

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended September 30, 2013

OR

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

For the transition period from _____ to _____

Commission File Number: 1-14267

REPUBLIC SERVICES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

**18500 NORTH ALLIED WAY
PHOENIX, ARIZONA**

(Address of principal executive offices)

65-0716904

(IRS Employer
Identification No.)

85054

(Zip code)

Registrant's telephone number, including area code: (480) 627-2700

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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

On October 24, 2013, the registrant had outstanding 360,094,443 shares of Common Stock, par value \$.01 per share (excluding treasury shares of 50,576,837).

REPUBLIC SERVICES, INC.

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PART I - FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS.**

REPUBLIC SERVICES, INC.
CONSOLIDATED BALANCE SHEETS
(in millions, except per share data)

	September 30, 2013	December 31, 2012
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 97.3	\$ 67.6
Accounts receivable, less allowance for doubtful accounts of \$38.2 and \$45.3, respectively	906.8	836.6
Prepaid expenses and other current assets	189.8	209.3
Deferred tax assets	96.5	117.8
Total current assets	1,290.4	1,231.3
Restricted cash and marketable securities	175.5	164.2
Property and equipment, net	7,046.9	6,910.3
Goodwill	10,712.6	10,690.0
Other intangible assets, net	327.2	358.7
Other assets	273.4	262.4
Total assets	\$ 19,826.0	\$ 19,616.9
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 505.5	\$ 474.5
Notes payable and current maturities of long-term debt	15.5	19.4
Deferred revenue	308.8	313.2
Accrued landfill and environmental costs, current portion	214.9	195.5
Accrued interest	70.1	68.8
Other accrued liabilities	654.4	623.6
Total current liabilities	1,769.2	1,695.0
Long-term debt, net of current maturities	7,023.6	7,051.1
Accrued landfill and environmental costs, net of current portion	1,462.4	1,420.6
Deferred income taxes and other long-term tax liabilities	1,156.3	1,232.7
Self-insurance reserves, net of current portion	307.6	290.9
Other long-term liabilities	367.5	220.9
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value \$0.01 per share; 50 shares authorized; none issued	—	—
Common stock, par value \$0.01 per share; 750 shares authorized; 410.6 and 405.2 issued including shares held in treasury, respectively	4.1	4.1
Additional paid-in capital	6,744.6	6,588.9
Retained earnings	2,490.2	2,403.2
Treasury stock, at cost (50.6 and 44.1 shares, respectively)	(1,501.2)	(1,287.1)
Accumulated other comprehensive loss, net of tax	(0.8)	(5.8)
Total Republic Services, Inc. stockholders' equity	7,736.9	7,703.3
Noncontrolling interests	2.5	2.4
Total stockholders' equity	7,739.4	7,705.7
Total liabilities and stockholders' equity	\$ 19,826.0	\$ 19,616.9

The accompanying notes are an integral part of these statements.

REPUBLIC SERVICES, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(in millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenue	\$ 2,165.4	\$ 2,046.9	\$ 6,275.7	\$ 6,089.9
Expenses:				
Cost of operations	1,317.6	1,280.5	3,950.7	3,722.2
Depreciation, amortization and depletion	224.4	203.5	651.0	632.1
Accretion	19.2	19.7	57.6	59.1
Selling, general and administrative	209.6	193.8	644.3	613.5
Negotiation and withdrawal costs - Central States Pension and Other Funds	41.6	31.3	157.7	34.6
Loss (gain) on disposition of assets and impairments, net	—	0.2	(1.9)	(3.4)
Restructuring charges	0.7	—	8.6	—
Operating income	352.3	317.9	807.7	1,031.8
Interest expense	(90.0)	(93.2)	(269.8)	(296.3)
Loss on extinguishment of debt	—	(2.3)	(2.1)	(112.6)
Interest income	0.1	0.3	0.5	0.8
Other income, net	1.0	0.4	1.5	1.1
Income before income taxes	263.4	223.1	537.8	624.8
Provision for income taxes	92.3	70.3	185.4	179.7
Net income	171.1	152.8	352.4	445.1
Net loss (income) attributable to noncontrolling interests	0.3	(0.1)	(0.1)	(0.3)
Net income attributable to Republic Services, Inc.	\$ 171.4	\$ 152.7	\$ 352.3	\$ 444.8
Basic earnings per share attributable to Republic Services, Inc. stockholders:				
Basic earnings per share	\$ 0.47	\$ 0.42	\$ 0.97	\$ 1.21
Weighted average common shares outstanding	361.7	365.4	362.4	368.1
Diluted earnings per share attributable to Republic Services, Inc. stockholders:				
Diluted earnings per share	\$ 0.47	\$ 0.42	\$ 0.97	\$ 1.20
Weighted average common and common equivalent shares outstanding	363.0	366.4	363.8	369.3
Cash dividends declared per common share	\$ 0.260	\$ 0.235	\$ 0.730	\$ 0.675

The accompanying notes are an integral part of these statements.

REPUBLIC SERVICES, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income	\$ 171.1	\$ 152.8	\$ 352.4	\$ 445.1
Other comprehensive income, net of tax				
Hedging activity:				
Settlements	0.3	1.4	1.5	(0.7)
Realized gains reclassified into earnings	—	(1.0)	(0.4)	(1.0)
Unrealized gains (losses)	2.1	8.6	(0.3)	3.9
Pension activity:				
Change in funded status of pension plan obligations	5.8	3.2	5.8	(0.3)
Gains related to pension settlement reclassified into earnings	(1.6)	(0.2)	(1.6)	(0.2)
Other comprehensive income, net of tax	6.6	12.0	5.0	1.7
Total comprehensive income	177.7	164.8	357.4	446.8
Total comprehensive loss (income) attributable to noncontrolling interests	0.3	(0.1)	(0.1)	(0.3)
Total comprehensive income attributable to Republic Services, Inc.	\$ 178.0	\$ 164.7	\$ 357.3	\$ 446.5

The accompanying notes are an integral part of these statements.

REPUBLIC SERVICES, INC.
UNAUDITED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(in millions)

Republic Services, Inc. Stockholders' Equity									
	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Loss, Net of Tax	Noncontrolling Interests	
	Shares	Amount			Shares	Amount			
Balance as of December 31, 2012	405.2	\$ 4.1	\$ 6,588.9	\$ 2,403.2	(44.1)	\$ (1,287.1)	\$ (5.8)	\$ 2.4	
Net income	—	—	—	352.3	—	—	—	0.1	
Total other comprehensive income	—	—	—	—	—	—	5.0	—	
Cash dividends declared	—	—	—	(263.5)	—	—	—	—	
Issuances of common stock	5.4	—	142.1	—	—	—	—	—	
Stock-based compensation	—	—	13.6	(1.8)	—	—	—	—	
Purchase of common stock for treasury	—	—	—	—	(6.5)	(214.1)	—	—	
Balance as of September 30, 2013	<u>410.6</u>	<u>\$ 4.1</u>	<u>\$ 6,744.6</u>	<u>\$ 2,490.2</u>	<u>(50.6)</u>	<u>\$ (1,501.2)</u>	<u>\$ (0.8)</u>	<u>\$ 2.5</u>	

The accompanying notes are an integral part of these statements.

REPUBLIC SERVICES, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Nine Months Ended September 30,	
	2013	2012
Cash provided by operating activities:		
Net income	\$ 352.4	\$ 445.1
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation, amortization, depletion and accretion	708.6	691.2
Non-cash interest expense	35.6	46.2
Restructuring related charges	8.6	—
Stock-based compensation	15.8	17.2
Deferred tax benefit	(53.9)	(36.0)
Provision for doubtful accounts, net of adjustments	8.1	20.8
Loss on extinguishment of debt	2.1	112.6
Gain on disposition of assets, net and asset impairments	(7.4)	(13.3)
Withdrawal liability - Central States Pension and Other Funds	140.7	30.7
Remediation adjustments	101.8	26.0
Excess income tax benefit from stock option exercises and other non-cash items	(5.7)	(1.6)
Change in assets and liabilities, net of effects from business acquisitions and divestitures:		
Accounts receivable	(70.8)	(47.3)
Prepaid expenses and other assets	(26.1)	(22.1)
Accounts payable	18.4	(37.2)
Restructuring and synergy related expenditures	(14.8)	(68.1)
Capping, closure and post-closure expenditures	(59.0)	(54.0)
Remediation expenditures	(84.3)	(47.4)
Other liabilities	67.1	(6.1)
Cash provided by operating activities	1,137.2	1,056.7
Cash used in investing activities:		
Purchases of property and equipment	(688.7)	(707.4)
Proceeds from sales of property and equipment	12.0	24.5
Cash used in business acquisitions and development projects, net of cash acquired	(49.0)	(73.1)
Cash proceeds from divestitures, net of cash divested	2.7	9.6
Change in restricted cash and marketable securities	(11.3)	54.5
Other	(2.3)	(0.3)
Cash used in investing activities	(736.6)	(692.2)
Cash used in financing activities:		
Proceeds from notes payable and long-term debt	1,098.2	2,038.2
Proceeds from issuance of senior notes, net of discount	—	847.6
Payments of notes payable and long-term debt	(1,140.6)	(2,799.3)
Premiums paid on extinguishment of debt	—	(25.8)
Fees paid to issue and retire notes and certain hedging relationships	(1.6)	(16.9)
Issuances of common stock	138.8	49.3
Excess income tax benefit from stock option exercises	3.3	1.6
Purchases of common stock for treasury	(214.1)	(208.1)
Cash dividends paid	(254.9)	(243.4)
Cash used in financing activities	(370.9)	(356.8)
Increase in cash and cash equivalents	29.7	7.7
Cash and cash equivalents at beginning of period	67.6	66.3
Cash and cash equivalents at end of period	\$ 97.3	\$ 74.0

The accompanying notes are an integral part of these statements.

REPUBLIC SERVICES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

Republic Services, Inc., a Delaware corporation, and its subsidiaries (referred to collectively as Republic, we, us, or our) is the second largest provider of non-hazardous solid waste collection, transfer, recycling and disposal services in the United States, as measured by revenue. We manage and evaluate our operations through three geographic regions — East, Central and West — which we have identified as our reportable segments.

The accompanying unaudited consolidated financial statements include the accounts of Republic and its wholly owned and majority owned subsidiaries in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). We account for investments in entities in which we do not have a controlling financial interest under either the equity method or cost method of accounting, as appropriate. All material intercompany accounts and transactions have been eliminated in consolidation.

We have prepared these unaudited consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information related to our organization, significant accounting policies and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP has been condensed or omitted. In the opinion of management, these financial statements include all adjustments that, unless otherwise disclosed, are of a normal recurring nature and necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented. Operating results for interim periods are not necessarily indicative of the results you can expect for a full year. You should read these financial statements in conjunction with our audited consolidated financial statements and notes thereto appearing in our Annual Report on Form 10-K for the year ended December 31, 2012.

For comparative purposes, certain prior year amounts have been reclassified to conform to the current year presentation. All dollar amounts in the tabular presentations are in millions, except per share amounts and unless otherwise noted.

Management's Estimates and Assumptions

In preparing our financial statements, we make numerous estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. We must make these estimates and assumptions because certain information that we use is dependent on future events, cannot be calculated with a high degree of precision from data available or simply cannot be readily calculated based on generally accepted methodologies. In preparing our financial statements, the more critical and subjective areas that deal with the greatest amount of uncertainty relate to our accounting for our long-lived assets, including recoverability, landfill development costs, and final capping, closure and post-closure costs; our valuation allowances for accounts receivable and deferred tax assets; our liabilities for potential litigation, claims and assessments; our liabilities for environmental remediation, employee benefit plans, deferred taxes and uncertain tax positions; our self-insurance reserves; and our estimates of the fair values of assets acquired and liabilities assumed in any acquisition. Each of these is discussed in more detail in our description of our significant accounting policies in Note 2, *Summary of Significant Accounting Policies*, of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2012. Our actual results may differ significantly from our estimates.

New Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board issued an Accounting Standards Update to the *Comprehensive Income Topic* in the Accounting Standards Codifications. This update requires separate presentation of the components that are reclassified out of accumulated other comprehensive income either on the face of the financial statements or in the notes to the financial statements. This update also requires disclosure of the income statement line items impacted by any significant reclassifications, such as the gains and losses on cash flow hedges and defined benefit pension adjustments. These items are required for both interim and annual reporting for public companies, and became effective for Republic beginning with the first quarter 2013 Form 10-Q filing.

REPUBLIC SERVICES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

2. BUSINESS ACQUISITIONS AND RESTRUCTURING CHARGES

Acquisitions

We acquired various solid waste businesses during the nine months ended September 30, 2013 and 2012. The purchase price paid for these acquisitions during those periods and the allocations of the purchase price are as follows:

	2013	2012
Purchase price:		
Cash used in acquisitions, net of cash acquired	\$ 49.0	\$ 73.1
Holdbacks	6.1	0.2
Total	\$ 55.1	\$ 73.3
Allocated as follows:		
Working capital	0.6	2.4
Property and equipment	11.6	22.9
Other liabilities, net	(2.2)	(2.9)
Fair value of assets acquired and liabilities assumed	10.0	22.4
Excess purchase price to be allocated	\$ 45.1	\$ 50.9
Excess purchase price allocated as follows:		
Other intangible assets	\$ 18.0	\$ 13.7
Goodwill	27.1	37.2
Total allocated	\$ 45.1	\$ 50.9

Substantially all of the goodwill and intangible assets recorded for these acquisitions are deductible for tax purposes. The pro forma effect of these acquisitions, individually and collectively, was not material.

Restructuring Charges

During 2012, we restructured our field and corporate operations to create a more efficient and competitive company. These changes included consolidating our field regions from four to three and our areas from 28 to 20, relocating office space, and reducing administrative staffing levels. During the nine months ended September 30, 2013, we incurred \$8.6 million of restructuring charges, which consisted of severance and other employee termination benefits, relocation benefits, and the closure of offices with non-cancellable lease agreements. During the nine months ended September 30, 2013, we paid \$14.8 million related to these restructuring charges. As of September 30, 2013, \$2.7 million remains accrued for severance and other employee termination benefits and lease exit costs. We expect to incur approximately \$1.2 million of additional expense during the remainder of 2013 to complete such activities. Substantially all of these charges were or will be recorded in our corporate segment, and we expect the charges will be paid primarily during the remainder of 2013.

3. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill

A summary of the activity and balances in goodwill accounts by reporting segment follows:

	Balance as of December 31, 2012	Acquisitions	Divestitures	Adjustments to Acquisitions	Balance as of September 30, 2013
East	\$ 3,014.9	\$ 1.2	\$ —	\$ (1.5)	\$ 3,014.6
Central	3,242.7	18.3	—	(1.0)	3,260.0
West	4,432.4	7.6	(0.7)	(1.3)	4,438.0
Total	\$ 10,690.0	\$ 27.1	\$ (0.7)	\$ (3.8)	\$ 10,712.6

REPUBLIC SERVICES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Other Intangible Assets, Net

Other intangible assets, net, include values assigned to customer relationships, franchise agreements, other municipal agreements, trade names and non-compete agreements, and are amortized over periods ranging from 1 to 23 years. A summary of the activity and balances by intangible asset type follows:

	Gross Intangible Assets			Accumulated Amortization			Net Intangibles as of September 30, 2013
	Balance as of December 31, 2012	Acquisitions and Other Additions	Balance as of September 30, 2013	Balance as of December 31, 2012	Additions Charged to Expense	Balance as of September 30, 2013	
Customer relationships, franchise and other municipal agreements	\$ 579.0	\$ 15.6	\$ 594.6	\$ (252.4)	\$ (42.8)	\$ (295.2)	\$ 299.4
Trade names	30.0	—	30.0	(24.5)	(4.5)	(29.0)	1.0
Non-compete agreements	20.4	2.4	22.8	(12.0)	(2.1)	(14.1)	8.7
Other intangible assets	63.5	0.5	64.0	(45.3)	(0.6)	(45.9)	18.1
Total	\$ 692.9	\$ 18.5	\$ 711.4	\$ (334.2)	\$ (50.0)	\$ (384.2)	\$ 327.2

4. OTHER ASSETS
Prepaid Expenses and Other Current Assets

A summary of prepaid expenses and other current assets as of September 30, 2013 and December 31, 2012 follows:

	2013	2012
Inventories	\$ 36.9	\$ 34.5
Prepaid expenses	67.9	54.4
Other non-trade receivables	32.6	39.6
Income tax receivable	44.5	69.0
Commodity and fuel hedge asset	3.5	4.1
Other current assets	4.4	7.7
Total	\$ 189.8	\$ 209.3

Other Assets

A summary of other assets as of September 30, 2013 and December 31, 2012 follows:

	2013	2012
Deferred financing costs	\$ 53.1	\$ 58.8
Deferred compensation plan	60.7	49.9
Notes and other receivables	21.5	17.9
Reinsurance receivable	45.1	59.7
Other	93.0	76.1
Total	\$ 273.4	\$ 262.4

Notes and other receivables include the fair value of interest rate swaps of \$2.4 million at September 30, 2013.

REPUBLIC SERVICES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

5. OTHER LIABILITIES**Other Accrued Liabilities**

A summary of other accrued liabilities as of September 30, 2013 and December 31, 2012 follows:

	2013	2012
Accrued payroll and benefits	\$ 157.2	\$ 157.1
Accrued fees and taxes	124.3	124.2
Self-insurance reserves, current portion	135.3	135.5
Accrued dividends	93.6	84.9
Current tax liabilities	12.4	2.1
Accrued professional fees and legal settlement reserves	39.9	34.6
Restructuring liabilities	2.7	9.0
Other	89.0	76.2
Total	\$ 654.4	\$ 623.6

Other accrued liabilities include the fair value of fuel and commodity hedges of \$1.7 million and \$1.6 million as of September 30, 2013 and December 31, 2012, respectively.

Other Long-Term Liabilities

A summary of other long-term liabilities as of September 30, 2013 and December 31, 2012 follows:

	2013	2012
Deferred compensation liability	\$ 63.4	\$ 50.0
Pension and other post-retirement liabilities	6.3	12.7
Legal settlement reserves	27.1	36.4
Ceded insurance reserves	45.1	59.7
Withdrawal liability - Central States Pension and Other Funds	171.4	30.7
Other	54.2	31.4
Total	\$ 367.5	\$ 220.9

Self-Insurance Reserves

Our liabilities for unpaid and incurred but not reported claims at September 30, 2013 (which include claims for workers' compensation, general liability, vehicle liability and employee health care benefits) were \$442.9 million and are included in other accrued liabilities and self-insurance reserves in our consolidated balance sheets. While the ultimate amount of claims incurred depends on future developments, we believe recorded reserves are adequate to cover the future payment of claims. However, it is possible that recorded reserves may not be adequate to cover the future payment of claims. Adjustments, if any, to estimates recorded resulting from ultimate claim payments are recorded currently in earnings in the periods in which such adjustments are known.

REPUBLIC SERVICES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

6. LANDFILL AND ENVIRONMENTAL COSTS

As of September 30, 2013, we owned or operated 190 active solid waste landfills with total available disposal capacity of approximately 4.9 billion in-place cubic yards. Additionally, we have post-closure responsibility for 124 closed landfills.

Accrued Landfill and Environmental Costs

A summary of accrued landfill and environmental costs as of September 30, 2013 and December 31, 2012 follows:

	2013	2012
Final capping, closure and post-closure liabilities	\$ 1,076.1	\$ 1,052.4
Remediation	601.2	563.7
Total accrued landfill and environmental costs	1,677.3	1,616.1
Less: Current portion	(214.9)	(195.5)
Long-term portion	\$ 1,462.4	\$ 1,420.6

Final Capping, Closure and Post-Closure Costs

The following table summarizes the activity in our asset retirement obligation liabilities, which include liabilities for final capping, closure and post-closure, for the nine months ended September 30:

	2013	2012
Asset retirement obligation liabilities, beginning of year	\$ 1,052.4	\$ 1,037.0
Non-cash additions	27.2	25.8
Acquisitions/divestitures and other adjustments	(0.6)	(1.4)
Asset retirement obligation adjustments	(1.5)	(7.8)
Payments	(59.0)	(54.0)
Accretion expense	57.6	59.1
Asset retirement obligation liabilities, end of period	1,076.1	1,058.7
Less: Current portion	(104.5)	(98.3)
Long-term portion	\$ 971.6	\$ 960.4

Annually, in the fourth quarter, we review, and update as necessary, our estimates of asset retirement obligations. However, if there are significant changes in the facts and circumstances related to a site during the year, we will update our assumptions prospectively in the period that we know all the relevant facts and circumstances. There were no significant changes during the quarter ended September 30, 2013.

The fair value of assets that are legally restricted for purposes of collateralizing certain of our final capping, closure and post-closure obligations was \$55.7 million and \$54.8 million as of September 30, 2013 and December 31, 2012, respectively. Such assets are included in restricted cash and marketable securities in our consolidated balance sheets.

Landfill Operating Expenses

In the normal course of business, we incur various operating costs associated with environmental compliance. These costs include, among other things, leachate treatment and disposal, methane gas and groundwater monitoring, systems maintenance, interim cap maintenance, costs associated with the application of daily cover materials, and the legal and administrative costs of ongoing environmental compliance. These costs are expensed as cost of operations in the periods in which they are incurred.

Environmental Remediation Liabilities

We accrue for remediation costs when they become probable and can be reasonably estimated. When there is a range of reasonable estimates of the costs associated with remediation of a site, we use the amount within the range that constitutes our best estimate. If no amount within the range appears to be a better estimate than any other, we use the amount that is at the low end of the range. It is reasonably possible that we will need to adjust the liabilities recorded for remediation to reflect the effects of new or additional information, to the extent such information impacts the costs, timing or duration of the required

REPUBLIC SERVICES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

actions. If we used the reasonably possible high ends of our ranges, our aggregate potential remediation liability at September 30, 2013 would be approximately \$561 million higher than the amounts recorded. Future changes in our estimates of the cost, timing or duration of the required actions could have a material adverse effect on our consolidated financial position, results of operations and cash flows.

The following table summarizes the activity in our environmental remediation liabilities for the nine months ended September 30:

	2013	2012
Remediation liabilities, beginning of year	\$ 563.7	\$ 543.7
Remediation adjustments	101.8	26.0
Payments	(84.3)	(47.4)
Accretion expense (non-cash interest expense)	20.0	24.0
Remediation liabilities, end of period	601.2	546.3
Less: Current portion	(110.4)	(87.1)
Long-term portion	<u>\$ 490.8</u>	<u>\$ 459.2</u>

The following is a discussion of certain of our significant remediation matters:

Bridgeton Landfill. We recorded environmental remediation charges at our closed Bridgeton Landfill in Missouri of \$108.7 million in June 2013 and \$37.1 million in September 2012 to manage the remediation area and monitor the site. As of September 30, 2013, the remediation liability recorded for this site is \$119.4 million, of which \$44.1 million is expected to be paid during the next twelve months. We believe the remaining reasonably possible range of loss for remediation costs is \$88 million to \$368 million.

Countywide Landfill. In September 2009, Republic Services of Ohio II, LLC entered into Final Findings and Orders with the Ohio Environmental Protection Agency that require us to implement a comprehensive operation and maintenance program to manage the remediation area at the Countywide Recycling and Disposal Facility. The remediation liability for this site recorded as of September 30, 2013 is \$50.0 million, of which \$4.9 million is expected to be paid during the next twelve months. We believe the remaining reasonably possible range of loss for remediation costs is \$48 million to \$69 million.

Congress Landfill. In August 2010, Congress Development Company agreed with the State of Illinois to have a Final Consent Order entered by the Circuit Court of Illinois, Cook County. Pursuant to the this order, we have agreed to continue to implement certain remedial activities at this site. The remediation liability for this site recorded as of September 30, 2013 is \$84.1 million, of which \$9.2 million is expected to be paid during the next twelve months. We believe the remaining reasonably possible range of loss for remediation costs is \$54 million to \$154 million.

REPUBLIC SERVICES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

7. DEBT

The carry value of our notes payable, capital leases and long-term debt as of September 30, 2013 and December 31, 2012 are listed in the following table in millions, and are adjusted for the fair value of interest rate swaps, unamortized discounts and the unamortized portion of adjustments to fair value recorded in purchase accounting. Original issue discounts and adjustments to fair value recorded in purchase accounting are amortized to interest expense over the term of the applicable instrument using the effective interest method.

Maturity	Interest Rate	September 30, 2013			December 31, 2012		
		Principal	Adjustments	Carry Value	Principal	Adjustments	Carry Value
Credit facilities:							
Uncommitted facility	Variable	\$ 14.0	\$ —	\$ 14.0	\$ 13.9	\$ —	\$ 13.9
April 2016	Variable	—	—	—	25.0	—	25.0
May 2017	Variable	—	—	—	—	—	—
Senior notes:							
May 2018	3.800	700.0	(0.1)	699.9	700.0	(0.2)	699.8
September 2019	5.500	650.0	(3.1)	646.9	650.0	(3.4)	646.6
March 2020	5.000	850.0	(0.1)	849.9	850.0	(0.1)	849.9
November 2021	5.250	600.0	—	600.0	600.0	—	600.0
June 2022	3.550	850.0	(2.1)	847.9	850.0	(2.2)	847.8
May 2023	4.750	550.0	0.9	550.9	550.0	(1.3)	548.7
March 2035	6.086	275.7	(24.6)	251.1	275.7	(24.9)	250.8
March 2040	6.200	650.0	(0.5)	649.5	650.0	(0.5)	649.5
May 2041	5.700	600.0	(3.3)	596.7	600.0	(3.4)	596.6
Debentures:							
May 2021	9.250	35.3	(1.8)	33.5	35.3	(1.9)	33.4
September 2035	7.400	165.3	(41.1)	124.2	165.2	(41.4)	123.8
Tax-exempt:							
2014 - 2038	0.450 - 5.625	1,087.6	(0.1)	1,087.5	1,097.9	(0.4)	1,097.5
Other:							
2013 - 2046	5.000 - 11.900	87.1	—	87.1	87.2	—	87.2
Total Debt		<u>\$ 7,115.0</u>	<u>\$ (75.9)</u>	<u>7,039.1</u>	<u>\$ 7,150.2</u>	<u>\$ (79.7)</u>	<u>7,070.5</u>
Less: Current portion				(15.5)			(19.4)
Long-term portion				<u>\$ 7,023.6</u>			<u>\$ 7,051.1</u>

The 4.750% senior notes due in May 2023 in the above table include the fair value of interest rate swaps of \$2.1 million, which are described further in this note.

Loss on Extinguishment of Debt

During the nine months ended September 30, 2013, we refinanced certain of our tax-exempt financings, resulting in a \$2.1 million non-cash charge for deferred issuance costs.

Credit Facilities

In May 2012, we amended and restated our \$1.25 billion unsecured revolving credit facility due September 2013 (the Amended and Restated Credit Facility) to extend the maturity to May 2017. The Amended and Restated Credit Facility includes a feature that allows us to increase availability, at our option, by an aggregate amount up to \$500 million through increased commitments

REPUBLIC SERVICES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

from existing lenders or the addition of new lenders. At our option, borrowings under the Amended and Restated Credit Facility bear interest at a Base Rate, or a Eurodollar Rate, plus an applicable margin based on our Debt Ratings (all as defined in the agreements).

Contemporaneous with the execution of the Amended and Restated Credit Facility, we entered into Amendment No. 1 to our existing \$1.25 billion unsecured credit facility (the Existing Credit Facility and, together with the Amended and Restated Credit Facility, the Credit Facilities) to reduce the commitments under the Existing Credit Facility to \$1.0 billion and conform certain terms of the Existing Credit Facility to those of the Amended and Restated Credit Facility. Amendment No. 1 does not extend the maturity date under the Existing Credit Facility, which matures in April 2016.

In connection with entering into the Amended and Restated Credit Facility and Amendment No. 1 to the Existing Credit Facility, the guarantees by our subsidiary guarantors of the Amended and Restated Credit Facility and the Existing Credit Facility were released. As a result, the guarantees by our subsidiary guarantors of all of Republic's outstanding senior notes were automatically released. In addition, the guarantees by all of our subsidiary guarantors (other than Allied Waste Industries, Inc. and Allied Waste North America, Inc.) of the 9.250% debentures and the 7.400% debentures issued by our subsidiary Browning-Ferris Industries, LLC (successor to Browning-Ferris Industries, Inc.) also were automatically released.

Our Credit Facilities are subject to facility fees based on applicable rates defined in the agreements and the aggregate commitments, regardless of usage. Availability under our Credit Facilities can be used for working capital, capital expenditures, letters of credit and other general corporate purposes. The agreements governing our Credit Facilities require us to comply with certain financial and other covenants. We may pay dividends and repurchase common stock if we are in compliance with these covenants. As of September 30, 2013, we had no borrowings under our Credit Facilities. As of December 31, 2012, we had \$25.0 million of Eurodollar Rate borrowings at an interest rate of 1.32%. We had \$706.7 million and \$909.4 million of letters of credit using availability under our Credit Facilities, leaving \$1,543.3 million and \$1,315.6 million of availability under our Credit Facilities at September 30, 2013 and December 31, 2012, respectively.

In March 2012, we entered into a \$75.0 million uncommitted, unsecured credit facility agreement (the Uncommitted Credit Facility) bearing interest at LIBOR, plus an applicable margin. In July 2012, we amended the Uncommitted Credit Facility to increase the size to \$125.0 million, with all other terms remaining unchanged. Our Uncommitted Credit Facility is also subject to facility fees defined in the agreement, regardless of usage. We can use borrowings under the Uncommitted Credit Facility for working capital and other general corporate purposes. The agreements governing our Uncommitted Credit Facility require us to comply with certain covenants. The Uncommitted Credit Facility may be terminated by either party at any time. As of September 30, 2013 and December 31, 2012, we had \$14.0 million and \$13.9 million of borrowings under our Uncommitted Credit Facility, respectively.

Tax-Exempt Financings

As of September 30, 2013, approximately 85% of our tax-exempt financings are remarketed quarterly by remarketing agents to effectively maintain a variable yield. Certain of these variable rate tax-exempt financings are credit enhanced with letters of credit having terms in excess of one year issued by banks with investment grade credit ratings. The holders of the bonds can put them back to the remarketing agents at the end of each interest period. To date, the remarketing agents have been able to remarket our variable rate unsecured tax-exempt bonds. These bonds have been classified as long term because of our ability and intent to refinance them using availability under our revolving Credit Facilities, if necessary.

Other Debt

Other debt includes capital lease liabilities of \$86.9 million and \$87.0 million as of September 30, 2013 and December 31, 2012, respectively, with maturities ranging from 2013 to 2046.

Guarantees

We have guaranteed some of the tax-exempt financings of our subsidiaries. If a subsidiary fails to meet its obligations associated with tax-exempt bonds as they come due, we will be required to perform. No additional liability has been recorded for these guarantees because the underlying obligations are reflected in our consolidated balance sheets.

REPUBLIC SERVICES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Interest Rate Swap and Lock Agreements

Our ability to obtain financing through the capital markets is a key component of our financial strategy. Historically, we have managed risk associated with executing this strategy, particularly as it relates to fluctuations in interest rates, by using a combination of fixed and floating rate debt. From time to time, we have also entered into interest rate swap and lock agreements to manage risk associated with interest rates, either to effectively convert specific fixed rate debt to a floating rate (fair value hedges), or to lock interest rates in anticipation of future debt issuances (cash flow hedges).

Fair Value Hedges

During August 2013, we entered into various interest rate swap agreements relative to our 4.750% fixed rate senior notes due in May 2023. These transactions were entered into with the goal of reducing overall borrowing costs and increasing our floating interest rate exposure. These swap agreements have a total notional value of \$200.0 million and mature in May 2023, which is identical to the maturity of the hedged senior notes. Under these swap agreements, we pay interest at floating rates based on changes in LIBOR and receive interest at a fixed rate of 4.750%. These transactions were designated as fair value hedges because the swaps hedge against the changes in fair value of the fixed rate senior notes resulting from changes in interest rates. The majority of these interest rate swaps do not contain credit-risk-related contingent features and we believe our exposure to such features, where applicable, is minimal.

As of September 30, 2013, interest rate swap agreements are reflected at their fair value of \$2.4 million and are included in other assets and, to the extent they are effective, as an adjustment to long-term debt in our unaudited consolidated balance sheet. We recognized net interest income of \$0.6 million during the three and nine months ended September 30, 2013 related to net swap settlements for these interest rate swap agreements, which is included as an offset to interest expense in our unaudited consolidated statements of income.

For the three and nine months ended September 30, 2013, we recognized a loss on the change in fair value of the hedged senior notes attributable to changes in the benchmark interest rate totaling \$2.1 million, with an offsetting gain on the related interest rate swaps totaling \$2.4 million. The difference of these fair value changes represents hedge ineffectiveness, which is recorded directly in earnings as other income, net.

Cash Flow Hedges

As of September 30, 2013 and 2012, no interest rate lock cash flow hedges were outstanding. As of September 30, 2013 and December 31, 2012, the effective portion of the interest rate locks, recorded as a component of accumulated other comprehensive income, was \$23.5 million and \$24.6 million, respectively. The effective portion of the interest rate locks is amortized as an adjustment to interest expense over the life of the issued debt using the effective interest rate method. We expect to amortize \$2.6 million over the next twelve months as a yield adjustment of our senior notes.

The effective portion of the interest rate locks amortized as a net increase to interest expense during the three months ended September 30, 2013 and 2012 was \$0.7 million and \$0.6 million, respectively, and for the nine months ended September 30, 2013 and 2012 was \$1.9 million and \$1.6 million, respectively.

Fair Value of Debt and Interest Rate Swap Agreements

The fair value of our fixed rate senior notes was \$6.4 billion and \$6.9 billion at September 30, 2013 and December 31, 2012, respectively. The carrying value of our fixed rate senior notes and debentures was \$5.9 billion and \$5.8 billion at September 30, 2013 and December 31, 2012, respectively. The carrying amounts of our remaining notes payable and tax-exempt financings approximate fair value because interest rates are variable and, accordingly, approximate current market rates for instruments with similar risk and maturities. The fair value of our debt, using significant observable market inputs (Level 2 in the fair value hierarchy), is determined as of the balance sheet date and is subject to change.

The fair value of our interest rate swap agreements is determined using standard valuation models with assumptions about prices and other relevant information based on those observed in the underlying markets (Level 2 in the fair value hierarchy). The fair values of our interest rate swap agreements, all of which were entered into during August 2013, was an other asset of \$2.4 million at September 30, 2013. The estimated fair values of derivatives used to hedge risks fluctuate over time and should be viewed in relation to the underlying hedged transactions.

REPUBLIC SERVICES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

8. INCOME TAXES

Our effective tax rate, exclusive of noncontrolling interests, for the three and nine months ended September 30, 2013 was 35.0% and 34.5%, respectively. The effective tax rate for the three months ended September 30, 2013 was favorably affected by the realization of additional federal and state benefits on our 2012 tax returns, lower state rates due to changes in estimates and adjustments to deferred taxes. For the nine months ended September 30, 2013, our effective tax rate was, in addition to the matters already discussed, favorably impacted by the first quarter resolution of Allied's 2009 - 2010 tax years at the IRS appeals division and the Congressional Joint Committee on Taxation.

Our effective tax rate, exclusive of noncontrolling interests, for the three and nine months ended September 30, 2012 was 31.5% and 28.8%, respectively. The effective tax rate for the three months ended September 30, 2012 was favorably affected by the realization of additional federal and state benefits on our 2011 tax returns, lower state rates due to changes in estimates and adjustments to deferred taxes. For the nine months ended September 30, 2012, our effective tax rate was, in addition to the matters already discussed, favorably impacted by the second quarter 2012 resolution of Allied's 2004 - 2008 tax years at the IRS appeals division, legal entity restructuring completed during the second quarter of 2012 and a change in estimated non-deductible penalties relating to certain legal settlements.

Income taxes paid, net of refunds received, were \$196.1 million and \$169.0 million for the nine months ended September 30, 2013 and 2012, respectively.

We are subject to income tax in the United States and Puerto Rico, as well as income tax in multiple state jurisdictions. We are currently under examination or administrative review by state and local taxing authorities for various tax years. We recognize interest and penalties as incurred within the provision for income taxes in the consolidated statements of income. As of September 30, 2013, we have accrued a liability for penalties of \$0.5 million and a liability for interest (including interest on penalties) of \$16.5 million related to our uncertain tax positions.

We believe the liabilities for uncertain tax positions recorded are adequate. However, a significant assessment against us in excess of the liabilities recorded could have a material adverse effect on our consolidated financial position, results of operations or cash flows. During the next twelve months, it is reasonably possible the amount of unrecognized tax benefits will increase or decrease. Gross unrecognized benefits we expect to settle in the next twelve months are in the range of zero to \$10 million.

We have deferred tax assets related to state net operating loss carryforwards. Most of these loss carryforwards are attributable to a specific subsidiary for which we provide a valuation allowance due to uncertainty surrounding the future utilization of these carryforwards in the taxing jurisdictions where the loss carryforwards exist. From this subsidiary's inception in 1996 through 2008, significant annual losses were reported. In 2009 the annual losses continued, although at a reduced rate, and in 2011 this subsidiary reported a small profit for the first time in its history. The primary factors for this gradual migration towards profitability were the continued refinancing of outside indebtedness, reductions in this subsidiary's intercompany indebtedness and ongoing operational restructurings. As of September 30, 2013, this subsidiary remains in a cumulative pre-tax loss position; however, this cumulative loss has been steadily decreasing over the past several quarters. If current trends continue, we project this entity will no longer be in a cumulative loss position by the end of 2013. As of September 30, 2013, the deferred tax asset for state loss carryforwards attributable to this subsidiary was \$108.9 million offset by a valuation allowance of \$95.9 million. Overall, as of September 30, 2013, we had a total deferred tax asset for state loss carryforwards of \$129.1 million offset by a valuation allowance of \$112.9 million.

When determining the need for a valuation allowance, we consider all positive and negative evidence including recent financial results, scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategies. The weight given to the positive and negative evidence is commensurate with the extent such evidence can be objectively verified. As such, it is generally difficult for positive evidence regarding projected future taxable income, exclusive of reversing taxable temporary differences, to outweigh objective negative evidence of recent financial reporting losses.

The realization of our deferred tax asset for state loss carryforwards ultimately depends upon the existence of sufficient taxable income in the appropriate state taxing jurisdictions in future periods. We continue to analyze the positive and negative evidence in determining the need for a valuation allowance. The valuation allowance could be reduced in a subsequent period if there is sufficient evidence to support a conclusion that it is more likely than not that certain of the state net operating loss carryforwards will be realized. Future changes in our valuation allowance for certain state net operating loss carryforwards could have a material effect on our results of operations in the period recorded.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

9. STOCK-BASED COMPENSATION

Available Shares

In March 2013, our board of directors approved the Amended and Restated Republic Services, Inc. 2007 Stock Incentive Plan. The plan was ratified by our stockholders in May 2013. We currently have 17.0 million shares of common stock reserved for future grants under the plan.

Stock Options

The following table summarizes the stock option activity for the nine months ended September 30, 2013:

	Number of Shares (in millions)	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in millions)
Outstanding as of December 31, 2012	13.7	\$ 27.51		
Granted	3.0	31.19		
Exercised	(5.1)	26.39		\$ 33.1
Forfeited or expired	(0.5)	29.85		
Outstanding as of September 30, 2013	11.1	\$ 28.88	4.5	\$ 49.4
Exercisable as of September 30, 2013	4.7	\$ 27.14	3.2	\$ 29.2

During the nine months ended September 30, 2013 and 2012, compensation expense for stock options was \$10.5 million and \$10.9 million, respectively.

As of September 30, 2013, total unrecognized compensation expense related to outstanding stock options was \$12.9 million, which will be recognized over a weighted average period of 1.9 years.

Other Stock Awards

The following table summarizes restricted stock unit and restricted stock activity for the nine months ended September 30, 2013:

	Number of Restricted Stock Units and Shares of Restricted Stock (in thousands)	Weighted Average Grant Date Fair Value per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in millions)
Other stock awards as of December 31, 2012	905.3	\$ 27.51		
Granted	343.9	30.68		
Vested and issued	(241.6)	28.19		
Forfeited	(13.4)	30.72		
Other stock awards as of September 30, 2013	994.2	\$ 28.41	0.7	\$ 33.7
Vested and unissued as of September 30, 2013	603.1	\$ 27.37		

During the nine months ended September 30, 2013, we awarded our non-employee directors 72,842 restricted stock units, which vested immediately. During the nine months ended September 30, 2013, we awarded 237,721 and 11,022 restricted stock units to executives and employees, respectively. In addition, 22,306 restricted stock units were earned as dividend equivalents. Restricted stock units do not carry any voting or dividend rights, except the right to receive additional restricted stock units in lieu of dividends.

The fair value of restricted stock units and restricted stock is based on the closing market price on the date of the grant. Compensation expense related to restricted stock units and restricted stock is amortized ratably over the vesting period.

REPUBLIC SERVICES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

During the nine months ended September 30, 2013 and 2012, compensation expense related to restricted stock units and restricted stock totaled \$5.3 million and \$6.3 million, respectively.

10. STOCKHOLDERS' EQUITY AND EARNINGS PER SHARE

We have had a share repurchase program since November 2010. From November 2010 to September 30, 2013, we repurchased 35.5 million shares of our stock for \$1,039.2 million at a weighted average cost per share of \$29.30. During the three months ended September 30, 2013, we repurchased 2.3 million shares of our stock for \$78.5 million at a weighted average cost per share of \$33.51. During the nine months ended September 30, 2013, we repurchased 6.5 million shares of our stock for \$213.6 million at a weighted average cost per share of \$32.92.

We initiated a quarterly cash dividend in July 2003 and have increased it from time to time thereafter. In July 2013, the board of directors approved a quarterly dividend of \$0.26 per share. Cash dividends declared were \$263.5 million and \$247.6 million for the nine months ended September 30, 2013 and 2012, respectively. As of September 30, 2013, we recorded a quarterly dividend payable of \$93.6 million to stockholders of record as of October 1, 2013.

Basic earnings per share is computed by dividing net income attributable to Republic Services, Inc. by the weighted average number of common shares (including restricted stock and vested but unissued restricted stock units) outstanding during the period. Diluted earnings per share is based on the combined weighted average number of common shares and common share equivalents outstanding, which include, where appropriate, the assumed exercise of employee stock options, unvested restricted stock and unvested restricted stock units. In computing diluted earnings per share, we use the treasury stock method.

Earnings per share for the three and nine months ended September 30, 2013 and 2012 are calculated as follows (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Basic earnings per share:				
Net income attributable to Republic Services, Inc.	\$ 171,400	\$ 152,700	\$ 352,300	\$ 444,800
Weighted average common shares outstanding	361,672	365,404	362,418	368,096
Basic earnings per share	\$ 0.47	\$ 0.42	\$ 0.97	\$ 1.21
Diluted earnings per share:				
Net income attributable to Republic Services, Inc.	\$ 171,400	\$ 152,700	\$ 352,300	\$ 444,800
Weighted average common shares outstanding	361,672	365,404	362,418	368,096
Effect of dilutive securities:				
Options to purchase common stock	1,288	880	1,354	1,061
Unvested restricted stock awards	42	147	32	108
Weighted average common and common equivalent shares outstanding	363,002	366,431	363,804	369,265
Diluted earnings per share	\$ 0.47	\$ 0.42	\$ 0.97	\$ 1.20
Antidilutive securities not included in the diluted earnings per share calculations:				
Options to purchase common stock	1,793	8,170	2,157	7,967

REPUBLIC SERVICES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

11. CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME BY COMPONENT

A summary of changes in accumulated other comprehensive loss (income) by component for the nine months ended September 30, 2013 follows:

	Gains and Losses on Cash Flow Hedges	Defined Benefit Pension Items	Total
Balance as of December 31, 2012	\$ 23.1	\$ (17.3)	\$ 5.8
Other comprehensive income before reclassifications	(1.2)	(5.8)	(7.0)
Amounts reclassified from accumulated other comprehensive income	0.4	1.6	2.0
Net current-period other comprehensive income	(0.8)	(4.2)	(5.0)
Balance as of September 30, 2013	<u>\$ 22.3</u>	<u>\$ (21.5)</u>	<u>\$ 0.8</u>

A summary of reclassifications out of accumulated other comprehensive income for the three and nine months ended September 30, 2013 and 2012 follows:

Details about Accumulated Other Comprehensive Income Components	Three Months Ended September 30,		Nine Months Ended September 30,		Affected Line Item in the Statement Where Net Income is Presented
	2013	2012	2013	2012	
	Amount Reclassified from Accumulated Other Comprehensive Income		Amount Reclassified from Accumulated Other Comprehensive Income		
Gains (losses) on cash flow hedges:					
Recycling commodity hedges	\$ —	\$ 1.4	\$ 0.1	\$ 1.6	Revenue
Fuel hedges	0.7	0.8	2.5	1.6	Cost of operations
Interest rate contracts	(0.7)	(0.6)	(1.9)	(1.6)	Interest expense
	—	1.6	0.7	1.6	Total before tax
	—	(0.6)	(0.3)	(0.6)	Tax expense
	—	1.0	0.4	1.0	Net of tax
Pension gains:					
Pension settlement	\$ 2.6	0.3	\$ 2.6	\$ 0.3	Selling, general and administrative
	(1.0)	(0.1)	(1.0)	(0.1)	Tax expense
	1.6	0.2	1.6	0.2	Net of tax
Total gains reclassified into earnings	<u>\$ 1.6</u>	<u>\$ 1.2</u>	<u>\$ 2.0</u>	<u>\$ 1.2</u>	

REPUBLIC SERVICES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

obligating us to deliver OCC and ONP at an established cap strike price. The puts and calls have the same settlement dates, are net settled in cash on such dates and have the same terms to expiration. The contemporaneous combination of these options resulted in no net premium for us and represent costless collars. Under these agreements, we will make or receive no payments as long as the settlement price is between the floor price and cap price. However, if the settlement price is above the cap, we will pay the counterparty an amount equal to the excess of the settlement price over the cap times the monthly volumes hedged. Also, if the settlement price is below the floor, the counterparty will pay us the deficit of the settlement price below the floor times the monthly volumes hedged. The objective of these agreements is to reduce the variability of the cash flows of the forecasted sales of OCC and ONP between two designated strike prices.

The following costless collar hedges were outstanding as of September 30, 2013:

Year	Transaction Hedged	Remaining Tons Hedged	Weighted Average	
			Floor Strike Price Per Ton	Cap Strike Price Per Ton
2013	OCC	73,500	\$86	\$132
2013	ONP	6,000	65	90
2014	OCC	54,000	90	139

The costless collar hedges are recorded on the balance sheet at fair value. The fair values of the costless collars are determined using standard option valuation models with assumptions about commodity prices based upon forward commodity price curves in underlying markets (Level 2 in the fair value hierarchy).

The aggregated fair values of the outstanding recycling commodity hedges at September 30, 2013 and December 31, 2012 were current assets of \$0.3 million and \$1.0 million, respectively, and current liabilities of \$1.1 million and \$1.2 million, respectively, and have been recorded in prepaid expenses and other current assets and other accrued liabilities in our consolidated balance sheets, respectively. The ineffective portions of the changes in fair values resulted in (losses) gains of less than \$0.1 million for the three and nine months ended September 30, 2013 and 2012, respectively, and have been recorded in other income (expense), net in our consolidated statements of income.

The following table summarizes the impact of our recycling commodity hedges on comprehensive income for the three and nine months ended September 30, 2013 and 2012:

Derivatives in Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivatives (Effective Portion)	
	Three Months Ended September 30,	
	2013	2012
Recycling commodity hedges	\$ (0.1)	\$ 0.1
	Nine Months Ended September 30,	
	2013	2012
Recycling commodity hedges	\$ (0.3)	\$ (0.4)

Fair Value Measurements

In measuring fair values of assets and liabilities, we use valuation techniques that maximize the use of observable inputs (Level 1) and minimize the use of unobservable inputs (Level 3). We also use market data or assumptions that we believe market participants would use in pricing an asset or liability, including assumptions about risk when appropriate.

REPUBLIC SERVICES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

As of September 30, 2013 and December 31, 2012, our assets and liabilities that are measured at fair value on a recurring basis include the following:

	Fair Value Measurements Using			
	Total as of September 30, 2013	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market mutual funds	\$ 71.5	\$ 71.5	\$ —	\$ —
Bonds	43.3	—	43.3	—
Fuel hedges - other current assets	3.2	—	3.2	—
Commodity hedges - other current assets	0.3	—	0.3	—
Interest rate swaps - other assets	2.4	—	2.4	—
Total assets	\$ 120.7	\$ 71.5	\$ 49.2	\$ —
Liabilities:				
Fuel hedges - other accrued liabilities	\$ 0.6	\$ —	\$ 0.6	\$ —
Commodity hedges - other accrued liabilities	1.1	—	1.1	—
Total liabilities	\$ 1.7	\$ —	\$ 1.7	\$ —

	Fair Value Measurements Using			
	Total as of December 31, 2012	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market mutual funds	\$ 62.8	\$ 62.8	\$ —	\$ —
Bonds	40.1	—	40.1	—
Fuel hedges - other current assets	3.1	—	3.1	—
Commodity hedges - other current assets	1.0	—	1.0	—
Total assets	\$ 107.0	\$ 62.8	\$ 44.2	\$ —
Liabilities:				
Fuel hedges - other accrued liabilities	\$ 0.4	\$ —	\$ 0.4	\$ —
Commodity hedges - other accrued liabilities	1.2	—	1.2	—
Total liabilities	\$ 1.6	\$ —	\$ 1.6	\$ —

REPUBLIC SERVICES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

13. SEGMENT REPORTING

Our operations are managed and evaluated through three regions: East, Central and West. These three regions are presented below as our reportable segments. The historical results, discussion and presentation of our reportable segments as set forth in our consolidated financial statements for all periods presented reflect the impact of the restructuring of our operations in the fourth quarter of 2012. These reportable segments provide integrated waste management services consisting of collection, transfer, recycling and disposal of non-hazardous solid waste.

Summarized financial information concerning our reportable segments for the three and nine months ended September 30, 2013 and 2012 is shown in the following tables:

	Gross Revenue	Intercompany Revenue	Net Revenue	Depreciation, Amortization, Depletion and Accretion	Operating Income (Loss)	Capital Expenditures	Total Assets
Three Months Ended September 30, 2013							
East	\$ 729.8	\$ (104.0)	\$ 625.8	\$ 63.7	\$ 110.4	\$ 106.0	\$ 4,933.8
Central	808.5	(154.6)	653.9	79.4	135.9	96.3	5,807.0
West	1,041.3	(186.8)	854.5	89.3	198.1	69.0	8,290.7
Corporate entities	34.9	(3.7)	31.2	11.2	(92.1)	(44.5)	794.5
Total	\$ 2,614.5	\$ (449.1)	\$ 2,165.4	\$ 243.6	\$ 352.3	\$ 226.8	\$ 19,826.0
Three Months Ended September 30, 2012							
East	\$ 712.8	\$ (98.7)	\$ 614.1	\$ 62.3	\$ 114.0	\$ 54.6	\$ 4,912.7
Central	753.4	(139.6)	613.8	64.5	129.6	89.9	5,605.8
West	965.0	(166.2)	798.8	83.3	176.0	102.4	8,271.9
Corporate entities	23.6	(3.4)	20.2	13.1	(101.7)	(2.0)	843.9
Total	\$ 2,454.8	\$ (407.9)	\$ 2,046.9	\$ 223.2	\$ 317.9	\$ 244.9	\$ 19,634.3
	Gross Revenue	Intercompany Revenue	Net Revenue	Depreciation, Amortization, Depletion and Accretion	Operating Income (Loss)	Capital Expenditures	Total Assets
Nine Months Ended September 30, 2013							
East	\$ 2,148.5	\$ (303.0)	\$ 1,845.5	\$ 187.7	\$ 339.7	\$ 175.0	\$ 4,933.8
Central	2,314.9	(440.2)	1,874.7	229.0	361.8	227.3	5,807.0
West	3,017.3	(542.2)	2,475.1	257.1	557.9	232.1	8,290.7
Corporate entities	91.0	(10.6)	80.4	34.8	(451.7)	54.3	794.5
Total	\$ 7,571.7	\$ (1,296.0)	\$ 6,275.7	\$ 708.6	\$ 807.7	\$ 688.7	\$ 19,826.0
Nine Months Ended September 30, 2012							
East	\$ 2,134.6	\$ (295.3)	\$ 1,839.3	\$ 184.2	\$ 360.3	\$ 158.5	\$ 4,912.7
Central	2,229.3	(408.6)	1,820.7	209.9	355.8	205.3	5,605.8
West	2,855.7	(494.1)	2,361.6	248.4	516.7	267.0	8,271.9
Corporate entities	78.8	(10.5)	68.3	48.7	(201.0)	76.6	843.9
Total	\$ 7,298.4	\$ (1,208.5)	\$ 6,089.9	\$ 691.2	\$ 1,031.8	\$ 707.4	\$ 19,634.3

Intercompany revenue reflects transactions within and between segments that are generally made on a basis intended to reflect the market value of such services.

Corporate functions include legal, tax, treasury, information technology, risk management, human resources, corporate accounts, closed landfills and other administrative functions. Capital expenditures for corporate entities primarily include vehicle inventory acquired but not yet assigned to operating locations and facilities.

REPUBLIC SERVICES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

The following table shows our total reported revenue by service line for the three and nine months ended September 30, 2013 and 2012 (in millions of dollars and as a percentage of revenue):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2013		2012		2013		2012	
Collection:								
Residential	\$ 548.5	25.3%	\$ 542.0	26.5%	\$ 1,632.3	26.0%	\$ 1,614.0	26.5%
Commercial	659.4	30.5	632.4	30.9	1,953.3	31.1	1,884.4	30.9
Industrial	433.0	20.0	395.9	19.3	1,223.0	19.5	1,154.7	19.0
Other	8.9	0.4	8.4	0.4	26.0	0.4	24.9	0.4
Total collection	1,649.8	76.2	1,578.7	77.1	4,834.6	77.0	4,678.0	76.8
Transfer	268.1		247.7		767.3		721.4	
Less: Intercompany	(159.7)		(146.4)		(461.4)		(427.5)	
Transfer, net	108.4	5.0	101.3	5.0	305.9	4.9	293.9	4.8
Landfill	512.4		477.7		1,437.6		1,408.7	
Less: Intercompany	(236.2)		(218.2)		(677.9)		(650.0)	
Landfill, net	276.2	12.8	259.5	12.7	759.7	12.1	758.7	12.5
Sale of recyclable materials	93.3	4.3	78.4	3.8	271.6	4.3	266.5	4.4
Other non-core	37.7	1.7	29.0	1.4	103.9	1.7	92.8	1.5
Other	131.0	6.0	107.4	5.2	375.5	6.0	359.3	5.9
Total revenue	\$ 2,165.4	100.0%	\$ 2,046.9	100.0%	\$ 6,275.7	100.0%	\$ 6,089.9	100.0%

Other revenue consists primarily of revenue from National Accounts, which represents the portion of revenue generated from nationwide contracts in markets outside our operating areas where the associated waste handling services are subcontracted to local operators. Consequently, substantially all of this revenue is offset with related subcontract costs, which are recorded in cost of operations.

14. COMMITMENTS AND CONTINGENCIES

General Legal Proceedings

We are subject to extensive and evolving laws and regulations and have implemented safeguards to respond to regulatory requirements. In the normal course of our business, we become involved in legal proceedings. Some of these actions may result in fines, penalties or judgments against us, which may impact earnings and cash flows for a particular period. Although we cannot predict the ultimate outcome of any legal matter with certainty, except as described below, we do not believe the outcome of our pending legal proceedings will have a material adverse impact on our consolidated financial position, results of operations or cash flows.

As used herein, the term *legal proceedings* refers to litigation and similar claims against us and our subsidiaries, excluding: (1) ordinary course accidents, general commercial liability and workers compensation claims, which are covered by insurance programs, subject to customary deductibles, and which, together with self-insured employee health care costs, are discussed in Note 5, *Other Liabilities*; and (2) environmental remediation liabilities, which are discussed in Note 6, *Landfill and Environmental Costs*.

We accrue for legal proceedings when losses become probable and reasonably estimable. We have recorded an aggregate accrual of approximately \$67.7 million relating to our outstanding legal proceedings as of September 30, 2013, including those described herein and others not specifically identified herein. As of the end of each applicable reporting period, we review each of our legal proceedings and, where it is probable that a liability has been incurred, we accrue for all probable and reasonably estimable losses. Where we are able to reasonably estimate a range of losses we may incur with respect to such a matter, we record an accrual for the amount within the range that constitutes our best estimate. If we are able to reasonably estimate a range but no amount within the range appears to be a better estimate than any other, we use the amount that is the low end of such range. If we used the high ends of such ranges, our aggregate potential liability would have been approximately \$73.5 million higher than the amount recorded as of September 30, 2013.

REPUBLIC SERVICES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Countywide Matter

As is discussed in Note 6, *Landfill and Environmental Costs*, in September 2009, Republic Services of Ohio II, LLC (Republic-Ohio) entered into Final Findings and Orders with the Ohio Environmental Protection Agency that require us to implement a comprehensive operation and maintenance program to manage the remediation area at the Countywide Recycling and Disposal Facility. The remediation liability for this site recorded as of September 30, 2013 is \$50.0 million, of which \$4.9 million is expected to be paid during the next twelve months. We believe the remaining reasonably possible range of loss for remediation costs is \$48 million to \$69 million.

In a suit filed on October 8, 2008 in the Tuscarawas County Ohio Court of Common Pleas, approximately 700 individuals and businesses located in the area around the Countywide Recycling and Disposal Facility sued Republic Services, Inc. (Republic), Republic Services of Ohio II, LLC (Republic-Ohio), Waste Management, Inc. (WMI) and Waste Management Ohio, Inc. (WMO) for alleged negligence and nuisance. Plaintiffs allege that the landfill has generated odors and other unsafe emissions that have impaired the use and value of their property and may have adverse health effects. A second almost identical lawsuit was filed by approximately 82 plaintiffs on October 13, 2009 in the Tuscarawas County Ohio Court of Common Pleas against Republic, Republic-Ohio, WMI and WMO. The court consolidated the two actions. The relief requested on behalf of each plaintiff in the consolidated action is: (1) an award of compensatory damages according to proof in an amount in excess of \$25,000 for each of the three counts of the amended complaint; (2) an award of punitive damages in the amount of two times compensatory damages, pursuant to applicable statute, or in such amount as may be awarded at trial for each of the three counts of the amended complaint; (3) interest on the damages according to law; (4) costs and disbursements of the lawsuit; (5) reasonable fees for attorneys and expert witnesses; and (6) any further relief the court deems just, proper and equitable. As a result of various dismissals of plaintiffs, this case consisted of approximately 600 plaintiffs. Republic, WMI and WMO have been dismissed from the litigation. On July 11, 2013, we finalized a settlement and resolved this case. We paid all amounts owed under the settlement during the three months ended September 30, 2013. We anticipate no further liability associated with this matter.

Luri Matter

On August 17, 2007, a former employee, Ronald Luri, sued Republic Services, Inc., Republic Services of Ohio Hauling LLC, Republic Services of Ohio I LLC, Jim Bowen and Ron Krall in the Cuyahoga County Common Pleas Court in Ohio. Plaintiff alleges that he was unlawfully fired in retaliation for refusing to discharge or demote three employees who were all over 50 years old. On July 3, 2008, a jury verdict was awarded against us in the amount of \$46.6 million, including \$43.1 million in punitive damages. On September 24, 2008, the court awarded pre-judgment interest of \$0.3 million and attorney fees and litigation costs of \$1.1 million. Post-judgment interest accrued at a rate of 8% for 2008, 5% for 2009, 4% for 2010 and 2011, and 3% for 2012 and 2013. We appealed to the Court of Appeals, and on May 19, 2011 the court reduced the punitive damages award to \$7.0 million. Plaintiff appealed to the Ohio Supreme Court, challenging the reduction of punitive damages. We cross-appealed, seeking a new trial on the ground that the proceedings in the trial court violated Ohio's punitive damages statute, which requires that the compensatory and punitive damages phases of trial be bifurcated in certain types of cases. On February 15, 2012, in a case called *Havel v. Villa St. Joseph*, the Ohio Supreme Court upheld the constitutionality of the bifurcation requirement. On July 3, 2012, the Ohio Supreme Court reversed the judgment against us and remanded the case for application of its decision in *Havel*. On October 4, 2013, the Cuyahoga County Common Pleas Court declared that defendants are entitled to a new trial. On October 18, 2013, plaintiff filed a notice that he is appealing that declaration to the Court of Appeals of Cuyahoga County, Ohio, Eighth Appellate District.

Congress Development Landfill Matters

Congress Development Co. (CDC) is a general partnership that owns and operates the Congress Landfill. The general partners in CDC are our subsidiary, Allied Waste Transportation, Inc. (Allied Transportation), and an unaffiliated entity, John Sexton Sand & Gravel Corporation (Sexton). Sexton was the operator of the landfill through early 2007, when Allied Transportation took over as the operator. The general partners likely will be jointly and severally liable for the costs associated with the following matters relating to the Congress Landfill.

As is discussed in Note 6, *Landfill and Environmental Costs*, in August 2010, CDC agreed with the State of Illinois to have a Final Consent Order (Final Order) entered by the Circuit Court of Illinois, Cook County. Pursuant to the Final Order, we have agreed to continue to implement certain remedial activities at the landfill. The remediation liability for the landfill recorded as of September 30, 2013 is \$84.1 million, of which \$9.2 million is expected to be paid during the next twelve months. We believe the remaining reasonably possible range of loss for remediation costs is \$54 million to \$154 million.

REPUBLIC SERVICES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

In a suit originally filed on December 23, 2009 in the Circuit Court of Cook County, Illinois and subsequently amended to add additional plaintiffs, approximately 3,000 plaintiffs sued our subsidiaries Allied Transportation and Allied Waste Industries, Inc. (Allied), CDC and Sexton. The court entered an order dismissing Allied without prejudice on October 26, 2010. The plaintiffs allege bodily injury, property damage and inability to have normal use and enjoyment of property arising from, among other things, odors and other damages arising from landfill gas leaking, and they base their claims on negligence, trespass, and nuisance. On January 6, 2012, the court took plaintiffs' motion for leave to amend their complaint to seek punitive damages under advisement, to be considered on a plaintiff-by-plaintiff basis. The court also granted plaintiffs leave to serve discovery on the punitive damages issue. Following the court's order in our favor striking the plaintiffs' allegations requesting actual damages in excess of \$50 million and punitive damages in excess of \$50 million, the amount of damages being sought is unspecified. Discovery is ongoing.

Bridgeton Landfill Matters

As is discussed in Note 6, *Landfill and Environmental Costs*, in June 2013, we recorded an environmental remediation charge at our closed Bridgeton Landfill in Missouri in the amount of \$108.7 million to manage the remediation area and monitor the site. As of September 30, 2013, the remediation liability recorded for this site is \$119.4 million, of which \$44.1 million is expected to be paid during the next twelve months. We believe the remaining reasonably possible range of loss for remediation costs is \$88 million to \$368 million.

On March 20, 2013, a group of residents living near the Bridgeton Landfill filed a purported class action in Saint Louis County Circuit Court, Missouri, on behalf of tenants and owner-occupants of property located within a one-mile radius of the landfill. Defendants Republic Services, Inc., Allied Services, LLC, and Bridgeton Landfill, LLC subsequently removed the action to the United States District Court for the Eastern District of Missouri. The action alleges that odors escaping from the landfill due to a subsurface smoldering event diminished the value of plaintiffs' property, caused irritation to the eyes, nose or throat, and negatively affected their use and enjoyment of their property. The action also seeks an injunction requiring the landfill to take action to prevent the subsurface smoldering event from reaching radioactive materials buried in the adjacent Westlake Landfill. The plaintiffs each seek \$500,000 in punitive damages on behalf of themselves and those similarly situated, and an unspecified amount in compensatory damages. Plaintiffs allege that the tenant and owner-occupant classes are comprised of approximately 269 households and 683 residents in total.

Multiemployer Pension Plans

We contribute to 26 multiemployer pension plans under collective bargaining agreements (CBAs) covering union-represented employees. Approximately 20% of our total current employees are participants in such multiemployer plans. These plans generally provide retirement benefits to participants based on their service to contributing employers. We do not administer these plans. In general, these plans are managed by boards of trustees with the unions appointing certain trustees and other contributing employers of the plan appointing certain members. We generally are not represented on the board of trustees.

Under current law regarding multiemployer pension plans, a plan's termination, and any termination of an employer's obligation to make contributions, including our voluntary withdrawal (which we consider from time to time) or the mass withdrawal of all contributing employers from any under-funded multiemployer pension plan (each, a Withdrawal Event) would require us to make payments to the plan for our proportionate share of the plan's unfunded vested liabilities. During the course of operating our business, we incur Withdrawal Events with respect to certain of our multiemployer pension plans. We accrue for such events when losses become probable and reasonably estimable. We cannot assure you that there will not be a Withdrawal Event where the amount we would be required to contribute would have a material adverse impact on our consolidated financial condition, results of operations or cash flows.

Central States, Southeast and Southwest Areas Pension Fund

Before September 30, 2013, we had CBAs with local bargaining units of the Teamsters under which we contributed to the Central States, Southeast and Southwest Areas Pension Fund (the Fund). These CBAs were under negotiation during 2012 and 2013. As part of our CBA negotiations, we have completely withdrawn from participation in the Fund, constituting a Withdrawal Event. Accordingly, we will be required to make payments to the Fund for our allocated share of its unfunded vested liabilities.

As of September 30, 2013, we estimated our liability associated with our withdrawal from the Fund to be approximately \$169 million. We anticipate that this liability will be due in installments over a period of 20 years. Our estimated withdrawal liability is based on information provided to us by the Fund, our actuarial calculations and a number of other variable factors, including

REPUBLIC SERVICES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

our estimated number of 2013 contribution based units. As we obtain updated information from the Fund, the factors used in deriving our estimated withdrawal liability are subject to change. Future changes in our estimated withdrawal liability or timing of payments could have a material adverse effect on our consolidated financial position, results of operations and cash flows.

For additional discussion and detail regarding multiemployer pension plans, see Note 11, *Employee Benefit Plans*, to our consolidated financial statements in Item 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

Restricted Cash and Marketable Securities

Our restricted cash and marketable securities include, among other things, restricted cash and marketable securities held for capital expenditures under certain debt facilities, and restricted cash and marketable securities pledged to regulatory agencies and governmental entities as financial guarantees of our performance related to our final capping, closure and post-closure obligations at our landfills. The following table summarizes the nature of restrictions related to our restricted cash and marketable securities as of September 30, 2013 and December 31, 2012:

	2013	2012
Financing proceeds	\$ 30.6	\$ 24.7
Capping, closure and post-closure obligations	55.7	54.8
Self-insurance	86.1	81.3
Other	3.1	3.4
Total restricted cash and marketable securities	\$ 175.5	\$ 164.2

Off-Balance Sheet Arrangements

We have no off-balance sheet debt or similar obligations, other than operating leases and the financial assurances, which are not classified as debt. We have no transactions or obligations with related parties that are not disclosed, consolidated into or reflected in our reported financial position or results of operations. We have not guaranteed any third-party debt.

15. SUBSEQUENT EVENTS

In October 2013, the board of directors added \$650 million to the existing share repurchase authorization. Before this, approximately \$110.6 million remained under the prior authorization. The total authorization is now \$760.6 million through December 31, 2015. Share repurchases under the program may be made through open market purchases or privately negotiated transactions in accordance with applicable federal securities laws. While the board of directors has approved the share repurchase program, the timing of any purchases, the prices and the number of shares of common stock to be purchased will be determined by our management, at its discretion, and will depend upon market conditions and other factors. The program may be extended, suspended or discontinued at any time.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

You should read the following discussion in conjunction with the unaudited consolidated financial statements and notes thereto included under Item 1. In addition, you should refer to our audited consolidated financial statements and notes thereto and related *Management’s Discussion and Analysis of Financial Condition and Results of Operations* appearing in our Annual Report on Form 10-K for the year ended December 31, 2012.

Overview

We are the second largest provider of services in the domestic non-hazardous solid waste industry, as measured by revenue. Our operations are in 39 states and Puerto Rico. We provide non-hazardous solid waste collection services for commercial, industrial, municipal and residential customers through 336 collection operations. We own or operate 198 transfer stations, 190 active solid waste landfills and 70 recycling centers. We also operate 69 landfill gas and renewable energy projects.

Revenue for the nine months ended September 30, 2013 increased by 3.1% to \$6,275.7 million compared to \$6,089.9 million for the same period in 2012. This change in revenue is due to increases in average yield of 1.3%, fuel recovery fees of 0.3% and acquisitions, net of divestitures of 0.5%, as well as increases in volume of 0.9% and recycling commodities pricing of 0.1%.

The following table summarizes our revenue, costs and expenses for the three and nine months ended September 30, 2013 and 2012 (in millions of dollars and as a percentage of revenue):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2013		2012		2013		2012	
Revenue	\$ 2,165.4	100.0 %	\$ 2,046.9	100.0 %	\$ 6,275.7	100.0 %	\$ 6,089.9	100.0 %
Expenses:								
Cost of operations	1,317.6	60.9	1,280.5	62.6	3,950.7	62.9	3,722.2	61.1
Depreciation, amortization and depletion of property and equipment	206.2	9.5	186.1	9.1	597.9	9.5	579.2	9.5
Amortization of other intangible assets and other assets	18.2	0.8	17.4	0.9	53.1	0.9	52.9	0.9
Accretion	19.2	0.9	19.7	0.9	57.6	0.9	59.1	1.0
Selling, general and administrative	209.6	9.7	193.8	9.5	644.3	10.3	613.5	10.1
Negotiation and withdrawal costs - Central States Pension and Other Funds	41.6	1.9	31.3	1.5	157.7	2.5	34.6	0.6
Loss (gain) on disposition of assets and impairments, net	—	—	0.2	—	(1.9)	—	(3.4)	(0.1)
Restructuring charges	0.7	—	—	—	8.6	0.1	—	—
Operating income	\$ 352.3	16.3 %	\$ 317.9	15.5 %	\$ 807.7	12.9 %	\$ 1,031.8	16.9 %

Our pre-tax income was \$263.4 million and \$537.8 million for the three and nine months ended September 30, 2013, respectively, versus \$223.1 million and \$624.8 million for the comparable 2012 periods, respectively. Our net income attributable to Republic Services, Inc. was \$171.4 million and \$352.3 million for the three and nine months ended September 30, 2013, or \$0.47 and \$0.97 per diluted share, respectively, versus \$152.7 million and \$444.8 million, or \$0.42 and \$1.20 per diluted share for the comparable 2012 periods, respectively.

During each of the three and nine months ended September 30, we recorded a number of charges and other expenses and benefits that impacted our pre-tax income, net income attributable to Republic Services, Inc. (Net Income — Republic) and diluted earnings per share as noted in the following table (in millions, except per share data). Additionally, see our “*Cost of Operations*,” “*Selling, General and Administrative Expenses*” and “*Income Taxes*” discussions contained in the Results of

Operations section of this Management's Discussion and Analysis of Financial Condition and Results of Operations for a discussion of other items that impacted our earnings.

	Three Months Ended September 30, 2013			Three Months Ended September 30, 2012		
	Pre-tax Income	Net Income - Republic	Diluted Earnings per Share	Pre-tax Income	Net Income - Republic	Diluted Earnings per Share
As reported	\$ 263.4	\$ 171.4	\$ 0.47	\$ 223.1	\$ 152.7	\$ 0.42
Negotiation and withdrawal costs - Central States Pension and Other Funds	41.6	25.9	0.08	31.3	18.6	0.05
Restructuring charges	0.7	0.7	—	—	—	—
Loss on extinguishment of debt	—	0.1	—	2.3	1.3	—
Loss (gain) on disposition of assets and impairments, net	—	—	—	0.1	(1.9)	—
Bridgeton remediation	—	0.1	—	37.1	22.4	0.06
Adjusted	\$ 305.7	\$ 198.2	\$ 0.55	\$ 293.9	\$ 193.1	\$ 0.53

	Nine Months Ended September 30, 2013			Nine Months Ended September 30, 2012		
	Pre-tax Income	Net Income - Republic	Diluted Earnings per Share	Pre-tax Income	Net Income - Republic	Diluted Earnings per Share
As reported	\$ 537.8	\$ 352.3	\$ 0.97	\$ 624.8	\$ 444.8	\$ 1.20
Negotiation and withdrawal costs - Central States Pension and Other Funds	157.7	98.3	0.27	34.6	20.6	0.06
Restructuring charges	8.6	5.6	0.02	—	—	—
Loss on extinguishment of debt	2.1	1.3	—	112.6	68.7	0.19
Gain on disposition of assets and impairments, net	(1.9)	(0.9)	—	(3.6)	(4.1)	(0.01)
Bridgeton remediation	108.7	65.6	0.18	37.1	22.4	0.06
Adjusted	\$ 813.0	\$ 522.2	\$ 1.44	\$ 805.5	\$ 552.4	\$ 1.50

We believe that presenting adjusted pre-tax income, adjusted net income attributable to Republic Services, Inc., and adjusted diluted earnings per share, which are not measures determined in accordance with accounting principles generally accepted in the United States (U.S. GAAP), provides an understanding of operational activities before the financial impact of certain items. We use these measures, and believe investors will find them helpful, in understanding the ongoing performance of our operations separate from items that have a disproportionate impact on our results for a particular period. We have incurred comparable charges and costs in prior periods, and similar types of adjustments can reasonably be expected to be recorded in future periods. In the case of the Bridgeton remediation charges, we are adjusting such amounts due to their significant effect on our operating results. However, in the ordinary course of our business, we often incur remediation adjustments that we do not adjust from our operating results. Our definition of adjusted pre-tax income, adjusted net income attributable to Republic Services Inc., and adjusted diluted earnings per share may not be comparable to similarly titled measures presented by other companies.

Negotiation and withdrawal costs - Central States Pension and Other Funds. During the three and nine months ended September 30, 2013, we recorded charges to earnings of \$41.6 million and \$157.7 million, respectively, primarily related to our negotiation and withdrawal liability from the Central States, Southeast and Southwest Areas Pension Fund (the Fund). Also included within these charges to earnings for the three and nine months ended September 30, 2013 is \$2.1 million related to withdrawal events at the multiemployer pension plan to which we contribute related to our operations in Puerto Rico, as well as costs of \$0.8 million and \$17.0 million, respectively, related to the negotiation of collective bargaining agreements under which we had obligations to contribute to the Fund.

Restructuring charges. During the fourth quarter of 2012, we announced a restructuring of our field and corporate operations to create a more efficient and competitive company. These changes included consolidating our field regions from four to three and our areas from 28 to 20, relocating office space, and reducing administrative staffing levels. During the three and nine months ended September 30, 2013, we incurred \$0.7 million and \$8.6 million, respectively, of restructuring charges, which consisted of

severance and other employee termination benefits, relocation benefits, and the closure of offices with non-cancellable lease agreements.

Loss on extinguishment of debt. During the nine months ended September 30, 2013, we refinanced certain of our tax-exempt financings that resulted in a \$2.1 million non-cash charge for deferred issuance costs.

Gain on disposition of assets and impairments, net. For more detailed discussion of the components of this, see our “Gain on Disposition of Assets and Impairments, Net” discussion contained in the Results of Operations section of this Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Bridgeton remediation. We recorded environmental remediation charges at our closed Bridgeton Landfill in Missouri of \$108.7 million in June 2013 and \$37.1 million in September 2012 to manage the remediation area and monitor the site.

Recent Developments

In October 2013, the board of directors added \$650 million to the existing share repurchase authorization. Before this, approximately \$110.6 million remained under the prior authorization. The total authorization is now \$760.6 million through December 31, 2015. Share repurchases under the program may be made through open market purchases or privately negotiated transactions in accordance with applicable federal securities laws. While the board of directors has approved the share repurchase program, the timing of any purchases, the prices and the number of shares of common stock to be purchased will be determined by our management, at its discretion, and will depend upon market conditions and other factors. The program may be extended, suspended or discontinued at any time.

Results of Operations

Revenue

We generate revenue primarily from our solid waste collection operations. Our remaining revenue is from other services, including transfer station services, landfill disposal and recycling. Our residential and commercial collection operations in some markets are based on long-term contracts with municipalities. Certain of our municipal contracts have annual price escalation clauses that are tied to changes in an underlying base index such as the consumer price index. We generally provide commercial and industrial collection services to customers under contracts with terms up to three years. Our transfer stations, landfills and, to a lesser extent, our material recovery facilities generate revenue from disposal or tipping fees charged to third parties. In general, we integrate our recycling operations with our collection operations and obtain revenue from the sale of recyclable materials. Other non-core revenue consists primarily of revenue from National Accounts, which represents the portion of revenue generated from nationwide contracts in markets outside our operating areas where the associated waste handling services are subcontracted to local operators. Consequently, substantially all of this revenue is offset with related subcontract costs, which are recorded in cost of operations.

The following table reflects our revenue by service line for the three and nine months ended September 30, 2013 and 2012 (in millions of dollars and as a percentage of revenue):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2013		2012		2013		2012	
Collection:								
Residential	\$ 548.5	25.3 %	\$ 542.0	26.5 %	\$ 1,632.3	26.0 %	\$ 1,614.0	26.5 %
Commercial	659.4	30.5	632.4	30.9	1,953.3	31.1	1,884.4	30.9
Industrial	433.0	20.0	395.9	19.3	1,223.0	19.5	1,154.7	19.0
Other	8.9	0.4	8.4	0.4	26.0	0.4	24.9	0.4
Total collection	1,649.8	76.2	1,578.7	77.1	4,834.6	77.0	4,678.0	76.8
Transfer	268.1		247.7		767.3		721.4	
Less: Intercompany	(159.7)		(146.4)		(461.4)		(427.5)	
Transfer, net	108.4	5.0	101.3	5.0	305.9	4.9	293.9	4.8
Landfill	512.4		477.7		1,437.6		1,408.7	
Less: Intercompany	(236.2)		(218.2)		(677.9)		(650.0)	
Landfill, net	276.2	12.8	259.5	12.7	759.7	12.1	758.7	12.5
Sale of recyclable materials	93.3	4.3	78.4	3.8	271.6	4.3	266.5	4.4
Other non-core	37.7	1.7	29.0	1.4	103.9	1.7	92.8	1.5
Other	131.0	6.0	107.4	5.2	375.5	6.0	359.3	5.9
Total revenue	\$ 2,165.4	100.0 %	\$ 2,046.9	100.0 %	\$ 6,275.7	100.0 %	\$ 6,089.9	100.0 %

Revenue increased by 5.8% and 3.1% during the three and nine months ended September 30, 2013 over the same periods in 2012 across all lines of business. The revenue increase within the collection business was primarily attributable to the increase in the commercial and industrial lines of business. The revenue increase in the disposal line of business during the quarter was due to transfer and landfill revenue increases, while landfill revenue on a year to date basis was slightly higher. Sale of recyclable materials increased primarily due to old corrugated cardboard price increases as well as increases in overall production volumes. Other non-core revenue increased as a result of increases associated with the subcontracted portion of our National Accounts.

Changes in price are restricted on approximately 50% of our annual revenue. Of these restricted pricing arrangements:

- approximately 60% are price changes based on fluctuations in a specific index (primarily the consumer price index) as defined in the contract;
- approximately 20% are fixed price increases based on stated contract terms; and
- approximately 20% are price changes based on a cost plus a specific profit margin or other measurement.

The consumer price index varies from a single historical stated period of time or an average of trailing historical rates over a stated period of time. In addition, the initial impact of pricing resets typically lags 6 to 12 months from the end of the index measurement period to the date the revised pricing goes into effect. As a result, current changes in a specific index may not manifest themselves in our reported pricing for several quarters into the future.

In 2013, we conformed the terms we use to describe components of price in an effort to better align with industry participants. We have not changed our calculation methodology, but we believe use of these terms allow for consistent comparison across the industry. Average yield, which we formerly referred to as "core price," is defined as revenue growth from the change in average price per unit of service, expressed as a percentage. We now use "core price" to mean price increases to customers and fees, excluding fuel recovery, net of price decreases to retain customers.

The following table reflects changes in our revenue for the three and nine months ended September 30, 2013 versus the comparable 2012 periods:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Average yield	1.3%	1.0 %	1.3%	0.7 %
Fuel recovery fees	0.5	(0.4)	0.3	—
Total price	1.8	0.6	1.6	0.7
Workday impact	0.5	(0.5)	—	—
Volume	2.2	(1.6)	0.9	(1.1)
Total volume	2.7	(2.1)	0.9	(1.1)
Recycling commodities	0.7	(2.0)	0.1	(1.3)
Total internal growth	5.2	(3.5)	2.6	(1.7)
Acquisitions / divestitures, net	0.6	0.2	0.5	0.4
Total	5.8%	(3.3)%	3.1%	(1.3)%
Core price	3.4%	2.7 %	3.2%	2.7 %

During the three and nine months ended September 30, 2013, we experienced the following changes in our revenue versus the comparable 2012 periods:

- Average yield increased revenue by 1.3% during both the three and nine months ended September 30, 2013 over the same periods in 2012 due to positive pricing in all lines of business.
- The fuel recovery fee program, which mitigates our exposure to increases in fuel prices, generated 0.5% and 0.3%, respectively, of the total revenue growth during the three and nine months ended September 30, 2013. These fees fluctuate with the price of fuel and, consequently, any increase in fuel prices would result in an increase in our revenue. Higher fuel recovery fees for the three and nine months ended September 30, 2013 as compared to 2012 resulted primarily from an increase in the fuel recovery rates charged. During the three and nine months ended September 30, 2013, we were able to recover approximately 73% of our direct fuel expenses with fuel recovery fees versus 65% and 67%, respectively, for the comparable 2012 periods.
- Volume increased revenue by 2.2% during the three months ended September 30, 2013 compared to the same period in 2012, primarily due to volume increases in our industrial and commercial collection, disposal and non-core lines of business due to improving business activity and new National Accounts contracts. Volume increases in our landfill line of business during the three months ended September 30, 2013 were primarily attributable to increased special waste and construction and demolition volumes. Included in our favorable volume for the third quarter of 2013 was the effect of one additional workday, which contributed 0.5% to our total volume increase. For the nine months ended September 30, 2013, we experienced volume increases of 0.9% as compared to 2012 as a result of higher volumes in commercial, industrial collection and non-core lines of business, partially offset by lower volumes in our disposal and residential collection lines of business. Volume decreases in our landfill line of business during the nine months ended September 30, 2013 were primarily attributable to decreases in municipal solid waste.
- Recycling commodities increased revenue by 0.7% and 0.1% during the three and nine months ended September 30, 2013 compared to the same periods in 2012, respectively, primarily due to the change in the market price of materials as well as increased production volumes. Average prices for old corrugated cardboard for the three and nine months ended September 30, 2013 were \$134 and \$127 per ton versus \$110 and \$128 per ton for the comparable 2012 periods. Average prices of old newspaper for the three and nine months ended September 30, 2013 were \$85 and \$94 per ton versus \$92 and \$104 per ton for the comparable 2012 periods. Our recycling commodity volume for the three and nine months ended September 30, 2013 of 0.5 million tons and 1.6 million tons, respectively, was 9% and 7% higher, respectively, than volumes in the comparable 2012 periods as a result of our investment in recycling centers along with higher organic volumes.

Changing market demand for recyclable materials causes volatility in commodity prices. At current volumes and mix of materials, we believe a ten dollar per ton change in the price of recyclable materials will change annual revenue and operating income by approximately \$29 million and \$20 million, respectively.

Cost of Operations

Cost of operations includes labor and related benefits, which consists of salaries and wages, health and welfare benefits, incentive compensation and payroll taxes. It also includes transfer and disposal costs representing tipping fees paid to third party disposal facilities and transfer stations; maintenance and repairs relating to our vehicles, equipment and containers, including related labor and benefit costs; transportation and subcontractor costs, which include costs for independent haulers that transport our waste to disposal facilities and costs for local operators who provide waste handling services associated with our National Accounts in markets outside our standard operating areas; fuel, which includes the direct cost of fuel used by our vehicles, net of fuel tax credits; disposal franchise fees and taxes consisting of landfill taxes, municipal franchise fees, host community fees and royalties; landfill operating costs, which includes financial assurance, leachate disposal and other landfill maintenance costs; risk management, which includes casualty insurance premiums and claims; cost of goods sold, which includes material costs paid to suppliers associated with recycling commodities; and other, which includes expenses such as facility operating costs, equipment rent and gains or losses on sale of assets used in our operations.

The following table summarizes the major components of our cost of operations for the three and nine months ended September 30, 2013 and 2012 (in millions of dollars and as a percentage of revenue):

	Three Months Ended September 30,						Nine Months Ended September 30,					
	2013			2012			2013			2012		
Labor and related benefits	\$	421.9	19.5 %	\$	393.0	19.2 %	\$	1,233.3	19.7 %	\$	1,172.4	19.3 %
Transfer and disposal costs		166.9	7.7		159.3	7.8		477.0	7.6		460.3	7.6
Maintenance and repairs		189.8	8.8		175.1	8.6		549.5	8.7		511.7	8.4
Transportation and subcontract costs		124.5	5.7		108.4	5.3		345.9	5.5		324.5	5.3
Fuel		132.1	6.1		132.3	6.5		388.7	6.2		395.5	6.5
Franchise fees and taxes		107.6	5.0		102.6	5.0		308.2	4.9		302.2	4.9
Landfill operating costs		22.6	1.0		33.5	1.6		100.1	1.6		92.5	1.5
Risk management		42.3	2.0		44.3	2.2		129.3	2.1		132.0	2.2
Cost of goods sold		33.0	1.5		25.3	1.2		91.3	1.4		89.9	1.5
Other		76.9	3.6		69.6	3.4		218.7	3.5		204.1	3.3
Subtotal cost of operations		1,317.6	60.9		1,243.4	60.8		3,842.0	61.2		3,685.1	60.5
Bridgeton remediation		—	—		37.1	1.8		108.7	1.7		37.1	0.6
Total cost of operations	\$	1,317.6	60.9 %	\$	1,280.5	62.6 %	\$	3,950.7	62.9 %	\$	3,722.2	61.1 %

These cost categories may change from time to time and may not be comparable to similarly titled categories used by other companies. As such, you should take care when comparing our cost of operations by cost component to that of other companies.

Our cost of operations increased \$37.1 million and \$228.5 million or, as a percentage of revenue a decrease of 1.7% and an increase of 1.8%, respectively, for the three and nine months ended September 30, 2013 versus the comparable 2012 periods, primarily as a result of the following:

- Labor and related benefits increased due to increased hourly and salaried wages as a result of merit increases, health care costs and collection volumes. We had one additional workday during the three months ended September 30, 2013 versus the comparable 2012 period, which also contributed to the increased labor expense during such time.
- Transfer and disposal costs increased primarily due to higher prices and volumes disposed at third party sites. During the nine months ended September 30, 2013, approximately 68% of the total waste volume we collected was disposed at landfill sites that we own or operate (internalization) versus 67% for 2012.
- Maintenance and repairs expense increased due to the higher collection volume, cost of parts, third party truck repairs and costs associated with our fleet maintenance initiative. Container and compactor maintenance had an unfavorable impact on maintenance and repairs expense due primarily to increased container repairs resulting from unit growth in our commercial and industrial lines of business.

- Subcontract costs increased primarily due to new National Accounts contracts and subcontracted work. Transportation costs increased due to an increase in transfer station volumes and increased fuel surcharges.
- Our fuel costs in aggregate dollars and as a percentage of revenue decreased \$0.2 million and 0.4%, and \$6.8 million and 0.3%, respectively, for the three and nine months ended September 30, 2013 versus the comparable 2012 periods due to our continued conversion to lower cost compressed natural gas (CNG) and alternative fuel tax credits. Partially offsetting the decrease in fuel costs for the three months ended September 30, 2013 versus the comparable 2012 period was the effect of one additional workday, which resulted in higher fuel consumption. Average fuel costs per gallon for the three months ended September 30, 2013 were \$3.91 versus \$3.94 for the comparable 2012 period, a decrease of \$0.03 or 0.8%. Average fuel costs per gallon for the nine months ended September 30, 2013 were \$3.94 versus \$3.95 for the the comparable 2012 period, a decrease of \$0.01 or 0.3%.

At current consumption levels, we believe a twenty-cent change in the per gallon price of diesel fuel would change our fuel costs by approximately \$24 million per year. Offsetting these changes in fuel expense would be changes in our fuel recovery fee charged to our customers. At current participation rates, a twenty-cent change in the price of diesel fuel changes our fuel recovery fee by approximately \$19 million per year.

- Landfill operating expenses in aggregate dollars and as a percentage of revenue decreased \$10.9 million and 0.6% for the three months ended September 30, 2013 versus the comparable 2012 period primarily due to favorable remediation adjustments of \$12.1 million in the current quarter. For the nine months ended September 30, 2013, our landfill operating expenses in aggregate dollars and as a percentage of revenue increased \$7.6 million and 0.1% versus the comparable 2012 period primarily due to increased leachate management expenses of \$8.7 million, offset by an increase in net favorable remediation adjustments of \$1.8 million.
- Risk management expenses decreased primarily due to favorable actuarial developments.
- Cost of goods sold relates to rebates paid for volumes delivered to our recycling facilities. Cost of goods sold in aggregate dollars and as a percentage of revenue increased \$7.7 million and 0.3%, and \$1.4 million and a decrease of 0.1%, respectively, for the three and nine months ended September 30, 2013 versus the comparable 2012 periods, primarily due to an increase in the volume of commodities sold. Additionally, the average cost per ton for commodities was higher in the third quarter of 2013 versus the comparable 2012 period.
- We recorded environmental remediation charges at our closed Bridgeton Landfill in Missouri of \$108.7 million in June 2013 and \$37.1 million in September 2012 to manage the remediation area and monitor the site.

Depreciation, Amortization and Depletion of Property and Equipment

The following table summarizes depreciation, amortization and depletion of property and equipment for the three and nine months ended September 30, 2013 and 2012 (in millions of dollars and as a percentage of revenue):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2013		2012		2013		2012	
Depreciation and amortization of property and equipment	\$ 137.4	6.3 %	\$ 130.3	6.4 %	\$ 405.3	6.5 %	\$ 387.9	6.4 %
Landfill depletion and amortization	68.8	3.2	55.8	2.7	192.6	3.0	191.3	3.1
Depreciation, amortization and depletion expense	<u>\$ 206.2</u>	<u>9.5 %</u>	<u>\$ 186.1</u>	<u>9.1 %</u>	<u>\$ 597.9</u>	<u>9.5 %</u>	<u>\$ 579.2</u>	<u>9.5 %</u>

Depreciation and amortization of property and equipment in aggregate dollars increased \$7.1 million and \$17.4 million, respectively, for the three and nine months ended September 30, 2013 versus the comparable 2012 periods, primarily due to higher costs of residential side loaders for automating our residential collection routes and an increased number of CNG vehicles, which are more expensive than diesel vehicles. In addition, we made increased investments in new and upgraded recycling infrastructure projects that became operational over the past several quarters. Depreciation and amortization of property and equipment as a percentage of revenue remained relatively flat with a decrease of 0.1% for the three months ended September 30, 2013 and an increase of 0.1% for the nine months ended September 30, 2013 versus the comparable 2012 periods.

Landfill depletion and amortization expense in aggregate dollars and as a percentage of revenue increased \$13.0 million and 0.5%, and \$1.3 million and a decrease of 0.1%, respectively, for the three and nine months ended September 30, 2013 versus

the comparable 2012 periods. During the three and nine months ended September 30, 2013, we recorded favorable amortization adjustments of \$1.1 million and \$1.7 million, respectively, related to asset retirement obligations at closed landfills, versus favorable adjustments of \$10.2 million for the three months ended September 30, 2012, primarily related to an increase in deemed airspace at certain of our active solid waste landfills, and net favorable adjustments of \$0.8 million for the nine months ended September 30, 2012. The nine months ended September 30, 2012 were unfavorably impacted by \$9.4 million of amortization adjustments during the first half of 2012, primarily related to asset retirement obligations at closed landfills. In addition, landfill depletion expense increased due to increased landfill disposal volumes in the third quarter of 2013, as well as an overall increase in our average depletion rate.

Amortization of Other Intangible and Other Assets

Amortization of intangible and other assets was \$18.2 million and \$53.1 million, or 0.8% and 0.9% of revenue, for the three and nine months ended September 30, 2013, respectively, versus \$17.4 million and \$52.9 million, or 0.9% of revenue, for the comparable 2012 periods. Our other intangible assets primarily relate to customer lists, franchise agreements, municipal contracts and agreements, trade names and, to a lesser extent, non-compete agreements.

Accretion Expenses

Accretion expenses were \$19.2 million and \$57.6 million, or 0.9% of revenue, for the three and nine months ended September 30, 2013 versus \$19.7 million and \$59.1 million, or 0.9% and 1.0% of revenue, for the comparable 2012 periods. Accretion expenses have remained relatively unchanged as our asset retirement obligations remained relatively consistent period over period.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include salaries, health and welfare benefits and incentive compensation for corporate and field general management, field support functions, sales force, accounting and finance, legal, management information systems, and clerical and administrative departments. Other expenses include rent and office costs, fees for professional services provided by third parties, legal settlements, marketing, investor and community relations services, directors' and officers' insurance, general employee relocation, travel, entertainment and bank charges.

The following table summarizes our selling, general and administrative expenses for the three and nine months ended September 30, 2013 and 2012 (in millions of dollars and as a percentage of revenue):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2013		2012		2013		2012	
Salaries	\$ 131.2	6.1 %	\$ 120.5	5.9 %	\$ 408.2	6.5 %	\$ 408.3	6.7 %
Provision for doubtful accounts	0.6	—	8.0	0.4	8.1	0.1	20.8	0.3
Other	77.8	3.6	65.3	3.2	228.0	3.7	184.4	3.1
Total selling, general and administrative expenses	<u>\$ 209.6</u>	<u>9.7 %</u>	<u>\$ 193.8</u>	<u>9.5 %</u>	<u>\$ 644.3</u>	<u>10.3 %</u>	<u>\$ 613.5</u>	<u>10.1 %</u>

These cost categories may change from time to time and may not be comparable to similarly titled categories used by other companies. As such, you should take care when comparing our selling, general and administrative expenses by cost component to those of other companies. The most significant items affecting our selling, general and administrative expenses during the three and nine months ended September 30, 2013 and 2012 are summarized below:

- Salaries increased \$10.7 million for the three months ended September 30, 2013 versus the comparable 2012 period primarily due to a reduction of management incentive compensation recorded during the three months ended September 30, 2012. Salaries decreased \$0.1 million and 0.2% of revenue for the nine months ended September 30, 2013 versus the comparable 2012 period. In addition, during the three and nine months ended September 30, 2013, we recorded severance costs due to management departures and higher salaries, payroll taxes and benefits resulting from merit increases, partially offset by lower salaries expense in connection with the reorganization.
- Provision for doubtful accounts decreased \$7.4 million and 0.4% of revenue, and \$12.7 million and 0.2% of revenue, respectively, for the three and nine months ended September 30, 2013 versus the comparable 2012 periods, primarily due to a net favorable adjustment, recorded in our corporate segment, of \$8.3 million resulting from a change in our estimated future bad debts.

- Other selling, general and administrative expenses in aggregate dollars and as a percentage of revenue increased \$12.5 million and 0.4%, and \$43.6 million and 0.6%, respectively, for the three and nine months ended September 30, 2013 versus the comparable 2012 periods. These increases are primarily related to charges for legal settlements of \$10.6 million and \$31.7 million for the three and nine months ended September 30, 2013, respectively, which relate to legal matters occurring in the ordinary course of business. In addition, during the nine months ended September 30, 2012, we recorded net favorable legal settlement adjustments of \$8.8 million, primarily related to a favorable settlement of a legal matter.

Negotiation and Withdrawal Costs - Central States Pension and Other Funds

During the three and nine months ended September 30, 2013, we recorded charges to earnings of \$41.6 million and \$157.7 million, respectively, primarily related to our negotiation and withdrawal liability from the Central States, Southeast and Southwest Areas Pension Fund (the Fund). Also included within these charges to earnings for the three and nine months ended September 30, 2013 is \$2.1 million related to withdrawal events at the multiemployer pension plan to which we contribute related to our operations in Puerto Rico, as well as costs of \$0.8 million and \$17.0 million, respectively, related to the negotiation of collective bargaining agreements under which we had obligations to contribute to the Fund.

For additional discussion and detail regarding our obligations to the Fund, see our *Central States, Southeast and Southwest Areas Pension Fund* discussion in Note 14 to our unaudited consolidated financial statements in Part 1, Item 1 of this Form 10-Q.

Gain on Disposition of Assets and Impairments, Net

During the nine months ended September 30, 2013, we recorded a net gain on disposition of assets and impairments of \$1.9 million, primarily related to contingent sale price of \$1.0 million received during the first quarter of 2013 in connection with a 2011 business divestiture in our West Region and the disposal of a business in one market in our West Region, which resulted in a gain of \$0.9 million and proceeds of \$1.7 million. During the nine months ended September 30, 2012, we recorded a net gain on disposition of assets and impairments of \$3.4 million, primarily related to a divestiture in our East Region.

Restructuring Charges

During the fourth quarter of 2012, we restructured our field and corporate operations to create a more efficient and competitive company. These changes include consolidating our field regions from four to three and our areas from 28 to 20, relocating office space, and reducing administrative staffing levels. During the three and nine months ended September 30, 2013, we incurred \$0.7 million and \$8.6 million of restructuring charges, which consisted of severance and other employee termination benefits, relocation benefits, and the closure of offices with non-cancellable lease agreements. We expect to incur approximately \$1.2 million of additional expense during the remainder of 2013 to complete these activities. Substantially all of these charges were, or will be, recorded in our corporate segment, and we expect the charges will be paid primarily during the remainder of 2013.

Interest Expense

The following table provides the components of interest expense, including accretion of debt discounts and accretion primarily associated with environmental and self-funded risk insurance liabilities assumed in the acquisition of Allied, for the three and nine months ended September 30, 2013 and 2012 (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Interest expense on debt and capital lease obligations	\$ 80.4	\$ 82.1	\$ 239.5	\$ 256.2
Accretion of debt discounts	1.8	1.8	5.2	10.5
Accretion of remediation reserves and other	10.1	11.9	30.4	35.7
Less: capitalized interest	(2.3)	(2.6)	(5.3)	(6.1)
Total interest expense	\$ 90.0	\$ 93.2	\$ 269.8	\$ 296.3

The decrease in interest expense and accretion of debt discounts during the three and nine months ended September 30, 2013 versus the comparable 2012 periods is primarily due to refinancing certain of our higher interest rate debt in 2012. In addition, during August 2013, we entered into various interest rate swap agreements relative to our 4.750% fixed rate senior notes due in May 2023. These swap agreements, which were designated as fair value hedges, have a total notional value of \$200.0 million and resulted in a \$0.6 million reduction in interest expense during the three months ended September 30, 2013. Cash paid for interest was \$240.3 million and \$256.0 million for the nine months ended September 30, 2013 and 2012, respectively.

Loss on Extinguishment of Debt

During the nine months ended September 30, 2013, we refinanced certain of our tax-exempt financings that resulted in a \$2.1 million non-cash charge for deferred issuance costs. During the three and nine months ended September 30, 2012, we entered into refinancing transactions that resulted in a loss on extinguishment of debt of \$2.3 million and \$112.6 million, respectively.

Other income, net

Other income, net was \$1.0 million and \$1.5 million for the three and nine months ended September 30, 2013, respectively, versus \$0.4 million and \$1.1 million for the comparable 2012 periods. The increase in other income, net is primarily due to the recognition of ineffectiveness of certain of our interest rate hedges.

Income Taxes

Our effective tax rate, exclusive of noncontrolling interests, for the three and nine months ended September 30, 2013 was 35.0% and 34.5%, respectively. The effective tax rate for the three months ended September 30, 2013 was favorably affected by the realization of additional federal and state benefits on our 2012 tax returns, lower state rates due to changes in estimates and adjustments to deferred taxes. For the nine months ended September 30, 2013, our effective tax rate was, in addition to the matters already discussed, favorably impacted by the first quarter resolution of Allied's 2009 - 2010 tax years at the IRS appeals division and the Congressional Joint Committee on Taxation.

Our effective tax rate, exclusive of noncontrolling interests, for the three and nine months ended September 30, 2012 was 31.5% and 28.8%, respectively. The effective tax rate for the three months ended September 30, 2012 was favorably affected by the realization of additional federal and state benefits on our 2011 tax returns, lower state rates due to changes in estimates and adjustments to deferred taxes. For the nine months ended September 30, 2012, our effective tax rate was, in addition to the matters already discussed, favorably impacted by the second quarter 2012 resolution of Allied's 2004 - 2008 tax years at the IRS appeals division, legal entity restructuring completed during the second quarter of 2012 and a change in estimated non-deductible penalties relating to certain legal settlements.

Income taxes paid, net of refunds received, were \$196.1 million and \$169.0 million for the nine months ended September 30, 2013 and 2012, respectively.

For additional discussion and detail regarding our income taxes, see our *Income Taxes* discussion in Note 8 to our unaudited consolidated financial statements in Part 1, Item 1 of this Form 10-Q.

Reportable Segments

Our operations are managed and evaluated through three regions: East, Central and West. These three regions are presented below as our reportable segments. The historical results, discussion and presentation of our reportable segments for all periods presented reflect the impact of the restructuring of our operations in the fourth quarter of 2012. These reportable segments provide integrated waste management services consisting of collection, transfer, recycling and disposal of non-hazardous solid waste. Summarized financial information concerning our reportable segments for the three and nine months ended September 30, 2013 and 2012 is shown in the following table (in millions of dollars and, in the case of operating margin, as a percentage of revenue):

	Net Revenue	Depreciation, Amortization, Depletion and Accretion Before Adjustments for Asset Retirement Obligations	Adjustments to Amortization Expense for Asset Retirement Obligations	Depreciation, Amortization, Depletion and Accretion	Gain on Disposition of Assets, Net and Asset Impairment	Operating Income (Loss)	Operating Margin
Three Months Ended September 30, 2013							
East	\$ 625.8	\$ 63.7	\$ —	\$ 63.7	\$ —	\$ 110.4	17.6 %
Central	653.9	79.4	—	79.4	—	135.9	20.8
West	854.5	89.3	—	89.3	—	198.1	23.2
Corporate entities	31.2	12.3	(1.1)	11.2	—	(92.1)	
Total	\$ 2,165.4	\$ 244.7	\$ (1.1)	\$ 243.6	\$ —	\$ 352.3	16.3 %
Three Months Ended September 30, 2012							
East	\$ 614.1	\$ 63.8	\$ (1.5)	\$ 62.3	\$ (0.1)	\$ 114.0	18.6 %
Central	613.8	72.7	(8.2)	64.5	(0.1)	129.6	21.1
West	798.8	84.0	(0.7)	83.3	—	176.0	22.0
Corporate entities	20.2	12.9	0.2	13.1	—	(101.7)	
Total	\$ 2,046.9	\$ 233.4	\$ (10.2)	\$ 223.2	\$ (0.2)	\$ 317.9	15.5 %
	Net Revenue	Depreciation, Amortization, Depletion and Accretion Before Adjustments for Asset Retirement Obligations	Adjustments to Amortization Expense for Asset Retirement Obligations	Depreciation, Amortization, Depletion and Accretion	Loss (Gain) on Disposition of Assets, Net and Asset Impairment	Operating Income (Loss)	Operating Margin
Nine Months Ended September 30, 2013							
East	\$ 1,845.5	\$ 187.7	\$ —	\$ 187.7	\$ —	\$ 339.7	18.4 %
Central	1,874.7	229.1	(0.1)	229.0	—	361.8	19.3
West	2,475.1	257.1	—	257.1	1.9	557.9	22.5
Corporate entities	80.4	36.3	(1.5)	34.8	—	(451.7)	
Total	\$ 6,275.7	\$ 710.2	\$ (1.6)	\$ 708.6	\$ 1.9	\$ 807.7	12.9 %
Nine Months Ended September 30, 2012							
East	\$ 1,839.3	\$ 186.2	\$ (2.0)	\$ 184.2	\$ 3.6	\$ 360.3	19.6 %
Central	1,820.7	218.1	(8.2)	209.9	(0.2)	355.8	19.5
West	2,361.6	249.1	(0.7)	248.4	—	516.7	21.9
Corporate entities	68.3	38.7	10.0	48.7	—	(201.0)	
Total	\$ 6,089.9	\$ 692.1	\$ (0.9)	\$ 691.2	\$ 3.4	\$ 1,031.8	16.9 %

Corporate entities include legal, tax, treasury, information technology, risk management, human resources, corporate accounts, closed landfills and other administrative functions. National Accounts revenue included in corporate entities represents the portion of revenue generated from nationwide contracts in markets outside our operating areas where the associated waste handling services are subcontracted to local operators. Consequently, substantially all of this revenue is offset with related subcontract costs, which are recorded in cost of operations.

Significant changes in the revenue and operating margins of our reportable segments comparing the three and nine months ended September 30, 2013 with the comparable 2012 periods are discussed in the following paragraphs. The results of our reportable segments affected by the disposition of certain assets and liabilities in the normal course of business are noted below where significant.

East Region

Revenue for the three months ended September 30, 2013 increased 1.9% from the comparable 2012 period due primarily to average yield and volume increases in our commercial and industrial collection lines of business, an average yield increase in our landfill line of business and increased recycling commodity revenue. These increases were partially offset by declines in volume in our residential collection and landfill lines of business.

Revenue for the nine months ended September 30, 2013 increased 0.3% from the comparable 2012 period due primarily to average yield and volume increases in our commercial and industrial collection lines of business, an average yield increase in our landfill line of business, and acquisitions. These increases were partially offset by declines in volume in our residential collection, landfill and transfer station lines of business. The volume declines in our residential collection line of business were primarily due to the loss of certain municipal contracts and volume decreases in our disposal lines of business were primarily related to the loss of certain disposal contracts.

Operating income margin in our East Region decreased 1.0% from 18.6% for the three months ended September 30, 2012 to 17.6% for the three months ended September 30, 2013, and declined from 19.6% for the nine months ended September 30, 2012 to 18.4% for the nine months ended September 30, 2013, or 1.2%. The following cost categories impacted operating income:

- Cost of operations negatively impacted operating income during both the three and nine months ended September 30, 2013 versus the comparable 2012 periods primarily due to higher labor and benefits and repair and maintenance costs. These unfavorable items were partially offset by lower fuel expenses due to lower prices of diesel fuel and, for the three months ended September 30, 2013, reduced risk management expenses. Landfill operating expenses as a percentage of revenue were relatively consistent for the three and nine months ended September 30, 2013 versus the comparable 2012 periods. Cost of goods sold increased for the three and nine months ended September 30, 2013 primarily due to a higher volume of commodities sold.
- Selling, general and administrative costs favorably impacted operating income primarily due to lower salary and benefit expenses due to reductions in staffing levels resulting from the fourth quarter 2012 restructuring and lower provisions for doubtful accounts.
- Gain on disposition of assets and impairments, net unfavorably impacted operating income during the nine months ended September 30, 2013 versus the comparable 2012 period primarily as a result of a gain on disposition of assets of \$3.6 million recorded in 2012.

Central Region

Revenue for the three months ended September 30, 2013 increased 6.5% primarily due to average yield and volume increases in our commercial and industrial collection lines of business, volume increases in our residential collection and landfill lines of business and increased recycling commodity revenue.

Revenue for the nine months ended September 30, 2013 increased 3.0% primarily due to average yield and volume increases in our collection lines of business and increased average yield for our disposal lines of business, particularly transfer average yield. These increases were partially offset by declines in disposal volumes and lower recycling commodity revenue.

Operating income margin in our Central Region decreased from 21.1% for the three months ended September 30, 2012 to 20.8% for the three months ended September 30, 2013, or 0.3%, and decreased from 19.5% for the nine months ended September 30, 2012 to 19.3% for the nine months ended September 30, 2013, or 0.2%, primarily as a result of the following:

- Cost of operations negatively impacted operating income due to higher labor and benefits, repair and maintenance, and cost of goods sold. Landfill operating expenses as a percentage of the revenue were relatively consistent for the three and nine months ended September 30, 2013 versus the comparable 2012 periods. Cost of goods sold increased for the three and nine months ended September 30, 2013 primarily due to a higher volume of commodities sold.

- Selling, general and administrative costs favorably impacted operating income primarily due to lower salary and benefit expenses due to reductions in staffing levels resulting from the fourth quarter 2012 restructuring and lower legal settlement and legal fee expenses, offset by increased provisions for doubtful accounts.

West Region

Revenue for the three and nine months ended September 30, 2013 increased 7.0% and 4.8% primarily due to increases in average yield and volume in all core lines of business.

Operating income margin in our West Region increased from 22.0% for the three months ended September 30, 2012 to 23.2% for the three months ended September 30, 2013, or 1.2%, and increased from 21.9% for the nine months ended September 30, 2012 to 22.5% for the nine months ended September 30, 2013, or 0.6%, primarily as a result of increased revenue and the following:

- Cost of operations favorably impacted operating income margin primarily due to lower fuel costs, which were primarily driven by increased usage of CNG and alternative fuel credits, offset by other operating cost increases.
- Selling, general and administrative expenses for the three and nine months ended September 30, 2013 favorably impacted operating income margin primarily due to lower salary and benefit expenses due to reductions in staffing levels resulting from the fourth quarter 2012 restructuring. Selling, general and administrative expenses were negatively impacted by increased legal settlement charges for the nine months ended September 30, 2013 versus the comparable 2012 period.
- During the nine months ended September 30, 2013, we recorded a net gain on disposition of assets and impairments of \$1.9 million, primarily related to contingent sale price of \$1.0 million received during the first quarter of 2013 in connection with a 2011 business divestiture in our West Region and the disposal of a business in one market in our West Region, which resulted in a gain of \$0.9 million and proceeds of \$1.7 million.

Corporate Entities

During the three and nine months ended September 30, 2013, the corporate entities had operating losses of \$92.1 million and \$451.7 million, respectively, versus \$101.7 million and \$201.0 million for the comparable 2012 periods. The improvement in operating losses for the three months ended September 30, 2013 primarily relates to a \$37.1 million charge recorded in the third quarter of 2012 in connection with remediation at our closed Bridgeton Landfill in Missouri. In addition, during the three months ended September 30, 2013, we recorded a favorable remediation adjustment for a closed landfill site of \$12.1 million. Offsetting this favorable remediation item were increased charges to earnings for the three months ended September 30, 2013 of \$10.0 million for our partial withdrawal liability from the Fund and Puerto Rico multiemployer pension plans, \$15.3 million of increased legal settlement expenses and a favorable management incentive compensation adjustment recorded during the three months ended September 30, 2012.

Operating losses for the nine months ended September 30, 2013 were adversely impacted by a \$108.7 million charge recorded in connection with remediation at our closed Bridgeton Landfill in Missouri, charges to earnings of \$140.7 million for our partial withdrawal liability from the Fund and Puerto Rico multiemployer pension plans, and \$31.5 million of legal settlement expenses, as compared to \$21.0 million of net favorable legal settlements in the prior year.

Landfill and Environmental Matters

Available Airspace

The following table reflects landfill airspace activity for active landfills we owned or operated during the nine months ended September 30, 2013:

	Balance as of December 31, 2012	Permits Granted, Net of Closures	Airspace Consumed	Changes in Engineering Estimates	Balance as of September 30, 2013
Cubic yards (in millions):					
Permitted airspace	4,562.5	164.4	(54.6)	(0.2)	4,672.1
Probable expansion airspace	260.4	(51.1)	—	—	209.3
Total cubic yards (in millions)	4,822.9	113.3	(54.6)	(0.2)	4,881.4
Number of sites:					
Permitted airspace	191	(1)			190
Probable expansion airspace	10	(2)			8

As of September 30, 2013, we owned or operated 190 active solid waste landfills with total available disposal capacity estimated to be 4.9 billion in-place cubic yards. Total available disposal capacity represents the sum of estimated permitted airspace plus an estimate of probable expansion airspace. These estimates are developed at least annually by engineers using information provided by annual aerial surveys. As of September 30, 2013, total available disposal capacity is estimated to be 4.7 billion in-place cubic yards of permitted airspace plus 0.2 billion in-place cubic yards of probable expansion airspace. Before an expansion area is deemed to be probable expansion airspace and included in our calculation of total available disposal capacity, it must meet all of our expansion criteria. During the nine months ended September 30, 2013, total available airspace increased for permits granted, net of closures, by 113.3 million cubic yards, primarily due to a new landfill opening.

As of September 30, 2013, eight of our landfills met all of our criteria for including their probable expansion airspace in our total available disposal capacity. At projected annual volumes, these landfills have an estimated remaining average life of 60 years, including probable expansion airspace. The average estimated remaining life of all of our landfills is 64 years. We have other expansion opportunities that are not included in our total available airspace because they do not meet all of our criteria to be deemed probable expansion airspace.

Final Capping, Closure and Post-Closure Costs

As of September 30, 2013, accrued final capping, closure and post-closure costs were \$1,076.1 million, of which \$104.5 million is current and \$971.6 million is long-term as reflected in our unaudited consolidated balance sheet in accrued landfill costs.

Environmental Remediation Liabilities

The following is a discussion of certain of our significant remediation matters:

Bridgeton Landfill. In June 2013, we recorded an environmental remediation charge at our closed Bridgeton Landfill in Missouri of \$108.7 million to manage the remediation area and monitor the site. As of September 30, 2013, the remediation liability recorded for this site is \$119.4 million, of which \$44.1 million is expected to be paid during the next twelve months. We believe the remaining reasonably possible range of loss for remediation costs is \$88 million to \$368 million.

Countywide Landfill. In September 2009, Republic Services of Ohio II, LLC entered into Final Findings and Orders with the Ohio Environmental Protection Agency that require us to implement a comprehensive operation and maintenance program to manage the remediation area at the Countywide Recycling and Disposal Facility. The remediation liability for this site recorded as of September 30, 2013 is \$50.0 million, of which \$4.9 million is expected to be paid during the next twelve months. We believe the remaining reasonably possible range of loss for remediation costs is \$48 million to \$69 million.

Congress Landfill. In August 2010, Congress Development Company agreed with the State of Illinois to have a Final Consent Order entered by the Circuit Court of Illinois, Cook County. Pursuant to the this order, we have agreed to continue to implement certain remedial activities at this site. The remediation liability for this site recorded as of September 30, 2013 is \$84.1 million, of which \$9.2 million is expected to be paid during the next twelve months. We believe the remaining reasonably possible range of loss for remediation costs is \$54 million to \$154 million.

It is reasonably possible that we will need to adjust the liabilities noted above to reflect the effects of new or additional information, to the extent that such information impacts the costs, timing or duration of the required actions. Future changes in our estimates of the costs, timing or duration of the required actions could have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Investment in Landfills

The following tables reflect changes in our investment in landfills for the nine months ended September 30, 2013 and the future expected investment as of September 30, 2013 (in millions):

	Balance as of December 31, 2012	Capital Additions	Non-cash Additions for Asset Retirement Obligations	Impairments, Transfers and Other Adjustments	Adjustments for Asset Retirement Obligations	Balance as of September 30, 2013
Non-depletable landfill land	\$ 166.0	\$ 0.8	\$ —	\$ 0.2	\$ —	\$ 167.0
Landfill development costs	5,018.0	(0.6)	27.2	86.9	(1.5)	5,130.0
Construction-in-progress - landfill	134.5	192.9	—	(86.3)	—	241.1
Accumulated depletion and amortization	(1,896.4)	(194.3)	—	—	1.7	(2,089.0)
Net investment in landfill land and development costs	<u>\$ 3,422.1</u>	<u>\$ (1.2)</u>	<u>\$ 27.2</u>	<u>\$ 0.8</u>	<u>\$ 0.2</u>	<u>\$ 3,449.1</u>

	Balance as of September 30, 2013	Expected Future Investment	Total Expected Investment
Non-depletable landfill land	\$ 167.0	\$ —	\$ 167.0
Landfill development costs	5,130.0	7,159.9	12,289.9
Construction-in-progress - landfill	241.1	—	241.1
Accumulated depletion and amortization	(2,089.0)	—	(2,089.0)
Net investment in landfill land and development costs	<u>\$ 3,449.1</u>	<u>\$ 7,159.9</u>	<u>\$ 10,609.0</u>

The following table reflects our net investment in our landfills, excluding non-depletable land, and our depletion, amortization and accretion expense as of and for the nine months ended September 30:

	Nine Months Ended September 30,	
	2013	2012
Number of landfills owned or operated	190	191
Net investment, excluding non-depletable land (in millions)	\$ 3,282.1	\$ 3,253.0
Total estimated available disposal capacity (in millions of cubic yards)	4,881.4	4,851.3
Net investment per cubic yard	\$ 0.67	\$ 0.67
Landfill depletion and amortization expense (in millions)	192.6	\$ 191.3
Accretion expense (in millions)	57.6	59.1
	\$ 250.2	\$ 250.4
Airspace consumed (in millions of cubic yards)	54.6	55.8
Depletion, amortization and accretion expense per cubic yard of airspace	<u>\$ 4.58</u>	<u>\$ 4.49</u>

The increase in the investment in our landfills, in aggregate dollars, is primarily due to new expansions. The increase in the depletion, amortization and accretion expense per cubic yard of airspace consumed is primarily due to an overall increase in our average depletion rate as well as an increase in our weighted-average compaction rate.

During the nine months ended September 30, 2013, our weighted-average compaction rate was approximately 2,000 pounds per cubic yard based on our three-year historical moving average as compared to 1,900 pounds per cubic yard for the nine months ended September 30, 2012. Our compaction rates may improve as a result of the settlement and decomposition of waste.

As of September 30, 2013, we expect to spend an additional \$7.2 billion on existing landfills, primarily related to cell construction and environmental structures, over their expected remaining lives. Our total expected investment, excluding non-depletable land, estimated to be \$10.4 billion or \$2.14 per cubic yard, is used in determining our depletion and amortization expense based on airspace consumed using the units-of-consumption method.

Selected Balance Sheet Accounts

The following tables reflect the activity in our allowance for doubtful accounts, final capping, closure, post-closure and remediation liabilities, and accrued self-insurance during the nine months ended September 30, 2013 and 2012 (in millions):

	Allowance for Doubtful Accounts	Final Capping, Closure and Post-Closure	Remediation	Self- Insurance
Balance as of December 31, 2012	\$ 45.3	\$ 1,052.4	\$ 563.7	\$ 426.4
Non-cash additions	—	27.2	—	—
Acquisitions/divestitures and other adjustments	—	(0.6)	—	—
Asset retirement obligation adjustments	—	(1.5)	—	—
Accretion expense	—	57.6	20.0	2.4
Additions charged to expense	8.1	—	101.8	293.4
Payments or usage	(15.2)	(59.0)	(84.3)	(279.3)
Balance as of September 30, 2013	38.2	1,076.1	601.2	442.9
Less: Current portion	(38.2)	(104.5)	(110.4)	(135.3)
Long-term portion	\$ —	\$ 971.6	\$ 490.8	\$ 307.6

As of September 30, 2013, accounts receivable were \$906.8 million, net of allowance for doubtful accounts of \$38.2 million, resulting in days sales outstanding of 38, or 25 days net of deferred revenue. In addition, at September 30, 2013, our accounts receivable in excess of 90 days outstanding totaled \$56.5 million, or 6.0% of gross receivables.

Property and Equipment

The following tables reflect the activity in our property and equipment accounts for the nine months ended September 30, 2013 (in millions):

	Gross Property and Equipment							Balance as of September 30, 2013
	Balance as of December 31, 2012	Capital Additions	Retirements	Acquisitions, Net of Divestitures	Non-cash Additions for Asset Retirement Obligations	Adjustments for Asset Retirement Obligations	Impairments, Transfers and Other Adjustments	
Other land	\$ 376.9	\$ 0.1	\$ (0.6)	\$ —	\$ —	\$ —	\$ 1.7	\$ 378.1
Non-depletable landfill land	166.0	0.8	—	—	—	—	0.2	167.0
Landfill development costs	5,018.0	(0.6)	—	—	27.2	(1.5)	86.9	5,130.0
Vehicles and equipment	4,946.4	458.6	(105.2)	11.4	—	—	21.2	5,332.4
Buildings and improvements	864.2	18.7	(0.8)	0.1	—	—	21.3	903.5
Construction-in- progress - landfill	134.5	192.9	—	—	—	—	(86.3)	241.1
Construction-in- progress - other	53.3	32.9	—	—	—	—	(43.0)	43.2
Total	\$ 11,559.3	\$ 703.4	\$ (106.6)	\$ 11.5	\$ 27.2	\$ (1.5)	\$ 2.0	\$ 12,195.3

	Accumulated Depreciation, Amortization and Depletion						Balance as of September 30, 2013
	Balance as of December 31, 2012	Additions Charged to Expense	Retirements	Acquisitions, Net of Divestitures	Adjustments for Asset Retirement Obligations	Impairments, Transfers and Other Adjustments	
Landfill development costs	\$ (1,896.4)	\$ (194.3)	\$ —	\$ —	\$ 1.7	\$ —	\$ (2,089.0)
Vehicles and equipment	(2,512.3)	(377.7)	99.3	—	—	0.5	(2,790.2)
Buildings and improvements	(240.3)	(29.4)	0.7	—	—	(0.2)	(269.2)
Total	\$ (4,649.0)	\$ (601.4)	\$ 100.0	\$ —	\$ 1.7	\$ 0.3	\$ (5,148.4)

Liquidity and Capital Resources

The major components of changes in cash flows for the nine months ended September 30, 2013 and 2012 are discussed in the following paragraphs. The following table summarizes our cash flow from operating activities, investing activities and financing activities for the nine months ended September 30, 2013 and 2012 (in millions):

	Nine Months Ended September 30,	
	2013	2012
Net cash provided by operating activities	\$ 1,137.2	\$ 1,056.7
Net cash used in investing activities	(736.6)	(692.2)
Net cash used in financing activities	(370.9)	(356.8)

Cash Flows Provided by Operating Activities

The most significant items affecting the comparison of our operating cash flows for the nine months ended September 30, 2013 and 2012 are summarized below:

Changes in assets and liabilities, net of effects from business acquisitions and divestitures, decreased our cash flow from operations by \$169.5 million in the nine months ended September 30, 2013 versus a decrease of \$282.2 million in the comparable 2012 period, primarily as a result of the following:

- Our accounts receivable, exclusive of the change in allowance for doubtful accounts, increased \$70.8 million during the nine months ended September 30, 2013 due to timing of billings net of collections as compared to a \$47.3 million increase in the comparable 2012 period.
- Cash paid for income taxes was \$196.1 million and \$169.0 million for the nine months ended September 30, 2013 and 2012, respectively.
- Our accounts payable increased \$18.4 million during the nine months ended September 30, 2013 due to timing of payments as compared to a \$37.2 million decrease in the comparable 2012 period.
- In connection with a restructuring announced during the fourth quarter of 2012, we paid \$14.8 million during the nine months ended September 30, 2013. During the comparable 2012 period, we paid synergy incentive plan bonuses of \$68.1 million.
- Cash paid for capping, closure and post-closure obligations was \$5.0 million higher during the nine months ended September 30, 2013 than the comparable 2012 period primarily due to a \$17.8 million payment to settle our post-closure liability for one of our closed landfill sites.
- Cash paid for remediation obligations was \$36.9 million higher during the nine months ended September 30, 2013 than the comparable 2012 period primarily related to remediation work performed at our closed Bridgeton Landfill in Missouri.
- Our other liabilities increased \$67.1 million during the nine months ended September 30, 2013 due primarily to certain payroll and income tax related accruals and increased deferred revenue, as compared to a \$6.1 million decrease in the comparable 2012 period.

We use cash flows from operations to fund capital expenditures, acquisitions, dividend payments, share repurchases and debt repayments.

Cash Flows Used in Investing Activities

The most significant items affecting the comparison of our cash flows used in investing activities for the nine months ended September 30, 2013 and 2012 are summarized below:

Capital expenditures. Capital expenditures during the nine months ended September 30, 2013 were \$688.7 million, compared with \$707.4 million in the comparable 2012 period. Property and equipment received during the nine months ended September 30, 2013 and 2012 were \$701.3 million and \$673.7 million, respectively.

Cash used in acquisitions. During the nine months ended September 30, 2013, we paid \$49.0 million for acquisitions of collection businesses in all three regions. During the comparable 2012 period, we paid \$73.1 million for acquisitions of collection, recycling and transfer station businesses primarily in our East and West Regions.

Cash proceeds from divestitures. During the nine months ended September 30, 2013, we received \$1.0 million related to a West Region business divestiture completed in 2011. During the nine months ended September 30, 2012, we divested of a collection business in our East Region and certain assets associated with our rail logistics business for which we received \$9.6 million.

Change in restricted cash and marketable securities. Changes in our restricted cash and marketable securities balances were increases of \$11.3 million and decreases \$54.5 million during the nine months ended September 30, 2013 and 2012, respectively. Changes in restricted cash and marketable securities are primarily related to the issuance of tax-exempt bonds for our capital needs, collateral for certain of our obligations and amounts held in trust as a guarantee of performance. Funds received from issuances of tax-exempt bonds are deposited directly into trust accounts by the bonding authority at the time of issuance. During the three months ended June 30, 2013, we received \$18.5 million of such funds. Reimbursements from the trust for qualifying expenditures or for repayments of the related tax-exempt bonds are presented as cash provided by investing activities in our consolidated statements of cash flows. Such reimbursements amounted to \$10.1 million and \$22.4 million during the nine months ended September 30, 2013 and 2012, respectively. In addition, during the nine months ended September 30, 2012, we paid \$29.5 million to settle the Livingston matter that was funded through a restricted escrow account.

We intend to finance capital expenditures and acquisitions through cash on hand, cash flows from operations, our various credit facilities, and tax-exempt bonds and other financings. We expect to fund future acquisitions primarily from cash.

Cash Flows Used in Financing Activities

The most significant items affecting the comparison of our cash flows used in financing activities for the nine months ended September 30, 2013 and 2012 are summarized below:

Net debt repayments and borrowings. Payments of notes payable and long term debt, net of proceeds were \$42.4 million during the nine months ended September 30, 2013 versus net proceeds of \$86.5 million in the comparable 2012 period. For a more detailed discussion, see the *Financial Condition* section of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Purchases of common stock for treasury. In August 2011, our board of directors approved a share repurchase program pursuant to which we may repurchase up to \$750.0 million of our outstanding shares of common stock through December 31, 2013. This authorization is in addition to the \$400.0 million repurchase program authorized in November 2010. From November 2010 to September 30, 2013, we repurchased 35.5 million shares of our stock for \$1,039.2 million at a weighted average cost per share of \$29.30. During the nine months ended September 30, 2013, we repurchased 6.5 million shares of our stock for \$213.6 million at a weighted average cost per share of \$32.92.

Cash dividends paid. We initiated a quarterly cash dividend in July 2003 and have increased it from time to time thereafter. In July 2013, our board of directors approved a quarterly dividend of \$0.26 per share. Dividends paid were \$254.9 million and \$243.4 million during the nine months ended September 30, 2013 and 2012, respectively.

Financial Condition

As of September 30, 2013, we had \$97.3 million of cash and cash equivalents and \$175.5 million of restricted cash deposits and restricted marketable securities, including \$30.6 million of restricted cash and marketable securities held for capital expenditures under certain debt facilities, \$55.7 million of restricted cash and marketable securities pledged to regulatory agencies and governmental entities as financial guarantees of our performance related to our final capping, closure and post-closure obligations at our landfills, and \$86.1 million of restricted cash and marketable securities related to our self-funded insurance obligations.

Credit Facilities

For additional discussion and detail regarding our debt, refer to Note 7, *Debt* to our unaudited consolidated financial statements in Part 1, Item 1 of this Form 10-Q.

Availability under our Credit Facilities can be used for working capital, capital expenditures, letters of credit and other general corporate purposes. As of September 30, 2013, we had no borrowings under our Credit Facilities. As of December 31, 2012, we had \$25.0 million of Eurodollar Rate borrowings at an interest rate of 1.32%. We had \$706.7 million and \$909.4 million of letters of credit using availability under our Credit Facilities, leaving \$1,543.3 million and \$1,315.6 million of availability under our Credit Facilities at September 30, 2013 and December 31, 2012, respectively.

As of September 30, 2013, we had \$14.0 million of LIBOR borrowings under our Uncommitted Credit Facility. As of December 31, 2012, we had \$13.9 million of LIBOR borrowings under our Uncommitted Credit Facility. The Uncommitted Credit Facility may be terminated at any time by either party.

The agreements governing our Credit Facilities require us to comply with certain financial and other covenants. We may pay dividends and repurchase common stock if we are in compliance with these covenants. Compliance with these covenants is a condition for any incremental borrowings under our Credit Facilities and failure to meet these covenants would enable the lenders to require repayment of any outstanding loans (which would adversely affect our liquidity). At September 30, 2013, our EBITDA to interest ratio was 6.04 compared to the 3.00 minimum required by the covenants, and our total debt to EBITDA ratio was 3.21 compared to the 3.75 maximum allowed by the covenants. In July 2013, we amended our Credit Facilities to allow for our maximum total debt to EBITDA ratio not to exceed 3.75 for each of the fiscal quarters ending June 30, 2013, September 30, 2013, December 31, 2013, and March 31, 2014, and 3.50 for each each fiscal quarter ending thereafter.

EBITDA, which is a non-GAAP measure, is calculated as defined in our Credit Facility agreements. In this context, EBITDA is used solely to provide information regarding the extent to which we are in compliance with debt covenants and is not comparable to EBITDA used by other companies or used by us for other purposes.

Interest Rate Swap Agreements

During August 2013, we entered into various interest rate swap agreements relative to our 4.750% fixed rate senior notes due in May 2023. These transactions were entered into with the goal of reducing overall borrowing costs and increasing our floating interest rate exposure. As of September 30, 2013, our outstanding swap agreements have a total notional value of \$200.0 million and require us to pay interest at floating rates based on changes in LIBOR, and receive interest at a fixed rate of 4.750%. These swap agreements mature in May 2023.

Intended Uses of Cash

We intend to use excess cash on hand and cash from operating activities to fund capital expenditures, acquisitions, dividend payments, share repurchases and debt repayments. Debt repayments may include purchases of our outstanding indebtedness in the secondary market or otherwise. We believe that our excess cash, cash from operating activities and our availability to draw from our Credit Facilities provide us with sufficient financial resources to meet our anticipated capital requirements and maturing obligations as they come due.

We may choose to voluntarily retire certain portions of our outstanding debt before their maturity dates using cash from operations or additional borrowings. We also may explore opportunities in capital markets to fund redemptions should market conditions be favorable. Any early extinguishment of debt may result in a charge to earnings in the period in which the debt is repurchased and retired.

Credit Rating

We have received investment grade credit ratings. As of September 30, 2013, our senior debt was rated BBB, Baa3, and BBB by Standard & Poor's Rating Services, Inc., Moody's Investors Service, Inc. and Fitch, Inc., respectively.

Off-Balance Sheet Arrangements

We have no off-balance sheet debt or similar obligations, other than financial assurance instruments and operating leases, that are not classified as debt. We do not guarantee any third-party debt.

Free Cash Flow

We define free cash flow, which is not a measure determined in accordance with U.S. GAAP, as cash provided by operating activities less purchases of property and equipment, plus proceeds from sales of property and equipment as presented in our unaudited consolidated statements of cash flows.

The following table calculates our free cash flow for the three and nine months ended September 30 (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Cash provided by operating activities	\$ 375.7	\$ 361.7	\$ 1,137.2	\$ 1,056.7
Purchases of property and equipment	(226.9)	(244.9)	(688.7)	(707.4)
Proceeds from sales of property and equipment	4.6	3.1	12.0	24.5
Free cash flow	\$ 153.4	\$ 119.9	\$ 460.5	\$ 373.8

For a discussion of the changes in the components of free cash flow, you should read our discussion regarding *Cash Flows Provided By Operating Activities and Cash Flows Used In Investing Activities* contained elsewhere in this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Purchases of property and equipment as reflected in our consolidated statements of cash flows and as presented in the free cash flow table above represent amounts paid during the period for such expenditures. The following table provides a reconciliation of property and equipment reflected in the unaudited consolidated statements of cash flows to property and equipment received during the three and nine months ended September 30 (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Purchases of property and equipment per the unaudited consolidated statements of cash flows	\$ 226.9	\$ 244.9	\$ 688.7	\$ 707.4
Adjustments for property and equipment received during the prior period but paid for in the following period, net	(0.4)	(29.2)	12.6	(33.7)
Property and equipment received during the period	\$ 226.5	\$ 215.7	\$ 701.3	\$ 673.7

The adjustments noted above do not affect our net change in cash and cash equivalents as reflected in our unaudited consolidated statements of cash flows.

We believe that the presentation of free cash flow provides useful information regarding our recurring cash provided by operating activities after expenditures for property and equipment received, plus proceeds from sales of property and equipment. It also demonstrates our ability to execute our financial strategy, which includes reinvesting in existing capital assets to ensure a high level of customer service, investing in capital assets to facilitate growth in our customer base and services provided, maintaining our investment grade credit rating and minimizing debt, paying cash dividends and repurchasing common stock, and maintaining and improving our market position through business optimization. In addition, free cash flow is a key metric used to determine compensation. The presentation of free cash flow has material limitations. Free cash flow does not represent our cash flow available for discretionary expenditures because it excludes certain expenditures that are required or that we have committed to such as debt service requirements and dividend payments. Our definition of free cash flow may not be comparable to similarly titled measures presented by other companies.

Seasonality and Severe Weather

Our operations can be adversely affected by periods of inclement or severe weather, which could increase the volume of waste collected under our existing contracts (without corresponding compensation), delay the collection and disposal of waste, reduce the volume of waste delivered to our disposal sites, or delay the construction or expansion of our landfill sites and other facilities. Our operations also can be favorably affected by severe weather, which could increase the volume of waste in situations where we are able to charge for our additional services.

Contingencies

For a description of our commitments and contingencies, see Note 6, *Landfill and Environmental Costs*, Note 8, *Income Taxes*, and Note 14, *Commitments and Contingencies*, to our consolidated financial statements included under Part 1, Item 1 of this Quarterly Report on Form 10-Q.

Critical Accounting Judgments and Estimates

We identified and discussed our critical accounting judgments and estimates in our Annual Report on Form 10-K for the year ended December 31, 2012. Although we believe that our estimates and assumptions are reasonable, they are based upon information available at the time the judgment or estimate is made. Actual results may differ significantly from estimates under different assumptions or conditions.

Disclosure Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains certain forward-looking information about us that is intended to be covered by the safe harbor for “forward-looking statements” provided by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that are not historical facts. Words such as “expect,” “will,” “may,” “anticipate,” “plan,” “estimate,” “project,” “intend,” “should,” “can,” “likely,” “could,” “outlook” and similar expressions are intended to identify forward-looking statements. These statements include statements about our plans, strategies and prospects. Forward-looking statements are not guarantees of performance. These statements are based upon the current beliefs and expectations of our management and are subject to risk and uncertainties that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot assure you that the expectations will prove to be correct. Among the factors that could cause actual results to differ materially from the expectations expressed in the forward-looking statements are:

- general economic and market conditions, including the current global economic and financial market crisis, inflation and changes in commodity pricing, fuel, labor, risk and health insurance and other variable costs that are generally not within our control, and our exposure to credit and counterparty risk;
- whether our estimates and assumptions concerning our selected balance sheet accounts, income tax accounts, the recoverability of long-lived assets, the depletion and amortization of landfill development costs, accruals for final capping, closure and post-closure costs, available airspace, valuation allowances for accounts receivable, self-insurance, liabilities for potential litigation, claims and assessments, and liabilities for environmental remediation, employee benefit and pension plans, and labor, fuel rates and economic and inflationary trends, turn out to be correct or appropriate;
- competition and demand for services in the solid waste industry;
- price increases to our customers may not be adequate to offset the impact of increased costs, including labor, third-party disposal and fuel, and may cause us to lose volume;
- our ability to manage growth and execute our growth strategy;
- our compliance with, and future changes in, environmental and flow control regulations and our ability to obtain approvals from regulatory agencies in connection with operating and expanding our landfills;
- the impact on us of our substantial indebtedness, including on our ability to obtain financing on acceptable terms to finance our operations and growth strategy and to operate within the limitations imposed by financing arrangements;
- our ability to retain our investment grade ratings for our debt;
- our dependence on key personnel;
- our dependence on large, long-term collection, transfer and disposal contracts;
- our business is capital intensive and may consume cash in excess of cash flow from operations;
- any exposure to environmental liabilities, to the extent not adequately covered by insurance, could result in substantial expenses;
- risks associated with undisclosed liabilities of acquired businesses;
- risks associated with pending and future legal proceedings, including litigation, audits or investigations brought by or before any governmental body;

- severe weather conditions, which could impair our financial results by causing increased costs, loss of revenue, reduced operational efficiency or disruptions to our operations;
- compliance with existing and future legal and regulatory requirements, including limitations or bans on disposal of certain types of wastes or on the transportation of waste, which could limit our ability to conduct or grow our business, increase our costs to operate or require additional capital expenditures;
- potential increases in our expenses if we are required to provide additional funding to any multiemployer pension plan to which we contribute or if a withdrawal event or events occur with respect to any multiemployer pension plan to which we contribute;
- the negative impact on our operations of union organizing campaigns, work stoppages or labor shortages;
- the negative effect that trends toward requiring recycling, waste reduction at the source and prohibiting the disposal of certain types of wastes could have on volumes of waste going to landfills;
- changes by the Financial Accounting Standards Board or other accounting regulatory bodies to generally accepted accounting principles or policies; and
- acts of war, riots or terrorism, including the events taking place in the Middle East and the continuing war on terrorism, as well as actions taken or to be taken by the United States or other governments as a result of further acts or threats of terrorism, and the impact of these acts on economic, financial and social conditions in the United States.

The risks included here are not exhaustive. Refer to “Part I, Item 1A — Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2012 for further discussion regarding our exposure to risks. Additionally, new risk factors emerge from time to time and it is not possible for us to predict all such risk factors, or to assess the impact such risk factors might have on our business or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements. You should not place undue reliance on forward-looking statements, which speak only as of the date hereof. Except to the extent required by applicable law or regulation, we undertake no obligation to update or publish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Fuel Price Risk

Fuel costs represent a significant operating expense. When economically practical, we may enter into contracts or engage in other strategies to mitigate market risk. Where appropriate, we have implemented a fuel recovery fee that is designed to recover our fuel costs. While we charge this fee to a majority of our customers, we cannot charge it to all customers.

Consequently, an increase in fuel costs results in (1) an increase in our cost of operations, (2) a smaller increase in our revenue (from the fuel recovery fee) and (3) a decrease in our operating margin percentage, because the increase in revenue is more than offset by the increase in cost. Conversely, a decrease in fuel costs results in (1) a decrease in our cost of operations, (2) a smaller decrease in our revenue and (3) an increase in our operating margin percentage.

At current consumption levels, a twenty-cent per gallon change in the price of diesel fuel changes our fuel costs by approximately \$24 million per year. Offsetting these changes in fuel expense would be changes in our fuel recovery fee charged to our customers. At current participation rates, a twenty-cent change in the price of diesel fuel changes our fuel recovery fee by approximately \$19 million per year.

Our operations also require the use of certain petroleum-based products (such as liners at our landfills) whose costs may vary with the price of oil. An increase in the price of petrochemicals could increase the cost of those products, which would increase our operating and capital costs. We are also susceptible to increases in indirect fuel surcharges from our vendors.

Commodities Price Risk

We market recycled products such as cardboard and newspaper from our material recycling facilities. As a result, changes in the market prices of these items will impact our results of operations. Revenue from sales of these products during the nine months ended September 30, 2013 and 2012 was \$271.6 million and \$266.5 million, respectively.

Changing market demand for recyclable materials causes volatility in commodity prices. At current volumes and mix of materials, we believe a ten dollar per ton change in the price of recyclable materials will change annual revenue and operating income by approximately \$29 million and \$20 million, respectively.

For additional discussion and detail of our fuel and recycling commodity hedges, see Note 12, *Financial Instruments* of the notes to our unaudited consolidated financial statements in Part 1, Item 1 of this Form 10-Q.

Interest Rate Risk

We are subject to interest rate risk on our variable rate long-term debt. Additionally, we entered into various interest rate swap agreements with the goal of reducing overall borrowing costs and increasing our floating interest rate exposure. Our interest rate swap contracts have been authorized pursuant to our policies and procedures. We do not use financial instruments for trading purposes and are not a party to any leveraged derivatives.

At September 30, 2013, we had approximately \$936 million of floating rate debt and \$200.0 million of floating interest rate swap contracts. If interest rates increased or decreased by 100 basis points on our variable rate debt, annualized interest expense and cash payments for interest would increase or decrease by approximately \$11.4 million. This analysis does not reflect the effect that interest rates would have on other items, such as new borrowings. See Note 7, *Debt*, of the notes to our unaudited consolidated financial statements in Part 1, Item 1 of this Form 10-Q for further information regarding how we manage interest rate risk.

ITEM 4. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e), and 15d-15(e)) as of the end of the period covered by this Form 10-Q. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Form 10-Q.

Changes in Internal Control Over Financial Reporting

Based on an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, there has been no change in our internal control over financial reporting during the period covered by this Form 10-Q identified in connection with that evaluation, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

We are subject to extensive and evolving laws and regulations and have implemented safeguards to respond to regulatory requirements. In the normal course of our business, we become involved in legal proceedings. Some of these actions may result in fines, penalties or judgments against us, which may impact earnings and cash flows for a particular period. Although we cannot predict the ultimate outcome of any legal matter with certainty, except as described below, we do not believe the outcome of our pending legal proceedings will have a material adverse impact on our consolidated financial position, results of operations or cash flows.

As used herein, the term *legal proceedings* refers to litigation and similar claims against us and our subsidiaries, excluding: (1) ordinary course accidents, general commercial liability and workers compensation claims, which are covered by insurance programs, subject to customary deductibles, and which, together with self-insured employee health care costs, are discussed in Note 5 to our unaudited consolidated financial statements, *Other Liabilities*; and (2) environmental remediation liabilities, which are discussed in Note 6 to our unaudited consolidated financial statements, *Landfill and Environmental Costs*.

We accrue for legal proceedings when losses become probable and reasonably estimable. We have recorded an aggregate accrual of approximately \$67.7 million relating to our outstanding legal proceedings as of September 30, 2013, including those described in this Form 10-Q and others that are not specifically described. As of the end of each reporting period, we review each of our legal proceedings and we accrue, as a charge currently in expense, for all probable and reasonably estimable losses. Where we are able to reasonably estimate a range of losses we may incur with respect to such a matter, we accrue for the amount within the range that constitutes our best estimate. If we are able to reasonably estimate a range but no amount within the range appears to be a better estimate than any other, we use the amount that is the low end of the range. If we had used the high ends of the ranges, our aggregate potential liability would have been approximately \$73.5 million higher than the amount recorded as of September 30, 2013.

General Legal Proceedings

Countywide Matter

In a suit filed on October 8, 2008 in the Tuscarawas County Ohio Court of Common Pleas, approximately 700 individuals and businesses located in the area around the Countywide Recycling and Disposal Facility sued Republic Services, Inc. (Republic), Republic Services of Ohio II, LLC (Republic-Ohio), Waste Management, Inc. (WMI) and Waste Management Ohio, Inc. (WMO) for alleged negligence and nuisance. Plaintiffs allege that the landfill has generated odors and other unsafe emissions that have impaired the use and value of their property and may have adverse health effects. A second almost identical lawsuit was filed by approximately 82 plaintiffs on October 13, 2009 in the Tuscarawas County Ohio Court of Common Pleas against Republic, Republic-Ohio, WMI and WMO. The court consolidated the two actions. The relief requested on behalf of each plaintiff in the consolidated action is: (1) an award of compensatory damages according to proof in an amount in excess of \$25,000 for each of the three counts of the amended complaint; (2) an award of punitive damages in the amount of two times compensatory damages, pursuant to applicable statute, or in such amount as may be awarded at trial for each of the three counts of the amended complaint; (3) interest on the damages according to law; (4) costs and disbursements of the lawsuit; (5) reasonable fees for attorneys and expert witnesses; and (6) any further relief the court deems just, proper and equitable. As a result of various dismissals of plaintiffs, this case consisted of approximately 600 plaintiffs. Republic, WMI and WMO have been dismissed from the litigation. On July 11, 2013, we finalized a settlement and resolved this case. We paid all amounts owed under the settlement during the three months ended September 30, 2013. We anticipate no further liability associated with this matter.

Luri Matter

On August 17, 2007, a former employee, Ronald Luri, sued Republic Services, Inc., Republic Services of Ohio Hauling LLC, Republic Services of Ohio I LLC, Jim Bowen and Ron Krall in the Cuyahoga County Common Pleas Court in Ohio. Plaintiff alleges that he was unlawfully fired in retaliation for refusing to discharge or demote three employees who were all over 50 years old. On July 3, 2008, a jury verdict was awarded against us in the amount of \$46.6 million, including \$43.1 million in punitive damages. On September 24, 2008, the court awarded pre-judgment interest of \$0.3 million and attorney fees and litigation costs of \$1.1 million. Post-judgment interest accrued at a rate of 8% for 2008, 5% for 2009, 4% for 2010 and 2011, and 3% for 2012 and 2013. We appealed to the Court of Appeals, and on May 19, 2011 the court reduced the punitive damages award to \$7.0 million. Plaintiff appealed to the Ohio Supreme Court, challenging the reduction of punitive damages. We cross-appealed, seeking a new trial on the ground that the proceedings in the trial court violated Ohio's punitive damages statute, which requires that the compensatory and punitive damages phases of trial be bifurcated in certain types of cases. On February

15, 2012, in a case called *Havel v. Villa St. Joseph*, the Ohio Supreme Court upheld the constitutionality of the bifurcation requirement. On July 3, 2012, the Ohio Supreme Court reversed the judgment against us and remanded the case for application of its decision in *Havel*. On October 4, 2013, the Cuyahoga County Common Pleas Court declared that defendants are entitled to a new trial. On October 18, 2013, plaintiff filed a notice that he is appealing that declaration to the Court of Appeals of Cuyahoga County, Ohio, Eighth Appellate District.

Congress Development Landfill Matter

Congress Development Co. (CDC) is a general partnership that owns and operates the Congress Landfill. The general partners in CDC are our subsidiary, Allied Waste Transportation, Inc. (Allied Transportation), and an unaffiliated entity, John Sexton Sand & Gravel Corporation (Sexton). Sexton was the operator of the landfill through early 2007, when Allied Transportation took over as the operator. The general partners likely will be jointly and severally liable for the costs associated with the following matter relating to the Congress Landfill.

In a suit originally filed on December 23, 2009 in the Circuit Court of Cook County, Illinois and subsequently amended to add additional plaintiffs, approximately 3,000 plaintiffs sued our subsidiaries Allied Transportation and Allied Waste Industries, Inc. (Allied), CDC and Sexton. The court entered an order dismissing Allied without prejudice on October 26, 2010. The plaintiffs allege bodily injury, property damage and inability to have normal use and enjoyment of property arising from, among other things, odors and other damages arising from landfill gas leaking, and they base their claims on negligence, trespass, and nuisance. On January 6, 2012, the court took plaintiffs' motion for leave to amend their complaint to seek punitive damages under advisement, to be considered on a plaintiff-by-plaintiff basis. The court also granted plaintiffs leave to serve discovery on the punitive damages issue. Following the court's order in our favor striking the plaintiffs' allegations requesting actual damages in excess of \$50 million and punitive damages in excess of \$50 million, the amount of damages being sought is unspecified. Discovery is ongoing.

Buck Matter

On March 20, 2013, a group of residents living near the Bridgeton Landfill filed a purported class action in Saint Louis County Circuit Court, Missouri, on behalf of tenants and owner-occupants of property located within a one-mile radius of the landfill. Defendants, Republic Services, Inc., Allied Services, LLC, and Bridgeton Landfill, LLC subsequently removed the action to the United States District Court for the Eastern District of Missouri. The action alleges that odors escaping from the landfill due to a subsurface smoldering event diminished the value of plaintiffs' property, caused irritation to the eyes, nose or throat, and negatively affected their use and enjoyment of their property. The action also seeks an injunction requiring the landfill to take action to prevent the subsurface smoldering event from reaching radioactive materials buried in the adjacent Westlake Landfill. The plaintiffs each seek \$500,000 in punitive damages on behalf of themselves and those similarly situated, and an unspecified amount in compensatory damages. Plaintiffs allege that the tenant and owner-occupant classes are comprised of approximately 269 households and 683 residents in total.

Compensation Matter

In May 2011, one of our stockholders sued Republic, its directors, and several executive officers in the Court of Chancery in Delaware challenging certain compensation decisions made by the Board or its Compensation Committee. The lawsuit is purportedly brought on behalf of Republic against all of our directors and several current and former executive officers. In particular, the plaintiff's amended complaint: (1) challenges certain payments totaling \$3.05 million made to our former Chief Executive Officer, James O'Connor, under his June 25, 2010 Retirement Agreement; (2) contends that Republic committed "waste" by awarding restricted stock units that vest over time (some of which would not be tax deductible) rather than awarding performance-based units (which typically would be tax deductible); (3) alleges that the Board overpaid itself by awarding directors too many restricted stock units in 2009 and 2010; and (4) alleges that Republic may not pay any bonuses under its Synergy Incentive Plan because net earnings purportedly have not increased since the merger with Allied. The amended complaint seeks injunctive relief and seeks an equitable accounting for unspecified losses Republic purportedly sustained. We believe the lawsuit is without merit and is not material. The defendants filed motions to dismiss the amended complaint. On June 29, 2012, the Court of Chancery denied defendants' motions with respect to the claim related to the granting of restricted stock units to directors and granted the motions with respect to all other claims. Republic and the director defendants have now agreed in principle with plaintiff to settle the suit by seeking stockholder approval of an amendment to the 2007 Stock Incentive Plan that would establish specified, meaningful limitations on the granting of restricted stock units to non-management directors: no more than 15,000 may vest in any one calendar year in the ordinary course. On May 9, 2013 our stockholders approved the amendment. The settlement remains subject to negotiation and execution of a formal settlement agreement and to court approval.

Legal Proceedings over Certain Environmental Matters Involving Governmental Authorities with Possible Sanctions of \$100,000 or More

Item 103 of the SEC's Regulation S-K requires disclosure of certain environmental matters when a governmental authority is a party to the proceedings and the proceedings involve potential monetary sanctions unless we reasonably believe that the monetary sanctions will not equal or exceed \$100,000. We are disclosing the following matters in accordance with that requirement:

Sunshine Canyon Landfill Matter

On July 13, 2012, Sunshine Canyon Landfill, located in Sylmar, California, entered into a settlement agreement with the South Coast Air Quality Management District (SCAQMD) that resolved SCAQMD's claims for excess emissions charges, civil penalties, and investigative and administrative costs relating to all odor-related and surface emissions notices of violation (NOVs) received by Sunshine Canyon from SCAQMD through June 30, 2012. Per the terms of the settlement, Sunshine Canyon did not admit any liability and agreed to pay SCAQMD a stipulated amount of \$435,000, plus other fees, for a release of these claims. Sunshine Canyon also remains subject to certain operational requirements set forth in the third stipulated amended abatement order issued by SCAQMD's independent hearing board, as further modified by stipulation on July 11, 2012. Following the 2012 settlement with SCAQMD, Sunshine Canyon has received 29 additional NOVs for odors and excess surface emissions. On September 24, 2013, Sunshine Canyon entered into a settlement agreement with SCAQMD that resolved SCAQMD's claims for excess emissions charges, civil penalties, and investigative and administrative costs relating to all odor-related and surface emissions NOVs received by Sunshine Canyon from SCAQMD beginning on or about July 18, 2012 through September 6, 2013. Per the terms of the settlement, Sunshine Canyon did not admit any liability and agreed to pay SCAQMD a stipulated amount of \$290,000, which consists of \$82,000 in civil penalties and \$208,000 to fund a supplemental environmental project to be performed by SCAQMD related to testing and evaluating the landfill gas system at Sunshine Canyon.

Bridgeton Landfill Matter

On July 23, 2012, the Missouri Department of Natural Resources (MDNR) issued an NOV to the closed Bridgeton Landfill in Bridgeton, Missouri after it determined that a sub-surface smoldering event (SSE) was occurring at the landfill. The NOV specified required actions intended to prevent the spread of the SSE, offsite odors, and environmental pollution. On March 27, 2013, the Missouri Attorney General's Office, on behalf of MDNR, sued Republic Services, Inc., and our subsidiaries Allied Services, LLC, and Bridgeton Landfill, LLC in the Circuit Court of St. Louis County in connection with odors and leachate from the landfill. The action alleges, among other things, violations of the Missouri Solid Waste Management, Hazardous Waste Management, Clean Water, and Air Conservation Laws, as well as claims for nuisance, civil penalties, costs, and natural resource damages. The suit seeks a preliminary and permanent injunction requiring us to take measures to remedy the alleged resulting nuisance and other relief. On May 13, 2013, the court entered a stipulated preliminary injunction, under which, the Bridgeton Landfill, LLC agreed, among other things, to continue remedial work plans previously approved by MDNR and to continue reporting to MDNR.

Environmental Protection Agency Matter

We have been made aware that one of our landfill subsidiaries may have provided inaccurate or incomplete information to the Environmental Protection Agency. We have had preliminary discussions with law enforcement and other authorities regarding this issue. This could result in payments by us in the form of restitution, damages, or penalties. Based on the information currently available to us, we believe the resolution of the matter will not have a material impact on our results of operations, cash flows or consolidated financial position.

ITEM 1A. RISK FACTORS.

There were no material changes during the nine months ended September 30, 2013 in the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2012.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**Issuer Purchases of Equity Securities**

The following table provides information relating to our purchases of shares of our common stock during the three months ended September 30, 2013:

	Total Number of Shares (or Units) Purchased (a)	Average Price Paid per Share (a)	Total Number of Shares Purchased as Part of Publicly Announced Program (b)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (c)
July 2013	—	\$ —	—	\$ 189,162,069
August 2013	1,417,782	\$ 34.02	1,417,782	\$ 140,927,583
September 2013	925,988	\$ 32.72	925,988	\$ 110,632,017
	<u>2,343,770</u>		<u>2,343,770</u>	

- (a) In October 2013, the board of directors added \$650 million to the existing share repurchase authorization. Before this, approximately \$110.6 million remained under the prior authorization. The total authorization is now \$760.6 million through December 31, 2015. Share repurchases under the program may be made through open market purchases or privately negotiated transactions in accordance with applicable federal securities laws. While the board of directors has approved the program, the timing of any purchases, the prices and the number of shares of common stock to be purchased will be determined by our management, at its discretion, and will depend upon market conditions and other factors. The share repurchase program may be extended, suspended or discontinued at any time.
- (b) The total number of shares purchased as part of the publicly announced program were all purchased pursuant to the August 2011 authorization.
- (c) Shares that may be purchased under the program exclude shares of common stock that may be surrendered to satisfy statutory minimum tax withholding obligations in connection with the vesting of restricted stock issued to employees.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

ITEM 5. OTHER INFORMATION.

In connection with an effort to harmonize certain terms of employment of the named executive officers, we entered into amended agreements with Donald W. Slager, Chief Executive Officer and President, and Michael P. Rissman, Executive Vice President, General Counsel and Corporate Secretary.

On October 29, 2013, Mr. Slager and Republic entered into an amended and restated Employment Agreement (the “2013 Slager Agreement”), effective immediately, which supersedes the Employment Agreement between Mr. Slager and Republic that was entered into and effective as of March 30, 2012 (the “2012 Slager Agreement”).

The 2013 Slager Agreement contains the following changes to the 2012 Slager Agreement: (1) provides that upon a termination of employment by Republic without cause or by Mr. Slager for good reason in connection with a change of control, all of his equity grants outstanding as of the date of termination shall vest whether or not otherwise vesting in the year of termination; (2) provides that upon a termination of employment by Republic without cause or by Mr. Slager for good reason in connection with a change of control, the vesting and payment of long-term awards will be at target and without proration; and (3) modifies the definition of “cause” for termination of his employment in the event of crime to be his conviction of or plea of guilty or nolo contendere to a felony. The 2013 Slager Agreement preserves unchanged the remaining material terms of the 2012 Slager Agreement, including: 2013 base salary of \$1,000,000; 2013 annual bonus opportunity with a target of 125%; merit and other bonuses, long-term awards, and equity awards under the 2007 Stock Incentive Plan as may be determined by the Board of Directors or a committee thereof; and a Supplemental Retirement Benefit equal to \$2,287,972, increased at an annual rate of 6%, compounded annually from December 5, 2008 until the date of his termination.

Mr. Rissman and Republic entered into a non-competition, non-solicitation, confidentiality and arbitration agreement on October 30, 2013, effective immediately, that supersedes his February 9, 2010 non-solicitation, confidentiality and arbitration

agreement. The new agreement includes a non-competition provision and acknowledges that the restriction on engaging in the practice of law is limited to the restrictions imposed by the applicable ethical rules of professional conduct.

The above descriptions of the 2013 Slager Agreement and Mr. Rissman's non-competition, non-solicitation, confidentiality and arbitration agreement are not complete and are qualified in their entirety by reference to the terms of the agreements, copies of which are filed as Exhibits 10.1 and 10.2 to this Form 10-Q and are incorporated by reference herein.

ITEM 6. EXHIBITS.

Exhibit Number	Description of Exhibit
10.1*+	Employment Agreement, dated October 29, 2013, by and between Donald W. Slager and Republic Services, Inc.
10.2*+	Non-Competition, Non-Solicitation, Confidentiality and Arbitration Agreement, dated October 30, 2013, by and between Michael Rissman and Republic Services, Inc.
10.3*+	Amendment No. 3 to Republic Services, Inc. Deferred Compensation Plan as Amended and Restated Effective January 1, 2010, dated October 29, 2013
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1*	Section 1350 Certification of Chief Executive Officer
32.2*	Section 1350 Certification of Chief Financial Officer
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB**	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document

* Filed herewith

** This exhibit is being furnished rather than filed, and shall not be deemed incorporated by reference into any filing, in accordance with Item 601 of Regulation S-K.

+ Indicates a management or compensatory plan or arrangement.

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT is effective as of October 29, 2013 (the "Effective Date") by and between Republic Services, Inc. (the "Company") and DONALD W. SLAGER ("Employee").

Employee and the Company are parties to an Employment Agreement dated March 30, 2012 (the "2012 Employment Agreement").

As of the date hereof, Employee is an employee of the Company and is considered a valued employee such that the Company desires to retain him.

The Employee and the Company desire to enter into this Agreement to amend, restate and continue the provisions of the 2012 Employment Agreement on and after the Effective Date as set forth herein.

In consideration of the premises set forth above, the mutual representations, warranties, covenants and agreements contained in this Agreement and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Employment.**

(a) **Retention.** The Company agrees to continue to employ the Employee as its Chief Executive Officer and President. Employee agrees to accept such continuing employment, subject to the terms and conditions of this Agreement. The Board of Directors of the Company may in its sole discretion, after consulting Employee, designate someone other than the Employee to serve as its President (reporting to Employee), and such action shall not constitute Good Reason under Section 3 of this Agreement.

(a) **Employment Period.** This Agreement shall commence on the Effective Date and, unless terminated in accordance with the terms of this Agreement shall continue in effect on a rolling two-year basis, such that at any time during the term of this Agreement there will be two years remaining (the "Employment Period"). Notwithstanding the evergreen nature of the Employment Period, the Company may terminate Employee at any time in accordance with the provisions of Section 3 of this Agreement.

(b) **Duties and Responsibilities.** During the Employment Period, Employee shall serve as Chief Executive Officer and, if applicable, President. Employee is currently a member of the Board of Directors of the Company and shall be nominated for re-election while he is serving as Chief Executive Officer. As Chief Executive Officer, Employee shall report to the Board of Directors of the Company. Employee shall have such authority and responsibility and perform such duties as may be assigned to him from time to time at the direction of the Board of Directors of the Company, and in the absence of such assignment, such duties as are customary to Employee's office and as are necessary or appropriate to the business and operations of the Company. During the Employment Period, Employee's employment shall be full time and Employee shall perform his duties honestly, diligently, in good faith and in the best interests of the Company and shall use his best efforts to promote the interests of the Company. All executive officers of the Company shall report to the Chief Executive Officer, and Employee shall, in such capacity, have the authority and responsibility to assign appropriate duties to such other executive officers as are necessary or appropriate for the business and operations of the Company.

(c) **Other Activities.** Except upon the prior written consent of the Company, Employee, during the Employment Period, will not accept any other employment. Employee shall be permitted to engage in any non-competitive businesses, not-for-profit organizations and other ventures, such as passive real estate investments, serving on charitable and civic boards and organizations, and similar activities, so long as such activities do not materially interfere with or detract from the performance of Employee's duties or constitute a breach of any of the provisions contained in Section 7 of this Agreement, provided that the Employee may only serve as a director of a for-profit corporation with the advance written approval of the Company's Board of Directors.

2. Compensation.

(a) Base Salary and Adjusted Salary. In consideration for Employee's services hereunder and the restrictive covenants contained herein, Employee shall continue to be paid for the 2013 Fiscal Year an annual base salary (the "Base Salary") of \$1,000,000 payable in accordance with the Company's customary payroll practices. With respect to any Fiscal Year during which Employee is employed by the Company for less than the entire Fiscal Year, the Base Salary shall be prorated for the period during which the Employee is so employed. Notwithstanding the foregoing, Employee's annual Base Salary may be increased, but not decreased (taking into account prior increases) without Employee's consent at anytime and from time to time to levels greater than the levels set forth in the preceding sentence at the discretion of the Board of Directors of the Company to reflect merit or other increases. The term "Fiscal Year" as used herein shall mean each period of twelve (12) calendar months commencing on January 1st of each calendar year during the Employment Period and expiring on December 31st of such year.

(b) Annual Awards. In addition to the Base Salary, Employee shall be eligible to receive Annual Awards in an amount equal to a target of 125% of the Employee's Base Salary in effect for the Performance Period with respect to which such Annual Award is granted, as established pursuant to the terms of the Company's Executive Incentive Plan, as amended (the "Executive Incentive Plan"). The Annual Award shall be based on the achievement of such Performance Goals as are established by the Compensation Committee of the Board of Directors pursuant to the Executive Incentive Plan. The achievement of said Performance Goals shall be determined by the Compensation Committee of the Board of Directors. Except as otherwise provided in Sections 3 and 24, with respect to any Fiscal Year during which Employee is employed by the Company for less than the entire Fiscal Year, the Annual Award shall be prorated for the period during which Employee was so employed. The Annual Award shall be payable within sixty (60) days after the end of the Company's Fiscal Year. To the extent of any conflict between the provisions of this Agreement and the Executive Incentive Plan, the terms of this Agreement shall control.

(c) Merit and Other Bonuses. Employee shall be entitled to such other bonuses as may be determined by the Board of Directors of the Company or by a committee of the Board of Directors as determined by the Board of Directors, in its sole discretion.

(d) Existing Stock Options and Shares of Restricted Stock. The Company has issued to Employee options to purchase shares of the Company's Common Stock pursuant to the terms of various Option Agreements and the terms of the 2007 Stock Incentive Plan (the "Outstanding Option Grants"). The Company has also granted to Employee restricted shares of the Company's Common Stock or Restricted Stock Units pursuant to the terms of the Company's 2007 Stock Incentive Plan (the "Outstanding Restricted Stock or RSU Grants"). The options issued or to be issued under the Outstanding Option Grants shall continue to be subject to the terms of the Option Agreements, except to the extent otherwise provided for in this Agreement. The shares of restricted stock and restricted stock units granted under the Outstanding Restricted Stock or RSU Grants shall continue to be subject to the terms of the applicable agreements, except to the extent otherwise provided for in this Agreement.

(e) Other Stock Options. Employee shall be entitled to participate and receive option grants under the 2007 Stock Incentive Plan and such other incentive or stock option plans as may be in effect from time-to-time, as determined by the Board of Directors of the Company.

(f) Other Compensation Programs. Employee shall be entitled to participate in the Company's incentive and deferred compensation programs and such other programs as are established and maintained for the benefit of the Company's employees or executive officers, subject to the provisions of such plans or programs.

(g) Other Benefits. During the term of this Agreement, Employee shall also be entitled to participate in any other health insurance programs, life insurance programs, disability programs, stock incentive plans, bonus plans, pension plans and other fringe benefit plans and programs as are from time to time established and maintained for the benefit of the Company's employees or executive officers, subject to the provisions of such plans and programs.

(h) Expenses. Employee shall be reimbursed for all out-of-pocket expenses reasonably incurred by him on behalf of or in connection with the business of the Company, pursuant to the normal standards and guidelines followed from time to time by the Company. Notwithstanding anything herein to the contrary or otherwise, except to the extent any expense or reimbursement described in this Section 2(h) does not constitute a "deferral of compensation" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), any expense or reimbursement described in this Section 2(h) shall meet the following requirements: (i) the amount of expenses eligible for reimbursement provided to Employee during any calendar year will not affect the amount of expenses eligible for reimbursement or in-kind benefits provided to Employee in any other calendar year, (ii) the reimbursements for expenses for which Employee is entitled to be reimbursed shall be made on or before the last day of the calendar year following the calendar year in which the applicable expense is incurred, (iii) the right to payment or reimbursement on in-kind benefits hereunder may not be liquidated or exchanged for any other benefit and (iv) the reimbursements shall be made pursuant to objectively determinable and nondiscretionary Company policies and procedures regarding such reimbursement of expenses.

(i) Long Term Awards. Employee shall be entitled to participate in the Executive Incentive Plan (or any successor plan maintained by the Company) for purposes of receiving Long Term Awards pursuant to the terms of this Agreement and the Executive Incentive Plan (or such successor plan).

(j) Vacation. The Employee shall continue to be entitled to four (4) weeks paid vacation ("Vacation Time") for each full calendar year of employment. For the calendar year in which the Employee's Date of Termination occurs, the amount of Vacation Time to which the Employee is entitled shall be prorated. Vacation Time of up to two (2) weeks not taken during the calendar year in which it is accrued may be carried over to subsequent years with no more than six (6) weeks Vacation Time available in any Fiscal Year.

(k) Insurance. At all times during Employee's employment or membership as a director of the Board of Directors (or both), and for ten (10) years thereafter, the Employee shall be covered under the Company's directors' and officers' liability insurance, but only to the same extent as other senior officers and directors.

(l) Aircraft. It is the intention of the Board of Directors that the Employee have full access and use of the corporate aircraft as set forth in the March 2009 Corporate Aircraft Policy. The Company's March 2009 Corporate Aircraft Policy will apply to Employee during the term of this Agreement and will not be changed without Employee's consent unless unforeseen and unexpected circumstances arise that require the policy to be modified.

3. Termination.

(a) For Cause. The Company shall have the right to terminate this Agreement and to discharge Employee for Cause (as defined below), at any time during the term of this Agreement. Termination for Cause shall mean, during the term of this Agreement, (i) Employee's willful and continued failure to substantially perform his duties after he has received written notice from the Company identifying the actions or omissions constituting willful and continued failure to perform, (ii) Employee's conviction of or plea of guilty or nolo contendere to a felony, (iii) Employee's actions or omissions that constitute fraud, gross misconduct, or material dishonesty, (iv) Employee's breach of any fiduciary duty that causes material injury to the Company, (v) Employee's breach of any duty causing material injury to the Company, (vi) Employee's inability to perform his material duties to the reasonable satisfaction of the Company due to alcohol or other substance abuse, or (vii) any material violation of the Company's policies or procedures involving discrimination, harassment, substance abuse or work place violence. Any termination for Cause pursuant to this Section shall occur only after notice is given to Employee in writing which shall set forth in detail all acts or omissions upon which the Company is relying to terminate Employee for Cause and, in the case of (i) or (vii), after which the Employee has failed to cure any actions or omissions which provide the Company with a basis to terminate the Employee for Cause.

Upon any determination by the Company that Cause exists to terminate Employee, the Company shall cause a special meeting of the Board of Directors to be called and held at a time mutually convenient to the Board of Directors and Employee, but in no event later than ten (10) business days after Employee's receipt of the notice that the Company intends to terminate Employee for Cause. Employee shall have the right to appear before such special

meeting of the Board of Directors with legal counsel of his choosing to refute such allegations and shall have a reasonable period of time to cure any actions or omissions in the case of (i) or (vii) which provide the Company with a basis to terminate Employee for Cause (provided that such cure period shall not exceed 30 days), provided that Company shall not terminate the Employee until the end of the 30 day period. A majority of the members of the Board of Directors must affirm that Cause exists to terminate Employee. In the event the Company terminates Employee for Cause, the Company shall only be obligated to continue to pay in the ordinary and normal course of its business to Employee his Base Salary plus accrued but unused Vacation Time through the termination date and the Company shall have no further obligations to Employee under this Agreement from and after the date of termination.

(b) Resignation by Employee Without Good Reason. If Employee shall resign or otherwise terminate his employment with the Company anytime during the term of this Agreement, other than for Good Reason (as defined below), Employee shall only be entitled to receive his accrued and unpaid Base Salary and unused Vacation Time through the termination date, and the Company shall have no further obligations under this Agreement from and after the date of resignation.

(c) Termination by Company Without Cause and by Employee For Good Reason. At any time during the term of this Agreement, (i) the Company shall have the right to terminate this Agreement and to discharge Employee without Cause effective upon delivery of written notice to Employee, and (ii) Employee shall have the right to terminate this Agreement for Good Reason effective upon delivery of written notice to the Company. For purposes of this Agreement, "Good Reason" shall mean: (i) the Company has materially reduced the duties and responsibilities of Employee from the duties and responsibilities of the Employee as Chief Executive Officer at the Effective Date (ii) the Company has breached any material provision of this Agreement and has not cured such breach within 30 days of receipt of written notice of such breach from Employee, (iii) the Company does not provide health, life, disability, incentive or equity benefits which are substantially comparable in the aggregate to the level of such benefits and incentive compensation provided on the Effective Time, other than due to a reduction in such level of benefits to the extent such reduction applies to other senior executives of the Company and provided that any particular plan containing such benefits may be amended or terminated, (iv) Employee's office is relocated by the Company to a location which is not located within the Arizona County of Maricopa, (v) Employee's resignation from, or the expiration of his term as a director of, the Board, in either case only if such event occurs as a result of Employee's failure to receive the required votes by the holders of the Company's common stock to be re-elected to the Board, or (vi) the Company's termination without Cause of the continuation of the Employment Period provided in this Agreement. Notwithstanding the foregoing, the Employee's termination of employment pursuant to this Agreement shall not be effective unless (x) the Employee delivers a written notice setting forth the details of the occurrence giving rise to the claim of termination for Good Reason within a period not to exceed 90 days of its initial existence and (y) the Company fails to cure the same within a thirty (30) day period.

Upon any such termination by the Company without Cause, or by Employee for Good Reason: (i) the Company shall pay to Employee all of Employee's accrued but unpaid Base Salary and accrued but unused Vacation Time through the date of termination in a lump sum within sixty (60) days of termination; (ii) the Company shall pay to Employee Base Salary for three (3) years from the date of termination when and as Base Salary would have been due and payable hereunder but for such termination; (iii) the Company shall continue providing medical, dental, and/or vision coverage to the Employee and/or the Employee's family, at least equal to that which would have been provided to the Employee if the Employee's employment had not terminated, until the earlier of (1) the date the Employee becomes eligible for any comparable medical, dental, or vision coverage provided by any other employer, or (2) the date the Employee becomes eligible for Medicare or any government-sponsored or provided health care program that provides benefits similar to Medicare (whether or not such coverage is equivalent to that provided by the Company); (iv) all stock option grants, restricted stock grants and restricted stock unit grants to the extent they would have vested during the Fiscal Year of termination, will immediately vest and become unrestricted, if not vested previously, and any such options will remain exercisable for the lesser of the unexpired term of the option without regard to the termination of Employee's employment or three (3) years from the date of termination of employment (provided that if the award agreements contain more favorable provisions that are applicable to the termination of employment (disregarding any reference therein to this Agreement), such provisions shall apply); (v) all Annual Awards shall vest and be paid on a prorated basis in an amount equal to the Annual Awards payment that the Compensation Committee of the Board of Directors determines would have been paid to Employee pursuant to the Executive Incentive Plan had Employee's

employment continued to the end of the Performance Period multiplied by a fraction, the numerator of which is the number of completed months of employment during such Performance Period and the denominator of which is the total number of months in the Performance Period, within sixty (60) days after the end of the Company's Fiscal Year; (vi) all Long Term Awards shall vest and be paid on a prorated basis in an amount equal to the Long Term Awards payment that the Compensation Committee of the Board of Directors determines would have been paid to Employee pursuant to the Executive Incentive Plan had Employee's employment continued to the end of the Performance Period multiplied by a fraction, the numerator of which is the number of completed months of employment during such Performance Period and the denominator of which is the total number of months in the Performance Period, within sixty (60) days after the end of the Company's Fiscal Year in which the Performance Period ends; (vii) as of the termination date Employee shall be paid, in accordance with the terms of any deferred compensation plan in which Employee was a participant and any elections thereunder, the balance of all amounts credited or eligible to be credited to Employee's deferred compensation account (including all Company contributions, whether or not vested); and (viii) the Company shall provide outplacement services which may include administrative support for up to one (1) year, provided that such amount may not exceed \$50,000 (collectively, the foregoing consideration payable to Employee shall be referred to herein as the "Severance Payment"). Other than the Severance Payment, the Company shall have no further obligation to Employee except for the obligations set forth in Sections 10, 17, and 25 of this Agreement after the date of such termination; provided, however, that Employee shall only be entitled to continuation of the Severance Payment as long as he is in compliance with the provisions of Sections 7, 8, 10 and 11 of this Agreement.

(d) Disability of Employee. This Agreement may be terminated by the Company upon the Disability of Employee. "Disability" shall mean any mental or physical illness, condition, disability or incapacity which prevents Employee from reasonably discharging his duties and responsibilities under this Agreement for a period of 180 consecutive days. In the event that any disagreement or dispute shall arise between the Company and Employee as to whether Employee suffers from any Disability, then, in such event, Employee shall submit to the physical or mental examination of a physician licensed under the laws of the State of Arizona, who is mutually agreeable to the Company and Employee, and such physician shall determine whether Employee suffers from any Disability. In the absence of fraud or bad faith, the determination of such physician shall be final and binding upon the Company and Employee. The entire cost of such examination shall be paid for solely by the Company. In the event the Company has purchased Disability insurance for Employee, Employee shall be deemed disabled if he is completely (fully) disabled as defined by the terms of the Disability policy. Disability shall not be deemed to occur unless it constitutes a "disability," as such term is defined in Code Section 409A. In the event that at any time during the term of this Agreement Employee shall suffer a Disability and the Company terminates Employee's employment for such Disability, such Disability shall be considered to be a termination by the Company without Cause or a termination by Employee for Good Reason and the Severance Payment shall be paid to Employee to the same extent and in the same manner as provided for in Section 3(c) above, except that (i) payments of Annual Salary shall be mitigated by payments under Company-sponsored disability payments and (ii) the Employee will not be entitled to outplacement services.

(e) Death of Employee. If during the term of this Agreement Employee shall die, then the employment of Employee by the Company shall automatically terminate on the date of Employee's death. In such event, Employee's death shall be considered to be a termination by the Company without Cause or a termination by Employee for Good Reason and the Severance Payment shall be paid to Employee's personal representative or estate to the same extent and in the same manner as provided for in Section 3(c) above (except that Employee will not be entitled to outplacement services) and without mitigation for any insurance policies held by Employee except that to the extent that any Awards have been granted under the Executive Incentive Plan, and, as of the date of such termination, have not been determined to be earned pursuant to the terms of the Executive Incentive Plan, Employee's beneficiary or estate shall be paid, within thirty (30) days following the date of Employee's death, an amount with respect to each such open Award which is equal to the full target amount that the Compensation Committee of the Board of Directors was authorized to cause to be paid to Employee pursuant to the Executive Incentive Plan and applicable Award thereunder had his employment continued through the end of the Performance Period related to such Award and had all Performance Goals been met but not exceeded. Once such payments have been made to Employee's personal representative, beneficiary or estate, as the case may be, the Company shall have no further obligations under this Agreement to said personal representative, beneficiary or estate, or to any heirs of Employee. The Employee agrees to cooperate with and assist the Company in obtaining insurance on his life in the event the Company decides to obtain a life insurance policy under which the Company would be the beneficiary. The results of any physical examination that the Employee

undergoes in furtherance of the Company's efforts to obtain such life insurance shall be kept confidential by the Company unless the disclosure is required by applicable law.

4. Termination of Employment by Employee for Change of Control.

(a) Termination Rights. Notwithstanding the provisions of Section 2 and Section 3 of this Agreement, in the event that there shall occur a Change of Control (as defined below) of the Company and Employee's employment hereunder is terminated either within six months before such Change in Control as set forth in Section 4(c) or within two years after such Change of Control by the Company without Cause or by Employee for Good Reason (including as a result of Employee's Disability or death, as provided in Sections 3(d) and 3(e)), then the Company shall be required to pay to Employee (i) the Severance Payment provided in Section 3(c) (as modified by Sections 3(d) and 3(e), as applicable), except that (A) the Severance Payment described in the unnumbered paragraph in Section 3(c)(ii) shall be paid in a single lump sum sixty (60) days after termination if termination occurs within two years after such Change of Control, (B) the vesting of stock option grants, restricted stock grants and restricted stock unit grants described in Section 3(c)(iv) shall apply to all stock option grants, restricted stock grants, restricted stock unit grants and any other equity compensation awards of Employee that remain outstanding as of the date of termination, whether or not otherwise vesting during the Fiscal Year of Employee's termination, and (C) the vesting and payment of the Long Term Awards described in Section 3(c)(vi) shall be made without pro ration on a basis as if all target performance levels had been met, as such targets are set under the Executive Incentive Plan, and will be paid at target by the Company to Employee (unless previously paid), at such time as the Company would have been required to make such payments if the termination of employment had not occurred, and (ii) the product of three (3) multiplied by the sum of (x) the target Annual Award for the year prior to termination, plus (y) the target Long Term Award for the performance period ending in the year prior to termination, payable in a single lump sum sixty (60) days after termination. To the extent that payments are owed by the Company to Employee pursuant to this Section 4, they shall be made in lieu of payments pursuant to Section 3, and in no event shall the Company be required to make payments or provide benefits to Employee under both Section 3 and Section 4.

(b) Change of Control of the Company Defined. For purposes of this Section 4, the term "Change of Control of the Company" shall mean the occurrence of any of the following:

(i) an acquisition (other than directly from the Company) of any voting securities of the Company (the "Voting Securities") by any "Person" (as the term person is used for purposes of Section 13(d) or 14(d) of the Exchange Act), immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of fifty percent (50%) or more of the then outstanding common stock of the Company ("Shares") or the combined voting power of the Company's then outstanding Voting Securities; *provided, however*, in determining whether a Change of Control has occurred pursuant to this subsection (a), Shares or Voting Securities which are acquired in a "Non-Control Acquisition" (as hereinafter defined) shall not constitute an acquisition which would cause a Change of Control. A "Non-Control Acquisition" shall mean an acquisition by (a) an employee benefit plan (or a trust forming a part thereof) maintained by (1) the Company or (2) any corporation or other Person of which a majority of its voting power or its voting equity securities or equity interest is owned, directly or indirectly, by the Company (for purposes of this definition, a "Related Entity"), (b) the Company or any Related Entity, or (c) any Person in connection with a "Non-Control Transaction" (as hereinafter defined);

(ii) the individuals who, as of the Effective Time, are members of the Board (the "Incumbent Board"), cease for any reason to constitute at least a majority of the members of the Board or, following a Merger Event which results in a Parent Corporation, the board of directors of the ultimate Parent Corporation (as defined in paragraph (iii)(1)(A) below); *provided, however*, that if the election, or nomination for election by the Company's common stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Agreement, be considered as a member of the Incumbent Board; *provided further, however*, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of an actual or threatened solicitation of proxies or consents by or on behalf of a

Person other than the Board (a "Proxy Contest") including by reason of any agreement intended to avoid or settle a Proxy Contest; or

(iii) the consummation of:

(1) a merger, consolidation or reorganization with or into the Company or in which securities of the Company are issued (a "Merger Event"), unless such Merger Event is a "Non-Control Transaction." A "Non-Control Transaction" shall mean a Merger Event where:

(A) the stockholders of the Company, immediately before such Merger Event own directly or indirectly immediately following such Merger Event at least fifty percent (50%) of the combined voting power of the outstanding voting securities of (x) the corporation resulting from such Merger Event (the "Surviving Corporation") if fifty percent (50%) or more of the combined voting power of the then outstanding voting securities of the Surviving Corporation is not Beneficially Owned, directly or indirectly by another Person (a "Parent Corporation"), or (y) if there are one or more Parent Corporations, the ultimate Parent Corporation; and,

(B) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such Merger Event constitute at least a majority of the members of the board of directors of (x) the Surviving Corporation, if there are no Parent Corporation, or (y) if there are one or more Parent Corporations, the ultimate Parent Corporation; and

(C) no Person other than (1) the Company, (2) any Related Entity, (3) any employee benefit plan (or any trust forming a part thereof) that, immediately prior to such Merger Event was maintained by the Company or any Related Entity, or (4) any Person who, immediately prior to such Merger Event had Beneficial Ownership of fifty percent (50%) or more of the then outstanding Voting Securities or Shares, has Beneficial Ownership of fifty percent (50%) or more of the combined voting power of the outstanding voting securities or common stock of (x) the Surviving Corporation if there is no Parent Corporation, or (y) if there are one or more Parent Corporations, the ultimate Parent Corporation.

(2) a complete liquidation or dissolution of the Company; or

(3) the sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Related Entity or under conditions that would constitute a Non-Control Transaction with the disposition of assets being regarded as a Merger Event for this purpose or the distribution to the Company's stockholders of the stock of a Related Entity or any other assets).

Notwithstanding the foregoing, a Change of Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the then outstanding Shares or Voting Securities as a result of the acquisition of Shares or Voting Securities by the Company which, by reducing the number of Shares or Voting Securities then outstanding, increases the proportional number of shares Beneficially Owned by the Subject Persons, provided that if a Change of Control would occur (but for the operation of this sentence) as a result of the acquisition of Shares or Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Shares or Voting Securities which increases the percentage of the then outstanding Shares or Voting Securities Beneficially Owned by the Subject Person, then a Change of Control shall occur.

In addition, a Change of Control shall not be deemed to occur unless the event(s) that causes such Change of Control also constitutes a "change in control event," as such term is defined in Code Section 409A.

(c) If an Employee's employment or service is terminated by the Company without Cause within six months prior to the date of a Change of Control but the Employee reasonably demonstrates that the termination (A) was at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Change of Control or (B) otherwise arose in connection with, or in anticipation of, a Change of Control which has been threatened

or proposed, such termination shall be deemed to have occurred after a Change of Control for purposes of this Agreement provided a Change of Control shall actually have occurred.

5. **Reduction of Payments.**

(a) Notwithstanding anything in this Agreement to the contrary, in the event that it shall be determined that any payment, distribution, or other action by the Company to or for the benefit of Employee (whether paid or payable or distributed or distributable pursuant to the terms of the Agreement or otherwise (a "Payment")) would result in an "excess parachute payment" within the meaning of Section 280G(b)(i) of the Code (or any other similar provision hereafter enacted), and the value determined in accordance with Section 280G(d)(4) of the Code (or any other similar provision) of the Payments, net of all taxes imposed on Employee (the "Net After-Tax Amount"), that Employee would receive would be greater if the Payments (or some of them) were reduced than if such Payments were not reduced, then the Payments shall be reduced by an amount (the "Reduction Amount") so that the Net After-Tax Amount after such reduction is greatest. For purposes of determining the Net After-Tax Amount, Employee shall be deemed to (i) pay federal income taxes at the highest marginal rates of federal income taxation for the calendar year in which the Payment is to be made, and (ii) pay applicable state and local income taxes at the highest marginal rate of taxation for the calendar year in which the Payment is required to be made, net of the maximum reduction in federal income taxes which would be allowable as a deduction of such state and local taxes.

(b) Subject to the provisions of this Section 5(b), all determinations required to be made under this Section 5, including the Net After-Tax Amount, the Reduction Amount, and the Payment that is to be reduced pursuant to Section 5(a), and the assumptions to be utilized in arriving at such determinations, shall be made by a nationally recognized firm of independent public accountants selected by the Employee and approved by the Company, which approval shall not be unreasonably withheld or delayed (the "Accounting Firm"). The Accounting Firm shall be instructed to provide detailed supporting calculations both to the Company and Employee within 15 business days of the date of termination, or such earlier time as is requested by the Company. The Accounting Firm's decision as to which Payments are to be reduced shall be made (i) only from Payments that the Accounting Firm determines reasonably may be characterized as "parachute payments" under Section 280G of the Code (or any other similar provision hereafter enacted); (ii) from Payments that are required to be made in cash before any non-cash payments are reduced; (iii) with respect to any amounts that are not subject to Section 409A before any amounts that are subject to Section 409A; and (iv) in reverse chronological order, to the extent that any Payments subject to reduction are made over time (e.g., in installments). In no event, however, shall any Payments be reduced if and to the extent such reduction would cause a violation of Section 409A or other applicable law. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any determination by the Accounting Firm shall be binding upon the Company and Employee.

6. **Successor To Company.** The Company shall require any successor, whether direct or indirect, to all or substantially all of the business, properties and assets of the Company whether by purchase, merger, consolidation or otherwise, prior to or simultaneously with such purchase, merger, consolidation or other acquisition to execute and to deliver to Employee a written instrument in form and in substance reasonably satisfactory to Employee pursuant to which any such successor shall agree to assume and to timely perform or to cause to be timely performed all of the Company's covenants, agreements and obligations set forth in this Agreement (a "Successor Agreement"). The failure of the Company to cause any such successor to execute and deliver a Successor Agreement to Employee shall constitute a material breach of the provisions of this Agreement by the Company.

7. **Restrictive Covenants.** In consideration of his employment and the other benefits arising under this Agreement, Employee agrees that during the term of this Agreement, and for a period of two (2) years (three (3) years in the event Section 4(a) hereof is applicable) following the termination of this Agreement, Employee shall not directly or indirectly:

(a) alone or as a partner, joint venturer, officer, director, member, employee, consultant, agent, independent contractor or stockholder of, or lender to, any company or business, (i) engage in the business of solid waste collection, disposal or recycling (the "Solid Waste Services Business") in any market in which the Company or any of its subsidiaries or affiliates does business, or any other line of business which is entered into by the Company

or any of its subsidiaries or affiliates during the term of this Agreement, or (ii) compete with the Company or any of its subsidiaries or affiliates in acquiring or merging with any other business or acquiring the assets of such other business; or

(b) for any reason, (i) induce any customer of the Company or any of its subsidiaries or affiliates to patronize any business directly or indirectly in competition with the Solid Waste Services Business conducted by the Company or any of its subsidiaries or affiliates in any market in which the Company or any of its subsidiaries or affiliates does business; (ii) canvass, solicit or accept from any customer of the Company or any of its subsidiaries or affiliates any such competitive business; or (iii) request or advise any customer or vendor of the Company or any of its subsidiaries or affiliates to withdraw, curtail or cancel any such customer's or vendor's business with the Company or any of its subsidiaries or affiliates; or

(c) for any reason, employ, or knowingly permit any company or business directly or indirectly controlled by him, to employ, any person who was employed by the Company or any of its subsidiaries or affiliates at or within the prior six months, or in any manner seek to induce any such person to leave his or her employment.

Notwithstanding the foregoing, the beneficial ownership of less than five percent (5%) of the shares of stock of any corporation having a class of equity securities actively traded on a national securities exchange or over-the-counter market shall not be deemed, in and of itself, to violate the prohibitions of this Section.

8. **Confidentiality.** Employee agrees that at all times during the term of this Agreement and after the termination of employment for as long as such information remains non-public information, Employee shall (a) hold in confidence and refrain from disclosing to any other party all information, whether written or oral, tangible or intangible, of a private, secret, proprietary or confidential nature, of or concerning the Company or any of its subsidiaries or affiliates and their business and operations, and all files, letters, memoranda, reports, records, computer disks or other computer storage medium, data, models or any photographic or other tangible materials containing such information ("Confidential Information"), including without limitation, any sales, promotional or marketing plans, programs, techniques, practices or strategies, any expansion plans (including existing and entry into new geographic and/or product markets), and any customer lists, (b) use the Confidential Information solely in connection with his employment with the Company or any of its subsidiaries or affiliates and for no other purpose, (c) take all precautions necessary to ensure that the Confidential Information shall not be, or be permitted to be, shown, copied or disclosed to third parties, without the prior written consent of the Company or any of its subsidiaries or affiliates, and (d) observe all security policies implemented by the Company or any of its subsidiaries or affiliates from time to time with respect to the Confidential Information. In the event that Employee is ordered to disclose any Confidential Information, whether in a legal or regulatory proceeding or otherwise, Employee shall provide the Company or any of its subsidiaries or affiliates with prompt notice of such request or order so that the Company or any of its subsidiaries or affiliates may seek to prevent disclosure. In addition to the foregoing Employee shall not at any time libel, defame, ridicule or otherwise disparage the Company.

9. **Specific Performance; Injunction.** The parties agree and acknowledge that the restrictions contained in Sections 7 and 8 are reasonable in scope and duration and are necessary to protect the Company or any of its subsidiaries or affiliates. If any provision of Section 7 or 8 as applied to any party or to any circumstance is adjudged by a court to be invalid or unenforceable, the same shall in no way affect any other circumstance or the validity or enforceability of any other provision of this Agreement. If any such provision, or any part thereof, is held to be unenforceable because of the duration of such provision or the area covered thereby, the parties agree that the court making such determination shall have the power to reduce the duration and/or area of such provision, and/or to delete specific words or phrases, and in its reduced form, such provision shall then be enforceable and shall be enforced. Employee agrees and acknowledges that the breach of Section 7 or 8 will cause irreparable injury to the Company or any of its subsidiaries or affiliates and upon breach of any provision of such Sections, the Company or any of its subsidiaries or affiliates shall be entitled to injunctive relief, specific performance or other equitable relief, without being required to post a bond; provided, however, that, this shall in no way limit any other remedies which the Company or any of its subsidiaries or affiliates may have (including, without limitation, the right to seek monetary damages).

10. **Nondisparagement.**

(a) The Employee shall not, at any time during his employment with the Company or thereafter, make any public or private statement to the news media, to any Company competitor or client, or to any other individual or entity, if such statement would disparage any of the Company, any of their respective businesses or any director or officer of any of them or such businesses or would have a deleterious effect upon the interests of any of such businesses or the stockholders or other owners of any of them; provided, however, that the Employee shall not be in breach of this restriction if such statements consist solely of (i) private statements made to any officers, directors or employees of any of the Company by the Employee in the course of carrying out his duties pursuant to this Agreement or, to the extent applicable, his duties as a director or officer, or (ii) private statements made to persons other than clients or competitors of any of the Company (or their representatives) or members of the press or the financial community that do not have a material adverse effect upon any of the Company; and provided that nothing contained in this paragraph or in any other provision of this Agreement shall preclude the Employee from making any statement in good faith that is required by law, regulation or order of any court or regulatory commission, department or agency.

(b) The Company shall not, at any time during the Employee's employment with the Company or thereafter, authorize any person to make, nor shall the Company condone the making of, any statement, publicly or privately, by its officers which would disparage the Employee; provided, however, that the Company shall not be in breach of this restriction if such statements consist solely of (i) private statements made to any officers, directors or employees of the Company or (ii) private statements made to persons other than clients or competitors of any of the Company (or their representatives) or members of the press or the financial community that do not have a material adverse effect upon the Employee; and provided, further, that nothing contained in this paragraph or in any other provision of this Agreement shall preclude any officer, director, employee, agent or other representative of any of the Company from making any statement in good faith which is required by any law, regulation or order of any court or regulatory commission, department or agency.

11. **Future Cooperation.** The Employee agrees to make himself reasonably available to the Company and its affiliates in connection with any claims, disputes, investigations, regulatory examinations or actions, lawsuits or administrative proceedings relating to matters in which the Employee was involved during the period in which he was Chief Operating Officer or Chief Executive Officer of the Company, and to provide information to the Company and otherwise cooperate with the Company and its affiliates in the investigation, defense or prosecution of such actions.

12. **Payments Contingent on Employee's Release of Company.** All of the payments and benefits to which the Employee would otherwise be entitled under Sections 3 and 4, except with respect to payments of accrued and unpaid Base Salary and vacation pay shall be contingent on the Employee's delivery to the Company of a signed and enforceable release of all claims against the Company, other than with respect to employee pension, health or medical benefit plans, rights to indemnification under the director and officer liability insurance policy, or under the bylaws or certificate of incorporation of the Company, within thirty (30) days of termination.

13. **Notices.** All notices, requests, demands, claims and other communications hereunder shall be in writing and shall be deemed given if delivered by hand delivery, by certified or registered mail (first class postage pre-paid), guaranteed overnight delivery or facsimile transmission if such transmission is confirmed by delivery by certified or registered mail (first class postage pre-paid) or guaranteed overnight delivery to, the following addresses and telecopy numbers (or to such other addresses or telecopy numbers which such party shall designate in writing to the other parties): (a) if to the Company, at its principal executive offices, addressed to the Chief Financial Officer, with a copy to the General Counsel; and (b) if to Employee, at the address listed on the signature page hereto.

14. **Amendment.** This Agreement may not be modified, amended, or supplemented, except by written instrument executed by all parties. The rights and remedies of the parties under this Agreement are in addition to all other rights and remedies, at law or equity, that they may have against each other.

15. **Assignment; Third Party Beneficiary.** This Agreement, and Employee's rights and obligations hereunder, may not be assigned or delegated by him. The Company may assign its rights, and delegate its obligations, hereunder to any affiliate of the Company, or any successor to the Company or its Solid Waste Services Business,

specifically including the restrictive covenants set forth in Section 7 hereof. The rights and obligations of the Company under this Agreement shall inure to the benefit of and be binding upon its respective successors and assigns.

16. **Severability; Survival.** In the event that any provision of this Agreement is found to be void and unenforceable by a court of competent jurisdiction, then such unenforceable provision shall be deemed modified so as to be enforceable (or if not subject to modification then eliminated herefrom) to the extent necessary to permit the remaining provisions to be enforced in accordance with the parties intention. The provisions of Sections 7, 8, 9, 10 and 11 will survive the termination for any reason of Employee's relationship with the Company.

17. **Indemnification.** The Company agrees to indemnify Employee during the term and after termination of this Agreement in accordance with the provisions of the Company's certificate of incorporation and bylaws and the Delaware General Corporation Law.

18. **Counterparts.** This Agreement may be signed in any number of counterparts, each of which shall be an original but all of which together shall constitute one and the same instrument.

19. **Governing Law.** This Agreement shall be construed in accordance with and governed for all purposes by the laws of the State of Arizona applicable to contracts executed and to be wholly performed within such State.

20. **Entire Agreement.** This Agreement contains the entire understanding of the parties in respect of its subject matter and supersedes all prior agreements and understandings (oral or written) between or among the parties with respect to such subject matter. Upon the execution of this Agreement the provisions of the 2012 Employment Agreement shall be superseded and shall be of no further force and effect.

21. **Headings.** The headings of Paragraphs and Sections are for convenience of reference and are not part of this Agreement and shall not affect the interpretation of any of its terms.

22. **Construction.** Capitalized terms not defined herein shall have the meanings as defined under the Company incentive or other plan, and awards thereunder, as the context requires. This Agreement shall be construed as a whole according to its fair meaning and not strictly for or against any party. The parties acknowledge that each of them has reviewed this Agreement and has had the opportunity to have it reviewed by their respective attorneys and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Agreement. Words of one gender shall be interpreted to mean words of another gender when necessary to construe this Agreement, and in like manner words in singular may be interpreted to be in the plural, and vice versa.

23. **Withholding.** All payments made to Employee shall be made net of any applicable withholding for income taxes, Excise Tax and Employee's share of FICA, FUTA or other taxes. The Company shall withhold such amounts from such payments to the extent required by applicable law and remit such amounts to the applicable governmental authorities in accordance with applicable law.

24. **Retirement Eligibility.** Upon Employee's retirement, in lieu of payments under Sections 3 and 4 (but not 25), the Company shall pay to Employee all of Employee's accrued but unpaid Base Salary through the date of retirement. In addition, for all stock option or restricted stock or restricted stock unit awards ("Equity Awards") and all monetary awards (including Annual Awards and Long Term Awards pursuant to the Executive Incentive Plan and any retirement contributions to the deferred compensation program) ("Monetary Awards"), in each case granted to Employee prior to July 26, 2006 ("Prior Awards"), such Employee shall be eligible to retire for purposes of the Prior Awards, and such Prior Awards shall fully vest in the event of such retirement, upon attaining either (a) the age of fifty-five (55) and having completed six (6) years of service with the Company or Allied Waste Industries, Inc. or (b) the age of sixty-five (65) without regard to years of service with the Company (the "Original Retirement Policy"). For all Equity Awards and/or Monetary Awards granted to Employee following July 26, 2006 ("Prospective Awards"), the Original Retirement Policy shall apply, and such Prospective Awards shall fully vest in the event of such retirement, provided, and only to the extent that, Employee shall provide the Company with not less than twelve (12) months prior

written notice of Employee's intent to retire. Failure by Employee to provide such written notice shall cause the Revised Retirement Policy (as hereinafter defined) to apply with respect to the vesting of Prospective Awards, but such failure shall have no effect whatsoever on the Prior Awards, all of which shall continue to be subject to the Original Retirement Policy. For purposes of this Agreement, (i) "Revised Retirement Policy" shall mean Employee has attained the age of (x) sixty (60) and has completed fifteen (15) years of continuous service with the Company or Allied Waste Industries, Inc. or (y) sixty-five (65) with five (5) years of continuous service with the Company or Allied Waste Industries, Inc. and (ii) all Annual Awards and all Long Term Awards shall vest and be paid on a prorated basis in an amount equal to the Annual Awards and Long Term Awards payment that the Compensation Committee of the Board of Directors determines would have been paid to Employee pursuant to the Executive Incentive Plan had Employee's employment continued to the end of the Performance Period multiplied by a fraction, the numerator of which is the number of completed months of employment during such Performance Period and the denominator of which is the total number of months in the Performance Period, within sixty (60) days after the end of the Company's Fiscal Year in which the Performance Period ends.

25. **Supplemental Retirement Benefit.**

(a) If the Employee has a termination of employment for any reason, the Company shall pay the Employee a cash lump sum supplemental retirement benefit within thirty (30) days (or, if necessary to comply with Code Section 409A, six (6) months) following the date of termination equal to \$2,287,972 increased from December 5, 2008 until the date of termination based upon an annual interest rate of six percent (6%), compounded annually.

(b) If the Employee has a termination of employment for any reason, other than due to Cause hereunder, the Company shall continue providing medical, dental, and/or vision coverage to the Employee and/or the Employee's family, at least equal to that which would have been provided to the Employee if the Employee's employment had not terminated, until the earlier of (1) the date the Employee becomes eligible for any comparable medical, dental, or vision coverage provided by any other employer, or (2) the date the Employee becomes eligible for Medicare or any government-sponsored or provided health care program that provides benefits similar to Medicare (whether or not such coverage is equivalent to that provided by the Company). If Employee terminates employment due to Employee's actions or omissions that constitute Cause hereunder, he shall not be entitled to the benefits set forth in this Section 25(b).

26. **Code Section 409A.**

(a) **General.** It is the intention of both the Company and Employee that the benefits and rights to which Employee could be entitled pursuant to this Agreement comply with Code Section 409A, to the extent that the requirements of Code Section 409A are applicable thereto, and the provisions of this Agreement shall be construed in a manner consistent with that intention. If Employee or the Company believes, at any time, that any such benefit or right that is subject to Code Section 409A does not so comply, it shall promptly advise the other and shall negotiate reasonably and in good faith to amend the terms of such benefits and rights such that they comply with Code Section 409A (with the most limited possible economic effect on Employee and on the Company).

(b) **Distributions on Account of Separation from Service.** If and to the extent required to comply with Code Section 409A, any payment or benefit required to be paid under this Agreement on account of termination of Employee's employment shall be made upon Employee incurring a "separation of service" within the meaning of Code Section 409A.

(c) **Timing of Severance Payments.** Notwithstanding anything in this Agreement to the contrary, if Employee is deemed to be a "specified employee" for purposes of Code Section 409A, no Severance Payment or other payments pursuant to, or contemplated by, this Agreement shall be made to Employee by the Company before the date that is six months after the Employee's "separation from service" (or, if earlier, the date of Employee's death) if and to the extent that such payment or benefit constitutes deferred compensation (or may be nonqualified deferred compensation) under Code Section 409A. Any payment or benefit delayed by reason of the prior sentence shall be paid out or provided in a single lump sum at the end of such required delay period in order to catch up to the original payment schedule.

(d) No Acceleration of Payments. Neither the Company nor Employee, individually or in combination, may accelerate any payment or benefit that is subject to Code Section 409A, except in compliance with Code Section 409A and the provisions of this Agreement, and no amount that is subject to Code Section 409A shall be paid prior to the earliest date on which it may be paid without violating Code Section 409A.

(e) Treatment of Each Installment as a Separate Payment. For purposes of applying the provisions of Code Section 409A to this Agreement, each separately identified amount to which Employee is entitled under this Agreement shall be treated as a separate payment. In addition, to the extent permissible under Code Section 409A, any series of installment payments under this Agreement shall be treated as a right to a series of separate payments.

(f) Reimbursements. Notwithstanding anything in this Agreement to the contrary, any payment, to the extent such payment constitutes deferral of compensation under Code Section 409A, to reimburse the Employee in an amount equal to all or a designated portion of the Federal, state, local, or foreign taxes imposed upon Employee as a result of compensation paid or made available to Employee by the Company, including the amount of additional taxes imposed upon Employee due to the Company's payment of the initial taxes on such compensation, or for other reimbursements, shall be made no later than the end of Employee's taxable year next following Employee's taxable year in which Employee remits the related taxes or incurs such expense.

(g) Continued Health Benefits. In the event that Employee receives continued health benefits pursuant to Section 3, 4 or 25 of this Agreement, such expense or reimbursement shall meet the following requirements: (i) the amount of expenses eligible for reimbursement provided to Employee during any calendar year will not affect the amount of expenses eligible for reimbursement or in-kind benefits provided to Employee in any other calendar year, (ii) the reimbursements for expenses for which Employee is entitled to be reimbursed shall be made on or before the last day of the calendar year following the calendar year in which the applicable expense is incurred, and (iii) the right to payment or reimbursement on in-kind benefits hereunder may not be liquidated or exchanged for any other benefit.

27. Beneficiary. If the Employee dies before receiving any payments due to him under Sections 3 or 4, or under Section 25 in the case of his death after terminating employment, the remaining payments will be paid to his beneficiary.

28. Arbitration. Except with respect to the remedies set forth in Section 9 hereof, if in the event of any controversy or claim between the Company or any of its affiliates and the Employee arising out of or relating to this Agreement, either party delivers to the other party a written demand for arbitration of a controversy or claim then such claim or controversy shall be submitted to binding arbitration. The binding arbitration shall be administered by the American Arbitration Association under its Commercial Arbitration Rules. The arbitration shall take place in Maricopa County, Arizona. Each of the Company and the Employee shall appoint one person to act as an arbitrator, and a third arbitrator shall be chosen by the first two arbitrators (such three arbitrators, the "Panel"). The Panel shall have no authority to award punitive damages against the Company or the Employee. The arbitrator shall have no authority to add to, alter, amend or refuse to enforce any portion of the disputed agreements. The Company and the Employee each waive any right to a jury trial or to petition for stay in any action or proceeding of any kind arising out of or relating to this Agreement.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the date first above written.

REPUBLIC SERVICES, INC., a Delaware
corporation

By: _____

EMPLOYEE:

Donald W. Slager

Address for Notices: Address shown on the payroll records of the Company

**NON-COMPETITION, NON-SOLICITATION, CONFIDENTIALITY
AND ARBITRATION AGREEMENT**

Republic Services, Inc. ("Company") and Michael Rissman ("Executive") enter into this Non-Competition, Non-Solicitation, Confidentiality and Arbitration Agreement ("Agreement"), effective October 30, 2013 ("Effective Date"). Company and Executive are collectively referred to as the "Parties" in this Agreement. The Parties agree as follows:

1. **Consideration Executive Will Receive Under This Agreement.** The Parties recognize that in order for Executive to perform duties on behalf of Company, Executive needs to manage, use or otherwise have access to Confidential Information (as defined below). Accordingly, Company agrees to provide Executive with access to Confidential Information, subject to the terms and conditions of this Agreement. Executive agrees that, in exchange for Company providing Executive with access to Confidential Information, Executive's eligibility to participate in Company's Executive Separation Policy or any successor or similar policy maintained by Company for the benefit of similarly situated employees, and Company's agreement to employ Executive on an at-will basis, Executive accepts all of the terms and conditions contained in this Agreement.

2. **General Duties.** Executive will be entrusted with significant responsibility for managing aspects of Company's business. Executive also acknowledges that, due to the confidential nature of Executive's job responsibilities, Executive will be entrusted with significant responsibility for managing, using and otherwise handling Confidential Information (as defined below). Accordingly, Executive owes a fiduciary duty of loyalty, fidelity and allegiance to act at all times in the best interests of Company and to refrain from doing or saying anything to a third party or subordinate that injures Company.

3. **Confidentiality Obligations.**

3.1 For purposes of this Agreement, "Confidential Information" means Company's proprietary information which includes, but is not limited to: information that would qualify as a trade secret; customer lists and agreements; customer service information; names of customer contacts and the identities of decision-makers; marketing plans; development plans; formulas; price data; cost data; price and fee amounts; pricing and billing policies; quoting procedures; marketing techniques; forecasts and forecast assumptions and volumes; non-public information regarding Company's actual or potential customers, suppliers or other vendors; non-public information about Company's routes, territories or target markets; Company's internal personnel and financial information, including purchasing and internal cost information and information about the profitability of particular operations; internal sales, service and operational manuals, policies and procedures; non-public information regarding the manner and methods of conducting Company's business; non-public information about Company's future plans, potential acquisition, divestiture and other strategies; non-public information about Company's landfill development plans, landfill capacities, special projects and the status of any permitting process or investigation; non-public information that gives Company some competitive business advantage, or the opportunity of obtaining such an advantage, or the disclosure of which could be detrimental to Company's interests; and other information that is not generally known outside Company.

3.2 As a direct consequence of Executive's access to Confidential Information, Executive agrees to the following restrictions and further agrees that such restrictions are reasonable:

(a) During Executive's employment with Company and after Executive's employment ends, Executive will not disclose Confidential Information to any person or entity either inside or outside of Company within the United States or any other territory, province or location in which Company conducts business other than as necessary in carrying out Executive's duties and responsibilities for Company, nor will Executive use, copy or transfer Confidential Information other than as necessary in carrying out Executive's duties and responsibilities for Company, without first obtaining Company's prior written consent. Nothing in this Agreement prohibits Executive from providing information to any administrative or governmental agency, or from testifying under the power of a subpoena issued from a court of competent jurisdiction. In the event a court concludes that the above post-employment restriction is unreasonable, Executive's obligations under this Section 3.2(a) will expire five (5) years after Executive's employment with Company ends.

(b) During Executive's employment with Company, Executive agrees not to use or disclose any previously obtained trade secret, proprietary or confidential information that Executive received from a prior employer or another third party.

(c) Executive agrees that all patents, trademarks or any other type of intellectual property right, wholly or partially, conceived, made, developed or created, solely or with any third party, in the course of Executive's employment with Company or using Company's resources, that relates in any manner to the actual or reasonably anticipated business, research or development of Company, or that is suggested by Company, or results from matters of which Executive is aware of as a result of Executive's employment with Company, or from any task assigned to Executive or work performed by Executive for or on behalf of Company, is the sole and exclusive property of Company. In order to further protect Company, Executive assigns and transfers to Company, and Company's legal representatives, successors and assigns, all of Executive's right, title and interest in any and all inventions, discoveries, developments, improvements, techniques, designs, data, processes, systems, works of authorship and all other work products, including, but not limited to, the right to possess all patents, trademarks, copyrights or other intellectual property rights (everywhere in the world) that Executive, either solely or jointly with others, conceives, makes, acquires, suggests, reduces to practice, or otherwise creates during Executive's employment with Company (or within six months later provided Executive's work product was a result solely of that employment) or using Company's resources. In addition, both during and after Executive's employment with Company ends, Executive agrees to reasonably cooperate, execute and deliver all documents to obtain, maintain and enforce any of the intellectual property rights described above or to carry out the intent of this Agreement.

(d) When Executive's employment with Company ends, or at the earlier request of Company, Executive agrees to immediately return to Company all Company property in Executive's possession, custody or control, including anything containing Confidential Information, such as books, notes, plans, documents, records, drawings, specifications, blueprints, reports, studies, notebooks, computers, drives, files, discs, video, photographs, audio recordings, PDAs, tablets, Blackberry, iPhone and Android devices, mobile telephones or other devices used to store electronic data (including any and all copies) whether made by Executive or which came into Executive's possession concerning the business or affairs of Company. Upon Company's request, Executive agrees to provide Company with a written acknowledgment confirming that Executive has returned all Company property and Confidential Information.

4. Non-Competition and Non-Solicitation Obligations.

4.1 Definitions.

(a) "Non-hazardous Solid Waste Management" means the collection, hauling, disposal or recycling of non-hazardous refuse, and any other services or products offered, conducted, authorized or provided by Company during the last two (2) years of Executive's employment.

(b) "Principal Competitor" means: (1) Waste Management, Inc.; (2) Waste Connections, Inc.; (3) Progressive Waste Solutions, Ltd.; (4) Advanced Disposal Services, Inc.; (5) Casella Waste Systems, Inc.; or (6) any other public or private business (including their predecessors, successors, parents, subsidiaries, or affiliate operations) conducting Non-hazardous Solid Waste Management in three (3) or more states, territories or provinces in which Company conducts business.

(c) "Competitor" means any public or private business that provides Non-hazardous Solid Waste Management in any state, territory, province or other location in which Company conducts business.

(d) "Render Services" means any of the following activities, whether done directly or through others, whether done in person or through telephonic, electronic, or some other means of communication, and whether done as a principal, owner, director, officer, agent, employee, partner, member, contractor or consultant: (1) performing any kind of services, functions, duties or actions (including, but not limited to, sales, marketing, brokering, supervision and/or management) related to Non-hazardous Solid Waste Management; (2) developing, managing, analyzing, processing or otherwise handling data or information related to Non-hazardous Solid Waste Management; (3) developing, managing, analyzing, processing or otherwise handling data or information related to the potential or actual acquisition of businesses that engage in Non-hazardous Solid Waste Management, or participating in any decision, or developing, or implementing any strategy, to acquire such businesses; (4) conducting, participating in, or otherwise assisting any review of the prices/rates charged by Company, whether in connection with an initial contract bid, a contract extension or a request for a price/rate increase; (5) soliciting, requesting, reviewing, analyzing or otherwise handling Confidential Information about the costs (including SG&A or operational), revenues or profit margins of Company; (6) determining, advising or recommending whether to award a contract to Company, extend a contract with Company or whether, and to what extent, Company may increase its

prices/rates; or (7) performing any activities that are the same as, or substantially similar to, the duties and functions Executive performed for Company at any time during the last two (2) years of Executive's employment.

(e) "Solicit" means any direct or indirect interaction between Executive and another person or entity that takes place in an effort to develop or further a business relationship.

(f) “Material Contact” exists with any customers or potential customers of Company with whom Executive dealt, whose dealings with Company were coordinated or supervised by Executive, about whom Executive obtained Confidential Information, or who received Non-hazardous Solid Waste Management services or products from Company and for which Executive received compensation, commission or earnings during the last two (2) years of Executive’s employment.

(g) “Facility” means the physical location at which Company owns, leases or operates: (1) an office, workplace or other location where Company conducts business; (2) a collection operation; or (3) a post-collection operation (including, but not limited to, landfills, transfer stations, material recovery facilities, recycling facilities and compost facilities).

4.2 *Prohibition Against Competition.* During Executive’s employment with Company, and for two (2) years after Executive’s employment ends, Executive will not Render Services on behalf of any Principal Competitor, or any Competitor, within any state, territory, province or other location in which Company conducts business. In the event a court concludes that the above post-employment restriction is unreasonable, Executive agrees that, for eighteen (18) months after Executive’s employment ends, Executive will not Render Services on behalf of any Principal Competitor, or any Competitor, within fifty (50) miles of any Facility.

4.3 *Prohibition Against Solicitation.*

(a) During Executive’s employment with Company, and for two (2) years after Executive’s employment ends, Executive will not Solicit on behalf of any Principal Competitor, or any Competitor, any customers or potential customers of Company with whom Executive had Material Contact. In the event a court concludes that the above post-employment restriction is unreasonable, Executive will not Solicit on behalf of any Principal Competitor, or any Competitor, any customers or potential customers of Company with whom Executive had Material Contact for eighteen (18) months after Executive’s employment with Company ends.

(b) During Executive’s employment with Company, and for two (2) years after Executive’s employment ends, Executive will not Solicit any employee, consultant, agent or independent contractor of Company to obtain employment with or perform services for another person or entity including, but not limited to, a Principal Competitor or a Competitor, to the detriment of Company. This restriction is limited to any employee, consultant, agent or independent contractor of Company that Executive had contact with during Executive’s employment or with whom Executive had knowledge of by virtue of Executive’s access to Confidential Information. In the event a court concludes that the above post-employment restriction is unreasonable, Executive will not Solicit any employee, consultant, agent or independent contractor of Company to obtain employment with or perform services for another person or entity including, but not limited to, a Principal Competitor or a Competitor, to the detriment of Company for eighteen (18) months after Executive’s employment with Company ends.

4.4 *Practice of Law.* Company and Executive acknowledge that nothing in this Section 4 restricts Executive, in any way, from engaging in the practice of law other than that already imposed on Executive by the applicable ethical rules of professional conduct.

5. **Obligation to Avoid Conflicts of Interest.** During Executive’s employment with Company, Executive agrees to abide by Company’s Conflicts of Interests policy, which includes not becoming involved, directly or indirectly, in a situation that a reasonable person would recognize to be a conflict of interest with Company. If Executive discovers, or is informed by Company, that Executive has become involved in a situation that is an actual or likely conflict of interest, Executive will take immediate action to eliminate the conflict. Company’s determination as to whether or not a conflict of interest exists will be conclusive.

6. **Notice to New Employers.** During Executive’s employment with Company, and for two (2) years after Executive’s employment ends, Executive will provide a copy of this Agreement to any prospective employer before accepting any offer of employment, or Rendering Services on behalf of any Principal Competitor or any Competitor.

7. **Judicial Modification.** If a court determines that any of the provisions in Sections 2, 3, 4, 5 or 6 of this Agreement are overbroad or unenforceable, the Parties expressly authorize the court to modify or strike the provision and impose the broadest restrictions permissible under the law, without affecting any other provision of this Agreement.

8. **Certain Definitions and Understandings.** The Parties expect that some or all of the duties or responsibilities of Company under this Agreement may be satisfied by its parent, subsidiary, related or successor companies ("Affiliates"). Accordingly, Executive acknowledges that the discharge of any duty or responsibility of Company under this Agreement by one or more of its Affiliates discharges Company's duty or responsibility in that regard. Executive further acknowledges that Executive's obligations under this Agreement will be owed to Company and its Affiliates (collectively referred to as "Company" in this Agreement).

9. **Injunctive Relief.** The Parties agree that, if Executive breaches any of the provisions in Sections 2, 3, 4, 5 or 6 of this Agreement, Company will suffer immediate and irreparable harm and that, in the event of such breach, Company will have, in addition to any and all remedies of law, the right to an injunction, specific performance and other equitable relief. Additionally, to provide Company with the protections it has bargained for in this Agreement, any period of time in which Executive has been in breach will extend, by that same amount of time, the time for which Executive should be prevented from further breaching the promises Executive made in Sections 2, 3, 4, 5 and 6 of this Agreement.

10. **Assignment.** Company may assign this Agreement upon written notice to Executive. Executive's rights and obligations under this Agreement are personal to Executive and may not be assigned.

11. **Waiver of Breach.** The waiver by any Party of a breach of any provision of this Agreement will neither operate nor be construed as a waiver of any subsequent breach.

12. **Attorneys' Fees.** The Parties agree that, if Executive is found to have breached any term, provision or section of this Agreement, Company will be entitled to recover the attorneys' fees and costs it incurred in enforcing this Agreement.

13. **Governing Law, Jurisdiction and Venue.** This Agreement shall be governed and interpreted in accordance with the laws of the State of Arizona. Additionally, the Parties agree that the courts situated in Maricopa County, Arizona will have personal jurisdiction over them to hear all disputes arising under, or related to, this Agreement and that venue will be proper only in Maricopa County, Arizona.

14. **Arbitration.** With the sole exception of any breach by Executive of the obligations Executive assumed under Sections 2, 3, 4, 5 and 6 of this Agreement (the breach of which permits Company to obtain judicial relief due to the exigent circumstances presented by such a breach), all other alleged breaches of this Agreement, or any other dispute between the Parties arising out of or in connection with Executive's employment with Company will be settled by binding arbitration to the fullest extent permitted by law. This Agreement to arbitrate applies to any claim for relief of any nature, including, but not limited to, claims of wrongful discharge under statutory or common law; employment discrimination based on federal, state or local statute, ordinance or governmental regulations, including, but not limited to, discrimination prohibited by Title VII of the Civil Rights Act, the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Family Medical Leave Act, and the Fair Labor Standards Act; claims of retaliatory discharge or other acts of retaliation; compensation disputes; tortious conduct; contractual violations; ERISA violations; and other statutory and common law claims and disputes, regardless of whether the statute was enacted or whether the common law doctrine was recognized at the time this Agreement was signed.

The Parties understand that they are agreeing to substitute one legitimate dispute resolution forum (arbitration) for another (litigation) because of the mutual advantages this forum offers, and are waiving their right to have their disputes (except as to alleged breaches of Sections 2, 3, 4, 5 and 6 of this Agreement) resolved in court. This substitution involves no surrender, by either Party, of any substantive, statutory or common law benefit, protection or defense.

The Parties agree that the arbitration proceeding will be conducted in Maricopa County, Arizona in accordance with the National Rules for the Resolution of Employment Disputes (National Rules) of the American Arbitration Association (AAA) in effect at the time a demand for arbitration is made. One arbitrator shall be used and he or she shall be chosen by mutual agreement of the Parties. If the Parties cannot agree on the selection of an arbitrator after thirty (30) days, an arbitrator shall be chosen by the AAA pursuant to its National Rules. The arbitrator shall coordinate and, as appropriate, limit all pre-arbitration discovery. However, the Parties shall have the right to obtain discovery through appropriate document requests, information requests, and depositions. The arbitrator shall issue a written decision and award, stating the reasons for the award. The decision and award shall be exclusive, final, and binding on the Parties, their heirs, executors, administrators, successors, and assigns.

Company will pay all costs and expenses associated with the arbitration, except for the filing fees and costs that would have been required had the proceeding been initiated and maintained in a state or federal court located in Maricopa County, Arizona, which fees and costs Executive agrees to pay. Each Party agrees to pay their own respective attorneys' fees and expenses throughout the arbitration proceeding. The arbitrator may award the successful Party its attorneys' fees and expenses at the conclusion of the arbitration and any other relief provided by law.

15. **Entire Agreement, No Oral Amendments.** This Agreement replaces and merges all previous agreements and discussions relating to the subjects addressed in this Agreement and it constitutes the entire agreement between the Parties in that regard. This Agreement may not be modified except by a written agreement signed by Executive, or Executive's representative, and an authorized representative of Company.

The Parties, intending to be bound, execute this Agreement as of the Effective Date.

EXECUTIVE COMPANY

Michael Rissman

By _____

Title _____

**AMENDMENT NO. 3 TO
REPUBLIC SERVICES, INC. DEFERRED COMPENSATION PLAN
AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 2010**

WHEREAS, Republic Services, Inc. (the "Company") maintains the Republic Services, Inc. Deferred Compensation Plan (the "Plan");

WHEREAS, the Plan was most recently amended and restated effective as of January 1, 2010 and further amended by Amendment No. 1 and Amendment No. 2 thereto; and

WHEREAS, the Company desires to further amend the Plan to limit the effect of Amendment No. 2 to those participants who retire on or before October 29, 2013.

NOW THEREFORE, the Plan is hereby amended, effective as of October 29, 2013 as follows:

I.

Section 3.9(c)(v) is hereby amended in its entirety to read as follows:

(v) A Participant who Retires on or before October 29, 2013 and is eligible to receive Retirements Benefits in accordance with Article VI may (x) elect at any time following the six (6) month anniversary of the date of the Participant's Retirement to reallocate part or all of the portion of the Participant's Account Balance that is allocated to the Republic Services Stock Unit Fund to one or more of the Measurement Funds (as described in Section 3.9(a) above) and to thereafter reallocate such amounts among the Measurement Funds in accordance with the provisions contained in Section 3.9 and (y) elect to receive, at such time or times that such amounts are otherwise payable under the Plan, part or all of the portion of the Participant's Account Balance that is the allocated to the Republic Services Stock Unit Fund in cash (rather than shares of Stock) equal to the fair market value of the shares of Stock equal in number to the number of the Participant's Units under the Plan that are being distributed in cash. The number of Units credited to a Participant's Account Balance shall be reduced if and to the extent the Participant elects to reallocate amounts allocated to the Stock Unit Fund to the Measurement Funds or the Participant elects a distribution of cash for amounts allocated to the Stock Unit Fund. The Committee may, in its discretion, establish rules and procedures setting forth the method and timing of making any election described in this Section 3.9(c)(v) and the date on which such election shall become effective.

IN WITNESS WHEREOF, the Company has caused the Plan to be amended as set forth herein as of October 29, 2013.

REPUBLIC SERVICES, INC.

By: _____
Name: Michael P. Rissman
Title: Executive Vice President and
General Counsel

**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Donald W. Slager, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Republic Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Donald W. Slager

Donald W. Slager
President and Chief Executive Officer
(Principal Executive Officer)

Date: October 31, 2013

**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Glenn A. Culpepper, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Republic Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Glenn A. Culpepper

Glenn A. Culpepper
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: October 31, 2013

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Republic Services, Inc. (the Company) for the period ended September 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Donald W. Slager, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Donald W. Slager

Donald W. Slager
President and Chief Executive Officer
(Principal Executive Officer)

Date: October 31, 2013

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Republic Services, Inc. (the Company) for the period ended September 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Glenn A. Culpepper, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Glenn A. Culpepper

Glenn A. Culpepper
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: October 31, 2013