



**U.S. Department of Justice**  
*United States Attorney's Office*  
*Southern District of Texas*

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Dennis Cain, Esq.  
Moen, Cain, & O'Brien  
1800 Chase Bank Building  
707 Travis  
Houston, TX 77002

October 1, 2008

***Re: Republic Services, Inc. Non-Prosecution Agreement***

Dear Mr. Cain:

On the understandings specified below, the United States Attorney's Office for the Southern District of Texas ("this Office") will not criminally prosecute Republic Services Inc. ("Republic"), or any of its direct or indirect subsidiaries, for any crimes (except for criminal tax violations as to which this Office cannot and does not make any agreement) related to a conspiracy to commit mail fraud and induce and encourage unlawful immigration from at least 2002 and up to and including at least in or about 2006 and substantive immigration and fraud violations related to the conspiracy.

This Agreement does not provide any protection against prosecution for any crimes except as set forth above, and applies only to Republic and its direct and indirect subsidiaries and not to any other entities nor any individuals. Republic expressly understands that the protections provided to it by this Agreement shall not apply to any successor entities, whether the successor's interest arises through a merger or plan of reorganization, unless and until such successor formally adopts and executes this Agreement. The protections arising from this Agreement will not apply to any purchasers of all or substantially all of the assets of Republic, unless such purchaser enters into a written agreement, on terms acceptable to this Office, agreeing in substance to undertake all obligations set forth in this Agreement. Without limiting the effect of any other provision of this agreement, this Office understands and Republic agrees that should Republic acquire, directly or indirectly, another entity, via merger, purchase of all or substantially all of their assets or otherwise, Republic will make reasonable efforts to, and will be afforded a prudent period of time to ensure that the newly-acquired entity adopts and implements an immigration compliance program substantially similar in substance to that adopted by Republic to date.

It is understood that Republic: (a) shall truthfully and completely disclose all information with respect to the activities of Republic, its present and former officers and employees, and others concerning all matters about which this Office inquires of it; such information can be used for any purpose; (b) shall cooperate fully with this Office, Immigration and Customs Enforcement, and any other law enforcement agency designated by this Office; (c) shall, at this Office's request, use its best efforts promptly to secure the attendance and truthful statements or testimony of any officer, agent, or employee at any meeting or interview or before the grand jury or at any trial or any court proceedings; (d) shall use its best efforts promptly to provide this Office, upon request, any document, record, or other tangible evidence relating to matters or conduct about which this Office or any designated law enforcement agency inquires; and (e) shall bring to this Office's attention all criminal conduct by or criminal investigations of Republic or its respective senior managerial employees that comes to the attention of Republic's board of directors or senior management, as well as any administrative proceeding or civil action brought by any governmental authority that alleges immigration or fraud violations by Republic.

It is understood that Republic accepts and acknowledges responsibility for the facts as set forth in Exhibit A, which is incorporated herein by reference. Republic further agrees that neither it nor its subsidiaries, through its present or future board of directors, attorneys, officers, agents, or management employees, will make any public statements contradicting any of the facts as set forth in Exhibit A. Any such contradictory public statement by Republic, its subsidiaries, its present or future board of directors, attorneys, officers, agents or management employees, shall constitute a breach of this Agreement, and Republic would be subject to prosecution by this Office pursuant to the terms of this Agreement. The decision of whether any public statement by any such person contradicting a fact contained in Exhibit A will be imputed to Republic for the purposes of determining whether Republic has breached this agreement shall be at the sole discretion of this Office. Upon this Office's reaching a determination that such a contradictory statement has been made by Republic, this Office shall notify Republic and Republic may avoid a breach of this Agreement by publicly repudiating such statement within forty-eight hours after notification by this Office. This paragraph is not intended to apply to any statement made by any individual in the course of any criminal, regulatory, or civil case initiated by the United States against such individuals unless the individual is speaking on behalf of Republic.

It is further understood that Republic shall adhere to the new procedures adopted as set forth in Exhibit A to prevent future violations of the immigration laws, and review existing procedures and books and records policies to ensure internal controls exist which are designed to prevent illegal billing practices.

This Agreement, and Republic's obligations hereunder, shall remain in effect for a term of (a) eighteen (18) months from the day this Agreement is executed or (b) the date upon which all prosecutions arising out of the conduct described in the opening paragraph of this Agreement (involving Republic, its employees, or any others) are final, whichever is later.

It is understood that Republic agrees to pay a sum of \$1,000,000 to the United States Department of Treasury as a monetary payment to resolve the criminal investigation. In addition, Republic agrees to pay a sum of \$2,000,000 payable to the City of Houston as restitution to benefit the City's recycling program.

It is understood that, should this Office determine that Republic has committed any crimes during the term of this agreement, or that Republic or any of its representatives have given false, incomplete, or misleading testimony or information, or should Republic otherwise violate any provision of this Agreement, Republic shall thereafter be subject to prosecution for any federal violation of which this Office has knowledge, including perjury and obstruction of justice; and any such prosecution that is not time-barred by the applicable statute of limitations on the date of the signing of this Agreement may be commenced against Republic, notwithstanding the expiration of the statute of limitations between the signing of this Agreement and the commencement of such prosecution.

It is understood that if it is determined that Republic has committed any crime after signing this Agreement or that Republic or any of its representatives have given false, incomplete, or misleading testimony or information, or has otherwise violated any provision of this Agreement, (a) all statements made by Republic's representatives to this Office, Immigration and Customs Enforcement, or other designated law enforcement agents, and any testimony given by Republic's representatives before a grand jury or other tribunal, whether prior to or subsequent to the signing of this Agreement, and any leads from such statement or testimony shall be admissible in evidence in any criminal proceeding brought against Republic; and (b) Republic shall assert no claim under the United States Constitution, any statute, Rule 410 of the Federal Rules of Evidence, or any other federal rule that such statements or any leads therefrom should be suppressed. It is the intent of this Agreement to waive all rights in the foregoing respects.

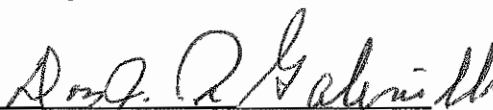
Nothing in this Agreement shall be construed as a waiver of any attorney-client or work-product privileges.

It is further understood that this Agreement does not bind any federal, state, or local prosecuting authority other than this Office. This Office will, however, bring the cooperation of Republic to the attention of other prosecuting and other investigative officers if requested by Republic.

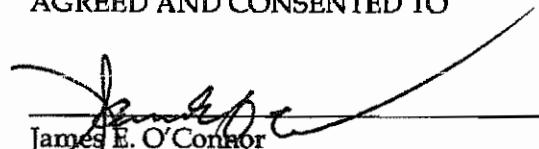
It is further understood that Republic and/or this Office may disclose this Agreement to the public.

With respect to this matter, from the date of the execution of this Agreement forward, the Agreement supersedes all prior, if any, understandings, promises and/or conditions between this Office and Republic. No additional promises, agreements, and conditions have been entered into other than those set forth in this letter and none will be entered into unless in writing and signed by all parties.

Sincerely,


  
Donald J. DeGabrielle, Jr.  
United States Attorney

AGREED AND CONSENTED TO

  
James E. O'Connor  
Chairman of the Board and Chief Executive Officer  
Republic Services, Inc.

10/1/08  
Date

APPROVED:

  
Dennis Cain, Esq.  
Attorney for Republic Services, Inc. and its subsidiary, Republic Waste

10/1/08  
Date

## EXHIBIT A

In any criminal prosecution or regulatory action brought by the United States, the following statement shall be admissible against Republic Services, Inc. (hereafter, "Republic") and/or any of its subsidiaries.

Republic Waste Services of Texas, Ltd. (hereafter "Republic Waste") is a subsidiary of Republic based in Fort Lauderdale, Florida. Republic operates in twenty-two (22) states and is the third largest waste hauler in the United States with a workforce of approximately 13,000 employees nationwide. From its inception in 1995, Republic has acquired approximately 621 companies, including several in the South Texas area. From at least 2000 to 2006, Republic Waste operated a facility located at 2010 Wilson Road, in Houston, Texas (hereafter, the "Wilson Road Facility").

On June 9, 2000, Republic Waste entered into a waste collection services contract (hereafter, "Contract") with the City of Houston (hereafter, "the City") for a term of five years ending on June 30, 2005. The Contract had two one-year extensions that were exercised by the City. The "not to exceed" value of the Contract was \$56.8 million. The residential collection services for this Contract were almost exclusively performed out of Republic Waste's Wilson Road Facility.

During the contract, Republic Waste invoiced the City of Houston monthly based on a contractually established rate per residential service unit times the number of residential service units collected as approved by the City. BFI Waste Systems of North America (hereafter, "BFI") billed the City monthly, based on contractually established rates for compacted and non-compacted residential waste delivered by Republic Waste garbage trucks to a BFI landfill located at McCarty Road in Houston, Texas (hereafter, the "McCarty landfill"). With a few exceptions, the City of Houston paid Republic Waste via check sent by U.S. mail for its services billed under the contract.

In April 2002, Republic Waste received a Social Security Administration (SSA) No Match Letter relating to employees employed during 2001. The No Match Letter indicated that the names and social security numbers provided by Republic Waste to SSA for some employees did not match SSA records.

From 2003 through 2006, SSA continued to notify Republic Waste through No Match letters that many Republic Waste employees, including many of the later discovered undocumented aliens, were working with social security numbers and names with discrepancies. From 2003 until late 2005, Republic Waste failed to take adequate corrective measures, which resulted in the continued employment of the undocumented aliens.

On June 10, 2005, Republic received a complaint from an employee alleging Republic Waste was illegally dumping trash, falsifying personnel records, and harboring illegal aliens. While Republic conducted an investigation in response to the employee complaint, it did not uncover the alleged wrongdoing.

In November 2005, a local news broadcast aired a series of reports that Republic Waste was disposing of waste collected from non City of Houston customers at the McCarty landfill which resulted in BFI billing the City for this non City waste, and thereafter a report alleging the employment of undocumented aliens by Republic Waste. After these reports aired, Republic hired immigration compliance counsel and Immigrations and Customs Enforcement (ICE) initiated an investigation.

On December 22, 2005, ICE served Republic Waste a Notice of Inspection scheduling a review of the Employment Eligibility Verification Forms (Forms I-9) for Republic Waste employees in the Houston metropolitan area. On January 12, 2006, Republic Waste responded to this ICE Notice by providing ICE with all original Forms I-9 for the Houston Metropolitan area. ICE's audit revealed that from 2002 through 2005, approximately 25% of the workforce at the Wilson Road Facility were undocumented aliens.

Republic Waste investigated the allegations and cooperated with the City in resolving this matter. The investigation revealed evidence of unauthorized disposal of non City waste at the McCarty landfill by employees at the Wilson Road Facility. These activities were unknown by Republic corporate management and were limited to the Wilson Road Facility.

The loss to the City of Houston could not be precisely quantified because during the Contract there were substantial periods of time during which neither Republic Waste, nor BFI, could provide adequate documentation to estimate the amount of non City waste disposed of at the McCarty landfill. On January 23, 2006, the City of Houston settled the civil matter with Republic Waste for \$2 million. Thereafter, the City exercised its last one-year extension, with the Contract expiring June 30, 2007.

On January 31, 2007, ICE executed a federal search warrant at the Wilson Road Facility and fifty-two (52) undocumented aliens (of which twenty-eight (28) were employees of Republic Waste and twenty-four (24) were employees of temporary employment agencies) were arrested and documentary and computer evidence was seized.

After the execution of the search warrant, Republic revised its immigration compliance procedures and hired the law firm of Akin Gump Strauss Hauer and Feld LLP to conduct an independent and thorough internal investigation which revealed that any wrongdoing was limited to employees of Republic Waste at the Wilson Road Facility. The internal investigation was concluded in August 2008.

Republic cooperated with ICE in its investigation into any wrongdoing by Republic Waste's Wilson Road Facility. Republic has also taken substantial remedial measures, including: (1) terminating and/or disciplining responsible individuals; (2) providing specific company wide formal training on I-9 procedures; (3) issuing I-9 self audit guidelines to all of its local offices; (4) continuing to retain and consult with immigration counsel; (5) dedicating additional resources by employing human resource representatives to regional offices; (6) implementing payroll software that includes I-9 compliance measures; (7) revamping the AlertLine complaint process, and training 30 investigators on the proper procedures for investigating, tracking and closing out complaints; and (8) appointing a Chief Compliance Officer.