional management teams and our area presidents have extensive authority, responsibility and autonomy for operations within their respective geographic markets. Compensation for our area management teams is primarily based on the improvement in operating income produced and the free cash flow and return on invested capital generated in each manager s geographic area of responsibility. In addition, through long-term incentive programs, including stock options, we believe we have one of the lowest turnover levels in the industry for our local management teams. As a result of retaining experienced managers with extensive knowledge of and involvement in their local communities, we are proactive in anticipating our customers needs and adjusting to changes in our markets. We also seek to implement the best practices of our various regions and areas throughout our operations to improve operating margins.

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Integrated Operations. We seek to achieve a high rate of internalization by controlling waste streams from the point of collection through disposal. We expect that our fully integrated markets generally will have a lower cost of operations and more favorable cash flows than our non-integrated markets. Through acquisitions, landfill operating agreements and other market development activities, we create market-specific, integrated operations typically consisting of one or more collection companies, transfer stations and landfills. We consider acquiring companies that own or operate landfills with significant permitted disposal capacity and appropriate levels of waste volume. We also seek to acquire solid waste collection companies in markets in which we own or operate landfills. In addition, we generate internal growth in our disposal operations by developing new landfills and expanding our existing landfills from time to time in markets in which we have significant collection operations or in markets that we determine lack sufficient disposal capacity. During the three months ended December 31, 2007, approximately 58% of the total volume of waste that we collected was disposed of at landfills we own or operate. In a number of our larger markets, we and our competitors are required to take waste to government-controlled disposal facilities. This provides us with an opportunity to effectively compete in these markets without investing in landfill capacity. Because we do not have landfill facilities or government-controlled disposal facilities for all markets in which we provide collection services, we believe that through landfill and transfer station acquisitions, operating agreements 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, operating agreements and development of landfills and transfer stations, we may be able to reduce our disposal costs.

Economies of Scale, Cost Efficiencies and Asset Utilization. To improve operating margins, our management focuses on achieving economies of scale and cost efficiencies. The consolidation of acquired businesses into existing operations reduces costs by decreasing capital and expenses used for routing, personnel, equipment and vehicle maintenance, inventories and back-office administration. Generally, we consolidate our acquired administrative centers to reduce our general and administrative costs. Our goal is to maintain our selling, general and administrative costs at approximately 10.0% to 10.5% of revenue, which we feel is appropriate given our existing business platform. In addition, our size allows our company to negotiate volume discounts for certain purchases, including waste disposal rates at landfills operated by third parties. Furthermore, we have taken steps to increase utilization of our assets. For example, to reduce the number of collection vehicles and maximize the efficiency of our fleet, we use a grid productivity program which allows us to benchmark the performance of all of our drivers. In our larger markets, we also use a route optimization program to minimize drive times and improve operating density. By using assets more efficiently, operating expenses can be reduced.

High Levels of Customer Satisfaction. Our goal of maintaining high levels of customer satisfaction complements our operating strategy. Our personalized sales process is oriented towards maintaining relationships and ensuring that service is being properly provided.

Utilize Systems to Improve Consistency in Financial and Operational Performance. We continue to focus on systems and training initiatives that complement our operating strategy. These initiatives include customer relationship management, billing, productivity, maintenance, general ledger and human resource systems. These systems provide us with detailed information, prepared in a consistent manner, that allows us to quickly analyze and act upon trends in our business.

For certain risks related to our operating strategy, see Item 1A., Risk Factors.

Growth Strategy

Our growth strategy focuses on increasing revenue, gaining market share and enhancing shareholder value through internal growth and acquisitions. For certain risks related to our growth strategy, see Item 1A., 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.

Pricing Activities. We seek to secure price increases necessary to offset increased costs and to improve our operating margins. During 2007, we continued to secure broad-based price increases across all lines of our business to offset various escalating capital and operating costs, including fuel. Price increases will remain a major component of our overall future operating strategy.

Long-Term Contracts. We seek to obtain long-term contracts for collecting solid waste in high-growth markets. These include exclusive franchise agreements with municipalities as well as commercial and industrial contracts. By obtaining such long-term agreements, we have the opportunity to grow our contracted revenue base at the same rate as the underlying population growth in these markets. For example, we have secured exclusive, long-term franchise agreements in high-growth markets such as Los Angeles, Orange and Contra Costa Counties in California, Las Vegas, Nevada, Arlington, Texas, and many areas of Florida. We believe that this positions our company to experience internal growth rates that are generally higher than our industry s overall growth rate. In addition, we believe that by securing a base of long-term recurring revenue in high-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 position in many of the markets in which we operate. We currently have approximately 500 sales and marketing employees in the field who are compensated using a commission structure that is focused on generating high levels of quality revenue. For the most part, these employees directly solicit business from existing and prospective commercial, industrial, municipal and residential customers. We emphasize our rate and cost structures when we train new and existing sales personnel. In addition, we utilize a customer relationship management system that assists our sales people in tracking leads. It also tracks renewal periods for potential commercial, industrial and franchise contracts.

Development Activities. We seek to identify opportunities to further our position as an integrated service provider in markets where we provide services for a portion of the waste stream. Where appropriate, we seek to obtain permits to build transfer stations and landfills that would provide vertically integrated waste services or expand the service areas for our existing disposal sites. Development projects, while generally less capital intensive, typically require extensive permitting efforts that can take years to complete with no assurance of success. We undertake development projects when we believe there is a reasonable probability of success and where reasonably priced acquisition opportunities are not available.

Acquisition Growth. During the late 1990s, the solid waste industry experienced a period of rapid consolidation. We were able to grow significantly through acquisitions during this period. However, the rate of consolidation in the industry has slowed considerably. Despite this, we continue to look to acquire businesses that complement our existing business platform. Our acquisition growth strategy focuses on privately held solid waste companies and municipal and other local governmental authorities. We believe that our ability to acquire privately held companies is enhanced by increasing competition in the solid waste industry, increasing capital requirements as a result of changes in solid waste regulatory requirements, and the limited number of exit strategies for these privately held companies owners and principals. We also seek to acquire operations and facilities from municipalities that are privatizing, which occurs for many of the same reasons that privately held companies sell their solid waste businesses. In addition, we will continue to evaluate opportunities to acquire operations and facilities that are being divested by other publicly owned waste companies. In sum, our acquisition growth strategy focuses on the following:

- acquiring businesses that position our company for growth in existing and new markets,
- acquiring well-managed companies and, when appropriate, retaining local management, and

acquiring operations and facilities from municipalities that are privatizing and publicly owned companies that are divesting of assets.

We also seek to acquire landfills, transfer stations and collection companies that operate in markets that we are already servicing in order to fully integrate our operations from collection to disposal. In addition, we have in the past and may continue in the future to exchange businesses with other solid waste companies if by doing so there is a net benefit to our business platform. These activities allow us to increase our revenue and market share, lower our cost of operations as a percentage of revenue, and consolidate duplicative facilities and functions to maximize cost efficiencies and economies of scale.

Operations

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

Collection Services. We provide solid waste collection services to commercial, industrial, municipal and residential customers in 21 states through 136 collection companies. In 2007, 75.9% of our revenue was derived from collection services. Within the collection line of business, 33.2% of our revenue is from services provided to municipal and residential customers, 39.2% is from services provided to commercial customers, and 27.6% is from services provided to industrial and other customers.

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

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

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

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

Also, we provide recycling services in certain markets in compliance with local laws or the terms of 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.

Transfer and Disposal Services. We own or operate 94 transfer stations. We deposit waste at these transfer stations, as do other private haulers and municipal haulers, for compaction and transfer to trailers for transport to disposal sites or recycling facilities. As of December 31, 2007, we owned or operated 58 landfills, which had 9,707 permitted acres and total available permitted and probable expansion disposal capacity of approximately 1.7 billion in-place cubic yards. The in-place capacity of our landfills is subject to change based on engineering factors, requirements of regulatory authorities, our ability to continue to operate our landfills in compliance with applicable regulations, and our ability to successfully renew operating permits and obtain expansion permits at our sites. Some of our landfills accept non-hazardous special waste, including utility ash, asbestos and contaminated soils. See Item 2., Properties.

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

Recycling Facilities and Other Services. We have 33 materials recovery facilities and other recycling operations. These facilities 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.

We provided remediation and other heavy construction services primarily through our subsidiary located in Missouri. We sold this subsidiary during the fourth quarter of 2005 because it did not complement our core business strategy.

Our Texas-based compost, mulch and soil business at which yard, mill and other waste was processed, packaged and sold as various products was sold during the fourth quarter of 2007 because it did not complement our core business strategy.

Sales and Marketing

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

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

Most of our marketing activity is local in nature. However, we also provide a corporate accounts program in response to the needs of some of our customers.

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 often 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 or of our reportable segment revenue in any of the last three years.

Competition

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

Competition in the non-hazardous solid waste industry comes from a few large, national publicly owned companies, including Waste Management, Inc. and Allied Waste Industries, Inc., several regional publicly and privately owned solid waste companies, and thousands of small privately owned companies. Some of our competitors have significantly larger operations and may have significantly greater financial resources than we do. In addition to national and regional firms and numerous local companies, we compete with municipalities that maintain waste collection or disposal operations. These municipalities may have financial advantages due to the availability of tax revenue 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. Our ability to increase prices in certain markets may be impacted by the pricing policies of our competitors. This may have an impact on our future revenue and profitability.

In each market in which we own or operate a landfill, we compete for landfill business on the basis of disposal costs, geographic 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 waste, such as yard waste, 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 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.

Seasonality and Severe Weather

Our operations can be adversely affected by periods of inclement or severe weather which could increase the volume of waste collected under our existing contracts (without corresponding compensation), delay the collection and disposal of waste, reduce the volume of waste delivered to our disposal sites, or delay the construction or expansion of our landfill sites and other facilities.

Regulation

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

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

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

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

Subtitle D of RCRA establishes a framework for regulating the disposal of municipal solid waste. Regulations under Subtitle D currently include minimum comprehensive solid waste management criteria and guidelines, including location restrictions, facility design and operating criteria, final capping, closure and post-closure requirements, financial assurance standards, groundwater monitoring requirements and corrective action standards, many of which had not commonly been in effect or enforced in the past in connection with municipal solid waste landfills. Each state was required to submit to the U.S. EPA a permit program designed to implement Subtitle D regulations by April 9, 1993. All of the states in which we operate have implemented permit programs pursuant to RCRA and Subtitle D. These state permit programs may include landfill requirements which are more stringent than those of Subtitle D. Our failure to comply with the environmental requirements of federal, state and local authorities at any of our locations may lead to temporary or permanent loss of an operating permit.

All of our planned landfill expansions and 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 regulations. Compliance with Subtitle D regulations has resulted in increased costs and may in the future require substantial additional expenditures in addition to other costs normally associated with our waste management activities.

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

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

Liability under CERCLA is not dependent on the intentional disposal of hazardous waste. 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 waste as such, it is possible that one or more hazardous substances may have been deposited or released at our landfills or at other properties which we currently own or operate or may have owned or operated. Therefore, we could be liable under CERCLA for the cost of cleaning up such hazardous substances at such sites and for damages to natural resources, even if those substances were deposited at our facilities before we acquired or operated them. The costs of a CERCLA cleanup can be very expensive. Given the difficulty of obtaining insurance for environmental impairment liability, such liability could have a material impact on our business, financial condition or results of operations.

(3) *The Federal Water Pollution Control Act of 1972, as amended.* This Act regulates the discharge of pollutants from a variety of sources, including solid waste disposal sites, into streams, rivers and other waters of the United States. Point source runoff from our landfills and transfer stations that is discharged into surface waters must be

covered by discharge permits that generally require us to conduct sampling and monitoring, and, under certain circumstances, reduce the quantity of pollutants in those discharges. Storm water discharge regulations under this Act require a permit for certain construction activities and discharges from industrial operations and facilities, which may affect our operations. If a landfill or transfer station discharges wastewater through a sewage system to a publicly owned treatment works, the facility must comply with discharge limits imposed by that treatment works. In addition, states may adopt groundwater protection programs under this Act or the Safe Drinking Water Act that could affect solid waste landfills. Furthermore, development which alters or affects wetlands must generally be permitted prior to such development commencing, and certain mitigation requirements may be required by the permitting agencies.

(4) *The Clean Air Act, as amended.* The Clean Air Act imposes limitations on emissions from various sources, including landfills. In March 1996, the U.S. EPA promulgated regulations that require large municipal solid waste landfills to install landfill gas monitoring systems. These regulations apply to landfills that commenced construction, reconstruction or modification on or after May 30, 1991, and, principally, to landfills that can accommodate 2.5 million cubic meters or more of municipal solid waste. The regulations apply whether the landfill is active or closed. The date by which each affected landfill is required to have a gas collection and control system installed and made operational varies depending on calculated emission rates at the landfill. Many state regulatory agencies also currently require monitoring systems for the collection and control of certain landfill gas.

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

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

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

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

Finally, with regard to our solid waste transportation operations, we are subject to the jurisdiction of the Surface Transportation Board and are regulated by the Federal Highway Administration, Office of Motor Carriers, and by regulatory agencies in states that regulate such matters. Various states have enacted or promulgated, or are considering enacting or promulgating, laws and regulations that would restrict the interstate transportation and processing of solid waste. In 1978, the U.S. Supreme Court ruled that a law that restricts the importation of out-of-state solid waste was unconstitutional; however, states have attempted to distinguish proposed laws from those involved in and implicated by that ruling. In 1994, the Supreme Court ruled that a flow control law, which attempted to restrict solid waste from leaving its place of generation, imposed an impermissible burden upon interstate commerce, and, therefore, was unconstitutional; however, states have also attempted to distinguish proposed laws from those involved in and implicated by that ruling. In response to these Supreme Court rulings, the U.S. Congress has considered passing legislation authorizing state 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 liabilities for landfill and environmental costs, which include landfill site final capping, closure and post-closure costs. We periodically reassess such costs based on various methods and assumptions regarding landfill airspace and the technical requirements of Subtitle D of RCRA and adjust our rates used to expense final capping, closure and post-closure costs accordingly. Based on current information and regulatory requirements, we believe that our liabilities recorded for such landfill and environmental expenditures are adequate. However, environmental laws may change, and there can be no assurance that our recorded liabilities will be adequate to cover requirements under existing or new environmental laws and regulations, future changes or interpretations of existing laws and regulations, or the identification of adverse environmental conditions previously unknown to us.

Liability Insurance and Bonding

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

We have general liability, vehicle liability, employment practices liability, pollution liability, directors and officers liability, 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, results of operations or cash flows.

Our insurance programs for workers compensation, general liability, vehicle liability and employee-related health care benefits are effectively self-insured. Claims in excess of self-insurance levels are fully insured subject to policy limits. Accruals are based on claims filed and actuarial estimates of claims development and claims incurred but not reported. Due to the variable condition of the insurance market, we have experienced, and may continue to experience in the future, increased self-insurance retention levels and increased premiums. As we assume more risk for self-insurance through higher retention levels, we may experience more variability in our self-insurance reserves and expense.

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

Employees

As of December 31, 2007, we employed approximately 13,000 full-time employees, approximately 3,300 of whom were covered by collective bargaining agreements. Our management believes that we have good relations with our employees.

Compensation

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

Availability of Reports and Other Information

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

ITEM 1A. RISK FACTORS

Risk Factors

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

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

We operate in a highly competitive industry and may be unable to compete effectively.

We operate in a highly competitive business environment. Some of our competitors have significantly larger operations and may have significantly greater financial resources than we do. 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, geographic location and quality of operations. Our ability to obtain solid waste volume for our landfills may be limited by the fact that some major collection companies also own or operate landfills to which they send their waste. In markets in which we do not own or operate a landfill, our collection operations may operate at a disadvantage to fully integrated competitors.

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

We may be unable to obtain future increases in the prices for our services.

We compete for collection accounts primarily on the basis of price and the quality of services. In addition, we seek to secure price increases necessary to offset increased costs and to improve our operating margins. From time to time, our competitors may reduce the price of their services in an effort to expand their market share. General economic or market specific conditions may also limit our ability to raise prices. As a result of these factors, we may be unable to offset increases in costs and improve our operating margins through price increases. We may also lose volume to lower-cost competitors.

Economic conditions could adversely affect our business, operations and internal growth.

Previous economic slowdowns have negatively impacted the portion of our collection business servicing the manufacturing sector and the residential and non-residential construction industries. Landfill volumes attributable to manufacturing and construction activity have also been impacted. A slowdown in the economy in any of the markets we service could adversely affect volumes, pricing and operating margins in our collection, transfer and disposal operations.

An increase in the price of fuel may adversely affect our business.

Our operations are dependent on fuel, which we generally purchase in the open market on a daily basis. Direct fuel costs include the cost of fuel and other petroleum-based products used to operate our fleet of vehicles and heavy equipment. We are also susceptible to increases in indirect fuel costs which include fuel surcharges from vendors, increases in construction and excavation costs, and increases in the costs of other petroleum-based products such as synthetic landfill liners. During 2007, 2006 and 2005, we experienced significant increases in the cost of fuel and other petroleum-based products. A portion of these increases was passed on to our customers. However, because of the competitive nature of the waste industry, there can be no assurance that we will be able to pass on current or future increases in fuel prices to our customers. Due to a number of factors, including political instability in some oil-producing countries, fuel prices may continue to fluctuate significantly in 2008. A significant increase in fuel costs could adversely affect our business, results of operations or cash flows.

We may be unable to execute our financial strategy.

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

Our financial strategy is also dependent on our ability to generate sufficient cash flow to reinvest in our existing business, fund our internal growth, acquire other solid waste businesses, repurchase shares of our common stock, pay dividends, minimize our borrowings and take other actions to enhance shareholder value. We cannot assure you that we will be successful in executing our broad-based pricing program, that we will generate sufficient cash flow to execute our financial strategy, that we will continue to repurchase our common stock, or that we will be able to pay cash dividends or increase the amount of our dividends.

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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.

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 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. 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 we acquire and fully or timely realize 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 may require 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 or prevent us from acquiring certain acquisition candidates. If any of the aforementioned factors force us to alter our growth strategy, our growth prospects could be adversely affected.

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.

Compliance with environmental and other laws and regulations may impede our growth and impact our financial results.

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

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investigations will not have a material adverse effect on our financial condition, results of operations or cash flows. A significant judgment or fine against our company, or the loss of a significant permit or license due to modification, non-renewal or revocation by the issuing agency, could have a material adverse effect on our financial condition, results of operations, cash flows or growth prospects. See Item 3., Legal Proceedings, for further information.

Regulatory approval to operate, develop or expand our landfills and transfer stations may be delayed or denied.

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

Our financial statements are based on estimates and assumptions that may differ from actual results.

Our financial statements have been prepared in accordance with U.S. 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 final capping, closure and post-closure costs, valuation allowances for accounts receivable and deferred tax assets, liabilities for potential litigation, claims and assessments, and liabilities for environmental remediation, deferred taxes, uncertain tax positions and self-insurance.

We cannot assure you that our liabilities recorded for landfill and environmental costs will be adequate to cover the requirements of existing environmental regulations, future changes to or interpretations of existing regulations, or the identification of adverse environmental conditions previously unknown to us.

Changes in insurance markets may impact our financial results.

Due to the variable condition of the insurance market, we have experienced, and may continue to experience in the future, increased self-insurance retention levels and increased premiums. As we assume more risk for self-insurance through higher retention levels, we may experience more variability in our self-insurance reserves and expense.

We depend on key personnel.

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

Seasonal changes or severe weather may adversely affect our business and operations.

Our operations may be adversely affected by periods of inclement or severe weather which could increase the volume of waste collected under our existing contracts (without corresponding compensation), delay the collection and disposal of waste, reduce the volume of waste delivered to our disposal sites, or delay the construction or expansion of our landfill sites and other facilities.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

Our corporate headquarters is located in Fort Lauderdale, Florida in leased premises. As of December 31, 2007, we operated approximately 6,200 collection vehicles. Certain of our property and equipment are subject to 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 58 landfills owned or operated by us as of December 31, 2007:

Landfill Name	Location	Region	Total Acreage(2)	Permitted Acreage(3)	Unused Permitted Acreage(4)
623 Landfill	Richmond, Virginia	Eastern	332	138	73
Apex	Clark County, Nevada	Western	2,285	1,233	961
Brent Run	Montrose, Michigan	Central	544	103	31
Broadhurst Landfill	Jesup, Georgia	Southern	1,419	105	31
Carleton Farms	Detroit, Michigan	Central	664	403	183
Cedar Trail	Bartow, Florida	Southern	392	121	43
Charter Waste	Abilene, Texas	Southwestern	396	300	250
Chiquita Canyon	Valencia, California	Western	592	257	26
City of Arlington(1)	Arlington, Texas	Southwestern	746	303	49
Countywide	East Sparta, Ohio	Eastern	921	261	107
Dozit Landfill	Morganfield, Kentucky	Central	231	47	23
East Carolina Landfill	Aulander, North Carolina	Southern	740	149	67
Elk Run	Onaway, Michigan	Central	99	39	24
Epperson Landfill	Williamstown, Kentucky	Central	899	100	13
Foothills Landfill(1)	Lenior, North Carolina	Southern	423	78	41
Forest Lawn	Three Oaks, Michigan	Central	511	185	8
Front Range	Denver, Colorado	Southwestern	614	322	246
Greenville	Greenville, South Carolina	Southern	21	7	4
Highway 78	Oconee, Georgia	Southern	379	117	102
Honeygo Run	Perry Hall, Maryland	Eastern	117	78	34
Kestrel Hawk	Racine, Wisconsin	Central	218	138	8
Laughlin(1)	Laughlin, Nevada	Western	40	24	
Mallard Ridge	Delavan, Wisconsin	Central	743	144	27
Modern	York, Pennsylvania	Eastern	742	230	16
National Serv-All	Fort Wayne, Indiana	Central	768	354	126
Nine Mile Road	St. Augustine, Florida	Southern	354	57	6
North County	Houston, Texas	Southwestern	103	31	2
Northwest Tennessee	Union City, Tennessee	Central	600	116	49
Oak Grove	Winder, Georgia	Southern	407	72	
Ohio County Balefill(1)	Beaver Dam, Kentucky	Central	961	178	114
Pepperhill	North Charleston, South Carolina	Southern	37	26	
Pine Grove	Amanda, Ohio	Eastern	734	112	60
Pine Ridge	Griffin, Georgia	Southern	515	196	114
Potrero	Suisan, California	Western	1,423	190	46

Presidio(1)	Presidio, Texas	Southwestern	10	10	6
Republic/CSC	Avalon, Texas	Southwestern	719	190	98
Republic/Maloy	Campbell, Texas	Southwestern	455	189	96
San Angelo(1)	San Angelo, Texas	Southwestern	269	221	77
Savannah Regional	Savannah, Georgia	Southern	121	56	20
Seabreeze Landfill	Clute, Texas	Southwestern	866	382	194
Seagull	Avalon, California	Western	6	3	
Southern Illinois Regional	DeSoto, Illinois	Central	425	238	120
Spring Grove	Charleston, South Carolina	Southern	238	150	97
Swiftcreek Landfill	Macon, Georgia	Southern	836	85	6
Tay-Ban	Birch Run, Michigan	Central	136	43	9
Tri-K Landfill	Stanford, Kentucky	Central	710	190	139
Union County	Cross Anchor, South Carolina	Southern	600	83	38
United Refuse	Fort Wayne, Indiana	Central	353	62	
Upper Piedmont Environmental	Roxboro, North Carolina	Southern	976	70	20
Uwharrie Landfill(1)	Mt. Gilead, North Carolina	Southern	466	118	17
Valley View Landfill	Sulphur, Kentucky	Central	899	250	95
Vasco Road	Livermore, California	Western	538	246	63
Victoria Landfill(1)	City of Victoria, Texas	Southwestern	160	137	64
Victory Environmental	Terre Haute, Indiana	Central	976	303	89
Wabash Valley	Wabash, Indiana	Central	393	137	40
West Contra Costa County	Contra Costa, California	Western	350	176	
Whitefeather	Pinconning, Michigan	Central	639	57	19
Worthington	Worthington, Indiana	Central	420	97	28
Total			31,531	9,707	4,219

(1) Operated but not owned by us.

(2) Total acreage includes permitted acreage, probable expansion acreage, other acreage available for future disposal that has not been permitted, buffer land and other contiguous land owned by our company.

(3) Permitted acreage consists of all acreage at the landfill encompassed by an active permit to dispose of waste.

(4) Unused permitted acreage consists of all acreage at the landfill encompassed by an active permit on which disposal operations have not commenced.

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ITEM 3. LEGAL PROCEEDINGS

On March 26, 2007, Republic Services of Ohio II, LLC, an Ohio limited liability company and wholly owned subsidiary of our company, was issued Final Findings and Orders from the Ohio Environmental Protection Agency. The F&Os relate to environmental conditions attributed to a chemical reaction resulting from the disposal of certain aluminum production waste at the Countywide Recycling and Disposal facility in East Sparta, Ohio. The F&Os, and certain other remedial actions Republic-Ohio has agreed with the OEPA to undertake to address the environmental conditions, include, without limitation, the following actions: (a) prohibiting leachate recirculation, (b) refraining from the disposal of solid waste in certain portions of the site, (c) updating engineering plans and specifications and providing further information regarding the integrity of various engineered components at the site, (d) performing additional data collection, (e) taking additional measures to address emissions, (f) expanding the gas collection and control system, (g) installing a fire break, (h) removing liquids from gas extraction wells, and (i) submitting a plan to the OEPA to suppress the chemical reaction and, following approval by the OEPA, implementing such plan. We also paid approximately $.7 million in sanctions to comply with the F&Os. Currently, Republic-Ohio is performing certain interim remedial actions required by the OEPA, but the OEPA has not approved Republic-Ohio s plan to suppress the chemical reaction.

Republic-Ohio has also received a request from the U.S. EPA to cooperate and address certain environmental conditions at Countywide. Republic-Ohio has indicated its willingness to cooperate with the U.S. EPA on these issues. Republic-Ohio is in the process of or has already substantially completed the activities identified in the U.S. EPA s letter.

We learned that the Commissioner of the Stark County Health Department recommended that the Health Board suspend Countywide s 2007 annual operating license. We also have learned that the Commissioner intends to recommend that the Health Board deny Countywide s pending license application for 2008. Republic-Ohio obtained a preliminary injunction prohibiting the Health Board from suspending its 2007 operating license and has also obtained a Temporary Restraining Order prohibiting the Health Board from denying its 2008 operating license application.

We believe that we have diligently performed all actions required under the F&Os and that Countywide does not pose a threat to the environment. In addition, there are indications that the reaction is beginning to subside. As such, we believe that we satisfy the rules and regulations that govern the operating license at Countywide. We disagree with the Commissioner s recommendation and will pursue all legal remedies available regarding licensing of the facility.

If we are not successful with such legal and administrative remedies, we will be required to close Countywide and record a non-cash charge of approximately $90 million for asset impairment and a charge of approximately $10 million for acceleration of future capping, closure and post-closure activities. In addition, we would forego future cash flows expected to be generated by Countywide and a portion of the cash flows from our Cleveland and Akron marketplaces. The annual projected future net cash flows are estimated to be approximately $16 million.

We intend to vigorously pursue financial contributions from third parties for our costs to comply with the F&Os, other required remedial actions and, if necessary, any costs related to the closing of Countywide.

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

Governmental agencies have previously assessed, and we have paid, fines and penalties related primarily to environmental matters at our landfill operations. As of December 31, 2007, we were involved in several matters in which we believe there is a reasonable possibility that sanctions could exceed $100,000. These matters involve allegations that we violated various federal and state regulations. We do not believe that any of these matters will, either individually or in the aggregate, have a material adverse effect on our financial position, results of operations, cash flows or prospects.

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

No matters were submitted to our stockholders during the fourth quarter of 2007.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information, Holders and Dividends

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

In January 2007, our board of directors approved a 3-for-2 stock split effective on March 16, 2007 for stockholders of record on March 5, 2007. Our share and per share data have been retroactively restated to reflect the split.

The following table sets forth the range of the high and low sale prices of our common stock and the cash dividends declared per share of common stock for the periods indicated:

	High	Low	Dividends Declared
2007			
First Quarter	$ 29.67	$ 26.22	$ .1067
Second Quarter	31.09	27.05	.1067
Third Quarter	33.26	27.93	.1700
Fourth Quarter	35.00	30.90	.1700
2006			
First Quarter	$ 28.49	$ 24.47	$ .0933
Second Quarter	29.47	25.75	.0933
Third Quarter	27.53	25.04	.1067
Fourth Quarter	28.83	26.57	.1067

On February 15, 2008 the last reported sale price of our common stock was $31.18.

There were approximately 91 record holders of our common stock at February 15, 2008, which does not include beneficial owners for whom Cede & Co. or others act as nominees.

In January 2008, our board of directors declared a regular quarterly dividend of $.17 per share for stockholders of record on April 1, 2008. We expect to continue to pay quarterly cash dividends, and we may consider increasing our quarterly cash dividends if we believe it will enhance shareholder value.

From 2000 through 2007, our board of directors authorized the repurchase of up to $2.3 billion of our common stock. As of December 31, 2007, we paid $2.2 billion to repurchase 74.8 million shares of our common stock, of which 11.1 million shares were acquired during 2007 for $362.8 million. As of December 31, 2007, we had $136.4 million remaining under our share repurchase authorization. In January 2008, our board of directors authorized the repurchase of an additional $250.0 million of our common stock.

We have the ability under our credit facility to pay dividends and repurchase our common stock under the condition that we are in compliance with the covenants in our credit facility. As of December 31, 2007, we were in compliance with the financial covenants of our credit facility.

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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 Waste Management, Inc. and Allied Waste Industries, Inc. The graph covers the period from December 31, 2002 to December 31, 2007. The graph assumes that the value of the investment in our common stock and in each index was $100 at December 31, 2002 and that all dividends were reinvested.

Comparison of 5 Year Cumulative Total Return
Assumes Initial Investment of $100
December 2007

Indexed Returns Years Ending

Company Name/Index:	Base Period December 2002	December 2003	December 2004	December 2005	December 2006	December 2007
Republic Services, Inc.	$ 100.00	$ 122.19	$ 161.44	$ 183.38	$ 201.54	$ 237.26
NYSE Composite Index	100.00	128.80	145.00	155.89	188.10	205.26
Peer Group Only	100.00	130.38	128.49	131.99	167.11	151.96
Peer Group + Republic Services, Inc.	100.00	128.93	134.23	140.82	173.37	166.00

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Issuer Purchases of Equity Securities

Period	Total Number of Shares (or Units) Purchased		Average Price Paid per Share (or Unit)(a)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs		Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (in millions)
Month #1 (October 1 October 31, 2007)	399,800	$	33.37	399,800	$	193.8
Month #2 (November 1 November 30, 2007)	1,184,078		33.18	1,184,078		154.5
Month #3 (December 1 December 31, 2007)	547,300		33.05	547,300		136.4
Total	2,131,178	$	33.18	2,131,178	$	136.4

(a) This amount represents the weighted average price paid per share and includes a per share commission paid for all repurchases.

The share purchases reflected in the table above were made pursuant to our $250.0 million repurchase program approved by our board of directors in July 2007. This share repurchase program does not have an expiration date. No share repurchase program approved by our board of directors has ever expired nor do we expect to terminate any program prior to completion. We intend to make additional share purchases under our existing repurchase program up to an aggregate of $136.4 million and under the additional $250.0 million program authorized by our board of directors in January 2008.

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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, 2007 and 2006 and for each of the three years in the period ended December 31, 2007 and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Annual Report on Form 10-K. The Company s shares, per share data and weighted average common and common equivalent shares outstanding have been retroactively adjusted for all periods prior to 2007 to reflect a 3-for-2 stock split in the form of a stock dividend that was effective on March 16, 2007. See Notes 1, 3, 4 and 7 of the Notes to Consolidated Financial Statements for a discussion of basis of presentation, business combinations, landfill and environmental costs, and stockholders equity and their effect on comparability of year-to-year data.

	Years Ended December 31,				
	2007	**2006**	**2005**	**2004**	**2003**
Statement of Income Data:					
Revenue	$ 3,176.2	$ 3,070.6	$ 2,863.9	$ 2,708.1	$ 2,517.8
Expenses:					
Cost of operations	1,997.3	1,924.4	1,803.9	1,714.4	1,605.4
Depreciation, amortization and depletion	305.5	296.0	278.8	259.4	239.1
Accretion	17.1	15.7	14.5	13.7	12.7
Selling, general and administrative	320.3	315.0	289.5	268.3	247.9
Operating income	536.0	519.5	477.2	452.3	412.7
Interest expense	(94.8)	(95.8)	(81.0)	(76.7)	(78.0)
Interest income	12.8	15.8	11.4	6.9	9.5
Other income (expense), net	14.1	4.2	1.6	1.2	3.2
Income before income taxes	468.1	443.7	409.2	383.7	347.4
Provision for income taxes	177.9	164.1	155.5	145.8	132.0
Income before cumulative effect of changes in accounting principles	290.2	279.6	253.7	237.9	215.4
Cumulative effect of changes in accounting principles					(37.8)
Net income	$ 290.2	$ 279.6	$ 253.7	$ 237.9	$ 177.6
Basic earnings per share:					
Before cumulative effect of changes in accounting principles	$ 1.53	$ 1.41	$ 1.23	$ 1.10	$ .96
Cumulative effect of changes in accounting principles					(.17)
Basic earnings per share	$ 1.53	$ 1.41	$ 1.23	$ 1.10	$ 0.79
Weighted average common shares outstanding	190.1	198.2	207.0	217.3	224.8

Diluted earnings per share:					
Before cumulative effect of changes in accounting principles	$ 1.51	$ 1.39	$ 1.20	$ 1.08	$ .95
Cumulative effect of changes in accounting principles					(.17)
Diluted earnings per share	$ 1.51	$ 1.39	$ 1.20	$ 1.08	$ .78
Weighted average common and common equivalent shares outstanding	192.0	200.6	210.8	221.1	227.6
Cash dividends per common share	$ .5534	$ .4000	$ .3466	$ .2400	$ .0800

	Years Ended December 31,				
	2007	**2006**	**2005**	**2004**	**2003**
Other Operating Data:					
Cash flows from operating activities	$ 661.3	$ 511.2	$ 747.8	$ 672.1	$ 596.1
Capital expenditures	292.5	326.7	309.0	289.6	268.8
Proceeds from sales of property and equipment	6.1	18.5	10.1	5.7	9.1

	As of December 31,				
	2007	**2006**	**2005**	**2004**	**2003**
Balance Sheet Data:					
Cash and cash equivalents	$ 21.8	$ 29.1	$ 131.8	$ 141.5	$ 119.2
Restricted cash and marketable securities	165.0	153.3	255.3	275.7	397.4
Total assets	4,467.8	4,429.4	4,550.5	4,464.6	4,554.1
Total debt	1,567.8	1,547.2	1,475.1	1,354.3	1,520.3
Total stockholders equity	1,303.8	1,422.1	1,605.8	1,872.5	1,904.5

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.

Overview of 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 136 collection companies in 21 states. We also own or operate 94 transfer stations, 58 solid waste landfills and 33 recycling facilities.

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

The following table reflects our revenue by source for the years ended December 31, 2007, 2006 and 2005 (in millions):

	Years Ended December 31,					
	2007		2006		2005	
Collection:						
Residential	$ 802.1	25.3%	$ 758.3	24.7%	$ 705.3	24.6%
Commercial	944.4	29.7	883.6	28.8	801.5	28.0
Industrial	645.6	20.3	654.1	21.3	601.0	21.0
Other	19.5	.6	22.4	.7	31.3	1.1
Total collection	2,411.6	75.9	2,318.4	75.5	2,139.1	74.7
Transfer and disposal	1,192.5		1,182.1		1,108.6	
Less: Intercompany	(612.3)		(588.6)		(560.1)	
Transfer and disposal, net	580.2	18.3	593.5	19.3	548.5	19.1
Other	184.4	5.8	158.7	5.2	176.3	6.2
Revenue	$ 3,176.2	100.0%	$ 3,070.6	100.0%	$ 2,863.9	100.0%

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

The cost of our collection operations is primarily variable and includes disposal, labor, self-insurance, fuel and equipment maintenance costs. It also includes capital costs for equipment and facilities. We seek operating efficiencies by controlling the movement of waste from the point of collection through disposal. During the three months ended December 31, 2007 and 2006, approximately 58% and 56%, respectively, of the total volume of waste we collected was disposed of at landfills we own or operate.

Our landfill costs include daily operating expenses, costs of capital for cell development, costs for final capping, closure and post-closure, and the legal and administrative costs of ongoing environmental compliance. Daily operating expenses include leachate treatment and disposal, methane gas and groundwater monitoring and system maintenance, interim cap maintenance, and costs associated with the application of daily cover materials. We expense all indirect landfill development costs as they are incurred. We use life cycle accounting and the units-of-consumption method to recognize certain direct landfill costs related to cell development. In life cycle accounting, certain direct costs are capitalized, and charged to expense based on the consumption of cubic yards

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of available airspace. These costs include all costs to acquire and construct a site including excavation, natural and synthetic liners, construction of leachate collection systems, installation of methane gas collection and monitoring systems, installation of groundwater monitoring wells, and other costs associated with the acquisition and development of the site. Obligations associated with final capping, closure and post-closure are capitalized, and amortized on a units-of-consumption basis as airspace is consumed.

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

Summarized financial information concerning our reportable segments for the respective years ended December 31, 2007, 2006 and 2005 is shown in the following table:

2007	**Net Revenue**	**Depreciation, Amortization, Depletion and Accretion Before SFAS 143 Adjustments**	**SFAS 143 Adjustments to Amortization Expense(a)**	**Depreciation, Amortization, Depletion and Accretion**	**Operating Income (Loss)**	**Operating Margin**
Eastern Region	$ 577.0	$ 50.6	$ 1.0	$ 51.6	$ 66.1	11.5%
Central Region	647.5	88.0	(6.0)	82.0	119.9	18.5
Southern Region	828.8	72.8	.4	73.2	180.2	21.7
Southwestern Region	349.0	34.5	.4	34.9	61.3	17.6
Western Region	773.2	66.2	7.5	73.7	172.6	22.3
Corporate Entities	.7	7.2		7.2	(64.1)	
Total	$ 3,176.2	$ 319.3	$ 3.3	$ 322.6	$ 536.0	16.9

2006	**Net Revenue**	**Depreciation, Amortization, Depletion and Accretion Before SFAS 143 Adjustments**	**SFAS 143 Adjustments to Amortization Expense(a)**	**Depreciation, Amortization, Depletion and Accretion**	**Operating Income (Loss)**	**Operating Margin**
Eastern Region	$ 568.8	$ 44.6	$ (.9)	$ 43.7	$ 92.4	16.2%
Central Region	635.1	92.6	(1.9)	90.7	111.4	17.5

Southern Region	798.1	73.8	1.5	75.3	153.6	19.2
Southwestern Region	334.3	35.4	(.8)	34.6	58.5	17.5
Western Region	735.8	61.8	(.2)	61.6	171.1	23.3
Corporate Entities	(1.5)	5.8		5.8	(67.5)	
Total	$ 3,070.6	$ 314.0	$ (2.3)	$ 311.7	$ 519.5	16.9

2005	**Net Revenue**	**Depreciation, Amortization, Depletion and Accretion Before SFAS 143 Adjustments**	**SFAS 143 Adjustments to Amortization Expense(a)**	**Depreciation, Amortization, Depletion and Accretion**	**Operating Income (Loss)**	**Operating Margin**
Eastern Region	$ 543.7	$ 45.3	$ (.7)	$ 44.6	$ 92.2	17.0%
Central Region	567.8	81.3	.9	82.2	103.5	18.2
Southern Region	734.7	74.0	(.4)	73.6	121.4	16.5
Southwestern Region	320.8	33.5	(4.2)	29.3	50.9	15.9
Western Region	693.9	58.8	.6	59.4	163.9	23.6
Corporate Entities	3.0	4.2		4.2	(54.7)	
Total	$ 2,863.9	$ 297.1	$ (3.8)	$ 293.3	$ 477.2	16.7

(a) Consists of adjustments to amortization expense for changes in estimates and assumptions related to our reviews of landfill asset retirement obligations under SFAS 143.

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Our operations are managed and reviewed through five regions that we designate as our reportable segments. From 2005 to 2007, revenue increased in all of our regions due to the successful execution of our pricing strategy.

2007 compared to 2006:

Revenue in our Eastern Region increased during 2007 compared to 2006 due to price increases in all lines of business and an increase in the price of commodities. This increase in revenue was partially offset by lower volumes in the industrial collection line of business primarily due to less temporary work, and lower landfill volumes. These lower volumes resulted from less favorable weather conditions and a general slowdown in residential construction during 2007.

Operating margins in the Eastern Region decreased from 16.2% to 11.5% primarily because of a $44.6 million charge to operating expenses and a $1.5 million charge to selling, general and administrative expenses associated with environmental conditions at our Countywide Recycling and Disposal Facility in East Sparta, Ohio. Excluding these expenses, operating margins increased from 16.2% in 2006 to 19.4% in 2007, primarily due to higher revenue, lower disposal costs, and lower truck and equipment maintenance costs.

Revenue in our Central Region increased during 2007 compared to 2006 due to price increases in all lines of business and an increase in the price of commodities. This increase in revenue was partially offset by lower volumes in the commercial collection, industrial collection and landfill lines of business. Lower volumes in the collection lines of business are primarily due to less favorable weather conditions during 2007 and a general slowdown in economic conditions. Lower landfill volumes are primarily due to our decision to limit our acceptance of certain waste streams.

Operating margins in our Central Region increased due to higher revenue, lower disposal costs and adjustments to landfill amortization expense associated with SFAS 143. This increase in operating margins was partially offset by increases in risk insurance and landfill operating costs.

In our Southern Region, price increases in all lines of business, increases in the price of commodities, and increases in commercial collection, residential collection and landfill volumes resulted in an increase in revenue during 2007 compared to 2006. This increase in revenue was partially offset by lower industrial collection volumes. These lower volumes are primarily due to a general slowdown in residential construction in 2007, and hurricane-related work that was performed during 2006.

Operating margins in our Southern Region increased primarily due to higher revenue, lower disposal costs due to drier weather, lower truck and equipment maintenance costs, and lower labor costs.

Our Southwestern Region benefited from price increases in all lines of business and volume increases in the commercial collection, industrial collection and landfill lines of business. This increase in revenue was partially offset by a decrease in residential collection volumes. This decrease in residential collection volumes is primarily due to the city of Houston assuming responsibility for collecting municipal solid waste.

The increase in operating margins in our Southwestern Region is primarily due to higher revenue and lower selling, general and administrative costs. This increase in operating margins was partially offset by higher disposal and truck maintenance costs.

In our Western Region, price increases in all lines of business, volume increases in the residential collection line of business and an increase in commodity prices resulted in an increase in revenue during 2007 compared to 2006. This increase in revenue was partially offset by a decrease in industrial collection and landfill volumes resulting from a general slowdown in residential construction in 2007.

Operating margins in our Western Region decreased because of an $8.1 million increase in landfill operating costs and a $5.2 million increase in SFAS 143 amortization expense associated with environmental conditions at our closed disposal facility in Contra Costa County, California. Excluding these expenses, operating margins increased from 23.3% in 2006 to 24.0% in 2007, primarily due to higher revenue and an increase in the price of commodities.

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The decrease in operating costs for Corporate Entities from 2006 to 2007 is due to a $4.3 million reduction to our allowance for doubtful accounts recorded during 2007 as a result of refining our estimate of our allowance based on our historical collection experience, which was partially offset by increases in operating costs associated with the expansion of our business.

2006 compared to 2005:

Revenue in our Eastern Region increased during 2006 compared to 2005 due to price increases in our collection and landfill lines of business and due to increased volumes in our industrial collection and landfill businesses. This increase in revenue was partially offset by decreased volume in our commercial and residential collection businesses and by the sale of our operations in western New York during the three months ended March 31, 2005. Operating margins decreased from 2005 to 2006 due to higher landfill operating and fuel costs partially offset by higher revenue.

In our Central Region, revenue increased during 2006 compared to 2005 due to price increases in our collection and landfill lines of business and volume growth in our landfill line of business arising from favorable economic conditions. Operating margins decreased primarily due to increased third-party hauling costs associated with our company assuming responsibility for hauling waste from the city of Toronto to one of our landfills in Michigan. This increase in costs was partially offset by adjustments to landfill amortization expense associated with SFAS 143.

Our operations in the Southern Region experienced the greatest margin improvement of all of our segments because of price increases and volume growth in our collection and landfill lines of business. Operating margins increased because of an increase in revenue arising from favorable economic conditions, partially offset by higher fuel costs and adjustments to landfill amortization expense associated with SFAS 143. Operating margins also improved during 2006 because of higher costs incurred during the fourth quarter of 2005 related to hurricane clean-up.

In our Southwestern Region, revenue increased due to price increases and volume growth in our collection and landfill lines of business, partially offset by the sale of our remediation and heavy construction services business during the fourth quarter of 2005. The increase in operating margins from 2005 to 2006 is attributable to an increase in revenue arising from improving economic conditions, partially offset by higher fuel costs and adjustments to landfill amortization expense associated with SFAS 143.

In our Western Region, revenue increased due to price increases and volume growth in our collection and landfill lines of business. Operating margins decreased from 2005 to 2006 because of higher fuel, labor and insurance costs, partially offset by an increase in revenue during 2006 and adjustments for landfill amortization expense associated with SFAS 143.

The increase in operating costs for Corporate Entities from 2005 to 2006 is due to the expansion of our business, incremental costs associated with our adoption of SFAS 123(R), additional costs associated with our 401(k) plan resulting from an increase in the employer s matching contribution percentage and an increase in other incentive compensation.

2007 Financial Objectives

In February 2007, we publicly announced our objectives for the year. These objectives included the following:

Generating free cash flow (a non-GAAP measure) in excess of 100% of net income, or approximately $315 million. In July 2007, we increased our range of anticipated free cash flow to approximately $320 to $325 million.

Using our free cash flow to repurchase our common stock under our existing $250.0 million share repurchase program and to continue to pay quarterly cash dividends.

Generating diluted earnings per share of $1.50 to $1.52. We updated our earnings per share guidance in July 2007 to a new range of $1.59 to $1.62 per diluted share and in October 2007 to a new range of $1.65 to $1.66

per diluted share (excluding the $54.9 million of charges, or $.18 per diluted share, we recorded in 2007 related to our Countywide and Contra Costa County facilities).

Growing revenue from core operations by approximately 4.0% to 4.5%, with approximately 3.0% to 3.5% attributable to price increases and 1% attributable to volume growth. In July 2007, we updated our core revenue growth guidance to approximately 3.0%, with approximately 4.5% attributable to price growth (excluding commodities), while volume was expected to decline approximately 1.5%.

Purchasing approximately $310 million of property and equipment, net of sales of property and equipment. In July 2007, we reduced this to $295 million.

2007 Business Performance

During 2007, we met or exceeded our financial objectives.

During 2007, we generated free cash flow of $374.9 million (consisting of cash provided by operating activities of $661.3 million, less purchases of property and equipment of $292.5 million, plus proceeds from sales of property and equipment of $6.1 million).

In July 2007, our board of directors authorized the repurchase of an additional $250.0 million of our company stock. During 2007, we used our free cash flow to repurchase 11.1 million shares of our common stock, or 5.7% of our outstanding shares, for $362.8 million. Also, during the third quarter of 2007, our board of directors increased our quarterly dividend to $.17 per share.

During 2007, we generated diluted earnings per share of $1.51. Excluding pre-tax charges of $54.9 million ($33.8 million, or $0.18 per diluted share, net of tax) related to our Countywide and Contra Costa County facilities and a pre-tax gain of $12.5 million ($5.0 million, or $0.03 per diluted share, net of tax) related to the sale of our compost, mulch and soil business in Texas, our diluted earnings per share would have been $1.66.

Our internal growth from core operations for 2007, excluding commodities, divestitures, taxes and non-core operations, was 3.1%, with 4.6% from price increases offset by a 1.5% decline in volume. During 2007, our revenue growth from core pricing continued to benefit from a broad-based pricing initiative which we started during the fourth quarter of 2003. The broad-based price increases we secured offset various escalating capital and operating costs, including fuel costs. During 2007, we experienced lower industrial collection and landfill volumes primarily resulting from the slowdown in residential construction.

Excluding the $54.9 million of charges we recorded during 2007 related to our Countywide and Contra Costa County facilities, our operating margins increased by 1.7% from 16.9% in 2006 to 18.6% in 2007. During 2007, improved pricing and continued focus on productivity improvements offset higher fuel and insurance costs.

2008 Financial Objectives

Our financial objectives for 2008 assume no deterioration or improvement in the overall economy from that experienced during the fourth quarter of 2007. Specific guidance is as follows:

We expect to generate free cash flow in excess of net income, or approximately $340 to $350 million.

We anticipate using our free cash flow to continue to repurchase shares of our common stock under our existing $250 million share repurchase program and a new $250.0 million repurchase program authorized by our board of directors in January 2008. We also anticipate using our free cash flow to continue to pay quarterly cash dividends.

We anticipate diluted earnings of $1.78 to $1.82 per share.

We anticipate operating margins of approximately 19.0%.

We are targeting internal growth from core operations to be approximately 2.0% to 3.5%, with approximately 3.5% to 4.0% attributable to core price increases, while the change in volume is expected to be down .5% to 1.5%.

We anticipate purchasing approximately $325 million of property and equipment, net of sales of property and equipment.

2008 Business Initiatives

Our business initiatives for 2008 are generally a continuation of those initiated in prior years and are dependent on further standardizing our business processes and improving our systems. Ensuring that our people understand our initiatives and processes and are trained on our systems is essential to the overall success of our initiatives. Our business initiatives for 2008 are as follows:

Pricing initiatives. During the fourth quarter of 2003, we implemented a broad-based pricing initiative across all lines of our business. The purpose of this initiative is to recover increasing costs and improve operating margins. We realized the benefit of this initiative during the past several years and expect a continuing benefit during 2008.

Improve business integration. During 2005, we took a number of steps to further strengthen our business platform and improve our business integration. In response to limited vertical integration opportunities, we divested of our operations in western New York. We acquired a landfill in the Dallas/Fort Worth area which better integrated that marketplace. In addition, we divested of our remediation and heavy construction services business. During 2007, we divested of our Texas-based compost, mulch and soil business. We plan to continue to develop and implement strategies that improve the performance of locations and lines of business that are performing below the company s average. To achieve this objective, we may purchase operations from, sell operations to or exchange operations with other companies in the future.

Improve the quality of our revenue. During 2006, we completed the development of the next generation of our billing and operating system. This system standardizes our billing and operating processes. It also provides a variety of functionalities including customer service, dispatch, billing, sales analysis, account retention and route productivity analysis. During 2008, we will continue to ensure that our operating personnel are utilizing the system to its full potential.

We currently monitor our return on investment by marketplace and use a return on investment pricing model. This model will eventually allow us to track our return on investment by customer.

We use a customer relationship management system. This system improves the productivity of our sales force by helping to establish marketing priorities and track sales leads. It also tracks renewal periods for potential commercial, industrial and franchise contracts. During 2008, we will continue to ensure our sales force is properly trained on this system and is using it as intended.

Improve the productivity of our operations. We use a grid productivity program that enables us to benchmark the performance of our drivers. In addition, in our larger markets, we use a route optimization program to minimize drive times and improve operational density. During 2008, we will continue to update our disposal optimization metrics. These metrics identify which local disposal option maximizes our return on invested capital and cash flow.

Improve fleet management and procurement. We use Dossier as our fleet management and parts procurement system at all of our significant hauling and landfill operations. Among other features, this system tracks parts inventories, generates automatic quantity order points and logs all maintenance work. It allows us to capture and review information to ensure our preventive maintenance programs comply with manufacturers warranties and governmental regulations. In addition, the purchase order module within this system allows us to cross-reference purchasing information with our inventory. During 2008, we intend to further utilize this purchase order module to take advantage of volume discounts.

Enhance operational and financial reporting systems. We have several initiatives aimed at improving our operational and financial reporting systems. The overall goal of these initiatives is to provide us with detailed

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

One of our most significant systems is our enterprise-wide general ledger package, which includes Lawson general ledger software and Lawson fixed asset software.

During December 2006, we successfully converted all of our locations to Lawson enterprise-wide human resources software. This software provides a number of direct benefits including a reduction in payroll processing and compliance costs and integration into our general ledger software. It also provides a number of indirect benefits including better information concerning labor and related costs and better control over employee-related initiatives such as training.

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

Expand our safety training programs. In light of increasing insurance costs and as part of our ongoing emphasis on safe work practices, we continue to expand our safety training programs. Safety will continue to be a key area of focus during 2008.

Customer First program. In order to secure our position as a leading provider of world-class customer service, we have initiated a Customer First program. Several of our divisions were selected to implement this program during 2008. This program entails establishing sustainable and competitive service standards in each applicable marketplace. Systems to measure our success in meeting our service level standards will also be developed. Best practices derived from the program will be implemented throughout our company.

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Critical Accounting Policies, Judgments and Disclosures

Our Consolidated Financial Statements have been prepared using U.S. generally accepted accounting principles and necessarily include certain estimates and judgments made by management. The following is a list of accounting policies that we believe are the most critical in understanding our company s financial position, results of operations and cash flows, and may require management to make subjective or complex judgments about matters that are inherently uncertain:

Policy	Description	Subjective or Complex Judgments	Disclosure Reference
Landfill Accounting:			
Life Cycle Accounting	We use life cycle accounting and the units-of-consumption method to recognize certain landfill costs over the life of the site. In life cycle accounting, all costs to acquire and construct a site are capitalized, and charged to expense based on the consumption of cubic yards of available airspace. Obligations associated with final capping, closure and post-closure are capitalized, and amortized on a units-of-consumption basis as airspace is consumed.	Cost and airspace estimates are developed at least annually by engineers. Changes in these estimates could significantly affect our amortization, depletion and accretion expense.	Management s Discussion and Analysis of Financial Condition and Results of Operations Landfill and Environmental Matters. Note 3, Landfill and Environmental Costs in the Consolidated Financial Statements.
Probable Expansion Airspace	We include expansion areas that we believe have a probable likelihood that the expansion area will ultimately be permitted in our calculation of total available airspace.	We have developed six criteria that must be met before an expansion area is designated as probable expansion airspace. We believe that satisfying all of these criteria demonstrates a high likelihood that expansion airspace that is incorporated in our landfill costing will be permitted.	Management s Discussion and Analysis of Financial Condition and Results of Operations Landfill and Environmental Matters. Note 3, Landfill and Environmental Costs in the Consolidated Financial Statements.

However, because some of these criteria are judgmental, they may exclude expansion airspace that will eventually be permitted or include expansion airspace that will not be permitted. In either of these scenarios, our amortization, depletion and accretion expense could change significantly.

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Policy	Description	Subjective or Complex Judgments	Disclosure Reference
Final Capping, Closure and Post-Closure	We account for our final capping, closure and post-closure activities in accordance with Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations. Under SFAS 143, obligations associated with final capping activities that occur during the operating life of the landfill are recognized on a units-of-consumption basis as airspace is consumed within each discrete capping event. Obligations related to closure and post-closure activities that occur after the landfill has ceased operations are recognized on a units-of-consumption basis as airspace is consumed throughout the entire life of the landfill. Landfill retirement obligations are capitalized as the related liabilities are recognized and amortized using the units-of-consumption method over the airspace consumed within the capping event or the airspace consumed within the entire landfill, depending on the nature of the obligation. All obligations are initially measured at estimated fair value. Fair value is	Future costs for final capping, closure and post-closure are developed at least annually by engineers, and are inflated to future value using estimated future payment dates and inflation rate projections. Changes in any of these estimates could affect our amortization of final capping, closure and post-closure costs and our accretion expense.	Management s Discussion and Analysis of Financial Condition and Results of Operations Landfill and Environmental Matters and Selected Balance Sheet Accounts. Note 3, Landfill and Environmental Costs in the Consolidated Financial Statements.

calculated on a present value basis using an inflation rate and the company s credit-adjusted, risk-free rate in effect at the time the liabilities were incurred.

Policy	Description	Subjective or Complex Judgments	Disclosure Reference
Self-Insurance:			
	Our insurance programs for workers compensation, general liability, vehicle liability and employee-related health care benefits are effectively self-insured. Self-insurance accruals are based on claims reported and actuarial estimates of claims development and claims incurred but not reported.	Estimates of claims development and claims incurred but not reported are developed actuarially. If actual claims experience or development is significantly different than our estimates, our self-insurance expense would change.	Management s Discussion and Analysis of Financial Condition and Results of Operations Selected Balance Sheet Accounts. Note 12, Commitments and Contingencies in the Consolidated Financial Statements.
Property and Equipment:			
Expenditures for Improvements, Repairs and Maintenance	Expenditures for major additions and improvements to facilities are capitalized. All expenditures for maintenance and repairs are expensed when incurred.	Whether certain expenditures improve an asset or lengthen its useful life is subject to our judgment. Accordingly, the actual useful lives of our assets could differ from our estimates.	Management s Discussion and Analysis of Financial Condition and Results of Operations Property and Equipment. Note 2, Summary of Significant Accounting Policies in the Consolidated Financial Statements.
Allowance for Doubtful Accounts:			
	Accounts receivable, net of the allowance for doubtful accounts, represents their estimated net realizable value. Provisions for doubtful accounts are recorded based on historical collection experience, the age of the receivables, specific customer information and economic conditions. In general, reserves are provided for accounts	Establishing reserves against specific accounts receivable and the overall adequacy of our accounts receivable reserve is a matter of judgment. If our judgments and estimates concerning the adequacy of our reserve for accounts receivable is incorrect, bad debt expense would change.	Management s Discussion and Analysis of Financial Condition and Results of Operations Selected Balance Sheet Accounts. Note 2, Summary of Significant Accounting Policies in the Consolidated Financial Statements.

receivable in excess of 90 days old. Accounts receivable are written off when they are deemed uncollectible.

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Policy	Description	Subjective or Complex Judgments	Disclosure Reference
Income Taxes:			
Deferred Taxes	We account for income taxes in accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. Accordingly, deferred 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 bases of assets and liabilities and their reported amounts in the financial statements. After the initial recognition of a deferred tax asset, a valuation allowance is provided if it is determined that it is more likely than not that the asset will not be realized.	Valuation allowances for deferred tax assets and the realizability of net operating losses for tax purposes are based on our judgment. If our judgments and estimates concerning valuation allowances and the realizability of net operating losses are incorrect, our provision for income taxes would change.	Note 2, Summary of Significant Accounting Policies, and Note 6, Income Taxes in the Consolidated Financial Statements.
Uncertain Tax Positions	Effective January 1, 2007, we adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes. The interpretation identifies a defined methodology for recognizing uncertain tax positions.	Evaluating and estimating our uncertain tax positions and tax benefits is based on our judgment. If our judgments and estimates are incorrect, our provision for income taxes would change.	Note 2, Summary of Significant Accounting Policies, and Note 6, Income Taxes in the Consolidated Financial Statements.

Business Combinations

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

Financial Statements from the date of acquisition.

We acquired various solid waste businesses during the years ended December 31, 2007, 2006 and 2005. The aggregate purchase price we paid for these transactions was $4.4 million, $4.9 million and $26.7 million, respectively. In addition, during 2005, we entered into a $53.9 million capital lease related to a landfill.

In November 2007, we divested of our Texas-based compost, mulch and soil business and received proceeds of $36.5 million. A gain of $12.5 million was recorded in 2007 on this divestiture. In 2005, we divested of our operations in western New York and received proceeds of $29.1 million. A gain of $3.3 million was recorded in

2005 on the divestiture. In addition, in 2005, we sold our environmental remediation company and received proceeds of $1.2 million. A loss of $2.0 million was recorded in 2005 on the divestiture.

Cost in excess of fair value of net assets acquired (goodwill) for 2007 acquisitions totaled $1.0 million. As of December 31, 2007 we had goodwill, net of accumulated amortization, of $1,555.7 million.

Goodwill for 2006 acquisitions totaled $1.0 million. As of December 31, 2006, we had goodwill, net of accumulated amortization, of $1,562.9 million.

Goodwill for 2005 acquisitions totaled $16.6 million. As of December 31, 2005, we had goodwill, net of accumulated amortization, of $1,563.8 million. $57.9 million of the total purchase price paid for acquisitions (including the landfill capital lease) and contingent payments to former owners was allocated to landfill airspace during 2005.

When a landfill is acquired as part of a group of assets, purchase price is allocated to airspace based on the discounted expected future cash flows of the landfill relative to the other assets within the acquired group and is adjusted for other landfill assets and liabilities acquired (which are primarily for final capping, closure and post-closure obligations). Landfill purchase price is amortized using the units-of-consumption method over total available airspace, which includes probable expansion airspace where appropriate.

Consolidated Results of Operations

Years Ended December 31, 2007, 2006 and 2005

Our net income was $290.2 million for the year ended December 31, 2007, or $1.51 per diluted share, as compared to $279.6 million, or $1.39 per diluted share, in 2006 and $253.7 million, or $1.20 per diluted share, in 2005.

During the year ended December 31, 2007, we recorded pre-tax charges of $45.3 million ($27.9 million, or $.15 per diluted share, net of tax) related to estimated costs that we believe are required to comply with Final Findings and Orders issued by the Ohio Environmental Protection Agency in response to environmental conditions at our Countywide Recycling and Disposal Facility in East Sparta, Ohio and to undertake certain other remedial actions we have agreed with the OEPA to perform, including, without limitation, installing a fire break and removing liquids from gas extraction wells. While we intend to vigorously pursue financial contributions from third parties for our costs to comply with the F&Os and the additional remedial actions, we have not recorded any receivables for potential recoveries.

During the year ended December 31, 2007, we recorded a pre-tax charge of $9.6 million ($5.9 million, or $.03 per diluted share, net of tax) associated with an increase in estimated leachate disposal costs and costs to upgrade onsite equipment that captures and treats leachate at our closed disposal facility in Contra Costa County, California. These additional costs are attributable to a consent agreement with the California Department of Toxic Substance Control.

The charges for our Countywide and Contra Costa County facilities affected our Consolidated Statements of Income as follows:

	Year Ended December 31, 2007
Expenses:	

Cost of operations	$	49.1
Depreciation, amortization and depletion		3.6
Selling, general and administrative		1.5
Operating income		(54.2)
Other income (expense), net		(.7)
Income before income taxes	$	(54.9)

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During the year ended December 31, 2007, we recorded a net tax benefit of $4.8 million in our provision for income taxes related to the resolution of various tax matters, including the effective completion of Internal Revenue Service audits of our consolidated tax returns for fiscal years 2001 through 2004. Income tax expense for the year ended December 31, 2006 includes a $5.1 million benefit related to the resolution of various income tax matters, including the effective completion of Internal Revenue Service audits for the years 1998 through 2000.

We adopted Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment, effective January 1, 2006 using the modified prospective transition method. As a result of adopting SFAS 123(R), we recorded $6.3 million and $5.5 million of incremental equity-based compensation expense during the years ended December 31, 2007 and 2006, respectively. In accordance with the modified prospective transition method, our Consolidated Financial Statements for prior periods have not been restated to reflect, and do not include, the impact of adopting SFAS 123(R). See Note 8, Employee Benefit Plans, of the Notes to Consolidated Financial Statements for further information.

The following table summarizes our operating costs and expenses in millions of dollars and as a percentage of our revenue for the years ended December 31, 2007, 2006 and 2005:

	Years Ended December 31,		
	2007	**2006**	**2**