

INPUT OUTPUT INC  
Form SC 13G  
March 03, 2006

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 13G**

**Under the Securities Exchange Act of 1934**

Input/Output Inc.

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(Name of Issuer)

Common Stock

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(Title of Class of Securities)

457652105

(CUSIP Number)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)

Rule 13d-1(c)

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“ Rule 13d-1(d)

\* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page. The information required in the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 ( Act ) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

EXPLANATORY NOTE

This Schedule 13G is filed by Wells Fargo & Company on its own behalf and on behalf of any subsidiaries listed on Attachment A. Aggregate beneficial ownership reported by Wells Fargo & Company under Item 9 on page 2 is on a consolidated basis and includes any beneficial ownership separately reported herein by a subsidiary.

CUSIP NO. 457652105

13G

1 NAME OF REPORTING PERSON

I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)

Wells Fargo & Company  
Tax Identification No. 41-0449260

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

- (a)
- (b)

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF 5 SOLE VOTING POWER

SHARES 5,224,076

6 SHARED VOTING POWER

BENEFICIALLY

0

OWNED BY 7 SOLE DISPOSITIVE POWER

EACH 5,588,829

8 SHARED DISPOSITIVE POWER

REPORTING 4,450

PERSON

WITH

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

5,593,879

10 CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES

Not applicable

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

7.02%

12 TYPE OF REPORTING PERSON

HC

CUSIP NO. 457652105

13G

1 NAME OF REPORTING PERSON

I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)

Wells Capital Management Incorporated  
Federal ID No. 95-3692822

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

- (a)
- (b)

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION

California

NUMBER OF 5 SOLE VOTING POWER

SHARES 2,715,213

6 SHARED VOTING POWER

BENEFICIALLY

0

OWNED BY 7 SOLE DISPOSITIVE POWER

EACH 5,300,855

8 SHARED DISPOSITIVE POWER

REPORTING 0

PERSON

WITH

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

5,300,855

10 CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES

Not applicable

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

6.65%

12 TYPE OF REPORTING PERSON

IA

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934

**DISCLAIMER:** Information in this Schedule 13G is provided solely for the purpose of complying with Sections 13(d) and 13(g) of the Act and regulations promulgated thereunder, and is not to be construed as an admission that Wells Fargo & Company or any of its subsidiaries is the beneficial owner of the securities covered by this Schedule 13G for any purpose whatsoever.

Item 1 (a) Name of Issuer:

Input/Output Inc.

Item 1 (b) Address of Issuer's Principal Executive Offices:

12300 Parc Crest Drive

Stafford, Texas 77477

Item 2 (a) Name of Person Filing:

Wells Fargo & Company

Wells Capital Management Incorporated

Item 2 (b) Address of Principal Business Office or, if None, Residence:

1. Wells Fargo & Company

420 Montgomery Street

San Francisco, CA 94104

2. Wells Capital Management Incorporated

525 Market Street

San Francisco, CA 94105

Item 2 (c) Citizenship:

1. Wells Fargo & Company:

Delaware

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2. Wells Capital Management Incorporated:

California

Item 2 (d) Title of Class of Securities:

Common Stock

Item 2 (e) CUSIP Number:

457652105

Item 3 The person filing is a:

1. Wells Fargo & Company:

Parent Holding Company in accordance with 240.13d-1(b)(1)(ii)(G)

2. Wells Capital Management Incorporated:

Registered Investment Advisor in accordance with Regulation 13d-1(b)(1)(ii)(E)

Item 4 Ownership:

See items 5-11 of each cover page. Information as of December 31, 2005.

Item 5 Ownership of Five Percent or Less of a Class:

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following. "

Item 6 Ownership of More than Five Percent on Behalf of Another Person:

Not applicable.

Item 7 Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company:

See Attachment A

Item 8 Identification and Classification of Members of the Group:

Not applicable

Item 9 Notice of Dissolution of Group:

Not applicable

Item 10 Certification:

By signing below, I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

Signature.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete, and correct.

Date: March 2, 2006

WELLS FARGO & COMPANY

By: /s/ Mark B. Kraske  
Mark B. Kraske,

VP Trust Operations

Management Support Services



ATTACHMENT A

The Schedule 13G to which this attachment is appended is filed by Wells Fargo & Company on behalf of the following subsidiaries:

Wells Capital Management Incorporated (1)

Wells Fargo Funds Management, LLC (1)

Wells Fargo Bank, National Association (2)

- (1) Classified as a registered investment advisor in accordance with Regulation 13d-1(b)(1)(ii)(E).
- (2) Classified as a bank in accordance with Regulation 13d-1(b)(1)(ii)(B).

AGREEMENT

The undersigned hereby agree that the statement on Schedule 13G to which this Agreement is attached shall be filed by Wells Fargo & Company on its own behalf and on behalf of Wells Capital Management Incorporated.

Date: March 2, 2006

WELLS FARGO & COMPANY

By: /s/ Mark B. Kraske  
Mark B. Kraske,

VP Trust Operations

Management Support Services

WELLS CAPITAL MANAGEMENT INCORPORATED

By: /s/ Mai Shiver  
Mai Shiver,

Chief Compliance Officer

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services, our subsidiary was paid an aggregate of \$93,488. Mr. Huizenga is the Chairman of and controls Boca Resorts, and Mr. Hudson is a director of Boca Resorts. We expect to continue to provide these services in 2002 on the same terms. 18 INDEPENDENT PUBLIC ACCOUNTANTS Our board of directors has, in accordance with the recommendation of its audit and nominating committee, chosen the firm of Arthur Andersen LLP as independent public accountants of our company and its subsidiaries for the year ending December 31, 2002. Arthur Andersen has been serving our company in this capacity since our initial public offering in 1998. Representatives of Arthur Andersen are expected to be present at the annual meeting, will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions. Arthur Andersen served as our independent public accountant for the year ended December 31, 2001. Although we have been satisfied with Arthur Andersen's service as our independent public accountant, in light of recent well-publicized events involving Arthur Andersen, our board of directors and audit and nominating committee have directed us to evaluate alternatives for engaging an independent public accountant for 2002. We will be seeking proposals from other audit firms to become our independent public accountants for the fiscal year ending December 31, 2002 in the event we decide to change independent public accountants during 2002. Accordingly, our stockholders are not being asked to ratify an independent public accountant at this meeting. AUDIT FEES The aggregate amount of fees billed or expected to be billed to our company by Arthur Andersen for professional services rendered in connection with the audit of the company's annual financial statements for the fiscal year ended December 31, 2001, and for the review of the company's interim financial statements included in the company's quarterly reports on Form 10-Q for that fiscal year was \$614,500. FINANCIAL INFORMATION SYSTEM DESIGN AND IMPLEMENTATION FEES There were no professional services rendered to the company by Arthur Andersen for the design and implementation of financial information systems for the fiscal year ended December 31, 2001. ALL OTHER FEES The aggregate amount of fees billed to the company by Arthur Andersen for all other non-audit services rendered to the company for the fiscal year ended December 31, 2001, was \$1,066,090, including audit-related services of \$95,340 and non-audit services of \$970,750. Fees for audit-related services generally include fees for statutory and pension audits, accounting consultations and SEC registration statements. Non-audit services consist primarily of tax compliance and tax

consulting services. The audit and nominating committee of the board of directors believes that the provision of services described above under the caption "All Other Fees" is compatible with maintaining the independence of our independent public accountants. 19 AUDIT AND NOMINATING COMMITTEE REPORT The following statement made by the audit and nominating committee shall not be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, and shall not otherwise be deemed filed under either of these acts. Management is responsible for the company's internal controls, financial reporting process and compliance with laws and regulations and ethical business standards. The independent auditor is responsible for performing an independent audit of the company's consolidated financial statements in accordance with generally accepted auditing standards and issuing a report thereon. The audit and nominating committee's responsibility is to monitor and oversee these processes on behalf of the board of directors. In this context, the audit and nominating committee has reviewed and discussed the audited financial statements with management and the independent auditors. The audit and nominating committee has discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). In addition, the audit and nominating committee has received from the independent auditors the written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and discussed with them their independence from the company and its management. The audit and nominating committee has considered whether the independent auditors' provision of audit-related and other non-audit services to the company is compatible with maintaining the auditors' independence. Finally, the audit and nominating committee has evaluated the independent auditors' role in performing an independent audit of the company's financial statements in accordance with generally accepted auditing standards and applicable professional and firm auditing standards, including quality control standards. The audit and nominating committee has received assurances from the independent auditors that the audit was subject to its quality control system for accounting and auditing practice in the United States. The independent auditors have further assured the audit and nominating committee that its engagement was conducted in compliance with professional standards and that there was appropriate continuity of personnel working on the audit, availability of national office consultation to conduct the relevant portions of the audit, and availability of personnel at foreign affiliates to conduct the relevant portions of the audit. In reliance on the reviews, discussions and evaluations referred to above, the audit and nominating committee recommended to the board of directors that the audited financial statements be included in the company's annual report on Form 10-K for the fiscal year ended December 31, 2001, for filing with the Securities and Exchange Commission. By recommending to the board of directors that the audited financial statements be so included, the audit and nominating committee is not opining on the accuracy, completeness or presentation of the information contained in the audited financial statements. Audit and Nominating Committee: John W. Croghan, Chairman Ramon A. Rodriguez Allan C. Sorensen 20

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE Based solely upon a review of (1)

Forms 3 and 4 and amendments to each form furnished to us pursuant to Rule 16a-3(e) under the Exchange Act during our fiscal year ended December 31, 2001, (2) any Forms 5 and amendments to the forms furnished to us with respect to our fiscal year ended December 31, 2001, and (3) any written representations referred to us in subparagraph (b)(2)(i) of Item 405 of Regulation S-K under the Exchange Act, except for one transaction in 1998 that was reflected on a Form 5 filed by Harris W. Hudson on February 11, 2002, no person who at any time during the fiscal year ended December 31, 2001 was a director, officer or, to our knowledge, a beneficial owner of more than 10% of our common stock failed to file on a timely basis reports required by Section 16(a) of the Exchange Act during the fiscal year ended December 31, 2001 or prior fiscal years. SECURITY OWNERSHIP OF FIVE PERCENT SHAREHOLDERS

The following table shows certain information as of March 26, 2002 with respect to the beneficial ownership of common stock by each of our stockholders who is known by us to be a beneficial owner of more than 5% of our outstanding common stock. SHARES BENEFICIALLY OWNED NAME OF ----- BENEFICIAL OWNER

NUMBER	PERCENT	-----	-----	-----	-----
				Subsidiaries of FMR Corp.....	18,598,978(1)
11.1%	82 Devonshire Street, Boston, MA 02109	Cascade Investment LLC.....	17,154,600(2)		10.3
	2365 Carillon Point, Kirkland, WA 98033	Wellington Management Company, LLP.....	13,513,100(3)		8.1
	75 State Street, Boston, MA 02109	Legg Mason, Inc.....	12,259,416(4)		7.3
	100 Light Street, Baltimore, MD 21202	Vanguard Windsor Funds -- Vanguard Windsor Fund.....	10,574,800(5)		6.3
	100 Vanguard Boulevard, Malvern, PA 19355				

(1) Based on Amendment No. 6 to Schedule 13G filed with the SEC by FMR Corp. on February 14, 2002. Includes 16,773,478 shares owned by Fidelity Management and Research

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Company, 934,500 shares owned by Fidelity Management Trust Company, 890,000 shares owned by Fidelity International Limited, and 1,000 shares owned by Strategic Advisors, Inc. Fidelity Management and Research Company, Fidelity Management Trust Company, Fidelity International Limited and Strategic Advisors, Inc. are all wholly-owned subsidiaries of FMR Corp. (2) Based on Amendment No. 2 to Schedule 13G filed with the SEC by Cascade Investment LLC on February 12, 2002. (3) Based on Amendment No. 1 to Schedule 13G filed with the SEC by Wellington Management Company, LLP on February 14, 2002. (4) Based on Amendment No. 1 to Schedule 13G filed with the SEC by Legg Mason, Inc. on February 8, 2002. (5) Based on Amendment No. 1 to Schedule 13G filed with the SEC by Vanguard Windsor Funds -- Vanguard Windsor Fund on February 12, 2002. 21 SECURITY OWNERSHIP OF MANAGEMENT The following table shows certain information as of March 26, 2002 with respect to the beneficial ownership of common stock by (1) each of our directors, (2) each of the executive officers listed in the "Summary Compensation Table" on page 10 and (3) all of our current directors and executive officers as a group. We have adjusted share amounts and percentages shown for each individual, entity or group in the table to give effect to shares of common stock that are not outstanding but which the individual, entity or group may acquire upon exercise of all options exercisable within 60 days of March 26, 2002. However, we do not deem these shares of common stock to be outstanding for the purpose of computing the percentage of outstanding shares beneficially owned by any other individual, entity or group. SHARES BENEFICIALLY OWNED NAME OF

----- BENEFICIAL OWNER	NUMBER	PERCENT	-----
Huizenga.....	750,000(1) *		H. Wayne
E. O'Connor.....	345,325(3) *		James
Ramon A. Rodriguez.....	80,000(5) *		561,000(2) *
Tod C. Holmes.....	138,548(7) *		190,000(4) *
All directors and executive officers as a group (9 persons).....		2,282,755(9) 1.4%	

\* Less than 1 percent (1) The aggregate amount of common stock beneficially owned by Mr. Huizenga consists of vested options to purchase 750,000 shares. (2) The aggregate amount of common stock beneficially owned by Mr. Hudson consists of 1,000 shares owned directly by him and vested options to purchase 560,000 shares. (3) The aggregate amount of common stock beneficially owned by Mr. O'Connor consists of 7,200 shares owned directly by him and vested options to purchase 338,125 shares. (4) The aggregate amount of common stock beneficially owned by Mr. Croghan consists of 100,000 shares owned directly by him and vested options to purchase 90,000 shares. (5) The aggregate amount of common stock beneficially owned by Mr. Rodriguez consists of vested options to purchase 80,000 shares. (6) The aggregate amount of common stock beneficially owned by Mr. Sorensen consists of vested options to purchase 90,000 shares. (7) The aggregate amount of common stock beneficially owned by Mr. Holmes consists of 11,048 shares owned directly by him and vested options to acquire 127,500 shares. (8) The aggregate amount of common stock beneficially owned by Mr. Barclay consists of vested options to acquire 127,882 shares. (9) The aggregate amount of common stock beneficially owned by all directors and executive officers as a group consists of (a) 119,248 shares and (b) vested options to purchase 2,163,507 shares. 22

PROPOSAL 1 ELECTION OF DIRECTORS The board of directors currently consists of six members. The board of directors, upon recommendation of the audit and nominating committee, has designated the persons named below as nominees for election as directors, for a term expiring at the annual meeting of stockholders in the year 2003. All nominees are currently serving as directors. Each director is elected by the affirmative vote of a plurality of the votes cast by the shares of common stock present at the annual meeting, in person or by proxy, and entitled to vote for the election of directors. It is the intention of the persons named in the enclosed form of proxy to vote the proxies they receive for the election of the nominees named below, unless a particular proxy withholds authorization to do so or provides other contrary instructions. Each of the nominees has indicated that he is willing and able to serve as a director. If before the annual meeting any nominee becomes unable to serve, an event which is not anticipated by the board of directors, the proxies will be voted for the election of whomever the board of directors may designate. NOMINEES FOR DIRECTOR H. Wayne Huizenga Harris W. Hudson James E. O'Connor John W. Croghan Ramon A. Rodriguez Allan C. Sorensen Beginning on page 2 of this proxy statement we provide biographical information relating to each of these nominees for director under the heading "Biographical Information Regarding Directors/Nominees and Executive Officers". THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE ELECTION OF EACH OF THE NOMINEES FOR DIRECTOR NAMED ABOVE. PROXIES EXECUTED AND RETURNED WILL BE SO VOTED UNLESS CONTRARY INSTRUCTIONS ARE

INDICATED THEREON. 23 PROPOSAL 2 APPROVAL OF AMENDMENT AND RESTATEMENT OF REPUBLIC SERVICES, INC. 1998 STOCK INCENTIVE PLAN The board of directors has adopted and recommends that the stockholders approve and adopt an amendment and restatement of our 1998 Stock Incentive Plan to, among other things, increase the number of shares of our common stock subject to the Stock Incentive Plan to 27,000,000 shares. Our experience with stock options has convinced the board of directors of the important role of stock options and other stock-based incentives in recruiting and retaining officers, directors and employees with ability and initiative and in encouraging such persons to have a greater financial investment in our company. The board of directors approved the amendment and restatement of the Stock Incentive Plan on March 6, 2002. Subject to stockholder approval, the Stock Incentive Plan, as amended and restated, replaces the original version of the Stock Incentive Plan, which our company implemented prior to our initial public offering. The complete text of the amended and restated Stock Incentive Plan is attached to this Proxy Statement as Exhibit A. The principal features of the Stock Incentive Plan, including material amendments to the original version of the Stock Incentive Plan, are summarized below. This description is qualified in its entirety by reference to Exhibit A. GENERAL INFORMATION The Stock Incentive Plan authorizes the compensation committee of the board of directors to award common stock, restricted stock, stock options, stock appreciation rights and phantom stock to directors, officers and employees of our company and its subsidiaries who are designated by the compensation committee. The original version of the Stock Incentive Plan permitted grants and awards also to consultants of our company and its subsidiaries. The Stock Incentive Plan, as amended and restated, no longer permits such grants and awards. The Stock Incentive Plan authorizes the issuance of up to 27,000,000 shares of our common stock, an increase of 7,000,000 shares over the original version of the Stock Incentive Plan. In any year, no participant may receive awards of stock under the Stock Incentive Plan with respect to more than 1,000,000 shares of our common stock. In addition, over the life of the Stock Incentive Plan, no participant may receive grants of stock options or stock appreciation rights that cover, in the aggregate, more than 5,000,000 shares of our common stock. In addition, the compensation committee may not grant incentive stock options that cover, in the aggregate, more than 27,000,000 shares of our common stock under the Stock Incentive Plan. The original version of the Stock Incentive Plan included a limitation on the amount of stock awards that the compensation committee could award in the aggregate to all participants under the Stock Incentive Plan, and that limitation has been eliminated. Shares are considered to be issued under the Stock Incentive Plan only when the shares are actually issued to a participant. Additionally, any shares tendered or withheld in payment of all or part of the exercise price of a stock option granted under the Stock Incentive Plan or in satisfaction of withholding tax obligations, any shares forfeited or canceled in accordance with the terms of a grant or award under the Stock Incentive Plan and any shares that are not issued under the Stock Incentive Plan because of a payment of cash in lieu of shares will become available for issuance under new grants and awards under the Stock Incentive Plan. 24 As of March 26, 2002, options to purchase 19,839,167 shares (including options that have been exercised or cancelled) have been granted, and 2,272,204 shares remain available for grants and awards under the Stock Incentive Plan. Our company has not made any other awards under the Stock Incentive Plan. The following table sets forth information relating to all grants of stock options under the Stock Incentive Plan to (i) each of the executive officers listed in the "Summary Compensation Table" on page 10, (ii) all current executive officers as a group, (iii) each current director, (iv) all current directors who are not executive officers as a group, and (v) all employees, including all current officers who are not executive officers, as a group.

NUMBER OF SECURITIES GRANTED	VALUE OF UNEXERCISED UNDERLYING OPTIONS AT MARCH 26, 2002	EXERCISE OR BASE PRICE (\$/SHARE)	IN-THE-MONEY OPTIONS	EXERCISE OR BASE PRICE (\$/SHARE)	EXERCISE OR BASE PRICE (\$/SHARE)	EXERCISE OR BASE PRICE (\$/SHARE)
James E. O'Connor.....	570,000	\$11.875 - 18.0625	\$ 1,696,875			Chief Executive Officer and Director
Harris W. Hudson.....	785,000	11.875 - 18.4375	1,547,000			Vice Chairman and Secretary
Tod C. Holmes.....	240,000	11.875 - 18.4375	856,625			Senior Vice President and Chief Financial Officer
David A. Barclay.....	240,382	11.875 - 18.4375	857,332			Senior Vice President and General Counsel
EXECUTIVE GROUP.....	1,900,382	\$ 11.875 - 18.80	\$ 5,021,582			
Huizenga.....	1,400,000	\$ 11.875 - 17.50	\$ 4,325,000			
John W. Croghan.....	90,000	14.25 - 25.6875				
Ramon A. Rodriguez.....	80,000	14.25 - 17.40	307,875			
Allan C. Sorensen.....	90,000	14.25 - 23.00	127,625			
NON-EXECUTIVE DIRECTOR GROUP.....	1,660,000	\$11.875 - 25.6875	\$ 4,888,125			
NON-EXECUTIVE OFFICER EMPLOYEE GROUP	10,876,242	\$ 3.39 - 33.88	\$33,395,606			

(1) The exercise price for the options listed in the table was the fair market value on the date of grant. (2) The value of in-the-money options was calculated by determining the difference between the closing price of a share of our

common stock as reported on the New York Stock Exchange composite tape on March 26, 2002 and the exercise price of the options. We intend to continue to grant options to purchase shares of our common stock under the Stock Incentive Plan to directors, eligible officers and key employees. The Stock Incentive Plan provides that each non-employee director will receive non-qualified stock options to purchase 50,000 shares of our common stock when he or she is elected to the board of directors and annual grants to purchase 10,000 shares of our common stock annually following the public announcement of fourth quarter earnings. No further determination has been made as to which of the persons eligible to participate in the Stock Incentive Plan will receive awards under the Stock Incentive Plan in the future and, therefore, the future benefits to be allocated to any individual or to various groups of participants are not presently determinable. The Stock Incentive Plan provides that if there is a stock split, stock dividend or other event that affects our capitalization, appropriate adjustments will be made in the number of shares that may be issued under the plan and in the number of shares and price in all outstanding grants and awards made before such event. On March 26, 2002, the closing price for a share of our common stock on the New York Stock Exchange was \$19.35.

**25 GRANTS AND AWARDS UNDER THE STOCK INCENTIVE PLAN** The principal features of awards under the Stock Incentive Plan are summarized below. Grants and awards under the Stock Incentive Plan generally have a minimum vesting period of one year. Exceptions to this vesting requirement include non-qualified stock options granted to non-employee directors under the Stock Incentive Plan, grants and awards made in lieu of cash compensation and grants and awards in instances of termination of employment or upon an extraordinary event where the compensation committee waives the requirement.

**Stock Options.** The Stock Incentive Plan permits the granting of incentive stock options, which qualify for special tax treatment, and non-qualified stock options. The exercise price for options will not be less than the fair market value of a share of our common stock on the date of grant. The period in which an option may be exercised is determined by the compensation committee on the date of grant, but will not exceed 10 years in the case of an incentive stock option. Payment of the option exercise price may be in cash or, if the award agreement provides, by surrendering previously owned shares of our common stock or our withholding shares of our common stock upon exercise. We may also assist in a "cashless exercise" through a broker with the consent of the compensation committee.

**Stock Appreciation Rights ("SARs").** SARs may also be granted either independently or in combination with underlying stock options. Each SAR will entitle the holder upon exercise to receive the excess of the fair market value of a share of our common stock at the time of exercise over the fair market value of a share of our common stock on the date of grant of the SAR. A limited SAR is exercisable upon a Change of Control and entitles the holder to receive, with respect to each share of our common stock encompassed by the exercise of such SAR, the higher of (x) the highest sales price of a share of our common stock as reported on the New York Stock Exchange composite tape during the 60-day period prior to and including the date of the Change of Control, or (y) the highest price per share paid in a Change of Control transaction, except that in the case of a SAR related to an incentive stock option, such price shall be based only on the fair market value of a share of our common stock on the date the incentive stock option is exercised. At the discretion of the compensation committee, all or part of the payment in respect of a SAR may be in cash, shares of our common stock or a combination thereof.

**Common Stock and Restricted Stock.** The compensation committee may also authorize the award of shares of our common stock and/or restricted common stock. The restricted stock would vest and become transferable upon the satisfaction of conditions set forth in the applicable award agreement. Restricted stock awards may be subject to forfeiture if, for example, the recipient's employment terminates before the award vests. During the period of restriction, holders of restricted stock will have voting rights and the right to receive dividends on their shares.

**Phantom Stock.** The compensation committee may also award shares of phantom stock by means of a bookkeeping entry by which an account is credited (but not funded) as though shares of our common stock had been transferred to such account. The award may entitle the recipient to receive, upon satisfaction of such terms and conditions as prescribed by the compensation committee, cash, shares of our common stock or a combination of both. The original version of the Stock Incentive Plan did not provide for the award of phantom stock.

**26 CHANGE OF CONTROL PROVISIONS** The Stock Incentive Plan provides that in the event of a "Change of Control" (as defined in the Stock Incentive Plan), unless otherwise provided by the compensation committee in a grant or award agreement, all outstanding stock options, SARs and phantom stock will become fully exercisable and the restrictions applicable to outstanding restricted stock will lapse. The compensation committee may also provide that under such circumstances holders of restricted stock may elect to receive, in exchange for shares that were restricted stock, a cash payment equal to the fair market value of the shares surrendered. The original version of the Stock Incentive Plan did not contain a

"Change of Control" definition and lacked clarity on the effects of such a change on grants and awards. FEDERAL INCOME TAX CONSEQUENCES The principal federal tax consequences to participants and to the Company of grants and awards under the Stock Incentive Plan are summarized below. Non-Qualified Stock Options. Non-qualified stock options granted under the Stock Incentive Plan are not taxable to an optionee at grant but result in taxation at exercise, at which time the individual will recognize ordinary income in an amount equal to the difference between the option exercise price and the fair market value of the common stock on the exercise date. We will be entitled to deduct a corresponding amount as a business expense in the year the optionee recognizes this income. Incentive Stock Options. An employee will generally not recognize income on receipt or exercise of an incentive stock option so long as he or she has been an employee of us or our subsidiaries from the date the option was granted until three months before the date of exercise; however, the amount by which the fair market value of the common stock at the time of exercise exceeds the option price is a required adjustment for purposes of the alternative minimum tax applicable to the employee. If the employee holds the common stock received upon exercise of the option for one year after exercise (and for two years from the date of grant of the option), any difference between the amount realized upon the disposition of the stock and the amount paid for the stock will be treated as long-term capital gain (or loss, if applicable) to the employee. If the employee exercises an incentive stock option and satisfies these holding period requirements, we may not deduct any amount in connection with the incentive stock option. In contrast, if an employee exercises an incentive stock option but does not satisfy the holding period requirements with respect to the common stock acquired on exercise, the employee generally will recognize ordinary income in the year of the disposition equal to the excess, if any, of the fair market value of the common stock on the date of exercise over the option price; and any excess of the amount realized on the disposition over the fair market value on the date of exercise will be taxed as long-or short-term capital gain (as applicable). If, however, the fair market value of the common stock on the date of disposition is less than on the date of exercise, the employee will recognize ordinary income equal only to the difference between the amount realized on disposition and the option price. In either event, we will be entitled to deduct an amount equal to the amount constituting ordinary income to the employee in the year of the premature disposition. Stock Appreciation Rights. There are no immediate federal income tax consequences to an employee when a SAR is granted. Instead, the employee realizes ordinary income upon exercise of a SAR in an amount equal to the cash and/or the fair market value (on the date of exercise) of the shares of our common stock received. We will be entitled to deduct the same amount as a business expense at the time. Restricted Stock. The federal income tax consequences of restricted stock awards depend on the restrictions imposed on the stock. Generally, the fair market value of the stock received will not be includable in the participant's gross income until such time as the stock is no longer subject to a substantial risk of forfeiture or becomes transferable. The employee may, however, make a tax election to include the value of the stock in gross income in the year of receipt despite such restrictions. Generally, we will be entitled to deduct the fair market value of the stock transferred to the employee as a business expense in the year the employee includes the compensation in income. Phantom Stock. A participant generally will not recognize taxable income upon the award of shares of phantom stock. The participant, however, will recognize ordinary income when the participant receives payment of cash and/or shares of our common stock for the phantom stock. The amount included in the participant's income will equal the amount of cash and the fair market value of the shares of our common stock received. We generally will be entitled to a corresponding tax deduction at the time the participant recognizes ordinary income with respect to phantom stock. Common Stock/Cash Payments. The fair market value of any shares of our common stock awarded to a participant and any cash payments a participant receives in connection with other awards under the Stock Incentive Plan or as dividends on restricted stock are taxable as ordinary income in the year received or made available to the participant without substantial limitations or restrictions. Generally, we will be entitled to deduct the amount (other than dividends) that the participant includes as income as a business expense in the year the participant recognizes such income. Section 162(m) of the Internal Revenue Code places a \$1 million annual limit on the deductible compensation of certain executives of publicly traded corporations. The limit, however, does not apply to "qualified performance-based compensation." The performance goals that the compensation committee may use for this determination under the Stock Incentive Plan consist generally of revenue, net income, earnings per share, return on equity and stockholder return. Performance goals may apply to all grants and awards under the Stock Incentive Plan, as amended and restated. Under the original version of the Stock Incentive Plan, performance goals applied only to awards of stock. State tax consequences may in some cases differ from those described above. Grants and awards under the Stock Incentive Plan may in some

instances be made to employees who are subject to tax in jurisdictions other than the United States and may result in tax consequences differing from those described above. OTHER INFORMATION The Stock Incentive Plan was effective as of June 30, 1998, and will expire on June 30, 2008, unless terminated earlier by the board of directors. Grants and awards issued before the Stock Incentive Plan expires or is terminated may extend beyond the expiration or termination date. The board of directors may amend the Stock Incentive Plan at any time, provided that no such amendment will be made without shareholder approval if such amendment materially increases the aggregate number of shares of our common stock that may be issued under the Stock Incentive Plan, materially increases the benefits to participants under the Stock 28 Incentive Plan, materially changes the requirements for eligibility to participate under the Stock Incentive Plan or if such approval is required under any applicable law, rule or regulation. In addition, the option price of any outstanding option may not be adjusted or amended unless the stockholders approve such an adjustment or amendment. THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE APPROVAL AND ADOPTION OF THE AMENDMENT AND RESTATEMENT OF THE REPUBLIC SERVICES, INC. 1998 STOCK INCENTIVE PLAN, AND PROXIES EXECUTED AND RETURNED WILL BE SO VOTED UNLESS CONTRARY INSTRUCTIONS ARE INDICATED THEREON. 29 STOCKHOLDER PROPOSALS We must receive any proposals of stockholders intended to be presented at the year 2003 annual meeting for inclusion in the proxy statement and form of proxy relating to that meeting not later than December 2, 2002. We suggest that proponents submit their proposals by certified mail, return receipt requested. Detailed information for submitting resolutions will be provided upon written request to the Secretary of our company at Republic Services, Inc., 110 S.E. 6th Street, Fort Lauderdale, Florida 33301. We expect to hold the 2003 annual meeting on May 15, 2003, and any proposal that is received by us after March 31, 2003 will be considered untimely for consideration at the 2003 annual meeting. We have not received any stockholder proposals for inclusion in this proxy statement. OTHER MATTERS You are again invited to attend the annual meeting at which our management will present a review of our progress and operations. Management does not intend to present any other items of business and knows of no other matters that will be brought before the annual meeting. However, if any additional matters are properly brought before the annual meeting, the persons named in the enclosed proxy shall vote the proxies in their discretion in the manner they believe to be in the best interest of our company. We have prepared the accompanying form of proxy at the direction of the board of directors and provide it to you at the request of the board of directors. Your board of directors has designated the proxies named therein. THE COMPANY'S ANNUAL REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001, INCLUDING FINANCIAL STATEMENTS, IS BEING MAILED TO STOCKHOLDERS WITH THIS PROXY STATEMENT. A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR 2001 FILED WITH THE COMMISSION, EXCLUDING EXHIBITS, MAY BE OBTAINED WITHOUT CHARGE BY WRITING TO THE SECRETARY OF THE COMPANY, WHOSE ADDRESS IS 110 S.E. 6TH STREET, FORT LAUDERDALE, FLORIDA 33301 OR BY VISITING THE COMPANY'S WEBSITE AT WWW.REPUBLICSERVICES.COM. 30 EXHIBIT A REPUBLIC SERVICES, INC. 1998 STOCK INCENTIVE PLAN (AS AMENDED AND RESTATED MARCH 6, 2002) ARTICLE I DEFINITIONS For purposes of this Plan, the following terms shall have the following meanings: 1.01 AGREEMENT means a written agreement (including any amendment or supplement thereto) between the Company and a Participant specifying the terms and conditions of a Grant or an Award issued to such Participant. 1.02 AWARD means an award of Common Stock, Restricted Stock and/or Phantom Stock. 1.03 BOARD means the Board of Directors of the Company. 1.04 CHANGE OF CONTROL means any change in control of the Company of a nature which would be required to be reported (a) in response to Item 6(e) of Schedule 14A of Regulation 14A, as in effect on the date of this Agreement, promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (b) in response to Item 1 of the Current Report on Form 8-K, as in effect on the date of this Agreement, promulgated under the Exchange Act, or (c) in any filing by the Company with the Securities and Exchange commission; provided, however, that without limitation, a Change of Control of the Company shall be deemed to have occurred if: (i) Any "person" (as such term is defined in Sections 13(d)(3) and Section 14(d)(3) of the Exchange Act), other than the Company, any majority-owned subsidiary of the Company, or any compensation plan of the Company or any majority-owned subsidiary of the Company, becomes the "beneficial owner" (as such term is defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the combined voting power of the Company; (ii) During any period of three consecutive years during the term of this Agreement, the individuals who at the beginning of such period constitute the Board of Directors of the Company



cease for any reason to constitute at least a majority of such Board of Directors, unless the election of each director who was not a director at the beginning of such period has been approved in advance by directors representing at least two-thirds of the directors then in office who were directors at the beginning of such period; or (iii) The shareholders of the Company approve (1) a reorganization, merger, or consolidation with respect to which persons who were the shareholders of the Company immediately prior to such reorganization, merger, or consolidation do not immediately thereafter own more than 50% of the combined voting power entitled to vote generally in the election of the directors of the reorganized, merged or consolidated entity; (2) a liquidation or dissolution of the Company; or (3) the sale of all or substantially all of the assets of the Company or of a subsidiary of the Company that accounts for 30% of the A-1 consolidated revenues of the Company, but not including a reorganization, merger or consolidation of the Company.

1.05 CHANGE OF CONTROL DATE is the date on which an event described in Section 1.04 occurs. 1.06 CODE means the Internal Revenue Code of 1986, as amended from time to time. References to the Code shall include the valid and binding governmental regulations, court decisions and other regulatory and judicial authority issued or rendered thereunder. 1.07 COMMISSION means the Securities and Exchange Commission or any successor agency. 1.08 COMMITTEE means the Compensation Committee of the Board. 1.09 COMMON STOCK means the Common Stock, par value \$.01 per share, of the Company. 1.10 COMPANY means Republic Services, Inc. 1.11 EFFECTIVE DATE means June 30, 1998. 1.12 EXCHANGE ACT means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto. 1.13 FAIR MARKET VALUE means, on any given date, the closing price of a share of Common Stock as reported on the New York Stock Exchange composite tape on such day or, if the Common Stock was not traded on the New York Stock Exchange on such day, then on the next preceding day that the Common Stock was traded on such exchange, all as reported by such source as the Committee may select. 1.14 GRANT means the grant of an Option and/or an SAR. 1.15 INCENTIVE STOCK OPTION means an Option which qualifies and is intended to qualify as an "incentive stock option" under Section 422 of the Code. 1.16 INITIAL VALUE means, with respect to an SAR, the Fair Market Value of one share of Common Stock on the date of grant, as set forth in an Agreement. 1.17 NON-QUALIFIED STOCK OPTION means an Option other than an Incentive Stock Option. 1.18 OPTION means a stock option that entitles the holder to purchase from the Company a stated number of shares of Common Stock at the price and on the conditions set forth in an Agreement. 1.19 OPTION PRICE means the price per share for Common Stock purchased on the exercise of an Option as provided in Article VI. 1.20 PARTICIPANT means an officer, director or employee of the Company or of a Subsidiary who satisfies the requirements of Article IV and is selected by the Committee to receive a Grant or an Award. 1.21 PHANTOM STOCK means a bookkeeping entry on behalf of a Participant by which his account is credited (but not funded) as though Common Stock had been transferred to such account. A-2 1.22 PLAN means the Republic Services, Inc. 1998 Stock Incentive Plan, as amended from time to time. 1.23 RESTRICTED STOCK means shares of Common Stock awarded to a Participant under Article IX and designated as Restricted Stock. Shares of Common Stock shall cease to be Restricted Stock when, in accordance with the terms of the applicable Agreement, they become transferable and free of substantial risk of forfeiture. 1.24 RULE 16B-3 means Rule 16b-3, as promulgated by the Commission under Section 16(b) of the Exchange Act, as amended from time to time, or any successor rule. 1.25 SAR means a stock appreciation right granted pursuant to this Plan that entitles the holder to receive, with respect to each share of Common Stock encompassed by the exercise of such SAR, the excess of the Fair Market Value at the time of exercise over the Initial Value of the SAR; provided, that any limited stock appreciation right granted by the Committee and exercisable upon a Change of Control shall entitle the holder to receive, with respect to each share of Common Stock encompassed by the exercise of such SAR, the higher of (x) the highest sales price of a share of Common Stock as reported on the New York Stock Exchange composite tape during the 60-day period prior to and including the Change of Control Date, or (y) the highest price per share paid in a Change of Control transaction, except that in the case of SARs related to Incentive Stock Options, such price shall be based only on the Fair Market Value of the Common Stock on the date that the Incentive Stock Option is exercised. 1.26 SECURITIES BROKER means the registered securities broker acceptable to the Company who agrees to effect the cashless exercise of an Option pursuant to Section 8.05 hereof. 1.27 SUBSIDIARY means, with respect to any corporation, a "subsidiary corporation" of that corporation within the meaning of Code Section 424(f). ARTICLE II PURPOSES The Plan is intended to assist the Company in recruiting and retaining officers, directors, and key employees with ability and initiative by enabling such persons who contribute significantly to the Company or a Subsidiary to participate in its future success and to associate their interests with those of the Company and its shareholders. The Plan is intended to permit the award of

Common Stock, Restricted Stock, and Phantom Stock, and the issuance of Options qualifying as Incentive Stock Options or Non-Qualified Stock Options as designated by the Committee at time of grant, and SARs. No Option that is intended to be an Incentive Stock Option however, shall be invalid for failure to qualify as an Incentive Stock Option under Section 422 of the Code but shall be treated as a Non-Qualified Stock Option.

**ARTICLE III ADMINISTRATION** The Plan shall be administered by the Committee. The Committee shall have authority to issue Grants and Awards upon such terms (not inconsistent with the provisions of this Plan) as the Committee may consider appropriate. The terms of such Grants and Awards A-3 may include conditions (in addition to those contained in this Plan) on (i) the exercisability of all or any part of an Option or SAR and (ii) the transferability or forfeitability of Restricted Stock or Phantom Stock. In addition, the Committee shall have complete authority to interpret all provisions of this Plan; to prescribe the form of Agreements; to adopt, amend, and rescind rules and regulations pertaining to the administration of the Plan; and to make all other determinations necessary or advisable for the administration of this Plan. To fulfill the purposes of the Plan without amending the Plan, the Committee may also modify any Grants or Awards issued to Participants who are nonresident aliens or employed outside of the United States to recognize differences in local law, tax policy or custom. The express grant in the Plan of any specific power to the Committee shall not be construed as limiting any power or authority of the Committee. Any decision made, or action taken, by the Committee or in connection with the administration of this Plan shall be final and conclusive. All expenses of administering this Plan shall be borne by the Company.

**ARTICLE IV ELIGIBILITY**

**4.01 GENERAL.** Any officer, director or key employee of the Company or of any Subsidiary (including any corporation that becomes a Subsidiary of the Company after the adoption of this Plan) may receive one or more Awards or Grants, or any combination or type thereof. Employee and non-employee directors of the Company are eligible to participate in this Plan.

**4.02 GRANTS AND AWARDS.** The Committee will designate the individuals to whom Grants and/or Awards are to be made and will specify the number of shares of Common Stock subject to each such Grant or Award. An Option may be granted alone or in addition to other Grants and/or Awards under the Plan. The Committee shall have the authority to grant Incentive Stock Options, Non-Qualified Stock Options or both types of Options (in each case with or without a related SAR) to any Participant; provided, however, that Incentive Stock Options may be granted only to employees of the Company and its Subsidiaries. An SAR may be granted with or without a related Option. All Grants or Awards under this Plan shall be evidenced by Agreements which shall be subject to applicable provisions of this Plan and to such other provisions as the Committee may determine. No Participant may be granted Options that are Incentive Stock Options, or related SARs (under all plans of the Company and its Subsidiaries which provide for the grant of Incentive Stock Options) which are first exercisable in any calendar year for Common Stock having an aggregate Fair Market Value (determined as of the date an Option is granted) exceeding \$100,000 or such other amount as shall be specified in Code Section 422 and the rules and regulations thereunder from time to time. The Committee may issue Awards and Grants under such conditions, restrictions and contingencies as it may deem appropriate. The performance goals that may be used by the Committee for such Awards or Grants to executive officers covered by IRC Section 162(m) shall consist of: Revenue Return on Equity Net Income Stockholder Return Earnings Per Share A-4 Further, performance criteria may reflect absolute entity performance or a relative comparison of entity performance to the performance of a peer group of entities or other external measure of the selected performance criteria. Profit, earnings and revenues used for any performance goal measurement shall exclude: gains or losses on operating asset sales or dispositions; asset write-downs; litigation or claim judgments or settlements; accruals for historic environmental obligations; effect of changes in tax law or rate on deferred tax liabilities; accruals for reorganization and restructuring programs; uninsured catastrophic property losses; the cumulative effect of changes in accounting principles; and any extraordinary non-recurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operation appearing in the Company's annual report to stockholders for the applicable year.

**4.03 DESIGNATION OF OPTION AS AN INCENTIVE STOCK OPTION OR NON-QUALIFIED STOCK OPTION.** The Committee will designate at the time an Option is granted whether the Option is to be treated as an Incentive Stock Option or a Non-Qualified Stock Option. In the absence, however, of any such designation, such Option shall be treated as a Non-Qualified Stock Option.

**4.04 QUALIFICATION OF INCENTIVE STOCK OPTION UNDER SECTION 422 OF THE CODE.** Anything in this Plan to the contrary notwithstanding, no term of this Plan relating to Incentive Stock Options shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be exercised so as to disqualify the Plan under Section 422 of the Code or, without the consent of the Participant so affected, to disqualify

any Incentive Stock Option under such Section 422. No Option that is intended to be an Incentive Stock Option however, shall be invalid for failure to qualify as an Incentive Stock Option under Section 422 of the Code but shall be treated as a Non-Qualified Stock Option.

**4.05 NON-EMPLOYEE DIRECTOR STOCK OPTIONS.** Non-employee directors shall receive Grants of Non-Qualified Stock Options. These Grants shall consist of 50,000 shares of Common Stock upon election to the Board at a specific price equal to the closing price of the Common Stock on the date of election and subsequent annual Grants of 10,000 shares of Common Stock at an exercise price equal to the closing price of the Common Stock on the first full trading day following the public announcement of fourth quarter earnings of the prior year. Each option granted under this Section shall be immediately exercisable.

**4.06 VESTING.** The minimum vesting period for any Award or Grant shall be one year, except for Awards or Grants made in lieu of cash compensation, which may vest immediately. In addition, in its absolute discretion, the Committee may waive the one-year vesting requirement in instances of termination of employment or upon an extraordinary event.

**ARTICLE V STOCK SUBJECT TO PLAN**

**5.01 MAXIMUM NUMBER OF SHARES TO BE AWARDED.** (a) Subject to the adjustment provisions of Article XI and the provisions of (i) and (ii) of this Article V, up to 27,000,000 shares of Common Stock may be issued under the Plan. In addition to such authorization, the following shares of Common Stock may be issued under the Plan: A-5 (i) Shares of Common Stock that are forfeited under this Plan and shares of Common Stock that are not issued under this Plan because of (x) a payment of cash in lieu of shares of Common Stock, (y) the cancellation, termination or expiration of Grants and Awards, and/or (z) other similar events under this Plan shall be available for issuance under this Plan; and (ii) If a Participant tenders (by physical delivery or attestation), or has withheld, shares of Common Stock in payment of all or part of the Option Price under an Option granted under this Plan or in satisfaction of withholding tax obligations thereunder, the shares of Common Stock so tendered by the Participant or so withheld shall become available for issuance under this Plan. (b) Subject to the adjustment provisions of Article XI: (i) Not more than 1,000,000 shares of Common Stock shall be issued under Awards to any one Participant in any year, and this limit shall be cumulative over the life of the Plan; (ii) Not more than 5,000,000 shares, in the aggregate, of Common Stock shall be issued in Grants to any one Participant over the life of the Plan; and (iii) Not more than 27,000,000 shares, in the aggregate, of Common Stock shall be issued in Grants of Incentive Stock Options to all Participants over the life of the Plan. Subject to the foregoing provisions of this Article V, if a Grant or an Award may be paid only in shares of Common Stock, or in either cash or shares of Common Stock, the shares of Common Stock shall be deemed to be issued hereunder only when and to the extent that payment is actually made in shares of Common Stock. However, the Committee may authorize a cash payment under a Grant or an Award in lieu of shares of Common Stock if there are insufficient shares of Common Stock available for issuance under the Plan.

**5.02 INDEPENDENT SARs.** Upon the exercise of an SAR granted independently of an Option, the Company may deliver to the Participant authorized but previously unissued Common Stock, cash, or a combination thereof as provided in Section 8.03. The maximum aggregate number of shares of Common Stock that may be issued pursuant to SARs that are granted independently of Options is subject to the provisions of Section 5.01 hereof.

**ARTICLE VI OPTION PRICE** The price per share for Common Stock purchased on the exercise of an Option shall be fixed by the Committee on the date of grant; provided, however, that the price per share shall not be less than the Fair Market Value on such date.

**ARTICLE VII EXERCISE OF OPTIONS**

**7.01 MAXIMUM OPTION OR SAR PERIOD.** The period in which an Option or SAR may be exercised shall be determined by the Committee on the date of grant; provided, however, that an Incentive Stock Option shall not be exercisable after the expiration of 10 years (or 5 years in the case of an Incentive Stock Option granted to a 10% shareholder as determined A-6 under Section 422 of the Code) from the date the Incentive Stock Option was granted. The date upon which any Option or SAR granted by the Committee becomes exercisable may be accelerated by the Committee in its discretion. Subject to the terms hereof, the term of exercisability for any Option or SAR granted by the Committee may be extended by the Committee and may be made contingent upon the continued employment of the Participant by the Company or Subsidiary.

**7.02 TRANSFERABILITY OF OPTIONS AND SARs.** Non-Qualified Stock Options and SARs may be transferable by a Participant and exercisable by a person other than a Participant, but only to the extent specifically provided in an Option or SAR Agreement. Incentive Stock Options, by their terms, shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable, during the Participant's lifetime, only by the Participant. No right or interest of a Participant in any Option or SAR shall be liable for, or subject to, any lien, obligation or liability of such Participant.

**7.03 EMPLOYEE STATUS.** For purposes of determining the applicability of Section 422 of the Code (relating to Incentive Stock Options), or in the event that the terms of any Grant provide

that it may be exercised only during employment or within a specified period of time after termination of employment, the Committee may decide to what extent leaves of absence for governmental or military service, illness, temporary disability, or other reasons shall not be deemed interruptions of continuous employment. ARTICLE VIII METHOD OF EXERCISE 8.01 EXERCISE. Subject to the provisions of Articles VII and XII, an Option or SAR may be exercised in whole at any time or in part from time to time at such times and in compliance with the applicable Agreement and such other requirements as the Committee shall determine; provided, however, that an SAR that is related to an Option may be exercised only to the extent that the related Option is exercisable and when the Fair Market Value exceeds the Option Price of the related Option. An Option or SAR granted under this Plan may be exercised with respect to any number of whole shares less than the full number for which the Option or SAR could be exercised. Such partial exercise of an Option or SAR shall not affect the right to exercise the Option or SAR from time to time in accordance with this Plan with respect to remaining shares subject to the Option or related SAR. The exercise of an Option shall result in the termination of the SAR to the extent of the number of shares with respect to which the Option is exercised. 8.02 PAYMENT. Unless otherwise provided by the Agreement, payment of the Option Price shall be made in cash. If the Agreement provides, payment of all or part of the Option Price (and any applicable withholding taxes) may be made by surrendering already owned shares of Common Stock to the Company (by physical delivery or attestation) or by the Company withholding shares of Common Stock from the Participant upon exercise, provided the shares surrendered or withheld have a Fair Market Value (determined as of the day preceding the date of exercise) that is not less than such price or part thereof and any such withholding taxes. In addition, the Committee may establish such payment or other terms as it may deem to be appropriate and consistent with these purposes. 8.03 DETERMINATION OF PAYMENT OF CASH AND/OR COMMON STOCK UPON EXERCISE OF SAR. At the Committee's discretion, the amount payable as a result of the exercise of an SAR may be settled in cash, Common Stock, or a combination of cash and Common Stock. A-7 No fractional shares shall be delivered upon the exercise of an SAR but a cash payment will be made in lieu thereof. 8.04 SHAREHOLDER RIGHTS. No Participant shall have any rights as a shareholder with respect to shares subject to his Option or SAR until the date he exercises such Option. 8.05 CASHLESS EXERCISE. To the extent permitted under the applicable laws and regulations, at the request of the Participant and with the consent of the Committee, the Company agrees to cooperate in a "cashless exercise" of the Option. The cashless exercise shall be effected by the Participant delivering to the Securities Broker instructions to exercise all or part of the Option, including instructions to sell a sufficient number of shares of Common Stock to cover the costs and expenses associated therewith. The Committee may permit a Participant to elect to pay any applicable withholding taxes by requesting that the Company withhold the number of shares of Common Stock equivalent at current Fair Market Value to the withholding taxes due. 8.06 CASHING OUT OF OPTION. The Committee may elect to cash out all or part of the portion of any Option to be exercised by paying the optionee an amount, in cash or Common Stock, equal to the excess of the Fair Market Value of the Common Stock that is the subject of the portion of the Option to be exercised over the Option Price times the number of shares of Common Stock subject to the portion of the Option to be exercised on the effective date of such cash out. ARTICLE IX COMMON STOCK AND RESTRICTED STOCK 9.01 AWARD. In accordance with the provisions of Article IV, the Committee will designate the individuals to whom an Award of Common Stock and/or Restricted Stock is to be made and will specify the number of shares of Common Stock covered by such Award or Awards. 9.02 VESTING. In the case of Restricted Stock, on the date of the Award, the Committee may prescribe that the Participant's rights in the Restricted Stock shall be forfeitable or otherwise restricted in any manner in the discretion of the Committee for such period of time as is set forth in the Agreement. Subject to the provisions of Article XII hereof, the Committee may award Common Stock to a Participant which is not forfeitable and is free of any restrictions on transferability. 9.03 SHAREHOLDER RIGHTS. Prior to their forfeiture in accordance with the terms of the Agreement and while the shares are Restricted Stock, a Participant will have all rights of a shareholder with respect to Restricted Stock, including the right to receive dividends and vote the shares; provided, however, that (i) a Participant may not sell, transfer, pledge, exchange, hypothecate, or otherwise dispose of Restricted Stock, (ii) the Company shall retain custody of the certificates evidencing shares of Restricted Stock, and (iii) the Participant will deliver to the Company a stock power, endorsed in blank, with respect to each award of Restricted Stock. A-8 ARTICLE X PHANTOM STOCK 10.01 AWARD. Pursuant to this Plan or an Agreement establishing additional terms and conditions, the Committee may designate employees to whom Awards of Phantom Stock may be made and will specify the number of shares of Common Stock covered by the Award. 10.02 VESTING. On the date of the Award, the Committee may

prescribe that the Participant's right to receive payment for Phantom Stock shall be forfeitable or otherwise restricted in any manner in the discretion of the Committee for such period of time set forth in the Agreement. 10.03 SHAREHOLDER RIGHTS. A Participant for whom Phantom Stock has been credited generally shall have none of the rights of a shareholder with respect to such Phantom Stock. However, a plan or Agreement for the use of Phantom Stock may provide for the crediting of a Participant's Phantom Stock account with cash or stock dividends declared with respect to Common Stock represented by such Phantom Stock. 10.04 PAYMENT. At the Committee's discretion, the amount payable to a Participant for Phantom Stock credited to his account shall be made in cash, Common Stock or a combination of cash and Common Stock. 10.05 TRANSFERABILITY OF PHANTOM STOCK. Phantom Stock may be transferable by a Participant, but only to the extent specifically provided in the Agreement. No right or interest of a Participant in any Phantom Stock shall be liable for, or subject to, any lien, obligation or liability of such Participant. ARTICLE XI ADJUSTMENT UPON CHANGE IN COMMON STOCK Should the Company effect one or more (x) stock dividends, stock split-ups, subdivisions or consolidations of shares or other similar changes in capitalization; (y) spin-offs, spin-outs, split-ups, split-offs, or other such distribution of assets to shareholders; or (z) direct or indirect assumptions and/or conversions of outstanding Options due to an acquisition of the Company, then the maximum number of shares as to which Grants and Awards may be issued under this Plan shall be proportionately adjusted and their terms shall be adjusted as the Committee shall determine to be equitably required, provided that the number of shares subject to any Grant or Award shall always be a whole number. Any determination made under this Article XI by the Committee shall be final and conclusive. The issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to any Grant or Award. A-9 ARTICLE XII COMPLIANCE WITH LAW AND APPROVAL OF REGULATORY BODIES No Grant shall be exercisable, no Common Stock shall be issued, no certificates for shares of Common Stock shall be delivered, and no payment shall be made under this Plan except in compliance with all applicable federal and state laws and regulations (including, without limitation, withholding tax requirements) and the rules of all domestic stock exchanges on which the Company's shares may be listed. The Company may rely on an opinion of its counsel as to such compliance. Any share certificate issued to evidence Common Stock for which a Grant is exercised or an Award is issued may bear such legends and statements as the Committee may deem advisable to assure compliance with federal and state laws and regulations. No Grant shall be exercisable, no Common Stock shall be issued, no certificate for shares shall be delivered, and no payment shall be made under this Plan until the Company has obtained such consent or approval as the Committee may deem advisable from regulatory bodies having jurisdiction over such matters. ARTICLE XIII GENERAL PROVISIONS 13.01 EFFECT ON EMPLOYMENT. Neither the adoption of this Plan, its operation, nor any documents describing or referring to this Plan (or any part thereof) shall confer upon any employee any right to continue in the employ of the Company or a Subsidiary or in any way affect any right and power of the Company or a Subsidiary to terminate the employment of any employee at any time with or without assigning a reason therefor. 13.02 UNFUNDED PLAN. The Plan, insofar as it provides for a Grant or an Award of Phantom Stock, is not required to be funded, and the Company shall not be required to segregate any assets that may at any time be represented by a Grant or an Award of Phantom Stock under this Plan. 13.03 CHANGE OF CONTROL. Notwithstanding any other provision of the Plan to the contrary, in the event of a Change of Control: (i) Unless otherwise provided by the Committee in an Agreement, any outstanding Option, SAR (including any limited SAR) or Phantom Stock which is not presently exercisable and vested as of a Change of Control Date shall become fully exercisable and vested to the full extent of the original Grant upon such Change of Control Date. (ii) Unless otherwise provided by the Committee in an Agreement, the restrictions applicable to any outstanding Restricted Stock shall lapse, and such Restricted Stock shall become free of all restrictions and become fully vested, nonforfeitable and transferable to the full extent of the original Award. The Committee may also provide in an Agreement that a Participant may elect, by written notice to the Company within 60 days after a Change of Control Date, to receive, in exchange for shares that were Restricted Stock immediately before the Change of Control Date, a cash payment equal to the Fair Market Value of the shares surrendered on the last business day the Common Stock is traded on the New York Stock Exchange prior to receipt by the Company of such written notice. (iii) The Committee may, in its complete discretion, cause the acceleration or release of any and all restrictions or conditions related to a Grant or Award, in such A-10 manner, in the case of officers and directors of

the Company who are subject to Section 16(b) of the Exchange Act, as to conform to the provisions of Rule 16b-3.

**13.04 RULES OF CONSTRUCTION.** Headings are given to the articles and sections of this Plan solely for ease of reference and are not to be considered in construing the terms and conditions of the Plan. The reference to any statute, regulation, or other provision of law shall be construed to refer to any amendment to or successor of such provision of law.

**13.05 RULE 16B-3 REQUIREMENTS.** Notwithstanding any other provisions of the Plan, the Committee may impose such conditions on any Grant or Award, and the Board may amend the Plan in any such respects, as they may determine, on the advice of counsel, are necessary or desirable to satisfy the provisions of Rule 16b-3. Any provision of the Plan to the contrary notwithstanding, and except to the extent that the Committee determines otherwise: (a) transactions by and with respect to officers and directors of the Company who are subject to Section 16(b) of the Exchange Act shall comply with any applicable conditions of Rule 16b-3; and (b) every provision of the Plan shall be administered, interpreted and construed to carry out the foregoing provisions of this sentence.

**13.06 AMENDMENT, MODIFICATION AND TERMINATION.** At any time and from time to time, the Board may terminate, amend or modify the Plan. Such amendment or modification may be without shareholder approval, except to the extent that (a) such amendment (i) materially increases the aggregate number of shares of Common Stock that may be issued under the Plan, (ii) materially increases the benefits to Participants under the Plan, or (iii) materially changes the requirements for eligibility to participate in the Plan, or (b) such approval is required by the Code, pursuant to the rules under Section 16 of the Exchange Act, by any national securities exchange or system on which the Common Stock is then listed or reported, by any regulatory body having jurisdiction with respect thereto or under any other applicable laws, rules, or regulations. In addition, except as provided in Article XI, the Option Price of any outstanding Option may not be adjusted or amended, whether through amendment, cancellation or replacement, unless such adjustment or amendment is approved by the shareholders of the Company. No termination, amendment, or modification of the Plan, other than pursuant to Section 13.05 herein, shall in any manner adversely affect any Grant or Award theretofore issued under the Plan, without the written consent of the Participant. The Committee may amend the terms of any Grant or Award theretofore issued under this Plan, prospectively or retrospectively, but no such amendment shall impair the rights of any Participant without the Participant's written consent except an amendment provided for or contemplated in the terms of the Grant or Award, an amendment made to cause the Plan, or Grant or Award, to qualify for the exemption provided by Rule 16b-3, or an amendment to make an adjustment under Article XI.

**13.07 GOVERNING LAW.** The validity, construction and effect of the Plan and any actions taken or related to the Plan shall be determined in accordance with the laws of the state of Delaware and applicable federal law.

**13.08 SUCCESSORS AND ASSIGNS.** All obligations of the Company under the Plan, with respect to Grants and Awards issued hereunder, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation or otherwise, of all or substantially all of the business and/or assets of the Company. The Plan shall be binding on all successors and permitted assigns of a Participant, including, but not limited to, the estate of such Participant and the executor, A-11 administrator or trustee of such estate, and the guardians or legal representative of the Participant.

**13.09 EFFECT ON PRIOR PLAN AND OTHER COMPENSATION ARRANGEMENTS.** The adoption of this Amended and Restated Plan shall have no effect on Grants and Awards made pursuant to the Plan prior to amendment and restatement and the Company's other compensation arrangements. Nothing contained in this Plan shall prevent the Company from adopting other or additional compensation plans or arrangements for its officers, directors or employees.

**13.10 DURATION OF PLAN.** No Grant or Award may be made under this Plan after June 30, 2008. Grants or Awards made prior to such date shall continue to vest and become exercisable according to their terms.

**13.11 EFFECTIVE DATE.** Options may be granted under this Plan, upon its adoption by the Board, provided that no Option will be effective unless and until this Plan is approved by the holders of a majority of the shares of the Company's outstanding voting stock present in person, or represented by proxy, and entitled to vote at a duly held meeting of the shareholders. No Option granted prior to the Effective Date may be exercised before the requisite shareholder approval is obtained.

**A-12 PROXY REPUBLIC SERVICES, INC. THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS** Tod C. Holmes and David A. Barclay, jointly and severally, each with power of substitution, are hereby authorized to vote all shares of common stock which the undersigned would be entitled to vote if personally present at the Annual Meeting of Stockholders of Republic Services, Inc. to be held on May 16, 2002, or any postponements or adjournments of the meeting, as indicated hereon. **THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS GIVEN, THIS**

PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES FOR DIRECTOR AND FOR PROPOSAL 2 SET FORTH ON THE OTHER SIDE. As to any other matter, said proxies shall vote in accordance with their best judgment. The undersigned hereby acknowledges receipt of the Notice of the 2002 Annual Meeting of Stockholders, the proxy statement and the annual report for the fiscal year ended December 31, 2001 furnished with this proxy. 1. Election of  FOR all nominees listed  WITHHOLD AUTHORITY to vote for  \*EXCEPTIONS (FOR all directors: below all nominees listed below nominees except as indicated in space below) THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR ALL NOMINEES. The Nominees: H. Wayne Huizenga, Harris W. Hudson, James E. O'Connor, John W. Croghan, Ramon A. Rodriguez and Allan C. Sorensen. \* INSTRUCTIONS: To withhold authority to vote for any individual nominee, mark the "Exceptions" box above and write that nominee's name in the space provided below. Exceptions

----- (Continued and to be signed on reverse side) 2. Approval and adoption of an amendment and restatement 3. In their discretion, on such other matters as may of the Republic Services, Inc. 1998 Stock Incentive properly come before the meeting. Plan:  Change of Address and/or Comments Mark Here: ----- FOR  AGAINST  ABSTAIN

----- THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE APPROVAL AND ADOPTION OF THE AMENDMENT AND RESTATEMENT OF THE REPUBLIC SERVICES, INC. 1998 STOCK INCENTIVE PLAN. Please sign exactly as name appears hereon. When shares are held by joint tenants, both should sign. If acting as attorney, executor, trustee, or in any representative capacity, sign name and title. Dated -----, 2002 ----- Signature ----- Signature if held jointly  
Votes must be indicated with [X] in black or blue ink. PLEASE MARK, SIGN, DATE AND PROMPTLY RETURN THIS PROXY CARD USING THE ENCLOSED ENVELOPE.