

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

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended June 30, 2013

OR

☐ **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

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**REPUBLIC SERVICES, INC.**

(Exact name of registrant as specified in its charter)

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**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**

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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. (Check one):

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 July 18, 2013, the registrant had outstanding 362,022,894 shares of Common Stock, par value \$.01 per share (excluding treasury shares of 48,232,686).

## 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)

	June 30, 2013	December 31, 2012
	(Unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 96.7	\$ 67.6
Accounts receivable, less allowance for doubtful accounts of \$43.0 and \$45.3, respectively	876.5	836.6
Prepaid expenses and other current assets	170.0	209.3
Deferred tax assets	125.6	117.8
Total current assets	1,268.8	1,231.3
Restricted cash and marketable securities	183.8	164.2
Property and equipment, net	7,017.7	6,910.3
Goodwill	10,707.2	10,690.0
Other intangible assets, net	330.1	358.7
Other assets	266.6	262.4
Total assets	\$ 19,774.2	\$ 19,616.9
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 527.6	\$ 474.5
Notes payable and current maturities of long-term debt	15.3	19.4
Deferred revenue	298.7	313.2
Accrued landfill and environmental costs, current portion	234.0	195.5
Accrued interest	66.9	68.8
Other accrued liabilities	608.3	623.6
Total current liabilities	1,750.8	1,695.0
Long-term debt, net of current maturities	7,013.3	7,051.1
Accrued landfill and environmental costs, net of current portion	1,471.9	1,420.6
Deferred income taxes and other long-term tax liabilities	1,171.9	1,232.7
Self-insurance reserves, net of current portion	299.1	290.9
Other long-term liabilities	354.0	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; 410.1 and 405.2 issued including shares held in treasury, respectively	4.1	4.1
Additional paid-in capital	6,723.4	6,588.9
Retained earnings	2,413.0	2,403.2
Treasury stock, at cost (48.2 and 44.1 shares, respectively)	(1,422.7)	(1,287.1)
Accumulated other comprehensive loss, net of tax	(7.4)	(5.8)
Total Republic Services, Inc. stockholders' equity	7,710.4	7,703.3
Noncontrolling interests	2.8	2.4
Total stockholders' equity	7,713.2	7,705.7
Total liabilities and stockholders' equity	\$ 19,774.2	\$ 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 June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenue	\$ 2,111.7	\$ 2,060.6	\$ 4,110.3	\$ 4,043.0
Expenses:				
Cost of operations	1,410.0	1,238.5	2,633.1	2,441.7
Depreciation, amortization and depletion	217.0	214.9	426.6	428.6
Accretion	19.2	19.7	38.4	39.4
Selling, general and administrative	228.2	197.3	434.7	419.7
Negotiation and withdrawal costs - Central States Pension Fund	53.9	3.2	116.1	3.3
Gain on disposition of assets and impairments, net	(0.8)	—	(1.9)	(3.6)
Restructuring charges	3.0	—	7.9	—
Operating income	181.2	387.0	455.4	713.9
Interest expense	(90.2)	(98.8)	(179.8)	(203.1)
Loss on extinguishment of debt	(0.3)	(110.3)	(2.1)	(110.3)
Interest income	0.1	0.2	0.4	0.5
Other income, net	0.3	0.5	0.5	0.7
Income before income taxes	91.1	178.6	274.4	401.7
Provision for income taxes	34.7	29.1	93.1	109.4
Net income	56.4	149.5	181.3	292.3
Net income attributable to noncontrolling interests	(0.1)	(0.3)	(0.4)	(0.2)
Net income attributable to Republic Services, Inc.	\$ 56.3	\$ 149.2	\$ 180.9	\$ 292.1
Basic earnings per share attributable to Republic Services, Inc. stockholders:				
Basic earnings per share	\$ 0.16	\$ 0.41	\$ 0.50	\$ 0.79
Weighted average common shares outstanding	362.9	367.9	362.8	369.4
Diluted earnings per share attributable to Republic Services, Inc. stockholders:				
Diluted earnings per share	\$ 0.15	\$ 0.40	\$ 0.50	\$ 0.79
Weighted average common and common equivalent shares outstanding	364.4	368.9	364.2	370.7
Cash dividends declared per common share	\$ 0.235	\$ 0.220	\$ 0.470	\$ 0.440

The accompanying notes are an integral part of these statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income	\$ 56.4	\$ 149.5	\$ 181.3	\$ 292.3
Other comprehensive income (loss), net of tax				
Hedging activity:				
Settlements	0.3	(2.4)	1.2	(2.1)
Realized losses (gains) reclassified into earnings	0.1	—	(0.4)	—
Unrealized losses	(3.1)	(12.1)	(2.4)	(4.7)
Pension activity:				
Change in funded status of pension plan obligations	—	—	—	(3.5)
Other comprehensive loss, net of tax	(2.7)	(14.5)	(1.6)	(10.3)
Comprehensive income	53.7	135.0	179.7	282.0
Comprehensive income attributable to noncontrolling interests	(0.1)	(0.3)	(0.4)	(0.2)
Comprehensive income attributable to Republic Services, Inc.	\$ 53.6	\$ 134.7	\$ 179.3	\$ 281.8

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	—	—	—	180.9	—	—	—	0.4
Other comprehensive income	—	—	—	—	—	—	(1.6)	—
Cash dividends declared	—	—	—	(170.0)	—	—	—	—
Issuances of common stock	4.9	—	125.0	—	—	—	—	—
Stock-based compensation	—	—	9.5	(1.1)	—	—	—	—
Purchase of common stock for treasury	—	—	—	—	(4.1)	(135.6)	—	—
Balance as of June 30, 2013	410.1	\$ 4.1	\$ 6,723.4	\$ 2,413.0	(48.2)	\$ (1,422.7)	\$ (7.4)	\$ 2.8

The accompanying notes are an integral part of these statements.

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

	Six Months Ended June 30,	
	2013	2012
Cash provided by operating activities:		
Net income	\$ 181.3	\$ 292.3
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation, amortization, depletion and accretion	465.0	468.0
Non-cash interest expense	23.7	32.5
Restructuring related charges	7.9	—
Stock-based compensation	12.1	12.7
Deferred tax benefit	(54.5)	(25.7)
Provision for doubtful accounts, net of adjustments	7.5	12.8
Loss on extinguishment of debt	2.1	110.3
Gain on disposition of assets, net and asset impairments	(5.8)	(10.9)
Withdrawal liability - Central States Pension Fund	99.9	—
Remediation adjustments	113.9	(11.3)
Excess income tax benefit from stock option exercises and other non-cash items	(1.6)	(0.6)
Change in assets and liabilities, net of effects from business acquisitions and divestitures:		
Accounts receivable	(40.1)	(30.5)
Prepaid expenses and other assets	(4.2)	(3.9)
Accounts payable	40.1	(28.3)
Restructuring and synergy related expenditures	(12.6)	(68.1)
Capping, closure and post-closure expenditures	(41.8)	(31.3)
Remediation expenditures	(51.3)	(28.5)
Other liabilities	19.9	5.5
Cash provided by operating activities	761.5	695.0
Cash used in investing activities:		
Purchases of property and equipment	(461.8)	(462.5)
Proceeds from sales of property and equipment	7.4	21.4
Cash used in business acquisitions and development projects, net of cash acquired	(28.5)	(71.8)
Cash proceeds from divestitures, net of cash divested	2.7	9.6
Change in restricted cash and marketable securities	(19.6)	50.7
Other	(1.9)	(0.3)
Cash used in investing activities	(501.7)	(452.9)
Cash used in financing activities:		
Proceeds from notes payable and long-term debt	771.7	1,368.1
Proceeds from issuance of senior notes, net of discount	—	847.6
Payments of notes payable and long-term debt	(820.5)	(2,116.3)
Premiums paid on extinguishment of debt	—	(25.8)
Fees paid to issue and retire notes and certain hedging relationships	(1.5)	(16.2)
Issuances of common stock	122.9	37.5
Excess income tax benefit from stock option exercises	2.1	1.4
Purchases of common stock for treasury	(135.6)	(172.4)
Cash dividends paid	(169.8)	(163.0)
Cash used in financing activities	(230.7)	(239.1)
Increase in cash and cash equivalents	29.1	3.0
Cash and cash equivalents at beginning of period	67.6	66.3
Cash and cash equivalents at end of period	\$ 96.7	\$ 69.3

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, our, or the company) 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 companies to disclose 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 six months ended June 30, 2013 and 2012. The purchase price paid for these acquisitions during those periods and the preliminary allocation of the purchase price as of June 30 are as follows:

	2013	2012
Purchase price:		
Cash used in acquisitions, net of cash acquired	\$ 28.5	\$ 71.8
Holdbacks	3.4	0.2
Total	31.9	72.0
Allocated as follows:		
Working capital	0.9	2.3
Property and equipment	8.1	22.7
Other liabilities, net	(1.8)	(2.7)
Value of assets acquired and liabilities assumed	7.2	22.3
Excess purchase price to be allocated	\$ 24.7	\$ 49.7
Excess purchase price allocated as follows:		
Other intangible assets	\$ 4.1	\$ 13.7
Goodwill	20.6	36.0
Total allocated	\$ 24.7	\$ 49.7

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 six months ended June 30, 2013, we incurred \$7.9 million of restructuring charges, which consisted of severance and other employee termination benefits, relocation benefits, and the closure of offices with lease agreements with non-cancellable terms. During the six months ended June 30, 2013, we paid \$12.6 million related to these restructuring charges. As of June 30, 2013, \$4.3 million remains accrued for severance and other employee termination benefits and lease exit costs. We expect to incur approximately \$3.9 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 2013.

## 3. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

### Goodwill

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

	Balance at December 31, 2012	Acquisitions	Divestitures	Adjustments to Acquisitions	Balance at June 30, 2013
East	\$ 3,014.9	\$ 0.1	\$ —	\$ (1.2)	\$ 3,013.8
Central	3,242.7	16.7	—	(0.6)	3,258.8
West	4,432.4	3.8	(0.7)	(0.9)	4,434.6
Total	\$ 10,690.0	\$ 20.6	\$ (0.7)	\$ (2.7)	\$ 10,707.2

**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, non-compete agreements and trade names, 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			
	Balance at December 31, 2012	Acquisitions	Balance at June 30, 2013	Balance at December 31, 2012	Additions Charged to Expense	Balance at June 30, 2013	Net Intangibles at June 30, 2013
Customer relationships, franchise and other municipal agreements	\$ 579.0	\$ 2.2	\$ 581.2	\$ (252.4)	\$ (28.4)	\$ (280.8)	\$ 300.4
Trade names	30.0	—	30.0	(24.5)	(3.0)	(27.5)	2.5
Non-compete agreements	20.4	1.9	22.3	(12.0)	(1.4)	(13.4)	8.9
Other intangible assets	63.5	0.5	64.0	(45.3)	(0.4)	(45.7)	18.3
<b>Total</b>	<b>\$ 692.9</b>	<b>\$ 4.6</b>	<b>\$ 697.5</b>	<b>\$ (334.2)</b>	<b>\$ (33.2)</b>	<b>\$ (367.4)</b>	<b>\$ 330.1</b>

**4. OTHER ASSETS**
**Prepaid Expenses and Other Current Assets**

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

	2013	2012
Inventories	\$ 36.0	\$ 34.5
Prepaid expenses	50.6	54.4
Other non-trade receivables	32.4	39.6
Income tax receivable	46.6	69.0
Commodity and fuel hedge asset	1.7	4.1
Other current assets	2.7	7.7
<b>Total</b>	<b>\$ 170.0</b>	<b>\$ 209.3</b>

**Other Assets**

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

	2013	2012
Deferred financing costs	\$ 54.7	\$ 58.8
Deferred compensation plan	61.0	49.9
Notes and other receivables	18.7	17.9
Reinsurance receivable	47.7	59.7
Other	84.5	76.1
<b>Total</b>	<b>\$ 266.6</b>	<b>\$ 262.4</b>

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

## 5. OTHER LIABILITIES

### Other Accrued Liabilities

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

	2013	2012
Accrued payroll and benefits	\$ 140.6	\$ 157.1
Accrued fees and taxes	113.8	124.2
Self-insurance reserves, current portion	138.9	135.5
Accrued dividends	85.1	84.9
Current tax liabilities	12.4	2.1
Accrued professional fees and legal settlement reserves	31.9	34.6
Restructuring liabilities	4.3	9.0
Other	81.3	76.2
Total	<u>\$ 608.3</u>	<u>\$ 623.6</u>

Other accrued liabilities include the fair value of fuel and commodity hedges of \$3.1 million and \$1.6 million as of June 30, 2013 and December 31, 2012, respectively.

### Other Long-Term Liabilities

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

	2013	2012
Deferred compensation liability	\$ 60.2	\$ 50.0
Pension and other post-retirement liabilities	11.3	12.7
Legal settlement reserves	49.8	36.4
Ceded insurance reserves	47.7	59.7
Withdrawal liability - Central States Pension Fund	130.6	30.7
Other	54.4	31.4
Total	<u>\$ 354.0</u>	<u>\$ 220.9</u>

### Self-Insurance Reserves

In general, our self-insurance reserves are recorded on an undiscounted basis. However, the self-insurance liabilities we acquired in the acquisition of Allied Waste Industries, Inc. (Allied) have been recorded at our acquisition date estimate of fair value and, therefore, have been discounted to present value. Discounted reserves are accreted to non-cash interest expense through the period they are paid.

Our liabilities for unpaid and incurred but not reported claims at June 30, 2013 (which include claims for workers' compensation, general liability, vehicle liability and employee health care benefits) were \$438.0 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 June 30, 2013, we owned or operated 192 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 128 closed landfills.

### Accrued Landfill and Environmental Costs

A summary of landfill and environmental liabilities as of June 30, 2013 and December 31, 2012 follows:

	2013	2012
Final capping, closure and post-closure liabilities	\$ 1,066.3	\$ 1,052.4
Remediation	639.6	563.7
Total accrued landfill and environmental costs	1,705.9	1,616.1
Less: Current portion	(234.0)	(195.5)
Long-term portion	\$ 1,471.9	\$ 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 six months ended June 30:

	2013	2012
Asset retirement obligation liabilities, beginning of year	\$ 1,052.4	\$ 1,037.0
Non-cash additions	17.6	17.1
Acquisitions/divestitures and other adjustments	0.1	(1.9)
Asset retirement obligation adjustments	(0.4)	8.0
Payments	(41.8)	(31.3)
Accretion expense	38.4	39.4
Asset retirement obligation liabilities, end of period	1,066.3	1,068.3
Less: Current portion	(105.4)	(94.5)
Long-term portion	\$ 960.9	\$ 973.8

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.

The fair value of assets that are legally restricted for purposes of collateralizing certain of our final capping, closure and post-closure obligations was \$55.3 million and \$54.8 million as of June 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, and 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

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actions. If we used the reasonably possible high ends of our ranges, our aggregate potential remediation liability at June 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 six months ended June 30:

	2013	2012
Remediation liabilities, beginning of year	\$ 563.7	\$ 543.7
Remediation adjustments	113.9	(11.3)
Payments	(51.3)	(28.5)
Accretion expense (non-cash interest expense)	13.3	16.1
Remediation liabilities, end of period	639.6	520.0
Less: Current portion	(128.6)	(86.8)
Long-term portion	<u>\$ 511.0</u>	<u>\$ 433.2</u>

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 in the amount of \$108.7 million to manage the remediation area and monitor the site. As of June 30, 2013, the remediation liability recorded for this site is \$143.4 million, of which \$64.5 million is expected to be paid during the next twelve months. We believe the remaining reasonably possible range of loss for remediation costs is \$112 million to \$392 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 June 30, 2013 is \$51.0 million, of which \$4.0 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 \$70 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 June 30, 2013 is \$83.8 million, of which \$8.6 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.

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**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)**

## 7. DEBT

Our notes payable, capital leases and long-term debt as of June 30, 2013 and December 31, 2012 are listed in the following table in millions, and are presented net of 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	June 30, 2013			December 31, 2012		
		Principal	Discount	Carry Value	Principal	Discount	Carry Value
<b>Credit facilities:</b>							
Uncommitted revolver	Variable	\$ —	\$ —	\$ —	\$ 13.9	\$ —	\$ 13.9
April 2016	Variable	—	—	—	25.0	—	25.0
May 2017	Variable	—	—	—	—	—	—
<b>Senior notes:</b>							
May 2018	3.800	700.0	(0.2)	699.8	700.0	(0.2)	699.8
September 2019	5.500	650.0	(3.2)	646.8	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	(1.2)	548.8	550.0	(1.3)	548.7
March 2035	6.086	275.7	(24.7)	251.0	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
<b>Debentures:</b>							
May 2021	9.250	35.3	(1.8)	33.5	35.3	(1.9)	33.4
September 2035	7.400	165.3	(41.3)	124.0	165.2	(41.4)	123.8
<b>Tax-exempt:</b>							
2014 - 2038	0.250 - 5.625	1,092.8	(0.2)	1,092.6	1,097.9	(0.4)	1,097.5
<b>Other:</b>							
2013 - 2046	5.000 - 11.900	88.1	—	88.1	87.2	—	87.2
<b>Total Debt</b>		<u>\$ 7,107.2</u>	<u>\$ (78.6)</u>	7,028.6	<u>\$ 7,150.2</u>	<u>\$ (79.7)</u>	7,070.5
Less: Current portion				(15.3)			(19.4)
Long-term portion				\$ 7,013.3			\$ 7,051.1

### Loss on Extinguishment of Debt

During the six months ended June 30, 2013, we refinanced certain of our tax-exempt financings, resulting in a \$2.1 million non-cash write-off of 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 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

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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 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 June 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 \$701.7 million and \$909.4 million of letters of credit using availability under our Credit Facilities, leaving \$1,548.3 million and \$1,315.6 million of availability under our Credit Facilities at June 30, 2013 and December 31, 2012, respectively.

In March 2012, we entered into a new \$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 also is 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 June 30, 2013, we had no borrowings under our Uncommitted Credit Facility. As of December 31, 2012, we had \$13.9 million of LIBOR borrowings.

### **Tax-Exempt Financings**

As of June 30, 2013, approximately 85% of our tax-exempt financings are remarketed quarterly, weekly or daily 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 \$87.9 million and \$87.0 million as of June 30, 2013 and December 31, 2012, respectively, with maturities ranging from 2013 to 2046.

### **Fair Value of Debt**

The fair value of our fixed rate senior notes was \$6.5 billion and \$6.9 billion at June 30, 2013 and December 31, 2012, respectively. The carrying value of our fixed rate senior notes was \$5.8 billion and \$5.8 billion at June 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), is determined as of the balance sheet date and is subject to change.

### **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.

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**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)**

**Interest Rate Swap and Lock Agreements**

From time to time, we enter into treasury and interest rate locks to manage exposure to fluctuations in interest rates in anticipation of future debt issuances. These transactions are accounted for as cash flow hedges. As of June 30, 2013 and 2012, no interest rate lock cash flow hedges were outstanding.

As of June 30, 2013 and December 31, 2012, the effective portion of the interest rate locks, recorded as a component of accumulated other comprehensive income, was \$23.9 million and \$24.6 million, respectively. The effective portion of the interest rate locks will be amortized as an adjustment to interest expense over the life of the issued debt using the effective interest rate method. We expect to amortize \$2.5 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 June 30, 2013 and 2012 was \$0.6 million and \$0.5 million, respectively, and for the six months ended June 30, 2013 and 2012 was \$1.2 million and \$1.0 million, respectively.

**8. INCOME TAXES**

We record interim income tax expense based upon our anticipated full year effective income tax rate. Our effective tax rate, exclusive of noncontrolling interests, for the three and six months ended June 30, 2013 was 38.1% and 34.0%, respectively. The effective tax rate, exclusive of noncontrolling interests, for the three and six months ended June 30, 2012 was 16.3% and 27.2%, respectively.

The effective tax rate for the six months ended June 30, 2013 was favorably affected by the January 2013 resolution of our 2009-2010 tax years with the IRS appeals division and Congressional Joint Committee on Taxation. The effective tax rate for the three and six months ended June 30, 2012 was favorably affected by a change in estimated non-deductible penalties relating to certain legal settlements and the settlement of Allied's 2004-2008 tax years at the IRS appeals division.

Cash paid for income taxes was \$116.8 million and \$87.7 million for the six months ended June 30, 2013 and 2012, respectively.

We recognize interest and penalties as incurred within the provision for income taxes in the consolidated statements of income. As of June 30, 2013, we have accrued a liability for penalties of \$0.5 million and a liability for interest (including interest on penalties) of \$16.0 million related to our uncertain tax positions.

We believe that our recorded liabilities for uncertain tax positions 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 that the amount of unrecognized tax benefits will increase or decrease. Gross unrecognized benefits that 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 of a specific Allied subsidiary for which we provide a valuation allowance due to uncertainty surrounding the future utilization of these carryforwards in taxing jurisdictions where the loss carryforwards exist. Prior to the 2008 merger, this subsidiary never reported positive earnings. At June 30, 2013, we have a deferred tax asset for state loss carryforwards of \$130.7 million offset by a valuation allowance of \$113.8 million.

As of June 30, 2013, this subsidiary remains in a cumulative pre-tax loss position. However, this cumulative loss has steadily decreased over the past several quarters. If current trends continue, we expect this entity will no longer be in a cumulative loss position by the end of 2013.

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 the company's deferred tax asset for state loss carryforwards ultimately depends upon the existence of sufficient taxable income in the appropriate state taxing jurisdiction 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 future period if there is sufficient evidence to support a conclusion that it is more likely than not that certain of the state net operating



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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.

## 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 16.7 million shares of common stock reserved for future grants under the plan.

### Stock Options

The following table summarizes the stock option activity for the six months ended June 30, 2013:

	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 31, 2012	13.7	\$ 27.51		
Granted	3.0	31.19		
Exercised	(4.6)	26.24		\$ 29.3
Forfeited or expired	(0.3)	29.49		
Outstanding at June 30, 2013	11.8	\$ 28.86	4.7	\$ 59.9
Exercisable at June 30, 2013	5.2	\$ 27.17	3.4	\$ 35.0

During the six months ended June 30, 2013 and 2012, compensation expense for stock options was \$7.9 million.

As of June 30, 2013, total unrecognized compensation expense related to outstanding stock options was \$15.7 million, which will be recognized over a weighted average period of 2.0 years.

### Other Stock Awards

The following table summarizes the restricted stock unit and restricted stock activity for the six months ended June 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
Other stock awards at December 31, 2012	905.3	\$ 27.51		
Granted	320.2	30.39		
Vested and issued	(99.1)	27.42		
Forfeited	(6.1)	30.65		
Other stock awards at June 30, 2013	1,120.3	\$ 28.34	0.8	\$ 38.0
Vested and unissued at June 30, 2013	723.3	\$ 27.52		

During the six months ended June 30, 2013, we awarded our non-employee directors 67,500 restricted stock units, which vested immediately. During the six months ended June 30, 2013, we awarded 237,721 restricted stock units to executives. In addition, 14,953 restricted stock units were earned as dividend equivalents. The 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. The compensation expense related to restricted stock units and restricted stock is amortized ratably over the vesting period.

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During the six months ended June 30, 2013 and 2012, compensation expense related to restricted stock units and restricted stock totaled \$4.2 million and \$4.8 million, respectively.

**10. STOCKHOLDERS' EQUITY AND EARNINGS PER SHARE**

We have had a share repurchase program since November 2010. From November 2010 to June 30, 2013, we repurchased 33.1 million shares of our stock for \$960.6 million at a weighted average cost per share of \$29.00. During the three months ended June 30, 2013, we repurchased 2.0 million shares of our stock for \$68.1 million at a weighted average cost per share of \$33.86.

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 the quarterly dividend of \$0.26 per share. Cash dividends declared were \$170.0 million and \$161.9 million for the six months ended June 30, 2013 and 2012, respectively. As of June 30, 2013, we recorded a quarterly dividend payable of \$85.1 million to stockholders of record as of July 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 six months ended June 30, 2013 and 2012 are calculated as follows (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
<b>Basic earnings per share:</b>				
Net income attributable to Republic Services, Inc.	\$ 56,300	\$ 149,200	\$ 180,900	\$ 292,100
Weighted average common shares outstanding	362,948	367,886	362,808	369,442
Basic earnings per share	\$ 0.16	\$ 0.41	\$ 0.50	\$ 0.79
<b>Diluted earnings per share:</b>				
Net income attributable to Republic Services, Inc.	\$ 56,300	\$ 149,200	\$ 180,900	\$ 292,100
Weighted average common shares outstanding	362,948	367,886	362,808	369,442
<b>Effect of dilutive securities:</b>				
Options to purchase common stock	1,400	887	1,387	1,151
Unvested restricted stock awards	39	98	28	88
Weighted average common and common equivalent shares outstanding	364,387	368,871	364,223	370,681
Diluted earnings per share	\$ 0.15	\$ 0.40	\$ 0.50	\$ 0.79
<b>Antidilutive securities not included in the diluted earnings per share calculations:</b>				
Options to purchase common stock	2,523	8,416	2,393	7,811

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**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)**

**11. CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME BY COMPONENT**

A summary of changes in accumulated other comprehensive income by component for the six months ended June 30, 2013 follows:

	Gains and Losses on Cash Flow Hedges	Defined Benefit Pension Items	Total
Beginning balance, December 31, 2012	\$ 23.1	\$ (17.3)	\$ 5.8
Other comprehensive loss before reclassifications	1.2	—	1.2
Amounts reclassified from accumulated other comprehensive income	0.4	—	0.4
Net current-period other comprehensive loss	1.6	—	1.6
Ending balance, June 30, 2013	<u>\$ 24.7</u>	<u>\$ (17.3)</u>	<u>\$ 7.4</u>

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

Details about Accumulated Other Comprehensive Income Components	Three Months Ended June 30,		Six Months Ended June 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	\$ —	\$ 0.1	\$ 0.1	\$ 0.2	Revenue
Fuel hedges	0.5	0.4	1.8	0.8	Cost of operations
Interest rate contracts	(0.6)	(0.5)	(1.2)	(1.0)	Interest expense
	(0.1)	—	0.7	—	Total before tax
	—	—	(0.3)	—	Tax expense
	\$ (0.1)	\$ —	\$ 0.4	\$ —	Net of tax

**12. FINANCIAL INSTRUMENTS**
**Fuel Hedges**

We have entered into multiple swap agreements designated as cash flow hedges to mitigate some of our exposure related to changes in diesel fuel prices. The swaps qualified for, and were designated as, effective hedges of changes in the prices of forecasted diesel fuel purchases (fuel hedges).

The following table summarizes our outstanding fuel hedges as of June 30, 2013:

Year	Remaining Gallons Hedged	Weighted Average Contract Price per Gallon
2013	15,060,000	\$3.81
2014	27,000,000	3.81
2015	15,000,000	3.73
2016	9,000,000	3.69

If the national U.S. on-highway average price for a gallon of diesel fuel as published by the Department of Energy exceeds the contract price per gallon, we receive the difference between the average price and the contract price (multiplied by the notional gallons) from the counterparty. If the average price is less than the contract price per gallon, we pay the difference to the counterparty.

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**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)**

The fair values of our fuel hedges are determined using standard option valuation models with assumptions about commodity prices being based on those observed in underlying markets (Level 2 in the fair value hierarchy). The aggregated fair values of our outstanding fuel hedges at June 30, 2013 and December 31, 2012 were current assets of \$1.3 million and \$3.1 million and current liabilities of \$2.2 million and \$0.4 million, respectively, and have been recorded in 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 six months ended June 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 fuel hedges on our comprehensive income for the three and six months ended June 30, 2013 and 2012:

Derivatives in Cash Flow Hedging Relationships	Amount of Loss Recognized in OCI on Derivatives (Effective Portion)	
	Three Months Ended June 30,	
	2013	2012
Fuel hedges	\$ (3.5)	\$ (11.9)
	Six Months Ended June 30,	
	2013	2012
Fuel hedges	\$ (2.2)	\$ (4.2)

**Recycling Commodity Hedges**

Our revenue from sales of recycling commodities is primarily from sales of old corrugated cardboard (OCC) and old newspaper (ONP). We use derivative instruments such as swaps and costless collars designated as cash flow hedges to manage our exposure to changes in prices of these commodities. We have entered into multiple agreements related to forecasted OCC and ONP sales. The agreements qualified for, and were designated as, effective hedges of changes in the prices of certain forecasted recycling commodity sales (commodity hedges).

We entered into costless collar agreements on forecasted sales of OCC and ONP. The agreements involve combining a purchased put option giving us the right to sell OCC and ONP at an established floor strike price with a written call option 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 options resulted in no net premium for us and represent costless collars. Under the 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 June 30, 2013:

Year	Transaction Hedged	Remaining Tons Hedged	Weighted Average	
			Floor Strike Price Per Short Ton	Cap Strike Price Per Short Ton
2013	OCC	129,000	\$85	\$129
2013	ONP	12,000	65	90
2014	OCC	18,000	85	116

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**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)**

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 June 30, 2013 and December 31, 2012 were current assets of \$0.4 million and \$1.0 million, respectively, and current liabilities of \$0.9 million and \$1.2 million, respectively, and have been recorded in 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 six months ended June 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 our comprehensive income for the three and six months ended June 30, 2013 and 2012:

Derivatives in Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivatives (Effective Portion)		
	Three Months Ended June 30,		
	2013	2012	
Recycling commodity hedges	\$ 0.4	\$	(0.2)
	Six Months Ended June 30,		
	2013	2012	
	2013	2012	2012
Recycling commodity hedges	\$ (0.2)	\$	(0.5)

**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.

As of June 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 June 30, 2013	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Money market mutual funds	\$ 81.1	\$ 81.1	\$ —	\$ —
Bonds	42.3	—	42.3	—
Fuel hedges - other current assets	1.3	—	1.3	—
Commodity hedges - other current assets	0.4	—	0.4	—
Total assets	<u>\$ 125.1</u>	<u>\$ 81.1</u>	<u>\$ 44.0</u>	<u>\$ —</u>
<b>Liabilities:</b>				
Fuel hedges - other accrued liabilities	2.2	—	2.2	—
Commodity hedges - other accrued liabilities	0.9	—	0.9	—
Total liabilities	<u>\$ 3.1</u>	<u>\$ —</u>	<u>\$ 3.1</u>	<u>\$ —</u>

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**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)**

	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)
<b>Assets:</b>				
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	<u>\$ 107.0</u>	<u>\$ 62.8</u>	<u>\$ 44.2</u>	<u>\$ —</u>
<b>Liabilities:</b>				
Fuel hedges - other accrued liabilities	\$ 0.4	\$ —	\$ 0.4	\$ —
Commodity hedges - other accrued liabilities	1.2	—	1.2	—
Total liabilities	<u>\$ 1.6</u>	<u>\$ —</u>	<u>\$ 1.6</u>	<u>\$ —</u>

### 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 six months ended June 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
<b>Three Months Ended June 30, 2013</b>							
East	\$ 725.0	\$ (103.6)	\$ 621.4	\$ 62.6	\$ 113.7	\$ 38.2	\$ 4,882.0
Central	795.2	(156.9)	638.3	77.0	113.3	87.0	5,718.2
West	1,008.9	(183.9)	825.0	85.0	188.6	107.5	8,263.0
Corporate entities	30.7	(3.7)	27.0	11.6	(234.4)	14.3	911.0
Total	<u>\$ 2,559.8</u>	<u>\$ (448.1)</u>	<u>\$ 2,111.7</u>	<u>\$ 236.2</u>	<u>\$ 181.2</u>	<u>\$ 247.0</u>	<u>\$ 19,774.2</u>
<b>Three Months Ended June 30, 2012</b>							
East	\$ 722.7	\$ (101.8)	\$ 620.9	\$ 61.9	\$ 125.6	\$ 39.1	\$ 4,918.7
Central	763.3	(141.7)	621.6	73.3	119.6	61.9	5,600.1
West	964.4	(169.2)	795.2	83.1	177.4	70.3	8,241.4
Corporate entities	26.5	(3.6)	22.9	16.3	(35.6)	17.0	830.1
Total	<u>\$ 2,476.9</u>	<u>\$ (416.3)</u>	<u>\$ 2,060.6</u>	<u>\$ 234.6</u>	<u>\$ 387.0</u>	<u>\$ 188.3</u>	<u>\$ 19,590.3</u>

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

	Gross Revenue	Intercompany Revenue	Net Revenue	Depreciation, Amortization, Depletion and Accretion	Operating Income (Loss)	Capital Expenditures	Total Assets
<b>Six Months Ended June 30, 2013</b>							
East	\$ 1,418.7	\$ (199.0)	\$ 1,219.7	\$ 124.0	\$ 229.3	\$ 70.4	\$ 4,882.0
Central	1,506.4	(285.6)	1,220.8	149.5	225.8	131.6	5,718.2
West	1,976.0	(355.4)	1,620.6	167.8	359.9	162.9	8,263.0
Corporate entities	56.1	(6.9)	49.2	23.7	(359.6)	96.9	911.0
Total	<u>\$ 4,957.2</u>	<u>\$ (846.9)</u>	<u>\$ 4,110.3</u>	<u>\$ 465.0</u>	<u>\$ 455.4</u>	<u>\$ 461.8</u>	<u>\$ 19,774.2</u>
<b>Six Months Ended June 30, 2012</b>							
East	\$ 1,421.8	\$ (196.6)	\$ 1,225.2	\$ 121.9	\$ 246.4	\$ 103.8	\$ 4,918.7
Central	1,475.9	(269.0)	1,206.9	145.4	226.1	117.5	5,600.1
West	1,890.7	(327.9)	1,562.8	165.1	340.8	165.7	8,241.4
Corporate entities	55.1	(7.0)	48.1	35.6	(99.4)	75.5	830.1
Total	<u>\$ 4,843.5</u>	<u>\$ (800.5)</u>	<u>\$ 4,043.0</u>	<u>\$ 468.0</u>	<u>\$ 713.9</u>	<u>\$ 462.5</u>	<u>\$ 19,590.3</u>

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.

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

	Three Months Ended June 30,				Six Months Ended June 30,							
	2013		2012		2013		2012					
Collection:												
Residential	\$	548.6	26.0%	\$	541.1	26.3%	\$	1,083.9	26.4%	\$	1,072.1	26.5%
Commercial		650.5	30.8		630.9	30.6		1,293.9	31.5		1,252.0	31.0
Industrial		413.2	19.6		391.1	19.0		790.0	19.2		758.8	18.8
Other		8.9	0.4		8.6	0.4		17.1	0.4		16.5	0.4
Total collection		1,621.2	76.8		1,571.7	76.3		3,184.9	77.5		3,099.4	76.7
Transfer		265.9			249.0			499.2			474.9	
Less: Intercompany		(159.9)			(147.1)			(301.7)			(282.3)	
Transfer, net		106.0	5.0		101.9	4.9		197.5	4.8		192.6	4.8
Landfill		493.8			483.3			925.2			931.0	
Less: Intercompany		(234.7)			(224.3)			(441.7)			(431.8)	
Landfill, net		259.1	12.3		259.0	12.6		483.5	11.8		499.2	12.3
Sale of recyclable materials		90.3	4.3		97.1	4.7		178.3	4.3		188.1	4.6
Other non-core		35.1	1.6		30.9	1.5		66.1	1.6		63.7	1.6
Other		125.4	5.9		128.0	6.2		244.4	5.9		251.8	6.2
Total revenue	\$	2,111.7	100.0%	\$	2,060.6	100.0%	\$	4,110.3	100.0%	\$	4,043.0	100.0%

Other revenue consists primarily of revenue from National Accounts. National Accounts revenue included in other revenue 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.

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

## **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 \$80 million relating to our outstanding legal proceedings as of June 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 \$131 million higher than the amount recorded as of June 30, 2013.

### **Countywide Matters**

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 the landfill recorded as of June 30, 2013 is \$51.0 million, of which \$4.0 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 \$70 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.

### **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 or will accrue at a rate of 8% for 2008, 5% for 2009, 4% for



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

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*. Plaintiff filed a motion for reconsideration/clarification, which the Ohio Supreme Court denied. Plaintiff then filed a motion for additional briefing before the Court of Appeals. The Court of Appeals denied the request and remanded the case to the Cuyahoga County Common Pleas Court for application of *Havel*.

***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 June 30, 2013 is \$83.8 million, of which \$8.6 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.

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.

**Multiemployer Pension Plans**

We contribute to 27 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 a board 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 amounts 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***

We have CBAs with local bargaining units of the Teamsters under which we have obligations to contribute to the Central States, Southeast and Southwest Areas Pension Fund (the Fund). These CBAs have been under negotiation during 2013. As part of our CBA negotiations, we have withdrawn or proposed to withdraw from the Fund. Withdrawal is only one of the issues in these negotiations, and we do not know what the ultimate outcome of the negotiations in any locale will be. With respect to each CBA, if we do withdraw, this will constitute a Withdrawal Event and will require us to make payments to the Fund for a

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

proportionate share of its unfunded vested liabilities.

In 2012, we withdrew recognition of the Teamsters as the designated representative of our employees in our Danville, Illinois facility and employees in our Dayton, Ohio facility ratified a new CBA that includes a provision terminating our obligation to contribute to the Fund. Each of these actions constituted a Withdrawal Event. Based on information provided to us by the Fund, our actuarial calculations and a number of other variable factors including our estimated number of 2013 contribution based units, we estimated our 2012 liability to the Fund associated with these two Withdrawal Events to be approximately \$31 million, which we charged to earnings in 2012.

In the first quarter of 2013, employees at three of our locations in Michigan separately ratified new CBAs that no longer provide for participation in the Fund. Each of these actions constituted a Withdrawal Event. Based on information provided to us by the Fund, our actuarial calculations and a number of other variable factors including our estimated number of 2013 contribution based units, we have estimated our liability associated with these three Withdrawal Events will be approximately \$58 million, which we charged to earnings during the three months ended March 31, 2013.

In the second quarter of 2013, employees at our locations in Cleveland and Memphis separately ratified new CBAs that no longer provide for participation in the Fund. Each of these actions constituted a Withdrawal Event. Based on information provided to us by the Fund, our actuarial calculations and a number of other variable factors including our estimated number of 2013 contribution based units, we have estimated our liability associated with these Withdrawal Events will be approximately \$42 million, which we charged to earnings during the three months ended June 30, 2013.

If we have an additional Withdrawal Event or Events with respect to one or more of the remaining bargaining units, the amount ultimately payable would depend upon a number of variable factors involving valuations and actuarial calculations, and we do not presently know what the result of those calculations and valuations would be. However, based on our current estimates, we believe our additional liability for a complete 2013 withdrawal from the Fund would be approximately \$33 million. In the future, a loss may become probable, at which time or times we will incur an expense that will reduce earnings. Any such expense may be material to our results of operations in the period or periods incurred. The liability associated with any such expense or expenses ordinarily would be due in installments over a period of 20 years, and the payments are unlikely to be material to our cash flow in any particular period.

In July 2013, we reached tentative agreements with union representatives at certain of the remaining bargaining units for new CBAs that no longer provide for participation in the Fund. On July 22, 2013, one of these bargaining unit's membership ratified the new agreement, thereby constituting a Withdrawal Event. In connection with this event, we estimate our withdrawal liability will be approximately \$12 million, which we will recognize as a charge to earnings during the three months ended September 30, 2013. We estimate that our share of the withdrawal liability for the remaining bargaining units is approximately \$21 million. It is reasonably possible that our continued negotiations may result in a complete 2013 withdrawal from the Fund during the second half of 2013.

Regarding all our withdrawal estimates, we will continue to obtain additional information from the Fund regarding the estimated costs associated with withdrawal. Due to the inherent judgments and estimates regarding the Withdrawal Events a change to these estimates is possible.

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:

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

	June 30, 2013	December 31, 2012
Financing proceeds	\$ 40.6	\$ 24.7
Capping, closure and post-closure obligations	55.3	54.8
Self-insurance	85.1	81.3
Other	2.8	3.4
Total restricted cash and marketable securities	<u>\$ 183.8</u>	<u>\$ 164.2</u>

**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**

At its meeting held in July 2013, our board of directors approved an increase in our quarterly dividend of 10.6% to \$0.26 per share. The quarterly dividend of \$0.26 per share will be paid on October 15, 2013 to stockholders of record on October 1, 2013.

## 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 334 collection operations. We own or operate 199 transfer stations, 192 active solid waste landfills and 70 recycling centers. We also operate 69 landfill gas and renewable energy projects.

Revenue for the six months ended June 30, 2013 increased by 1.7% to \$4,110.3 million compared to \$4,043.0 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%, partially offset by decreases in volume of 0.1% and recycling commodities pricing of 0.3%.

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

	Three Months Ended June 30,						Six Months Ended June 30,					
	2013			2012			2013			2012		
Revenue	\$	2,111.7	100.0 %	\$	2,060.6	100.0 %	\$	4,110.3	100.0 %	\$	4,043.0	100.0 %
Expenses:												
Cost of operations		1,410.0	66.8		1,238.5	60.2		2,633.1	64.1		2,441.7	60.4
Depreciation, amortization and depletion of property and equipment		199.4	9.4		197.1	9.6		391.7	9.5		393.1	9.7
Amortization of other intangible assets and other assets		17.6	0.8		17.8	0.9		34.9	0.8		35.5	0.9
Accretion		19.2	0.9		19.7	0.9		38.4	0.9		39.4	1.0
Selling, general and administrative		228.2	10.8		197.3	9.6		434.7	10.6		419.7	10.4
Negotiation and withdrawal costs - Central States Pension Fund		53.9	2.6		3.2	—		116.1	2.8		3.3	—
Gain on disposition of assets and impairments, net		(0.8)	—		—	—		(1.9)	—		(3.6)	(0.1)
Restructuring charges		3.0	0.1		—	—		7.9	0.2		—	—
Operating income	\$	181.2	8.6 %	\$	387.0	18.8 %	\$	455.4	11.1 %	\$	713.9	17.7 %

Our pre-tax income was \$91.1 million and \$274.4 million for the three and six months ended June 30, 2013, respectively, versus \$178.6 million and \$401.7 million for the comparable 2012 periods, respectively. Our net income attributable to Republic Services, Inc. was \$56.3 million and \$180.9 million for the three and six months ended June 30, 2013, or \$0.15 and \$0.50 per diluted share, respectively, versus \$149.2 million and \$292.1 million, or \$0.40 and \$0.79 per diluted share for the comparable 2012 periods, respectively.

During each of the three and six months ended June 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 June 30, 2013			Three Months Ended June 30, 2012		
	Pre-tax Income	Net Income - Republic	Diluted Earnings per Share	Pre-tax Income	Net Income - Republic	Diluted Earnings per Share
As reported	\$ 91.1	\$ 56.3	\$ 0.15	\$ 178.6	\$ 149.2	\$ 0.40
Negotiation and withdrawal costs - Central States Pension Fund	53.9	33.7	0.10	3.2	1.8	0.01
Restructuring charges	3.0	1.4	—	—	—	—
Loss on extinguishment of debt	0.3	0.1	—	110.3	67.4	0.18
Gain on disposition of assets and impairments, net	(0.9)	(0.4)	—	—	—	—
Bridgeton remediation	108.7	65.6	0.18	—	—	—
Adjusted	<u>\$ 256.1</u>	<u>\$ 156.7</u>	<u>\$ 0.43</u>	<u>\$ 292.1</u>	<u>\$ 218.4</u>	<u>\$ 0.59</u>

  

	Six Months Ended June 30, 2013			Six Months Ended June 30, 2012		
	Pre-tax Income	Net Income - Republic	Diluted Earnings per Share	Pre-tax Income	Net Income - Republic	Diluted Earnings per Share
As reported	\$ 274.4	\$ 180.9	\$ 0.50	\$ 401.7	\$ 292.1	\$ 0.79
Negotiation and withdrawal costs - Central States Pension Fund	116.1	72.4	0.20	3.3	1.9	0.01
Restructuring charges	7.9	4.9	0.01	—	—	—
Loss on extinguishment of debt	2.1	1.2	—	110.3	67.4	0.18
Gain on disposition of assets and impairments, net	(1.9)	(0.9)	—	(3.6)	(2.2)	(0.01)
Bridgeton remediation	108.7	65.6	0.18	—	—	—
Adjusted	<u>\$ 507.3</u>	<u>\$ 324.1</u>	<u>\$ 0.89</u>	<u>\$ 511.7</u>	<u>\$ 359.2</u>	<u>\$ 0.97</u>

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 generally accepted accounting principles 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 second quarter 2013 charge, we are adjusting such amount due to its 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 Fund.* During the three and six months ended June 30, 2013, we recorded charges to earnings of \$42.0 million and \$99.9 million, respectively, for our partial withdrawal liability from the Central States, Southeast and Southwest Areas Pension Fund (the Fund). Also, during the three and six months ended June 30, 2013, we incurred costs of \$11.9 million and \$16.2 million, respectively, related to the negotiation of collective bargaining agreements under which we have 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 six months ended June 30, 2013, we incurred \$3.0 million and \$7.9 million, respectively, of restructuring charges, which consisted of severance and other employee termination benefits, relocation benefits, and the closure of offices with lease agreements with non-cancellable terms.

**Loss on extinguishment of debt.** During the six months ended June 30, 2013, we refinanced certain of our tax-exempt financings that resulted in a \$2.1 million non-cash write-off of 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.** For the three months ended June 30, 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.

## Recent Developments

In July 2013, we reaffirmed our full year 2013 guidance for adjusted diluted earnings per share. The following is a summary of anticipated adjusted diluted earnings per share for the year ending December 31, 2013, which is not a measure determined in accordance with GAAP:

	(Anticipated) Year Ending December 31, 2013
Diluted earnings per share	\$1.39 - \$1.44
Negotiation costs - Central States	0.26
Restructuring charges	0.03
Loss on extinguishment of debt	—
Gain on disposition of assets and impairments, net	—
Bridgeton remediation	0.18
Adjusted diluted earnings per share	\$1.86 - \$1.91

We believe that the presentation of adjusted diluted earnings per share, which excludes loss on extinguishment of debt, negotiation and withdrawal costs - Central States Pension Fund, restructuring charges, gain on disposition of assets and impairments, net, and Bridgeton remediation charges provides an understanding of operational activities before the financial impact of certain items. We use this measure, and believe investors will find it 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. Our definition of adjusted diluted earnings per share may not be comparable to similarly titled measures presented by other companies.

In July 2013, we reached tentative agreements with union representatives at certain of the remaining bargaining units for new CBAs that no longer provide for participation in the Fund. On July 22, 2013, one of these bargaining unit's membership ratified the new agreement, thereby constituting a Withdrawal Event. For additional discussion and detail regarding our obligations to Central States, 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.

At its meeting held in July 2013, our board of directors approved an increase in our quarterly dividend of 10.6% to \$0.26 per share. The quarterly dividend of \$0.26 per share will be paid on October 15, 2013 to stockholders of record on October 1, 2013.

## 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 six months ended June 30, 2013 and 2012 (in millions of dollars and as a percentage of revenue):

	Three Months Ended June 30,					Six Months Ended June 30,						
	2013			2012		2013			2012			
Collection:												
Residential	\$	548.6	26.0 %	\$	541.1	26.3 %	\$	1,083.9	26.4 %	\$	1,072.1	26.5 %
Commercial		650.5	30.8		630.9	30.6		1,293.9	31.5		1,252.0	31.0
Industrial		413.2	19.6		391.1	19.0		790.0	19.2		758.8	18.8
Other		8.9	0.4		8.6	0.4		17.1	0.4		16.5	0.4
Total collection		1,621.2	76.8		1,571.7	76.3		3,184.9	77.5		3,099.4	76.7
Transfer		265.9			249.0			499.2			474.9	
Less: Intercompany		(159.9)			(147.1)			(301.7)			(282.3)	
Transfer, net		106.0	5.0		101.9	4.9		197.5	4.8		192.6	4.8
Landfill		493.8			483.3			925.2			931.0	
Less: Intercompany		(234.7)			(224.3)			(441.7)			(431.8)	
Landfill, net		259.1	12.3		259.0	12.6		483.5	11.8		499.2	12.3
Sale of recyclable materials		90.3	4.3		97.1	4.7		178.3	4.3		188.1	4.6
Other non-core		35.1	1.6		30.9	1.5		66.1	1.6		63.7	1.6
Other		125.4	5.9		128.0	6.2		244.4	5.9		251.8	6.2
Total revenue	\$	2,111.7	100.0 %	\$	2,060.6	100.0 %	\$	4,110.3	100.0 %	\$	4,043.0	100.0 %

Revenue increased by 2.5% and 1.7% during the three and six months ended June 30, 2013 over the same periods in 2012 across all collection lines of business and transfer station line 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 was due to transfer revenue increase with landfill revenue remaining flat. Sale of recyclable materials decreased primarily due to cardboard and newspaper commodity price decreases. 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 upon fluctuation in a specific index (primarily the consumer price index) as defined in the contract;
- approximately 15% are fixed price increases based on stated contract terms; and
- approximately 25% 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, most pricing resets lag between the measurement period and 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.

This quarter we conformed the terms used 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 six months ended June 30, 2013 versus the comparable 2012 periods:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Average yield	1.3 %	0.6 %	1.3 %	0.6 %
Fuel recovery fees	0.2	(0.1)	0.3	0.2
Total price	1.5	0.5	1.6	0.8
Volume	0.9	(1.3)	(0.1)	(0.6)
Recycling commodities	(0.3)	(1.0)	(0.3)	(0.9)
Total internal growth	2.1	(1.8)	1.2	(0.7)
Acquisitions / divestitures, net	0.4	0.6	0.5	0.5
Total	2.5 %	(1.2)%	1.7 %	(0.2)%
Core price	3.1 %	2.6 %	3.1 %	2.6 %

During the three and six months ended June 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 six months ended June 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 0.2% and 0.3%, respectively, of the total revenue growth during the three and six months ended June 30, 2013. This fee fluctuates with the price of fuel and, consequently, any increase in fuel prices would result in a partial increase in our revenue. Higher fuel recovery fees for the three and six months ended June 30, 2013 as compared to prior year resulted primarily from an increase in the fuel recovery rates charged. During the three and six months ended June 30, 2013, we were able to recover approximately 75% and 74%, respectively, of our fuel costs with fuel recovery fees versus 69% and 67%, respectively, for the comparable prior year periods.
- Volume increased revenue by 0.9% during the three months ended June 30, 2013 compared to the same period in the prior year, primarily due to volume increases in our industrial and commercial collection, transfer station and non-core lines of business due to improving business activity and new National Accounts contracts. The industrial line of business volume increases for the three months ended June 30, 2013 were primarily due to higher temporary roll-off hauls due to increased construction activity. For the six months ended June 30, 2013, we experienced volume increases of 0.1% 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 and a decline of 0.2% due to one less workday. Volume decreases in our landfill line of business during the three and six months ended June 30, 2013 were primarily attributable to decreases in special waste landfill volumes which were partially offset by municipal solid waste and construction and demolition volume increases during the three months ended June 30, 2013. Volume declines in special waste were caused by special waste event work not recurring in 2013.
- Recycling commodities decreased revenue by 0.3% during both the three and six months ended June 30, 2013 over the same periods in 2012, primarily due to the change in the market price of materials. Average prices for old corrugated cardboard for the three and six months ended June 30, 2013 were \$125 and \$124 per ton versus \$136 and \$137 per ton for the comparable 2012 periods, a decrease of \$11 and \$13 per ton or 8% and 9%, respectively. Average prices of old newspaper for the three and six months ended June 30, 2013 were \$96 and \$99 per ton versus \$111 per ton for both of the comparable 2012 periods, a decrease of \$15 and \$12 per ton or 14% and 11%, respectively. The declines in prices were partially offset by increased volumes processed. Our recycling commodity volume for the three and six months ended June 30, 2013 of 0.6 million tons and 1.1 million tons, respectively, was 4% and 6% 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 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 six months ended June 30, 2013 and 2012 (in millions of dollars and as a percentage of revenue):

	Three Months Ended June 30,						Six Months Ended June 30,					
	2013			2012			2013			2012		
Labor and related benefits	\$	410.9	19.5 %	\$	390.5	19.0 %	\$	811.4	19.7 %	\$	779.4	19.3 %
Transfer and disposal costs		167.3	8.0		157.7	7.7		310.1	7.5		301.0	7.4
Maintenance and repairs		186.2	8.8		170.7	8.3		359.7	8.8		336.6	8.3
Transportation and subcontract costs		116.8	5.5		109.8	5.3		221.3	5.4		216.1	5.3
Fuel		129.0	6.1		132.0	6.4		256.6	6.2		263.2	6.5
Franchise fees and taxes		104.3	4.9		102.5	5.0		200.6	4.9		199.6	4.9
Landfill operating costs		36.5	1.7		32.2	1.6		77.4	1.9		59.0	1.5
Risk management		45.5	2.2		41.3	2.0		87.0	2.1		87.7	2.2
Cost of goods sold		30.0	1.4		33.8	1.6		58.3	1.4		64.5	1.6
Other		74.8	3.5		68.0	3.2		142.0	3.6		134.6	3.4
Subtotal cost of operations		1,301.3	61.6		1,238.5	60.1		2,524.4	61.5		2,441.7	60.4
Bridgeton remediation		108.7	5.2		—	—		108.7	2.6		—	—
Total cost of operations	\$	1,410.0	66.8 %	\$	1,238.5	60.1 %	\$	2,633.1	64.1 %	\$	2,441.7	60.4 %

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 \$171.5 million and \$191.4 million or, as a percentage of revenue 6.7% and 3.7%, respectively, for the three and six months ended June 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. Partially offsetting these increases was a decline in labor expenses due to one less workday during the six months ended June 30, 2013 versus the comparable 2012 period. As a percentage of revenue, labor and related benefits were negatively impacted by the relative mix of higher collection revenue and lower landfill revenue during the six months ended June 30, 2013 versus the comparable 2012 period as the landfill line of business has a lower variable labor component.
- Transfer and disposal costs increased primarily due to higher prices and volumes disposed at third party sites and heavier container weights in the collection lines of business. During the six months ended June 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 initiatives partially offset by the favorable impact of one less workday during the six months ended June 30, 2013 versus the comparable 2012 period. 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 in the industrial line of business due to volume increases. Transportation costs increased due to an increase in transfer station volumes and increased fuel surcharges, partially offset by a loss of certain disposal contracts in our East Region and lower special waste event landfill volume.
- Landfill operating expenses in aggregate dollars and as a percentage of revenue increased \$4.3 million and 0.1% and \$18.4 million or 0.4%, respectively, for the three and six months ended June 30, 2013 versus the comparable 2012 periods primarily due to favorable remediation adjustments of \$2.8 million and \$11.3 million, respectively, recorded during the prior year periods. In addition, leachate management expenses during the three and six months ended June 30, 2013 increased by \$1.7 million and \$7.2 million, respectively, versus the comparable 2012 periods.
- Risk management expenses increased during the three months ended June 30, 2013 primarily due to lower favorable actuarial development versus the comparable 2012 period and remained consistent for the six months ended June 30, 2013 versus the comparable 2012 period.
- For the three and six months ended June 30, 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.

These increases in costs were partially offset by:

- Our fuel costs in aggregate dollars and as a percentage of revenue decreased \$3.0 million and 0.3% and \$6.6 million or 0.3%, respectively, for the three and six months ended June 30, 2013 versus the comparable 2012 periods due to conversion to lower cost compressed natural gas (CNG), alternative fuel tax credits and one less workday during the current six month period which resulted in lower fuel consumption. In addition, average fuel costs per gallon for the three months ended June 30, 2013 were \$3.88 versus \$3.95 for the comparable 2012 period, a decrease of \$0.07 or 1.8%. Average fuel costs per gallon for the six months ended June 30, 2013 and for the comparable 2012 period were \$3.96.

At current consumption levels, a twenty-cent change in the per gallon price of diesel fuel changes our fuel costs by approximately \$24 million on an annual basis. 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.

- 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 decreased \$3.8 million and 0.2% and \$6.2 million or 0.2%, respectively, for the three and six months ended June 30, 2013 versus the comparable 2012 periods, primarily due to a decline in the market value of recycled commodities offset by an increase in the volume of commodities sold.

#### ***Depreciation, Amortization and Depletion of Property and Equipment***

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

	Three Months Ended June 30,			Six Months Ended June 30,					
	2013		2012	2013		2012			
Depreciation and amortization of property and equipment	\$ 133.6	6.3 %	\$ 128.3	6.2 %	\$ 267.9	6.5 %	\$ 257.6	6.4 %	
Landfill depletion and amortization	65.8	3.1	68.8	3.4	123.8	3.0	135.5	3.3	
Depreciation, amortization and depletion expense	<u>\$ 199.4</u>	<u>9.4 %</u>	<u>\$ 197.1</u>	<u>9.6 %</u>	<u>\$ 391.7</u>	<u>9.5 %</u>	<u>\$ 393.1</u>	<u>9.7 %</u>	

Depreciation and amortization of property and equipment in aggregate dollars and as a percentage of revenue increased \$5.3 million and 0.1% and \$10.3 million or 0.1%, respectively, for the three and six months ended June 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 in 2013 and 2012.

Landfill depletion and amortization expense in aggregate dollars and as a percentage of revenue decreased \$3.0 million and 0.3% and \$11.7 million or 0.3%, respectively, for the three and six months ended June 30, 2013 versus the comparable 2012 periods. During the three and six months ended June 30, 2012, we recorded unfavorable amortization expense adjustments of \$3.5 million and \$9.4 million, respectively, primarily related to asset retirement obligations at closed landfills versus favorable amortization expense adjustments of \$0.8 million and \$0.6 million recorded during the comparable 2013 periods. In addition, landfill depletion expense declined due to lower landfill disposal volumes, as previously noted in our *Revenue* discussion.

### ***Amortization of Other Intangible and Other Assets***

Amortization of intangible and other assets was \$17.6 million and \$34.9 million, or 0.8% of revenue, for the three and six months ended June 30, 2013, respectively, versus \$17.8 million and \$35.5 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 \$38.4 million, or 0.9% of revenue, for the three and six months ended June 30, 2013 versus \$19.7 million and \$39.4 million, or 0.9% and 1.0% of revenue, for the comparable 2012 periods. The amounts 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 six months ended June 30, 2013 and 2012 (in millions of dollars and as a percentage of revenue):

	Three Months Ended June 30,						Six Months Ended June 30,					
	2013			2012			2013			2012		
Salaries	\$ 139.9	6.6 %		\$ 137.3	6.7 %		\$ 277.0	6.7 %		\$ 287.8	7.1 %	
Provision for doubtful accounts	4.6	0.2		5.6	0.3		7.5	0.2		12.8	0.3	
Other	83.7	4.0		54.4	2.6		150.2	3.7		119.1	3.0	
Total selling, general and administrative expenses	<u>\$ 228.2</u>	<u>10.8 %</u>		<u>\$ 197.3</u>	<u>9.6 %</u>		<u>\$ 434.7</u>	<u>10.6 %</u>		<u>\$ 419.7</u>	<u>10.4 %</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 costs during the three and six months ended June 30, 2013 and 2012 are summarized below:

- Salaries expense decreased \$10.8 million or 0.4% of revenue for the six months ended June 30, 2013 versus the comparable 2012 period. During the three months ended December 31, 2012, we announced a reorganization of our field and corporate operations that included reductions in staffing levels resulting in lower salaries expense related to managerial, supervisory and sales representative functions. Salaries expense increased \$2.6 million for the three months ended June 30, 2013 versus the comparable 2012 period primarily due to a favorable management incentive compensation adjustment recorded during the three months ended June 30, 2012. In addition, during the three months ended June 30, 2013 we recorded severance costs due to senior 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 \$1.0 million and 0.1% of revenue and \$5.3 million or 0.1% of revenue, respectively, for the three and six months ended June 30, 2013 versus the comparable 2012 periods due to lower past due and unrecoverable amounts from certain municipalities and improved collection efforts.
- Other selling, general and administrative expenses in aggregate dollars and as a percentage of revenue increased \$29.3 million and 1.4% and \$31.1 million or 0.7%, respectively, for the three and six months ended June 30, 2013 versus the comparable 2012 periods, primarily as a result of an increase in legal settlement expenses of \$17.4 million and \$21.1 million, respectively, related to legal matters occurring in the ordinary course of business partially offset by lower legal fees, meeting and event costs, and consulting and professional fees as a result of our cost containment measures. In addition, during the three and six months ended June 30, 2012, we recorded net favorable adjustments of \$12.1 million and \$10.5 million, respectively, in our legal settlement expenses primarily related to a favorable settlement of a legal matter.

#### ***Negotiation and withdrawal costs - Central States Pension Fund***

During the three and six months ended June 30, 2013, we recorded a charge to earnings of \$42.0 million and \$99.9 million, respectively, for our partial withdrawal liability from the Fund. Also, during the three and six months ended June 30, 2013, we incurred costs of \$11.9 million and \$16.2 million, respectively, related to the negotiation of collective bargaining agreements under which we have obligations to contribute to the Fund.

For additional discussion and detail regarding our obligations to Central States, 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 three and six months ended June 30, 2013, we recorded a net gain on disposition of assets and impairments of \$0.8 million and \$1.9 million, respectively, 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. In addition, during the three months ended June 30, 2013 we disposed of a business in one market in our West Region resulting in a gain of \$0.9 million and \$1.7 million of proceeds. During the six months ended June 30, 2012, we recorded a net gain on disposition of assets and impairments of \$3.6 million related to a divestiture in our East Region.

#### ***Restructuring Charges***

During 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 six months ended June 30, 2013, we incurred \$3.0 million and \$7.9 million of restructuring charges, which consisted of severance and other employee termination benefits, relocation benefits, and the closure of offices with lease agreements with non-cancellable terms. We expect to incur approximately \$3.9 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 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 six months ended June 30, 2013 and 2012 (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Interest expense on debt and capital lease obligations	\$ 80.0	\$ 85.5	\$ 159.1	\$ 174.1
Accretion of debt discounts	1.7	3.8	3.4	8.7
Accretion of remediation and risk reserves	10.2	11.5	20.3	23.8
Less: capitalized interest	(1.7)	(2.0)	(3.0)	(3.5)
Total interest expense	\$ 90.2	\$ 98.8	\$ 179.8	\$ 203.1

The decrease in interest expense and accretion of debt discounts during the three and six months ended June 30, 2013 versus the comparable 2012 periods is primarily due to refinancing certain of our higher interest rate debt in 2012. Cash paid for interest was \$162.4 million and \$177.0 million for the six months ended June 30, 2013 and 2012, respectively.

### ***Loss on Extinguishment of Debt***

During the six months ended June 30, 2013, we refinanced certain of our tax-exempt financings that resulted in a \$2.1 million non-cash write-off of deferred issuance costs.

### ***Income Taxes***

Our effective tax rate, exclusive of noncontrolling interests, for the three and six months ended June 30, 2013 was 38.1% and 34.0%, respectively. Our effective tax rate, exclusive of noncontrolling interests, for the three and six months ended June 30, 2012 was 16.3% and 27.2%, respectively. The effective tax rate for the six months ended June 30, 2013 was favorably affected by the January 2013 resolution of our 2009-2010 tax years with the IRS appeals division and Congressional Joint Committee on Taxation. The effective tax rate for the three months and six months ended June 30, 2012 was favorably affected by a change in estimated non-deductible penalties relating to certain legal settlements and the settlement of Allied's 2004-2008 tax years at the IRS appeals division.

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 reviewed through three geographic regions that we designate as our reportable segments. Summarized financial information concerning our reportable segments for the three and six months ended June 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
<b>Three Months Ended June 30, 2013</b>							
East	\$ 621.4	\$ 62.6	\$ —	\$ 62.6	\$ —	\$ 113.7	18.3 %
Central	638.3	77.3	(0.3)	77.0	—	113.3	17.8
West	825.0	85.0	—	85.0	0.9	188.6	22.9
Corporate entities	27.0	12.1	(0.5)	11.6	(0.1)	(234.4)	—
Total	<u>\$ 2,111.7</u>	<u>\$ 237.0</u>	<u>\$ (0.8)</u>	<u>\$ 236.2</u>	<u>\$ 0.8</u>	<u>\$ 181.2</u>	<u>8.6 %</u>
<b>Three Months Ended June 30, 2012</b>							
East	\$ 620.9	\$ 61.9	\$ —	\$ 61.9	\$ 0.1	\$ 125.6	20.2 %
Central	621.6	73.3	—	73.3	(0.1)	119.6	19.2
West	795.2	83.1	—	83.1	—	177.4	22.3
Corporate entities	22.9	12.8	3.5	16.3	—	(35.6)	—
Total	<u>\$ 2,060.6</u>	<u>\$ 231.1</u>	<u>\$ 3.5</u>	<u>\$ 234.6</u>	<u>\$ —</u>	<u>\$ 387.0</u>	<u>18.8 %</u>

	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
<b>Six Months Ended June 30, 2013</b>							
East	\$ 1,219.7	\$ 124.0	\$ —	\$ 124.0	\$ —	\$ 229.3	18.8 %
Central	1,220.8	149.6	(0.1)	149.5	—	225.8	18.5
West	1,620.6	167.8	—	167.8	1.9	359.9	22.2
Corporate entities	49.2	24.2	(0.5)	23.7	—	(359.6)	—
Total	<u>\$ 4,110.3</u>	<u>\$ 465.6</u>	<u>\$ (0.6)</u>	<u>\$ 465.0</u>	<u>\$ 1.9</u>	<u>\$ 455.4</u>	<u>11.1 %</u>
<b>Six Months Ended June 30, 2012</b>							
East	\$ 1,225.2	\$ 122.4	\$ (0.5)	\$ 121.9	\$ 3.7	\$ 246.4	20.1 %
Central	1,206.9	145.4	—	145.4	(0.1)	226.1	18.7
West	1,562.8	165.1	—	165.1	—	340.8	21.8
Corporate entities	48.1	25.7	9.9	35.6	—	(99.4)	—
Total	<u>\$ 4,043.0</u>	<u>\$ 458.6</u>	<u>\$ 9.4</u>	<u>\$ 468.0</u>	<u>\$ 3.6</u>	<u>\$ 713.9</u>	<u>17.7 %</u>

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 six months ended June 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 June 30, 2013 increased 0.1% due primarily to average yield and volume increases in our commercial and industrial collection lines of business as well as 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, coupled with lower recycling commodity revenue and an average yield decrease in our transfer station line of business.

Revenue for the six months ended June 30, 2013 declined 0.5% from the comparable 2012 period due primarily to declines in volume in our residential collection, landfill and transfer station lines of business, coupled with lower recycling commodity revenue. The volume declines in our residential collection line of business were primarily due to the loss of a few municipal contracts and volume decreases in our disposal lines of business were primarily related to the loss of certain disposal contracts. These decreases were partially offset by average yield increases in all lines of business.

Operating income margin in our East Region decreased 1.9% from 20.2% for the three months ended June 30, 2012 to 18.3% for the three months ended June 30, 2013, and declined from 20.1% for the six months ended June 30, 2012 to 18.8% for the six months ended June 30, 2013, or 1.3%. The following cost categories impacted operating income:

- Cost of operations negatively impacted operating income during both the three and six months ended June 30, 2013 versus the comparable 2012 periods primarily due to higher labor and benefits, risk management and repair and maintenance costs. Landfill operating expenses increased quarter over quarter primarily due to higher leachate disposal and transportation costs, as well as higher road and other landfill maintenance. These unfavorable items were partially offset by lower fuel expenses due to the lower price of diesel fuel and lower franchise fees. Landfill operating costs declined during the six months ended June 30, 2013 versus the comparable 2012 period primarily due to lower third party surveying and engineering costs. In addition, cost of goods sold declined quarter over quarter primarily due to lower market value of recycled commodities. Cost of goods sold increased for the six months ended June 30, 2013 due to a higher volume of commodities sold.

- Selling, general & 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 a lower provision for doubtful accounts.
- Gain on disposition of assets and impairments, net unfavorably impacted operating income during the six months ended June 30, 2013 versus the comparable 2012 period primarily as a result of a gain on disposition of assets of \$3.7 million recorded in 2012.

### ***Central Region***

Revenue for the three months ended June 30, 2013 increased 2.7% primarily due to average yield and volume increases in all lines of business except for residential collection. These increases were partially offset by a decline in volume in our residential collection line of business coupled with lower recycling commodity revenue.

Revenue for the six months ended June 30, 2013 increased 1.2% primarily due to average yield increases in all lines of business and a volume increase in our commercial collection line of business. These increases were partially offset by declines in volume in our industrial and residential collection and disposal lines of business coupled with lower recycling commodity revenue.

Operating income margin in our Central Region decreased from 19.2% for the three months ended June 30, 2012 to 17.8% for the three months ended June 30, 2013, or 1.4% and decreased from 18.7% for the six months ended June 30, 2012 to 18.5% for the six months ended June 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, fuel, franchise fees, risk management and cost of goods sold. Landfill operating expenses increased primarily due to higher landfill gas maintenance costs and higher leachate disposal and transportation costs. These unfavorable items were partially offset by favorable transfer and disposal costs due to lower disposal volumes.
- Selling, general & 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.

### ***West Region***

Revenue for both the three and six months ended June 30, 2013 increased 3.7% due to increases in average yield and volume in all lines of business.

Operating income margin in our West Region increased from 22.3% for the three months ended June 30, 2012 to 22.9% for the three months ended June 30, 2013, or 0.6% and increased from 21.8% for the six months ended June 30, 2012 to 22.2% for the six months ended June 30, 2013, or 0.4%, primarily as a result of increased revenue partially offset by the following:

- Cost of operations negatively impacted operating income due to higher labor and benefits, franchise fees, transportation and subcontract costs as well as repair and maintenance costs. Environmental costs increased primarily due to higher landfill operating materials, and cost of goods sold increased due to a higher volume of commodities sold. These items were partially offset by lower transfer and disposal costs as well as lower fuel costs due to increased usage of CNG and alternative fuel credits.
- Selling, general & administrative costs unfavorably impacted operating income for the six months ended June 30, 2013 primarily due to higher legal settlement expenses partially offset by lower salary and benefit expenses due to reductions in staffing levels resulting from the fourth quarter 2012 restructuring and a lower provision for doubtful accounts.
- Gain on disposition of assets and impairments, net favorably impacted operating income during the three months ended March 31, 2013 versus the comparable 2012 period due to contingent sale price of \$1.0 million received in connection with a 2011 business divestiture. In addition, during the three months ended June 30, 2013, we disposed of a business in one market in our West Region resulting in a gain of \$0.9 million and \$1.7 million of proceeds.

### ***Corporate Entities***

During the three and six months ended June 30, 2013, the corporate entities had operating losses of \$234.4 million and \$359.6 million, respectively, versus \$35.6 million and \$99.4 million for the comparable 2012 periods.



Operating losses for the three months ended June 30, 2013 were favorably impacted by lower meeting and event costs as a result of our cost containment measures and favorable adjustments to landfill amortization expense for asset retirement obligations at closed landfills. These favorable adjustments were more than offset by unfavorable remediation adjustments due to a \$108.7 million charge recorded in connection with environmental conditions at our closed Bridgeton Landfill in Missouri and charges to earnings of \$42.0 million for our partial withdrawal liability from Central States. In addition, during the three months ended June 30, 2013 we recorded an increase in legal settlement expenses of \$16.1 million related to legal matters occurring in the ordinary course of business while during the three months ended June 30, 2012, we recorded net favorable adjustments of \$21.5 million in our legal settlement expenses primarily related to a favorable settlement of a legal matter. Operating losses for the the three and six months ended June 30, 2012 were also favorably impacted by environmental remediation adjustments totaling \$2.8 million and \$11.3 million, respectively, partially offset by unfavorable adjustments to landfill amortization expense for asset retirement obligations at closed landfills of \$3.5 million and \$9.9 million, respectively.

Operating losses for the six months ended June 30, 2013 were favorably impacted by lower meeting and event costs as a result of our cost containment measures and favorable adjustments to landfill amortization expense for asset retirement obligations at closed landfills. These favorable adjustments were more than offset by unfavorable remediation adjustments of \$108.7 million recorded in connection with environmental conditions at our closed Bridgeton Landfill in Missouri, charges to earnings of \$99.9 million for our partial withdrawal liability from Central States and increased leachate management expenses related to a closed landfill. In addition, during the six months ended June 30, 2013 we recorded an increase in legal settlement expenses of \$16.2 million related to legal matters occurring in the ordinary course of business while during the three months ended June 30, 2012, we recorded net favorable adjustments of \$21.1 million in our legal settlement expenses primarily related to a favorable settlement of a legal matter.

During 2012, we restructured our field and corporate operations to create a more efficient and competitive company. During the three and six months ended June 30, 2013, we incurred \$3.0 million and \$7.9 million, respectively, of restructuring charges that consisted of severance and other employee termination benefits, relocation benefits, and the closure of offices with lease agreements with non-cancellable terms ranging from 2 to 5 years.

## Landfill and Environmental Matters

### Available Airspace

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

	Balance as of December 31, 2012	Permits Granted, Net of Closures	Airspace Consumed	Changes in Engineering Estimates	Balance as of June 30, 2013
<b>Cubic yards (in millions):</b>					
Permitted airspace	4,562.5	164.4	(35.2)	(0.2)	4,691.5
Probable expansion airspace	260.4	(51.1)	—	—	209.3
Total cubic yards (in millions)	4,822.9	113.3	(35.2)	(0.2)	4,900.8
<b>Number of sites:</b>					
Permitted airspace	191	1			192
Probable expansion airspace	10	(2)			8

As of June 30, 2013, we owned or operated 192 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 June 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 six months ended June 30, 2013, total available airspace increased by 77.9 million cubic yards, net, primarily due to a new landfill opening offset by airspace consumed.

As of June 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 June 30, 2013, accrued final capping, closure and post-closure costs were \$1,066.3 million, of which \$105.4 million is current and \$960.9 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 in the amount of \$108.7 million to manage the remediation area and monitor the site. As of June 30, 2013, the remediation liability recorded for this site is \$143.4 million, of which \$64.5 million is expected to be paid during the next twelve months. We believe the remaining reasonably possible range of loss for remediation costs is \$112 million to \$392 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 June 30, 2013 is \$51.0 million, of which \$4.0 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 \$70 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 June 30, 2013 is \$83.8 million, of which \$8.6 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 six months ended June 30, 2013 and the future expected investment as of June 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 June 30, 2013
Non-depletable landfill land	\$ 166.0	\$ 0.7	\$ —	\$ 1.2	\$ —	\$ 167.9
Landfill development costs	5,018.0	(0.3)	17.6	76.6	(0.4)	5,111.5
Construction-in-progress - landfill	134.5	117.5	—	(75.3)	—	176.7
Accumulated depletion and amortization	(1,896.4)	(124.5)	—	—	0.6	(2,020.3)
Net investment in landfill land and development costs	<u>\$ 3,422.1</u>	<u>\$ (6.6)</u>	<u>\$ 17.6</u>	<u>\$ 2.5</u>	<u>\$ 0.2</u>	<u>\$ 3,435.8</u>

	Balance as of June 30, 2013	Expected Future Investment	Total Expected Investment
Non-depletable landfill land	\$ 167.9	—	\$ 167.9
Landfill development costs	5,111.5	7,235.6	12,347.1
Construction-in-progress - landfill	176.7	—	176.7
Accumulated depletion and amortization	(2,020.3)	—	(2,020.3)
Net investment in landfill land and development costs	<u>\$ 3,435.8</u>	<u>\$ 7,235.6</u>	<u>\$ 10,671.4</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 six months ended June 30:

	Six Months Ended June 30,	
	2013	2012
Number of landfills owned or operated	192	191
Net investment, excluding non-depletable land (in millions)	\$ 3,267.9	\$ 3,233.1
Total estimated available disposal capacity (in millions of cubic yards)	4,900.8	4,756.8
Net investment per cubic yard	\$ 0.67	\$ 0.68
Landfill depletion and amortization expense (in millions)	\$ 123.8	\$ 135.5
Accretion expense (in millions)	38.4	39.4
	\$ 162.2	\$ 174.9
Airspace consumed (in millions of cubic yards)	35.2	36.9
Depletion, amortization and accretion expense per cubic yard of airspace	\$ 4.61	\$ 4.74

The increase in the investment in our landfills, in aggregate dollars, is primarily due to new expansions. The decrease in the depletion, amortization and accretion expense per cubic yard of airspace consumed is primarily due to unfavorable adjustments to landfill amortization expense for asset retirement obligations at closed landfills in 2012.

During the six months ended June 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 six months ended June 30, 2012. Our compaction rates may improve as a result of the settlement and decomposition of waste.

As of June 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 \$10.5 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 six months ended June 30, 2013 and 2012 (in millions):

	Allowance for Doubtful Accounts	Final Capping, Closure and Post-Closure	Remediation	Self- Insurance
Balance, December 31, 2012	\$ 45.3	\$ 1,052.4	\$ 563.7	\$ 426.4
Non-cash additions	—	17.6	—	—
Acquisitions/divestitures and other adjustments	—	0.1	—	—
Asset retirement obligation adjustments	—	(0.4)	—	—
Accretion expense	—	38.4	13.3	1.6
Additions charged to expense	7.5	—	113.9	200.1
Payments or usage	(9.8)	(41.8)	(51.3)	(190.1)
Balance, June 30, 2013	43.0	1,066.3	639.6	438.0
Less: Current portion	(43.0)	(105.4)	(128.6)	(138.9)
Long-term portion	\$ —	\$ 960.9	\$ 511.0	\$ 299.1

As of June 30, 2013, accounts receivable were \$876.5 million, net of allowance for doubtful accounts of \$43.0 million, resulting in days sales outstanding of 38, or 25 days net of deferred revenue. In addition, at June 30, 2013, our accounts receivable in excess of 90 days old totaled \$56.5 million, or 6.1% of gross receivables outstanding.

## Property and Equipment

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

	Gross Property and Equipment							Balance as of June 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	\$ —	\$ —	\$ —	\$ —	\$ 0.8	\$ 377.8
Non-depletable landfill land	166.0	0.7	—	—	—	—	1.2	167.9
Landfill development costs	5,018.0	(0.3)	—	—	17.6	(0.4)	76.6	5,111.5
Vehicles and equipment	4,946.4	326.3	(55.7)	8.0	—	—	22.4	5,247.4
Buildings and improvements	864.2	12.2	(0.7)	—	—	—	10.6	886.3
Construction-in-progress - landfill	134.5	117.5	—	—	—	—	(75.3)	176.7
Construction-in-progress - other	53.3	19.6	—	—	—	—	(33.6)	39.3
Total	<u>\$ 11,559.3</u>	<u>\$ 476.1</u>	<u>\$ (56.4)</u>	<u>\$ 8.0</u>	<u>\$ 17.6</u>	<u>\$ (0.4)</u>	<u>\$ 2.7</u>	<u>\$ 12,006.9</u>

	Accumulated Depreciation, Amortization and Depletion						
	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	Balance as of June 30, 2013
Landfill development costs	\$ (1,896.4)	\$ (124.5)	\$ —	\$ —	\$ 0.6	\$ —	\$ (2,020.3)
Vehicles and equipment	(2,512.3)	(249.8)	52.1	—	—	(0.1)	(2,710.1)
Buildings and improvements	(240.3)	(19.3)	0.7	—	—	0.1	(258.8)
Total	\$ (4,649.0)	\$ (393.6)	\$ 52.8	\$ —	\$ 0.6	\$ —	\$ (4,989.2)

## Liquidity and Capital Resources

The major components of changes in cash flows for the six months ended June 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 six months ended June 30, 2013 and 2012 (in millions):

	Six Months Ended June 30,	
	2013	2012
Net cash provided by operating activities	\$ 761.5	\$ 695.0
Net cash used in investing activities	(501.7)	(452.9)
Net cash used in financing activities	(230.7)	(239.1)

### Cash Flows Provided by Operating Activities

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

*Changes in assets and liabilities, net of effects from business acquisitions and divestitures.* Changes in assets and liabilities, net of effects from business acquisitions and divestitures, decreased our cash flow from operations by \$90.0 million in the six months ended June 30, 2013 versus a decrease of \$185.1 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 \$40.1 million during the six months ended June 30, 2013 due to timing of billings net of collections as compared to a \$30.5 million increase in the comparable 2012 period.
- Cash paid for income taxes was \$116.8 million and \$87.7 million for the six months ended June 30, 2013 and 2012, respectively.
- In connection with a restructuring announced during the fourth quarter of 2012, we paid \$12.6 million during the six months ended June 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 \$10.5 million higher during the six months ended June 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 \$22.8 million higher during the six months ended June 30, 2013 than the comparable 2012 period primarily related to remediation work performed at our closed Bridgeton Landfill in Missouri.

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 six months ended June 30, 2013 and 2012 are summarized below:

*Capital expenditures.* Capital expenditures during the six months ended June 30, 2013 were \$461.8 million, compared with \$462.5 million in the comparable 2012 period. Property and equipment received during the six months ended June 30, 2013 and 2012 were \$476.1 million and \$458.0 million, respectively.

*Cash used in acquisitions.* During the six months ended June 30, 2013, we paid \$28.5 million for acquisitions of collection businesses in all three regions. During the comparable 2012 period, we paid \$71.8 million for acquisitions of collection businesses primarily in our East and West Regions.

*Cash proceeds from divestitures.* During the six months ended June 30, 2013, we collected \$1.0 million related to a West Region business divestiture completed in 2011. In addition, during the three months ended June 30, 2013 we disposed of a business in one market in our West Region resulting in a gain of \$0.9 million and \$1.7 million of proceeds. During the six months ended June 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.* (Increases) decreases in our restricted cash and marketable securities balances were \$(19.6) million and \$50.7 million during the six months ended June 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 \$2.6 million and \$20.3 million during the six months ended June 30, 2013 and 2012, respectively. In addition, during the six months ended June 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 six months ended June 30, 2013 and 2012 are summarized below:

*Net debt repayments and borrowings.* Payments of notes payable and long term debt net of proceeds were \$48.8 million during the six months ended June 30, 2013 versus net proceeds of \$99.4 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 June 30, 2013, we repurchased 33.1 million shares of our stock for \$960.6 million at a weighted average cost per share of \$29.00. During the three months ended June 30, 2013, we repurchased 2.0 million shares of our stock for \$68.1 million at a weighted average cost per share of \$33.86.

*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 \$169.8 million and \$163.0 million during the six months ended June 30, 2013 and 2012, respectively.

## **Financial Condition**

As of June 30, 2013, we had \$96.7 million of cash and cash equivalents and \$183.8 million of restricted cash deposits and restricted marketable securities, including \$40.6 million of restricted cash and marketable securities held for capital expenditures under certain debt facilities, \$55.3 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 \$85.1 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 June 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 \$701.7 million and \$909.4 million of letters of credit using availability under our Credit Facilities, leaving \$1,548.3 million and \$1,315.6 million of availability under our Credit Facilities at June 30, 2013 and December 31, 2012, respectively.

As of June 30, 2013, we had no borrowings under our Uncommitted Credit Facility. As of December 31, 2012, we had \$13.9 million of LIBOR borrowings. 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 June 30, 2013, our EBITDA to interest ratio was 5.81 compared to the 3.00 minimum required by the covenants, and our total debt to EBITDA ratio was 3.30 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.

## **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 June 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 six months ended June 30 (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Cash provided by operating activities	\$ 341.7	\$ 360.8	\$ 761.5	\$ 695.0
Purchases of property and equipment	(247.0)	(188.3)	(461.8)	(462.5)
Proceeds from sales of property and equipment	4.2	16.6	7.4	21.4
Free cash flow	<u>\$ 98.9</u>	<u>\$ 189.1</u>	<u>\$ 307.1</u>	<u>\$ 253.9</u>

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 six months ended June 30 (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Purchases of property and equipment per the unaudited consolidated statements of cash flows	\$ 247.0	\$ 188.3	\$ 461.8	\$ 462.5
Adjustments for property and equipment received during the prior period but paid for in the following period, net	12.0	63.3	14.3	(4.5)
Property and equipment received during the period	<u>\$ 259.0</u>	<u>\$ 251.6</u>	<u>\$ 476.1</u>	<u>\$ 458.0</u>

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 an additional withdrawal event or events occur with respect to Central States Pension Fund or if a withdrawal event occurs with respect to any other 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 on an annual basis. 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.

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 six months ended June 30, 2013 and 2012 was \$178.3 million and \$188.1 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. From time to time, to reduce the risk from interest rate fluctuations, we have entered into interest rate swap contracts that 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 June 30, 2013, we had approximately \$927 million of floating rate debt. 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 \$9 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 \$80 million relating to our outstanding legal proceedings as of June 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 \$131 million higher than the amount recorded as of June 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.

##### *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 or will accrue 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*. Plaintiff filed a motion for reconsideration/clarification, which the Ohio Supreme Court denied. Plaintiff then filed a motion for additional briefing before the Court of Appeals. The Court of Appeals denied the request and remanded the case to the Cuyahoga County Common Pleas Court for application of *Havel*.

### ***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.

### ***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.

### **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:

#### ***Lorain County Landfill Matter***

Since 2006, the Lorain County Landfill located in Lorain, Ohio agreed to two consensual Director's Final Findings and Orders (DFFOs) issued by the Ohio Environmental Protection Agency related to operational issues, including odor nuisances. The Ohio Attorney General's office advised us that it intended to initiate legal proceedings against our subsidiary, Lorain County Landfill, LLC, and against Lorain County LFG Power Station Energy Developments, Inc. (Developments), which operated and maintained the landfill's gas collection system, for violations alleged to continue to occur in violation of the DFFOs and related to alleged continuing nuisance odors. We amicably resolved the State's issues by negotiating an agreed consent order that

included a civil penalty and injunctive relief. The agreed consent order was filed in the common pleas court on March 5, 2013, resolving the matter.

#### ***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 the SCAQMD through June 30, 2012. Per the terms of the settlement, Sunshine Canyon did not admit any liability and agreed to pay the 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 the SCAQMD's independent hearing board, as further modified by stipulation on July 11, 2012. Since the date of settlement with the SCAQMD, Sunshine Canyon has received additional NOVs for odors and excess surface emissions. The SCAQMD prosecutor's office has stated its intention to seek a further settlement of these additional NOVs not covered by the prior settlement, and we are engaged in settlement discussions with the SCAQMD.

#### ***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 six months ended June 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 June 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)
April 2013	290,434	\$ 32.69	290,434	\$ 247,977,958
May 2013	693,642	\$ 34.60	693,642	\$ 223,980,577
June 2013	1,035,579	\$ 33.69	1,027,983	\$ 189,350,502
	<u>2,019,655</u>		<u>2,012,059</u>	

- (a) 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 (the 2011 Program). 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 2011 Program may be extended, suspended or discontinued at any time. The total number of shares purchased also includes 7,596 shares to satisfy minimum tax withholding obligations in connection with the vesting of outstanding restricted stock.
- (b) The total number of shares purchased as part of the publicly announced program were all purchased pursuant to the 2011 Program.
- (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.**

None.

**ITEM 6. EXHIBITS.**

Exhibit Number	Description of Exhibit
4.1*	Amendment No. 2 to Amended and Restated Credit Agreement dated as of May 8, 2012 is made among Republic Services, Inc., as Borrower, Bank of America, N.A., in its capacity as administrative agent for the Lenders, and each of the Lenders.
4.2*	Amendment No. 3 to Amended and Restated Credit Agreement dated as of April 20, 2011 is made among Republic Services, Inc., as Borrower, Bank of America, N.A., in its capacity as administrative agent for the Lenders, and each of the Lenders.
10.1* +	Amended and Restated 2007 Stock Incentive Plan
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.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant, Republic Services, Inc., has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

REPUBLIC SERVICES, INC.

Date: July 25, 2013

By: /s/ GLENN A. CULPEPPER

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

Date: July 25, 2013

By: /s/ BRIAN A. GOEBEL

**Brian A. Goebel**  
**Vice President and**  
**Chief Accounting Officer**  
**(Principal Accounting Officer)**

## AMENDMENT NO. 2 TO AMENDED AND RESTATED CREDIT AGREEMENT

**THIS AMENDMENT NO. 2 TO AMENDED AND RESTATED CREDIT AGREEMENT** dated as of July 24, 2013 (this “Amendment”) is made among **REPUBLIC SERVICES, INC.**, a Delaware corporation (the “Borrower”), **BANK OF AMERICA, N.A.** (“Bank of America”), in its capacity as administrative agent for the Lenders (in such capacity, the “Administrative Agent”), and each of the Lenders. Capitalized terms used but not otherwise defined herein have the respective meanings ascribed to them in the Credit Agreement described below.

### RECITALS:

A. The Borrower, Bank of America, as Administrative Agent, Swing Line Lender and an L/C Issuer, and the Lenders have entered into an Amended and Restated Credit Agreement dated as of May 8, 2012, as amended by Amendment No. 1 to Amended and Restated Credit Agreement dated as of October 29, 2012 (as in effect on the date hereof, the “Credit Agreement”), pursuant to which the Lenders have made available to the Borrower a revolving credit facility with a swing line sublimit and a letter of credit sublimit.

B. The Borrower has advised the Administrative Agent and the Lenders that it desires to amend certain provisions of the Credit Agreement, and the Administrative Agent and the Lenders are willing to effect such amendment on the terms and conditions contained in this Amendment.

In consideration of the premises and further valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendments to the Credit Agreement. Subject to the terms and conditions set forth herein, the Credit Agreement is hereby amended as follows:

(a) Section 7.01(b) of the Credit Agreement is deleted in its entirety and the following is inserted in lieu thereof:

“(b) Maximum Total Debt to EBITDA Ratio. The Borrower shall not permit the Total Debt to EBITDA Ratio as of the last day of any fiscal quarter to be greater than (i) 3.75 to 1.00, with respect to fiscal quarters ending June 30, 2013, September 30, 2013, December 31, 2013, and March 31, 2014, and (ii) 3.50 to 1.00, with respect to each fiscal quarter ending thereafter.”

(b) Schedule 1 to Exhibit D of the Credit Agreement is amended by deleting the parenthetical at the end of Line II.E in its entirety and inserting the following in lieu thereof:

“(Line II.E must not be greater than (i) 3.75 to 1.00, with respect to fiscal quarters ending June 30, 2013, September 30, 2013, December 31, 2013, and March 31, 2014, and (ii) 3.50 to 1.00, with respect to each fiscal quarter ending thereafter)”



2. Conditions Precedent to Amendments. The effectiveness of this Amendment and the amendments to the Credit Agreement set forth in Section 1 above is subject to the accuracy of the representations and warranties set forth in Section 3 below on the date hereof and the satisfaction of the following conditions precedent:

- (a) the Administrative Agent shall have received counterparts of this Amendment, duly executed by the Borrower, the Administrative Agent and the Required Lenders;
- (b) the Administrative Agent shall have received evidence that contemporaneously herewith a corresponding amendment with respect to the 2011 Credit Agreement shall have become effective (the “2011 Credit Agreement Amendment”);
- (c) the Administrative Agent shall have received, for the account of each of the Lenders that executes this Amendment on or before the effective date hereof, an amendment fee equal to \$5,000 for each such Lender; provided that any Lender that is also a Lender (under as defined in the 2011 Credit Agreement) shall receive a maximum of \$5,000 in aggregate amendment fees pursuant to this Amendment and the 2011 Credit Agreement Amendment; and
- (d) unless waived by the Administrative Agent, all fees and expenses of the Administrative Agent and the Lenders (including the reasonable fees and expenses of counsel to the Administrative Agent to the extent invoiced prior to the date hereof) in connection with this Amendment shall have been paid in full (without prejudice to final settling of accounts for such fees and expenses).

3. Representations and Warranties. In order to induce the Administrative Agent and the Lenders to enter into this Amendment, the Borrower represents and warrants to the Administrative Agent and the Lenders as follows:

- (a) The representations and warranties of the Borrower contained in Article V of the Credit Agreement and in the other Loan Documents are true and correct in all material respects (except, if a qualifier relating to materiality, Material Adverse Effect or a similar concept applies, such representation or warranty is true and correct in all respects) on and as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct in all material respects (except, if a qualifier relating to materiality, Material Adverse Effect or a similar concept applies, such representation or warranty is true and correct in all respects) as of such earlier date and except that the representations and warranties in Section 5.11(a) shall be deemed to refer to the most recent statements furnished pursuant to Section 6.01.
- (b) This Amendment has been duly authorized, executed and delivered by, and constitutes a legal, valid and binding obligation of, the Borrower, except as may be limited by general principles of equity or by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors’ rights generally.

4. Entire Agreement. This Amendment, together with the Loan Documents (collectively, the “Relevant Documents”), sets forth the entire understanding and agreement of the parties hereto in relation to the subject matter hereof and supersedes any prior negotiations and agreements among the parties relating to such subject matter. No promise, condition, representation or warranty, express or implied, not set forth in the Relevant Documents shall bind any party hereto, and no such party has relied on any such promise, condition, representation or warranty. Each of the parties hereto acknowledges that, except as otherwise expressly stated in the Relevant Documents, no representations, warranties or commitments, express or implied, have been made by any party to the other in relation to the subject matter hereof or thereof. None of the terms or conditions of this Amendment may be changed, modified, waived or canceled orally or otherwise, except in writing and in accordance with Section 10.01 of the Credit Agreement.

5. Full Force and Effect of Amendment. Except as hereby specifically amended, modified or supplemented, the Credit Agreement and all other Loan Documents are hereby confirmed and ratified in all respects and shall be and remain in full force and effect according to their respective terms.

6. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment by telecopy, facsimile or other electronic transmission (including .PDF) shall be effective as delivery of a manually executed counterpart of this Amendment.

7. Governing Law. This Amendment shall in all respects be governed by, and construed in accordance with, the laws of the State of New York.

8. Enforceability. Should any one or more of the provisions of this Amendment be determined to be illegal or unenforceable as to one or more of the parties hereto, all other provisions nevertheless shall remain effective and binding on the parties hereto.

9. References. This Amendment shall constitute a Loan Document and all references in any of the other Loan Documents to the “Credit Agreement” shall mean the Credit Agreement, as amended hereby.

10. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the Borrower, the Administrative Agent, the Lenders and their respective successors and assignees to the extent such assignees are permitted assignees as provided in Section 10.06 of the Credit Agreement.

11. Amendment Fees. The amendment fees required to be paid pursuant to Section 2(c) above shall be fully earned upon the effectiveness of this Amendment, shall be nonrefundable for any reason whatsoever and shall be in addition to any other fees, costs and expenses payable pursuant to this Amendment, the Credit Agreement or any other Loan Document.

**[Signature pages follow.]**

**IN WITNESS WHEREOF**, the parties hereto have caused this instrument to be made, executed and delivered by their duly authorized officers as of the day and year first above written.

**BORROWER:**

**REPUBLIC SERVICES, INC.**

By: /s/ Edward A. Lang, III

Name: Edward A. Lang, III

Title: Senior Vice President, Treasurer

Republic Services, Inc.  
Amendment No. 2 to Amended and Restated Credit Agreement (2012)  
Signature Page

**ADMINISTRATIVE AGENT:**

**BANK OF AMERICA, N.A., as**  
Administrative Agent

By: /s/ Maria F. Maia

Name: Maria F. Maia

Title: Managing Director

Republic Services, Inc.  
Amendment No. 2 to Amended and Restated Credit Agreement (2012)  
Signature Page

**LENDERS:**

**BANK OF AMERICA, N.A.**, as a Lender, L/C Issuer and Swing Line Lender

By: /s/ Maria F. Maia

Name: Maria F. Maia

Title: Managing Director

Republic Services, Inc.  
Amendment No. 2 to Amended and Restated Credit Agreement (2012)  
Signature Page

**JPMORGAN CHASE BANK, N.A.**, as a Lender  
and L/C Issuer

By: /s/ Gregory T. Martin  
Name: Gregory T. Martin  
Title: Vice President

Republic Services, Inc.  
Amendment No. 2 to Amended and Restated Credit Agreement (2012)  
Signature Page

**WELLS FARGO BANK, NATIONAL ASSOCIATION**, as a Lender and L/C Issuer

By: /s/ Robert Krasnow  
Name: Robert Krasnow  
Title: Sr. Vice President

Republic Services, Inc.  
Amendment No. 2 to Amended and Restated Credit Agreement (2012)  
Signature Page

**BARCLAYS BANK PLC, as a Lender**

By: /s/ Irina Dimova  
Name: Irina Dimova  
Title: Vice President

Republic Services, Inc.  
Amendment No. 2 to Amended and Restated Credit Agreement (2012)  
Signature Page



**SUNTRUST BANK**, as a Lender

By: /s/ Chris Hursey

Name: Chris Hursey

Title: Vice President

Republic Services, Inc.  
Amendment No. 2 to Amended and Restated Credit Agreement (2012)  
Signature Page

49495682

**U.S. BANK, NATIONAL ASSOCIATION, as a Lender**

By: /s/ Jacob Payne

Name: Jacob Payne

Title: Senior Vice President

Republic Services, Inc.  
Amendment No. 2 to Amended and Restated Credit Agreement (2012)  
Signature Page

**THE BANK OF NOVA SCOTIA**, as a Lender

By: /s/ Eugene Dempsey  
Name: Eugene Dempsey  
Title: Director

Republic Services, Inc.  
Amendment No. 2 to Amended and Restated Credit Agreement (2012)  
Signature Page

**COMPASS BANK, as a Lender**

By: /s/ Michael Dixon  
Name: Michael Dixon  
Title: Vice President

Republic Services, Inc.  
Amendment No. 2 to Amended and Restated Credit Agreement (2012)  
Signature Page

**BNP PARIBAS**, as a Lender and L/C Issuer

By: /s/ Mike Shryock  
Name: Mike Shryock  
Title: Managing Director

By: /s/ Andy Strait  
Name: Andy Strait  
Title: Managing Director

Republic Services, Inc.  
Amendment No. 2 to Amended and Restated Credit Agreement (2012)  
Signature Page

**DEUTSCHE BANK AG, NEW YORK BRANCH, as a Lender**

By: /s/ Ming K. Chu  
Name: Ming K. Chu  
Title: Vice President

By: /s/ Virginia Cosenza  
Name: Virginia Cosenza  
Title: Vice President

Republic Services, Inc.  
Amendment No. 2 to Amended and Restated Credit Agreement (2012)  
Signature Page

**REGIONS BANK, as a Lender**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Republic Services, Inc.  
Amendment No. 2 to Amended and Restated Credit Agreement (2012)  
Signature Page

**INTESA SANPAOLO S.p.A., as a Lender**

By: /s/ Cristina Cignoli  
Name: Cristina Cignoli  
Title: VP & Relationship Manager

By: /s/ Sergio Maggioni  
Name: Sergio Maggioni  
Title: FVP

Republic Services, Inc.  
Amendment No. 2 to Amended and Restated Credit Agreement (2012)  
Signature Page



**MIZUHO CORPORATE BANK, LTD., as a Lender**

By: /s/ Leon Mo

Name: Leon Mo

Title: Senior Vice President

Republic Services, Inc.  
Amendment No. 2 to Amended and Restated Credit Agreement (2012)  
Signature Page

49495682

**ROYAL BANK OF CANADA**, as a Lender

By: /s/ Kevin Flynn

Name: Kevin Flynn

Title: Authorized Signatory

Republic Services, Inc.  
Amendment No. 2 to Amended and Restated Credit Agreement (2012)  
Signature Page

49495682

**THE ROYAL BANK OF SCOTLAND PLC,**  
as a Lender

By: /s/ William Burke  
Name: William Burke  
Title: Director

Republic Services, Inc.  
Amendment No. 2 to Amended and Restated Credit Agreement (2012)  
Signature Page

**BRANCH BANKING AND TRUST COMPANY,**  
as a Lender

By: /s/ Janet L. Wheeler  
Name: Janet L. Wheeler  
Title: Vice President

Republic Services, Inc.  
Amendment No. 2 to Amended and Restated Credit Agreement (2012)  
Signature Page

**SUMITOMO MITSUI BANKING  
CORPORATION, as a Lender**

By: /s/ Shuji Yabe

Name: Shuji Yabe

Title: Managing Director

Republic Services, Inc.  
Amendment No. 2 to Amended and Restated Credit Agreement (2012)  
Signature Page

**COBANK, ACB, as a Lender**

By: /s/ Bryan Ervin  
Name: Bryan Ervin  
Title: Vice President

Republic Services, Inc.  
Amendment No. 2 to Amended and Restated Credit Agreement (2012)  
Signature Page

**COMERICA BANK, as a Lender**

By: /s/ Elizabeth V. Gonzalez

Name: Elizabeth V. Gonzalez

Title: Corporate Banking Officer

Republic Services, Inc.  
Amendment No. 2 to Amended and Restated Credit Agreement (2012)  
Signature Page

**PNC BANK, NATIONAL ASSOCIATION**, as a Lender and L/C Issuer

By: /s/ Philip K. Liebscher  
Name: Phillip K. Liebscher  
Title: Senior Vice President

Republic Services, Inc.  
Amendment No. 2 to Amended and Restated Credit Agreement (2012)  
Signature Page



**THE BANK OF NEW YORK MELLON, as a Lender**

By: /s/ David B. Wirl

Name: David B. Wirl

Title: Managing Director

Republic Services, Inc.

Amendment No. 2 to Amended and Restated Credit Agreement (2012)

Signature Page

**UNION BANK, N.A.**, as a Lender

By: /s/ Steven Peterson

Name: Steven Peterson

Title: Senior Vice President

Republic Services, Inc.  
Amendment No. 2 to Amended and Restated Credit Agreement (2012)  
Signature Page

49495682

**MACQUARIE BANK LIMITED**, as a Lender

By: /s/ Stephen Bower  
Name: Stephen Bower  
Title: Associate Director

By: /s/ Andrew McGrath  
Name: Andrew McGrath  
Title: Executive Director

Republic Services, Inc.  
Amendment No. 2 to Amended and Restated Credit Agreement (2012)  
Signature Page

### AMENDMENT NO. 3 TO AMENDED AND RESTATED CREDIT AGREEMENT

**THIS AMENDMENT NO. 3 TO AMENDED AND RESTATED CREDIT AGREEMENT** dated as of July 24, 2013 (this “Amendment”) is made among **REPUBLIC SERVICES, INC.**, a Delaware corporation (the “Borrower”), **BANK OF AMERICA, N.A.** (“Bank of America”), in its capacity as administrative agent for the Lenders (in such capacity, the “Administrative Agent”), and each of the Lenders. Capitalized terms used but not otherwise defined herein have the respective meanings ascribed to them in the Credit Agreement described below.

#### RECITALS:

A. The Borrower, Bank of America, as Administrative Agent, Swing Line Lender and an L/C Issuer, and the Lenders have entered into an Amended and Restated Credit Agreement, dated as of April 20, 2011, as amended by Amendment No. 1 to Amended and Restated Credit Agreement dated as of May 8, 2012 and Amendment No. 2 to Amended and Restated Credit Agreement dated as of October 29, 2012 (as in effect on the date hereof, the “Credit Agreement”), pursuant to which the Lenders have made available to the Borrower a revolving credit facility with a swing line sublimit and a letter of credit sublimit.

B. The Borrower has advised the Administrative Agent and the Lenders that it desires to amend certain provisions of the Credit Agreement, and the Administrative Agent and the Lenders are willing to effect such amendment on the terms and conditions contained in this Amendment.

In consideration of the premises and further valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendments to the Credit Agreement. Subject to the terms and conditions set forth herein, the Credit Agreement is hereby amended as follows:

(a) Section 7.01(b) of the Credit Agreement is deleted in its entirety and the following is inserted in lieu thereof:

“(b) Maximum Total Debt to EBITDA Ratio. The Borrower shall not permit the Total Debt to EBITDA Ratio as of the last day of any fiscal quarter to be greater than (i) 3.75 to 1.00, with respect to fiscal quarters ending June 30, 2013, September 30, 2013, December 31, 2013, and March 31, 2014, and (ii) 3.50 to 1.00, with respect to each fiscal quarter ending thereafter.”

(b) Schedule 1 to Exhibit D of the Credit Agreement is amended by deleting the parenthetical at the end of Line II.E in its entirety and inserting the following in lieu thereof:

“(Line II.E must not be greater than (i) 3.75 to 1.00, with respect to fiscal quarters ending June 30, 2013, September 30, 2013, December 31, 2013, and March 31, 2014, and (ii) 3.50 to 1.00, with respect to each fiscal quarter ending thereafter)”

2. Conditions Precedent to Amendments. The effectiveness of this Amendment and the amendments to the Credit Agreement set forth in Section 1 above is subject to the accuracy of the representations and warranties set forth in Section 3 below on the date hereof and the satisfaction of the following conditions precedent:

- (a) the Administrative Agent shall have received counterparts of this Amendment, duly executed by the Borrower, the Administrative Agent and the Required Lenders;
- (b) the Administrative Agent shall have received evidence that contemporaneously herewith a corresponding amendment with respect to the 2012 Credit Agreement shall have become effective (the “2012 Credit Agreement Amendment”);
- (c) the Administrative Agent shall have received, for the account of each of the Lenders that executes this Amendment on or before the effective date hereof, an amendment fee equal to \$5,000 for each such Lender; provided that any Lender that is also a Lender (under as defined in the 2012 Credit Agreement) shall receive a maximum of \$5,000 in aggregate amendment fees pursuant to this Amendment and the 2012 Credit Agreement Amendment; and
- (d) unless waived by the Administrative Agent, all fees and expenses of the Administrative Agent and the Lenders (including the reasonable fees and expenses of counsel to the Administrative Agent to the extent invoiced prior to the date hereof) in connection with this Amendment shall have been paid in full (without prejudice to final settling of accounts for such fees and expenses).

3. Representations and Warranties. In order to induce the Administrative Agent and the Lenders to enter into this Amendment, the Borrower represents and warrants to the Administrative Agent and the Lenders as follows:

- (a) The representations and warranties of the Borrower contained in Article V of the Credit Agreement and in the other Loan Documents are true and correct in all material respects (except, if a qualifier relating to materiality, Material Adverse Effect or a similar concept applies, such representation or warranty is true and correct in all respects) on and as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct in all material respects (except, if a qualifier relating to materiality, Material Adverse Effect or a similar concept applies, such representation or warranty is true and correct in all respects) as of such earlier date and except that the representations and warranties in Section 5.11(a) shall be deemed to refer to the most recent statements furnished pursuant to Section 6.01.
- (b) This Amendment has been duly authorized, executed and delivered by, and constitutes a legal, valid and binding obligation of, the Borrower, except as may be limited by general principles of equity or by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors’ rights generally.

4. Entire Agreement. This Amendment, together with the Loan Documents (collectively, the “Relevant Documents”), sets forth the entire understanding and agreement of the parties hereto in relation to the subject matter hereof and supersedes any prior negotiations and agreements among the parties relating to such subject matter. No promise, condition, representation or warranty, express or implied, not set forth in the Relevant Documents shall bind any party hereto, and no such party has relied on any such promise, condition, representation or warranty. Each of the parties hereto acknowledges that, except as otherwise expressly stated in the Relevant Documents, no representations, warranties or commitments, express or implied, have been made by any party to the other in relation to the subject matter hereof or thereof. None of the terms or conditions of this Amendment may be changed, modified, waived or canceled orally or otherwise, except in writing and in accordance with Section 10.01 of the Credit Agreement.

5. Full Force and Effect of Amendment. Except as hereby specifically amended, modified or supplemented, the Credit Agreement and all other Loan Documents are hereby confirmed and ratified in all respects and shall be and remain in full force and effect according to their respective terms.

6. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment by telecopy, facsimile or other electronic transmission (including .PDF) shall be effective as delivery of a manually executed counterpart of this Amendment.

7. Governing Law. This Amendment shall in all respects be governed by, and construed in accordance with, the laws of the State of New York.

8. Enforceability. Should any one or more of the provisions of this Amendment be determined to be illegal or unenforceable as to one or more of the parties hereto, all other provisions nevertheless shall remain effective and binding on the parties hereto.

9. References. This Amendment shall constitute a Loan Document and all references in any of the other Loan Documents to the “Credit Agreement” shall mean the Credit Agreement, as amended hereby.

10. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the Borrower, the Administrative Agent, the Lenders and their respective successors and assignees to the extent such assignees are permitted assignees as provided in Section 10.06 of the Credit Agreement.

11. Amendment Fees. The amendment fees required to be paid pursuant to Section 2(c) above shall be fully earned upon the effectiveness of this Amendment, shall be nonrefundable for any reason whatsoever and shall be in addition to any other fees, costs and expenses payable pursuant to this Amendment, the Credit Agreement or any other Loan Document.

**[Signature pages follow.]**

**IN WITNESS WHEREOF**, the parties hereto have caused this instrument to be made, executed and delivered by their duly authorized officers as of the day and year first above written.

**BORROWER:**

**REPUBLIC SERVICES, INC.**

By: /s/ Edward A. Lang, III

Name: Edward A. Lang, III

Title: Senior Vice President, Treasurer

Republic Services, Inc.  
Amendment No. 3 to Amended and Restated Credit Agreement (2011)  
Signature Page

**ADMINISTRATIVE AGENT:**

**BANK OF AMERICA, N.A.,** as  
Administrative Agent

By: /s/ Maria F. Maia

Name: Maria F. Maia

Title: Managing Director

Republic Services, Inc.  
Amendment No. 3 to Amended and Restated Credit Agreement (2011)  
Signature Page



**LENDERS:**

**BANK OF AMERICA, N.A.**, as a Lender, L/C Issuer and Swing Line Lender

By: /s/ Maria F. Maia

Name: Maria F. Maia

Title: Managing Director

Republic Services, Inc.  
Amendment No. 3 to Amended and Restated Credit Agreement (2011)  
Signature Page

**JPMORGAN CHASE BANK, N.A., as a Lender  
and L/C Issuer**

By: /s/ Gregory T. Martin  
Name: Gregory T. Martin  
Title: Vice President

Republic Services, Inc.  
Amendment No. 3 to Amended and Restated Credit Agreement (2011)  
Signature Page

**WELLS FARGO BANK, NATIONAL ASSOCIATION**, as a Lender and L/C Issuer

By: /s/ Robert Krasnow  
Name: Robert Krasnow  
Title: Sr. Vice President

Republic Services, Inc.  
Amendment No. 3 to Amended and Restated Credit Agreement (2011)  
Signature Page

**BARCLAYS BANK PLC, as a Lender**

By: /s/ Irina Dimova  
Name: Irina Dimova  
Title: Vice President

Republic Services, Inc.  
Amendment No. 3 to Amended and Restated Credit Agreement (2011)  
Signature Page

**SUNTRUST BANK, as a Lender**

By: /s/ Chris Hursey  
Name: Chris Hursey  
Title: Vice President

Republic Services, Inc.  
Amendment No. 3 to Amended and Restated Credit Agreement (2011)  
Signature Page

**U.S. BANK, NATIONAL ASSOCIATION, as a Lender**

By: /s/ Jacob Payne

Name: Jacob Payne

Title: Senior Vice President

Republic Services, Inc.  
Amendment No. 3 to Amended and Restated Credit Agreement (2011)  
Signature Page

**THE BANK OF NOVA SCOTIA**, as a Lender

By: /s/ Eugene Dempsey  
Name: Eugene Dempsey  
Title: Director

Republic Services, Inc.  
Amendment No. 3 to Amended and Restated Credit Agreement (2011)  
Signature Page

**COMPASS BANK**, as a Lender

By: /s/ Michael Dixon

Name: Michael Dixon

Title: Vice President

Republic Services, Inc.  
Amendment No. 3 to Amended and Restated Credit Agreement (2011)  
Signature Page



**BNP PARIBAS**, as a Lender

By: /s/ Mike Shryock  
Name: Mike Shryock  
Title: Managing Director

By: /s/ Andy Strait  
Name: Andy Strait  
Title: Managing Director

Republic Services, Inc.  
Amendment No. 3 to Amended and Restated Credit Agreement (2011)  
Signature Page

**CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as a Lender**

By: /s/ Kevin Buddhew  
Name: Kevin Buddhew  
Title: Authorized Signatory

By: /s/ Alex Verdone  
Name: Alex Verdone  
Title: Authorized Signatory

Republic Services, Inc.  
Amendment No. 3 to Amended and Restated Credit Agreement (2011)  
Signature Page

**DEUTSCHE BANK AG, NEW YORK BRANCH, as a Lender**

By: /s/ Ming K. Chu  
Name: Ming K. Chu  
Title: Vice President

By: /s/ Virginia Cosenza  
Name: Virginia Cosenza  
Title: Vice President

Republic Services, Inc.  
Amendment No. 3 to Amended and Restated Credit Agreement (2011)  
Signature Page

**GOLDMAN SACHS BANK USA, as a Lender**

By: /s/ Michelle Latzoni  
Name: Michelle Latzoni  
Title: Authorized Signatory

Republic Services, Inc.  
Amendment No. 3 to Amended and Restated Credit Agreement (2011)  
Signature Page

**INTESA SANPAOLO S.p.A., as a Lender**

By: /s/ Cristina Cignoli  
Name: Cristina Cignoli  
Title: VP & Relationship Manager

By: /s/ Sergio Maggioni  
Name: Sergio Maggioni  
Title: FVP

Republic Services, Inc.  
Amendment No. 3 to Amended and Restated Credit Agreement (2011)  
Signature Page

**MIZUHO CORPORATE BANK (USA), as a Lender**

By: /s/ Leon Mo

Name: Leon Mo

Title: Senior Vice President

Republic Services, Inc.  
Amendment No. 3 to Amended and Restated Credit Agreement (2011)  
Signature Page

**ROYAL BANK OF CANADA, as a Lender**

By: /s/ Kevin Flynn

Name: Kevin Flynn

Title: Authorized Signatory

Republic Services, Inc.  
Amendment No. 3 to Amended and Restated Credit Agreement (2011)  
Signature Page

**THE ROYAL BANK OF SCOTLAND PLC,**  
as a Lender

By: /s/ William Burke  
Name: William Burke  
Title: Director

Republic Services, Inc.  
Amendment No. 3 to Amended and Restated Credit Agreement (2011)  
Signature Page



**BRANCH BANKING AND TRUST COMPANY,**  
as a Lender

By: /s/ Janet L. Wheeler  
Name: Janet L. Wheeler  
Title: Vice President

Republic Services, Inc.  
Amendment No. 3 to Amended and Restated Credit Agreement (2011)  
Signature Page

**SUMITOMO MITSUI BANKING  
CORPORATION, as a Lender**

By: /s/ Shuji Yabe

Name: Shuji Yabe

Title: Managing Director

Republic Services, Inc.  
Amendment No. 3 to Amended and Restated Credit Agreement (2011)  
Signature Page

**COBANK, ACB, as a Lender**

By: /s/ Bryan Ervin

Name: Bryan Ervin

Title: Vice President

Republic Services, Inc.  
Amendment No. 3 to Amended and Restated Credit Agreement (2011)  
Signature Page

**COMERICA BANK, as a Lender**

By: /s/ Elizabeth V. Gonzalez

Name: Elizabeth V. Gonzalez

Title: Corporate Banking Officer

Republic Services, Inc.  
Amendment No. 3 to Amended and Restated Credit Agreement (2011)  
Signature Page

**PNC BANK, NATIONAL ASSOCIATION**, as a Lender

By: /s/ Philip K. Liebscher  
Name: Phillip K. Liebscher  
Title: Senior Vice President

Republic Services, Inc.  
Amendment No. 3 to Amended and Restated Credit Agreement (2011)  
Signature Page

**THE BANK OF NEW YORK MELLON, as a Lender**

By: /s/ David B. Wirl

Name: David B. Wirl

Title: Managing Director

Republic Services, Inc.  
Amendment No. 3 to Amended and Restated Credit Agreement (2011)  
Signature Page

**UNION BANK, N.A.**, as a Lender

By: /s/ Steven Peterson

Name: Steven Peterson

Title: Senior Vice President

Republic Services, Inc.  
Amendment No. 3 to Amended and Restated Credit Agreement (2011)  
Signature Page

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**MACQUARIE BANK LIMITED**, as a Lender

By: /s/ Stephen Bower  
Name: Stephen Bower  
Title: Associate Director

By: /s/ Andrew McGrath  
Name: Andrew McGrath  
Title: Executive Director

Republic Services, Inc.  
Amendment No. 3 to Amended and Restated Credit Agreement (2011)  
Signature Page



## REPUBLIC SERVICES, INC. AMENDED AND RESTATED 2007 STOCK INCENTIVE PLAN

**1. ESTABLISHMENT, RESTATEMENT, EFFECTIVE DATE AND TERM**

Republic Services, Inc., a Delaware corporation established the “Republic Services, Inc. 2007 Stock Incentive Plan” effective February 21, 2007, as amended by the Board effective January 1, 2009 (the “Republic 2007 Stock Incentive Plan”). Republic hereby amends and restates the Republic 2007 Stock Incentive Plan in its entirety. The Plan was approved and adopted by the Board on March 23, 2011 and shall become effective upon approval by the stockholders of Republic of the Plan. Until such approval, the provisions of the Republic 2007 Stock Incentive Plan shall continue in effect in accordance with its terms. Any Awards granted prior to stockholder approval of the Plan shall remain subject to the terms of the Republic 2007 Stock Incentive Plan as in effect on the date of grant. Any Awards granted on or after the date on which the Plan is approved by the stockholders of Republic shall be subject to the provisions of the Plan. Unless earlier terminated pursuant to Section 17(k) hereof, the Plan shall terminate on the tenth anniversary of the date set forth above on which the Plan was approved and adopted by the Board.

**2. PURPOSE**

The purpose of the Plan is to enable the Company to attract, retain, reward and motivate Eligible Individuals by providing them with an opportunity to acquire or increase a proprietary interest in Republic and to incentivize them to expend maximum effort for the growth and success of the Company, so as to strengthen the mutuality of the interests between the Eligible Individuals and the stockholders of Republic.

**3. DEFINITIONS**

As used in the Plan, the following terms shall have the meanings set forth below:

(a) “Award” means any Option, Performance Share, Performance Unit, Restricted Stock, Restricted Stock Unit, Stock Appreciation Right, Common Stock granted as a bonus or in lieu of another Award or Dividend Equivalent, together with any other right or interest, granted to a Participant under the Plan.

(b) “Award Agreement” means a written agreement entered into by Republic and a Participant setting forth the terms and conditions of the grant of an Award to such Participant.

(c) “Board” means the board of directors of Republic.

(d) “Cause” means, with respect to a termination of employment or service with the Company, a termination of employment or service due to a Participant’s dishonesty, fraud, insubordination, willful misconduct, refusal to perform services (for any reason other than illness or incapacity) or materially unsatisfactory performance of the Participant’s duties for the Company; *provided, however*, that if the Participant and the Company have entered into an employment agreement or consulting agreement which defines the term Cause or the Participant is covered under the Company’s Executive Separation Policy, the term Cause shall be defined in accordance with such agreement or policy, as amended from time to time and as applicable, with respect to any Award granted to the Participant on or after the effective date of the respective agreement or policy. The Committee shall determine in its sole and absolute discretion whether Cause exists for purposes of the Plan.

(e) “Change in Control” means the occurrence of any of the following:

(i) an acquisition (other than directly from Republic) of any voting securities of Republic (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 Republic (“Shares”) or the combined voting power of Republic’s then outstanding Voting Securities; *provided, however*, in determining whether a Change in Control has occurred pursuant to this subsection (i), Shares or Voting Securities which are acquired in a “Non-Control Acquisition” (as hereinafter defined) will not constitute an acquisition which would cause a Change in Control. A “Non-Control Acquisition” means an acquisition by (A) an employee benefit plan (or a trust forming a part thereof) maintained by (1) Republic 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 Republic (for purposes of this definition, a “Related Entity”), (B) Republic or any Related Entity, or (C) any Person in connection with a “Non-Control Transaction” (as hereinafter defined);

(ii) the individuals who 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 (as defined in Paragraph (iii)(A) below) which results in a Parent Corporation, the board of directors of the ultimate Parent Corporation (as defined in Paragraph (iii)(A)(1) below); *provided, however* , that if the election, or nomination for election by Republic’s common stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director will be considered as a member of the Incumbent Board; *provided further, however* , that no individual will 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:

(A) a merger, consolidation or reorganization with or into Republic or in which securities of Republic are issued (a “Merger Event”), unless such Merger Event is a “Non-Control Transaction.” A “Non-Control Transaction” means a Merger Event where:

(1) the stockholders of Republic 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,

(2) 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 is no Parent Corporation, or (y) if there are one or more Parent Corporations, the ultimate Parent Corporation; and

(3) no Person other than (w) Republic, (x) any Related Entity, (y) any employee benefit plan (or any trust forming a part thereof) that, immediately prior to such Merger Event was maintained by Republic or any Related Entity, or (z) 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 (I) the Surviving Corporation, if there is no Parent Corporation, or (II) if there are one or more Parent Corporations, the ultimate Parent Corporation.

(B) a complete liquidation or dissolution of Republic; or

(C) the sale or other disposition of all or substantially all of the assets of Republic 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 Republic’s stockholders of the stock of a Related Entity or any other assets).

Notwithstanding the foregoing, a Change in Control will 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 Republic which, by reducing the number of Shares or Voting Securities then outstanding, increases the proportional number of shares Beneficially Owned by the Subject Person, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Shares or Voting Securities by Republic, and after such share acquisition by Republic, 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 will occur.

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

(f) “Code” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

(g) “Committee” means a committee or sub-committee of the Board consisting of two or more members of the Board, each of whom shall be (i) a “non-employee director” as defined in Rule 16b-3

under the Exchange Act, unless administration of the Plan by “non-employee directors” is not then required in order for exemptions under Rule 16b-3 to apply to transactions under the Plan, (ii) an “outside director” for purposes of Code Section 162 (m), and (iii) Independent. The failure of the Committee to be so comprised shall not invalidate any such Award that otherwise satisfies the terms of the Plan. If no Committee exists, or for any other reason determined by the Board, then the Board shall serve as the Committee; *provided, however*, that a Committee (other than the Board) shall be created prior to the grant of Awards to a Covered Employee and that grants of Awards to a Covered Employee shall be made only by such Committee. Notwithstanding the foregoing, with respect to the grant of Awards to Non-Employee Directors, the Committee shall be the Board.

(h) “Common Stock” means the common stock, \$.01 par value per share, of Republic.

(i) “Company” means Republic and all entities whose financial statements are required to be consolidated with the financial statements of Republic pursuant to United States generally accepted accounting principles and any other entity determined to be an affiliate as determined by the Committee in its sole and absolute discretion.

(j) “Covered Employee” means “covered employee” as defined in Code Section 162(m)(3).

(k) “Covered Individual” means any current or former member of the Committee, any current or former officer of the Company, or any individual designated pursuant to Sections 5(b) or 5(c).

(l) “Detrimental Activity” shall mean (i) the disclosure to anyone outside the Company, or the use in other than the Company’s business, without written authorization from the Company, of any confidential information or proprietary information, relating to the business of the Company, acquired by a Participant prior to a termination of the Participant’s employment or service with the Company; (ii) activity while employed or providing services that results, or if known could result, in the termination of the Participant’s employment or service that is classified by the Company as a termination for Cause; (iii) any attempt, directly or indirectly, to solicit, induce or hire (or the identification for solicitation, inducement or hiring of) any non-clerical employee of the Company to be employed by, or to perform services for, the Participant or any person or entity with which the Participant is associated (including, but not limited to, due to the Participant’s employment by, consultancy for, equity interest in, or creditor relationship with such person or entity) or any person or entity from which the Participant receives direct or indirect compensation or fees as a result of such solicitation, inducement or hire (or the identification for solicitation, inducement or hire) without, in all cases, written authorization from the Company; (iv) any attempt, directly or indirectly, to solicit in a competitive manner any current or prospective customer of the Company without, in all cases, written authorization from the Company; (v) the Participant’s Disparagement, or inducement of others to do so, of the Company or their past and present officers, directors, employees or products; (vi) without written authorization from the Company, the rendering of services for any organization, or engaging, directly or indirectly, in any business, which is competitive with the Company, or which organization or business, or the rendering of services to such organization or business, is otherwise prejudicial to or in conflict with the interests of the Company; provided, however that competitive activities shall only be those competitive with any business unit of the Company with regard to which the Participant performed services at any time within the two (2) years prior to the termination of the Participant’s employment or service; or (vii) any other conduct or act determined by the Committee, in its sole discretion, to be injurious, detrimental or prejudicial to any interest of the Company. For purposes of subparagraphs (i), (iii), (iv) and (vi) above, the Chief Executive Officer and the General Counsel of the Company shall each have authority to provide the Participant with written authorization to engage in the activities contemplated thereby and no other person shall have authority to provide the Participant with such authorization.

(m) “Disability” means a “permanent and total disability” within the meaning of Code Section 22(e)(3); *provided, however*, that if a Participant and the Company have entered into an employment or consulting agreement which defines the term Disability for purposes of such agreement or the Participant is covered under the Company’s Executive Separation Policy, Disability shall be defined pursuant to the definition in such agreement or policy, as applicable, with respect to any Award granted to the Participant on or after the effective date of the respective employment or consulting agreement or policy. The Committee shall determine in its sole and absolute discretion whether a Disability exists for purposes of the Plan.

(n) “Disparagement” means making any comments or statements to the press, the Company’s employees or any individual or entity with whom the Company has a business relationship which would adversely affect in any manner: (i) the conduct of the business of the Company (including, without limitation, any products or business plans or prospects), or (ii) the business reputation of the Company or any of its products, or its past or present officers, directors or employees.

(o) “Dividend Equivalent” means a right to receive cash, shares of Common Stock, or other property equal in value to dividends paid with respect to one share of Common Stock subject to an Award granted to a Participant pursuant to Section 12 of the Plan.

(p) “Effective Date” of the Plan shall mean the date on which the Plan is approved by stockholders of Republic.

(q) “Eligible Individual” means any employee, officer, director (employee or non-employee director) of the Company and any Prospective Employee to whom Awards are granted in connection with an offer of future employment with the Company.

(r) “Employee Debt” has the meaning set forth in Section 16(c).

(s) “Exchange Act” means the Securities Exchange Act of 1934, as amended.

(t) “Executive Separation Policy” means the Republic Executive Separation Policy as established effective February 9, 2010, and as amended from time to time.

(u) “Exercise Price” means the purchase price of each share of Common Stock subject to an Award.

(v) “Fair Market Value” means, unless otherwise required by the Code, as of any date, the last sales price reported for the Common Stock on such date (i) as reported by the national securities exchange in the United States on which it is then traded or (ii) if not traded on any such national securities exchange, as quoted on an automated quotation system sponsored by the National Association of Securities Dealers, Inc., or if the Common Stock shall not have been reported or quoted on such date, on the first day prior thereto on which the Common Stock was reported or quoted; *provided, however*, that the Committee may modify the definition of Fair Market Value to reflect any changes in the trading practices of any exchange or automated system sponsored by the National Association of Securities Dealers, Inc. on which the Common Stock is listed or traded. If the Common Stock is not readily traded on a national securities exchange or any system sponsored by the National Association of Securities Dealers, Inc., the Fair Market Value shall be determined in good faith by the Committee.

(w) “Grant Date” means the date on which the Committee approves the grant of an Award or such later date as is specified by the Committee and set forth in the applicable Award Agreement.

(x) “Incentive Stock Option” means an “incentive stock option” within the meaning of Code Section 422.

(y) “Independent”, when referring to members of the Committee, shall have the same meanings as used in the rules of the New York Stock Exchange or any other national securities exchange on which any equity securities of Republic are listed for trading, and if not listed for trading, by the rules of the Nasdaq Stock Market.

(z) “Non-Employee Director” means a director of Republic who is not an active employee of the Company.

(aa) “Non-qualified Stock Option” means an Option which is not an Incentive Stock Option.

(bb) “Option” means an option to purchase Common Stock granted pursuant to Section 7 of the Plan.

(cc) “Option Proceeds” means the cash actually received by the Company for the exercise price in connection with the exercise of Options granted under the Plan or the Republic 2007 Stock Incentive Plan that are exercised after the Effective Date of the Plan, plus the maximum tax benefit that could be realized by the Company as a result of the exercise of such Options, which tax benefit shall be determined by multiplying (i) the amount that is deductible for Federal income tax purposes as a result of any such option exercise (currently, equal to the amount upon which the Participant’s withholding tax obligation is calculated), times (ii) the maximum Federal corporate income tax rate for the year of exercise. With respect to Options, to the extent that a Participant pays the exercise price and/or withholding taxes with shares of Common Stock, Option Proceeds shall not be calculated with respect to the amounts so paid in shares of Common Stock.

(dd) “Participant” means any Eligible Individual who holds an Award under the Plan and any of such individual’s successors or permitted assigns.

(ee) “Performance Goals” means the specified performance goals which have been established by the Committee in connection with an Award.

(ff) “Performance Period” means the period during which Performance Goals must be achieved in connection with an Award.

(gg) “Performance Share” means a right to receive a fixed number of shares of Common Stock, or the cash equivalent, which is contingent on the achievement of certain Performance Goals during a Performance Period.

(hh) “Performance Unit” means a right to receive a designated dollar value, or shares of Common Stock of the equivalent value, which is contingent on the achievement of Performance Goals during a Performance Period.

(ii) “Person” shall mean, except as otherwise defined and used for purposes of Section 3(e), any person, corporation, partnership, limited liability company, joint venture or other entity or any group (as such term is defined for purposes of Section 13(d) of the Exchange Act), other than a Parent or Subsidiary.

(jj) “Plan” means the Republic Services, Inc. Amended and Restated 2007 Stock Incentive Plan, as set forth herein, and as may be hereafter from time to time amended.

(kk) “Prospective Employee” means any individual who has committed to become an employee of the Company within sixty (60) days from the date an Award is granted to such individual.

(ll) “Republic” means Republic Services, Inc., a Delaware corporation.

(mm) “Republic 2007 Stock Incentive Plan” has the meaning set forth in Section 1.

(nn) “Restricted Stock” means Common Stock subject to certain restrictions, as determined by the Committee, and granted pursuant to Section 9 hereunder.

(oo) “Restricted Stock Unit” means the right to receive a fixed number of shares of Common Stock, or the cash equivalent, granted pursuant to Section 9 hereunder.

(pp) “Section 424 Employee” means an employee of Republic or any “subsidiary corporation” or “parent corporation” as such terms are defined in and in accordance with Code Section 424. The term “Section 424 Employee” also includes employees of a corporation issuing or assuming any Options in a transaction to which Code Section 424(a) applies.

(qq) “Stock Appreciation Right” means the right to receive all or some portion of the increase in value of a fixed number of shares of Common Stock granted pursuant to Section 8 hereunder.

(rr) “Substitute Awards” means Awards granted or shares of Common Stock issued by Republic in assumption of, or in substitution or exchange for, Awards previously granted, or the right or obligation to make future Awards, by a company (i) acquired by Republic or any Related Entity (as defined in Section 3(e)(i)), (ii) which becomes a Related Entity after the Effective Date, or (iii) with which Republic or any Related Entity combines.

(ss) “Transfer” means, as a noun, any direct or indirect, voluntary or involuntary, exchange, sale, bequeath, pledge, mortgage, hypothecation, encumbrance, distribution, transfer, gift, assignment or other disposition or attempted disposition of, and, as a verb, directly or indirectly, voluntarily or involuntarily, to exchange, sell, bequeath, pledge, mortgage, hypothecate, encumber, distribute, transfer, give, assign or in any other manner whatsoever dispose or attempt to dispose of.

#### **4. ELIGIBILITY**

Awards may be granted under the Plan to any Eligible Individual as determined by the Committee from time to time on the basis of his or her importance to the business of the Company pursuant to the terms of the Plan.

#### **5. ADMINISTRATION**

(a) Committee. The Plan shall be administered by the Committee, which shall have the full power and authority to take all actions, and to make all determinations not inconsistent with the specific terms and provisions of the Plan deemed by the Committee to be necessary or appropriate to the administration of the Plan, any Award granted or any Award Agreement entered into hereunder. The Committee shall have authority to issue Awards upon such terms (not inconsistent with the provisions of this Plan) as the Committee may consider appropriate. The terms of an Award may include (in addition to those contained in this Plan) such conditions and limitations as the Committee may consider appropriate in its sole discretion for the protection of the interests of the Company and its stockholders, including, without limitation, restrictions on exercisability, vesting or transferability, forfeiture provisions, and requirements for the disgorgement of gain. The Committee may correct any defect or supply any

omission or reconcile any inconsistency in the Plan or in any Award Agreement in the manner and to the extent it shall deem expedient to carry the Plan into effect as it may determine in its sole discretion. The decisions by the Committee shall be final, conclusive and binding with respect to the interpretation and administration of the Plan, any Award or any Award Agreement entered into under the Plan.

(b) Committee Delegation. The Committee may delegate to officers or managers of the Company, or committees thereof, the authority, subject to such terms and limitations as the Committee shall determine, to perform such functions, including administrative functions, as the Committee may determine to the extent that such delegation will not result in the loss of an exemption under Rule 16b-3(d)(1) for Awards granted to Participants subject to Section 16 of the Exchange Act in respect of the Company and will not cause Awards to Covered Employees that are intended to qualify as "performance-based compensation" under Code Section 162(m) to fail to so qualify. Any such delegations shall be set forth in a written instrument that specifies the persons authorized to act thereunder and the terms and limitations of such authority, which writing shall be delivered to the Company's Chief Financial Officer and General Counsel before any authority may be exercised.

(c) Advisors to Committee. The Committee may designate employees of the Company and professional advisors to assist the Committee in the administration of the Plan. The Committee may grant authority to the Chief Executive Officer of the Company or any other employee of the Company to execute agreements or other documents on behalf of the Committee in connection with the grant of an Award or the administration of the Plan. The Committee may employ such legal counsel, consultants, and agents as it may deem desirable for the administration of the Plan and may rely upon any advice and any communication received from any such counsel, consultant, or agent. The Company shall pay all expenses and costs incurred by the Committee for the engagement of any such counsel, consultant, or agent.

(d) Participants Outside the U.S. In order to conform with the provisions of local laws and regulations in foreign countries in which the Company may operate, the Committee shall have the sole discretion to (i) modify the terms and conditions of the Awards granted under the Plan to Eligible Individuals located outside the United States; (ii) establish subplans with such modifications as may be necessary or advisable under the circumstances presented by local laws and regulations; and (iii) take any action which it deems advisable to comply with or otherwise reflect any necessary governmental regulatory procedures, or to obtain any exemptions or approvals necessary with respect to the Plan or any subplan established hereunder.

(e) Liability and Indemnification. No Covered Individual shall be liable for any action or determination made in good faith with respect to the Plan, any Award granted or any Award Agreement entered into hereunder. The Company shall, to the maximum extent permitted by applicable law and the Certificate of Incorporation and Bylaws of Republic, indemnify and hold harmless each Covered Individual against any cost or expense (including reasonable attorney fees reasonably acceptable to the Company) or liability (including any amount paid in settlement of a claim with the approval of the Company), and advance amounts to such Covered Individual necessary to pay the foregoing at the earliest time and to the fullest extent permitted, arising out of any act or omission to act in connection with the Plan, any Award granted hereunder or any Award Agreement entered into hereunder. Such indemnification shall be in addition to any rights of indemnification such individuals may have under applicable law or under the Certificate of Incorporation or Bylaws of Republic. Notwithstanding anything else herein, this indemnification will not apply to the actions or determinations made by a Covered Individual with regard to Awards granted to such Covered Individual under the Plan or arising out of such Covered Individual's own fraud or bad faith.

## 6. COMMON STOCK

(a) Shares Available for Awards. The Common Stock that may be issued pursuant to Awards granted under the Plan shall be treasury shares or authorized but unissued shares of the Common Stock. The total number of shares of Common Stock that may be issued pursuant to Awards granted under the Plan on or after the Effective Date shall be Twenty One Million (21,000,000) shares plus any shares of Common Stock remaining for grant and delivery under the Republic 2007 Stock Incentive Plan on the Effective Date.

(i) With respect to the shares of Common Stock reserved pursuant to this Section, a maximum of Two Million Five Hundred Thousand (2,500,000) of such shares may be subject to grants of Options or Stock Appreciation Rights to any one Eligible Individual during any one fiscal year.

(ii) With respect to the shares of Common Stock reserved pursuant to this Section, a maximum of One Million Two Hundred Fifty Thousand (1,250,000) of such shares may be subject to grants of Performance

Shares, Restricted Stock, Restricted Stock Units, and Awards of Common Stock to any one Eligible Individual during any one fiscal year.

(iii) The maximum value at Grant Date of grants of Performance Units which may be granted to any one Eligible Individual during any one fiscal year shall be four million dollars (\$4,000,000).

(b) Reduction of Shares Available for Awards. Except as otherwise provided in Section 6(c) hereof, upon the granting of an Award on or after the Effective Date, the number of shares of Common Stock available under this Section hereof for the granting of further Awards shall be reduced as follows:

(i) In connection with the granting of an Award that is settled in Common Stock, the number of shares of Common Stock shall be reduced by the number of shares of Common Stock subject to the Option, Stock Appreciation Right or other Award.

(ii) Awards settled in cash shall not count against the total number of shares of Common Stock available to be granted pursuant to the Plan.

(c) Availability of Common Stock Not Delivered Under Awards.

(i) If any Awards (including those granted prior to the Effective Date) are forfeited, expire or otherwise terminate without the issuance of shares of Common Stock, or any Award is settled for cash or otherwise does not result in the issuance of all or a portion of the shares of Common Stock subject to such Award, the shares of Common Stock to which those Awards were subject, shall, to the extent of such forfeiture, expiration, termination, cash settlement or non-issuance, again be available for grant and delivery with respect to Awards.

(ii) In the event that any Option or other Award granted hereunder (including those granted prior to the Effective Date) is exercised through the tendering of shares of Common Stock (either actually or by attestation) or by the withholding of shares of Common Stock by the Company, or withholding tax liabilities arising from such Option or other Award are satisfied by the tendering of shares of Common Stock (either actually or by attestation) or by the withholding of shares of Common Stock by the Company, then only the number of shares of Common Stock issued to the Participant net of the shares of Common Stock so tendered or withheld shall be counted for purposes of determining the maximum number of shares of Common Stock available for grant and delivery under the Plan.

(iii) Shares of Common Stock reacquired by the Company on the open market using Option Proceeds shall be available for Awards. The increase in shares of Common Stock available pursuant to the repurchase of shares of Common Stock with Option Proceeds shall not be greater than the amount of such proceeds divided by the Fair Market Value of a share of Common Stock on the date of exercise of the Option giving rise to such Option Proceeds.

(iv) Substitute Awards shall not reduce the shares of Common Stock available for grant and delivery under the Plan or available for grant and delivery to a Participant in any period. Additionally, in the event that a company acquired by Republic or any Related Entity (as defined in Section 3(e)(i)) or with which Republic or any Related Entity combines has shares available under a pre-existing plan approved by its shareholders, the shares available for grant and delivery pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards and shall not reduce the shares of Common Stock available for grant and delivery under the Plan, in each case if and to the extent that the use of such shares of Common Stock would not require approval of Republic's stockholders under the rules of the New York Stock Exchange or any other securities exchange on which any securities of Republic are listed for trading.

(d) Recapitalization. If the outstanding shares of Common Stock are increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of Republic by reason of any recapitalization, reclassification, reorganization, stock split, reverse split, combination of shares, exchange of shares, stock dividend or other distribution payable in capital stock of Republic or other increase or decrease in such shares effected without receipt of consideration by Republic occurring after the Effective Date, an appropriate and proportionate adjustment shall be made by the Committee to (i) the aggregate number and kind of shares of Common Stock available under the Plan; (ii) the aggregate limit of the number of shares of Common Stock that

may be granted pursuant to an Incentive Stock Option, (iii) the limits on the number of shares of Common Stock that may be granted to an Eligible Individual in any one fiscal year; (iv) the calculation of the reduction of shares of Common Stock available under the Plan; (v) the number and kind of shares of Common Stock issuable upon exercise (or vesting) of outstanding Awards; (vi) the Exercise Price of outstanding Options or Stock Appreciation Rights granted under the Plan and/or (vii) number of shares of Common Stock subject to Awards granted to Non-Employee Directors under Section 13. No fractional shares of Common Stock or units of other securities shall be issued pursuant to any such adjustment under this Section 6(d), and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole share or unit. Any adjustments made under this Section 6(d) with respect to any Incentive Stock Options must be made in accordance with Code Section 424.

(e) No Further Awards Under Prior Plans. In light of the adoption of the Plan, no further awards shall be made under the Republic Services, Inc. 2006 Incentive Stock Plan (f/n/a/ Allied Waste Industries, Inc. 2006 Incentive Stock Plan) after the Effective Date. Pursuant to the terms of the Amended and Restated Republic Services, Inc. 2005 Non-Employee Director Equity Compensation Plan (f/n/a Allied Waste Industries 2005 Non-Employee Director Equity Compensation Plan) no further awards shall be made under that Plan on or after December 5, 2008.

(f) Application of Limitation to Grants of Awards. No Award may be granted if the number of shares of Common Stock to be delivered in connection with such an Award exceeds the number of shares of Common Stock remaining available for delivery under the Plan, minus the number of shares of Common Stock deliverable in settlement of or relating to then outstanding Awards. The Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting (as, for example, in the case of tandem or substitute awards) and make adjustments if the number of shares of Common Stock actually delivered differs from the number of shares of Common Stock previously counted in connection with an Award.

(g) Incentive Stock Options. Notwithstanding anything in this Section 6 to the contrary, but subject to adjustment as provided in Section 6(d) hereof, the maximum aggregate number of shares of Common Stock that may be delivered under the Plan as a result of the exercise of Incentive Stock Options shall be Twenty One Million (21,000,000) shares.

## 7. OPTIONS

(a) Grant of Options. Subject to the terms and conditions of the Plan, the Committee may grant to such Eligible Individuals as the Committee may determine, Options to purchase such number of shares of Common Stock and on such terms and conditions as the Committee shall determine in its sole and absolute discretion. Each grant of an Option shall satisfy the requirements set forth in this Section.

(b) Type of Options. Each Option granted under the Plan may be designated by the Committee, in its sole discretion, as either (i) an Incentive Stock Option, or (ii) a Non-Qualified Stock Option. Options designated as Incentive Stock Options that fail to continue to meet the requirements of Code Section 422 shall be re-designated as Non-Qualified Stock Options automatically on the date of such failure to continue to meet such requirements without further action by the Committee. In the absence of any designation, Options granted under the Plan will be deemed to be Non-Qualified Stock Options.

(c) Exercise Price. Subject to the limitations set forth in the Plan relating to Incentive Stock Options, the Exercise Price of an Option shall be fixed by the Committee and stated in the respective Award Agreement, provided that the Exercise Price of the shares of Common Stock subject to such Option (other than in connection with Substitute Awards) may not be less than Fair Market Value of such Common Stock on the Grant Date, or if greater, the par value of the Common Stock.

(d) Limitation on Repricing. Unless such action is approved by the stockholders of Republic in accordance with applicable law: (i) no outstanding Option granted under the Plan may be amended to provide an Exercise Price per share that is lower than the then-current Exercise Price of such outstanding Option (other than adjustments to the Exercise Price pursuant to Sections 6(d) and 14); (ii) the Committee may not cancel any outstanding Option and grant in substitution therefor (other than in connection with Substitute Awards) new Awards under the Plan covering the same or a different number of shares of Common Stock and having an Exercise Price lower than the then-current Exercise Price of the cancelled Option (other than adjustments to the Exercise Price pursuant to Sections 6(d) and 14); (iii) the Committee may not authorize the repurchase of an



outstanding Option which has an Exercise Price that is higher than the then-current Fair Market Value of the Common Stock (other than adjustments to the Exercise Price pursuant to Sections 6(d) and 14); and (iv) the Committee may not take any other action with respect to an Option that may be treated as a repricing pursuant to the applicable rules of the New York Stock Exchange or any other securities exchange on which any securities of Republic are listed for trading.

(e) Limitation on Option Period. Subject to the limitations set forth in the Plan relating to Incentive Stock Options, Options granted under the Plan (other than in connection with Substitute Awards) and all rights to purchase Common Stock thereunder shall terminate no later than the seventh anniversary of the Grant Date of such Options, or on such earlier date as may be stated in the Award Agreement relating to such Option. In the case of Options expiring prior to the seventh anniversary of the Grant Date (or such other date applicable to Substitute Awards), the Committee may in its sole discretion, at any time prior to the expiration or termination of said Options, extend the term of any such Options for such additional period as it may determine, but in no event beyond the seventh anniversary of the Grant Date thereof (or such other date applicable to Substitute Awards).

(f) No Reload of Stock Options. The Plan does not permit an additional automatic grant of an Option to a Participant who exercises an Option by surrendering other shares of Common Stock ("reload stock option").

(g) Limitations on Incentive Stock Options. Notwithstanding any other provisions of the Plan and except for Substitute Awards for Incentive Stock Options if permitted under Code Sections 424, the following provisions shall apply with respect to Incentive Stock Options granted pursuant to the Plan.

(i) Limitation on Grants. Incentive Stock Options may only be granted to Section 424 Employees. The aggregate Fair Market Value (determined at the time such Incentive Stock Option is granted) of the shares of Common Stock for which any individual may have Incentive Stock Options which first become vested and exercisable in any calendar year (under all incentive stock option plans of the Company) shall not exceed \$100,000 (or such other amount as specified under Section 422 of the Code). Options granted to such individual in excess of the \$100,000 limitation (or such other specified amount), and any Options issued subsequently which first become vested and exercisable in the same calendar year, shall automatically be treated as Non-qualified Stock Options.

(ii) Minimum Exercise Price. In no event may the Exercise Price of a share of Common Stock subject to an Incentive Stock Option be less than 100% the Fair Market Value of such share of Common Stock as of the Grant Date.

(iii) Ten Percent Stockholder. Notwithstanding any other provision of the Plan to the contrary, in the case of Incentive Stock Options granted to a Section 424 Employee who, at the time the Option is granted, owns (after application of the rules set forth in Code Section 424(d)) stock possessing more than ten percent of the total combined voting power of all classes of stock of Republic, such Incentive Stock Options (i) must have an Exercise Price per share of Common Stock that is at least 110% of the Fair Market Value as of the Grant Date of a share of Common Stock, and (ii) must not be exercisable after the fifth anniversary of the Grant Date.

(h) Vesting Schedule and Conditions. No Options may be exercised prior to the satisfaction of the conditions and vesting schedule provided for in the Award Agreement relating thereto. Except as otherwise provided in connection with Substitute Awards and in Sections 7(k), 13, 14 and 15 of the Plan, Options subject solely to a future service requirement shall have a vesting period of not less than one year from the Grant Date.

(i) Exercise. When the conditions to the exercise of an Option have been satisfied, the Participant may exercise the Option only in accordance with the following provisions. The Participant shall deliver to Republic a written notice stating that the Participant is exercising the Option and specifying the number of shares of Common Stock which are to be purchased pursuant to the Option, and such notice shall be accompanied by payment in full of the Exercise Price of the shares for which the Option is being exercised, by one or more of the methods provided for in the Plan. Said notice must be delivered to Republic at its principal office and addressed to the attention of Stock Option Administrator, Republic Services, Inc., 18500 N. Allied Way, Phoenix, AZ 85054. The minimum number of shares of Common Stock with respect to which an Option may be exercised, in whole or in part, at any time shall be the lesser of one hundred (100) shares or the maximum number of shares available for purchase under the Option at the time of exercise. An attempt to exercise any Option granted hereunder other than as set forth in the Plan shall be invalid and of no force and effect.

(j) Payment. Payment of the Exercise Price for the shares of Common Stock purchased pursuant to the exercise of an Option shall be made by one of the following methods: (i) by cash, certified or cashier's check, bank draft or money order; or (ii) through the delivery to Republic of shares of Common Stock which have been previously owned by the Participant for the requisite period necessary to avoid a charge to Republic's earnings for financial reporting purposes; such shares shall be valued, for purposes of determining the extent to which the Exercise Price has been paid thereby, at their Fair Market Value on the date of exercise; without limiting the foregoing, the Committee may require the Participant to furnish an opinion of counsel acceptable to the Committee to the effect that such delivery would not result in Republic incurring any liability under Section 16(b) of the Exchange Act; or (iii) by any other method which the Committee in its sole and absolute discretion and to the extent permitted by applicable law, may permit including, but not limited to, a "cashless exercise sale and remittance procedure" pursuant to which the Participant shall concurrently provide irrevocable instructions (A) to a brokerage firm approved by the Committee to effect the immediate sale of the purchased shares and remit to Republic out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate Exercise Price payable for the purchased shares plus all applicable federal, state and local income, employment, excise, foreign and other taxes required to be withheld by the Company by reason of such exercise and (B) to Republic to deliver the certificates for the purchased shares directly to such brokerage firm in order to complete the sale.

(k) Termination of Employment, Disability or Death. Unless otherwise provided in an Award Agreement, upon the termination of the employment or other service of a Participant with Company for any reason, all of the Participant's outstanding Options (whether vested or unvested) shall be subject to the rules of this paragraph. Upon such termination, the Participant's unvested Options shall expire. Notwithstanding anything in this Plan to the contrary, the Committee may provide, in its sole and absolute discretion, that following the termination of employment or other service of a Participant with the Company for any reason (i) any unvested Options held by the Participant that vest solely upon a future service requirement shall vest in whole or in part, at any time subsequent to such termination of employment or other service, and (ii) a Participant or the Participant's estate, devisee or heir at law (whichever is applicable), may exercise an Option, in whole or in part, at any time subsequent to such termination of employment or other service and prior to the termination of the Option pursuant to its terms. Unless otherwise determined by the Committee, temporary absence from employment because of illness, vacation, approved leaves of absence or military service shall not constitute a termination of employment or other service.

(i) Termination for Reason Other Than Cause, Disability or Death. If a Participant's termination of employment or other service is for any reason other than death, Disability, Cause, or a voluntary termination within ninety (90) days after occurrence of an event which would be grounds for termination of employment or other service by the Company for Cause, any Option held by such Participant, may be exercised, to the extent exercisable at termination, by the Participant at any time within a period not to exceed ninety (90) days from the date of such termination, but in no event after the termination of the Option pursuant to its terms.

(ii) Disability. If a Participant's termination of employment or other service with the Company is by reason of a Disability of such Participant, the Participant shall have the right at any time within a period not to exceed one (1) year after such termination, but in no event after the termination of the Option pursuant to its terms, to exercise, in whole or in part, any vested portion of the Option held by such Participant at the date of such termination; *provided, however*, that if the Participant dies within such period, any vested Option held by such Participant upon death shall be exercisable by the Participant's estate, devisee or heir at law (whichever is applicable) for a period not to exceed one (1) year after the Participant's death, but in no event after the termination of the Option pursuant to its terms.

(iii) Death. If a Participant dies while in the employment or other service of the Company, the Participant's estate or the devisee named in the Participant's valid last will and testament or the Participant's heir at law who inherits the Option has the right, at any time within a period not to exceed one (1) year after the date of such Participant's death, but in no event after the termination of the Option pursuant to its terms, to exercise, in whole or in part, any portion of the vested Option held by such Participant at the date of such Participant's death.

(iv) Termination for Cause. In the event the termination is for Cause or is a voluntary termination within ninety (90) days after occurrence of an event which would be grounds for termination of employment or other service by the Company for Cause (without regard to any notice or cure period requirement), any Option held

by the Participant at the time of such termination shall be deemed to have terminated and expired upon the date of such termination.

## 8. STOCK APPRECIATION RIGHTS

(a) Grant of Stock Appreciation Rights. Subject to the terms and conditions of the Plan, the Committee may grant to such Eligible Individuals as the Committee may determine, Stock Appreciation Rights, in such amounts, and on such terms and conditions as the Committee shall determine in its sole and absolute discretion. Each grant of a Stock Appreciation Right shall satisfy the requirements as set forth in this Section.

(b) Terms and Conditions of Stock Appreciation Rights. The terms and conditions (including, without limitation, the limitations on the Exercise Price, exercise period, repricing and termination) of the Stock Appreciation Right shall be substantially identical (to the extent possible taking into account the differences related to the character of the Stock Appreciation Right) to the terms and conditions that would have been applicable under Section 7 above were the grant of the Stock Appreciation Rights a grant of an Option.

(c) Exercise of Stock Appreciation Rights. Stock Appreciation Rights shall be exercised by a Participant only by written notice delivered to Republic, specifying the number of shares of Common Stock with respect to which the Stock Appreciation Right is being exercised.

(d) Payment of Stock Appreciation Right. Upon exercise of a Stock Appreciation Right, the Participant or Participant's estate, devisee or heir at law (whichever is applicable) shall be entitled to receive payment, in cash, in shares of Common Stock, or in a combination thereof, as determined by the Committee at the date of grant in its sole and absolute discretion. The amount of such payment shall be determined by multiplying the excess, if any, of the Fair Market Value of a share of Common Stock on the date of exercise over the Fair Market Value of a share of Common Stock on the Grant Date, by the number of shares of Common Stock with respect to which the Stock Appreciation Rights are then being exercised. Notwithstanding the foregoing, the Committee may limit in any manner the amount payable with respect to a Stock Appreciation Right by including such limitation in the Award Agreement.

## 9. RESTRICTED STOCK AND RESTRICTED STOCK UNITS

(a) Grant of Restricted Stock and Restricted Stock Units. Subject to the terms and conditions of the Plan, the Committee may grant to such Eligible Individuals as the Committee may determine, Restricted Stock and/or Restricted Stock Units, in such amounts and on such terms and conditions as the Committee shall determine in its sole and absolute discretion. Each grant of Restricted Stock or Restricted Stock Units shall satisfy the requirements as set forth in this Section.

(b) Restrictions. The Committee shall impose such restrictions on any Restricted Stock and/or Restricted Stock Units granted pursuant to the Plan as it may deem advisable including, without limitation, time based vesting restrictions, or the attainment of Performance Goals. Except for certain limited situations (including death, disability, retirement, termination without Cause or for good reason to the extent provided in an employment or consulting agreement or the Company's Executive Separation Policy, a Change in Control, grants to new hires to replace forfeited compensation, grants representing payment of earned Performance Shares or Performance Units or other incentive compensation, Substitute Awards, or grants to Non-Employee Directors): (i) Restricted Stock and Restricted Stock Units, (A) that are not subject to performance-based vesting requirements shall vest over a period of not less than three years from the Grant Date (but permitting pro-rata vesting over such time); (B) that are subject to performance-based vesting requirements shall vest over a period of not less than one year; and (ii) the Committee shall not waive the vesting requirements set forth in the foregoing clause (i).

The limitations set forth in this Section 9(b) shall not apply with respect to up to One Million (1,000,000) of the shares of Common Stock available under the Plan (subject to adjustment as provided in Section 6(d) hereof). Shares of Restricted Stock and Restricted Stock Units that are subject to the attainment of Performance Goals will be released from the applicable restrictions only after the attainment of such Performance Goals has been certified by the Committee in accordance with Section 10(d).

(c) Certificates and Certificate Legend. With respect to a grant of Restricted Stock, the Company may issue a certificate evidencing such Restricted Stock to the Participant or issue and hold such shares of Restricted Stock for the benefit of the Participant until the applicable restrictions expire. The Company may legend the certificate

representing Restricted Stock to give appropriate notice of such restrictions, as well as any applicable securities law restrictions. In addition to any such legends, each certificate representing shares of Restricted Stock granted pursuant to the Plan shall bear the following legend:

“The sale or other transfer of the shares of stock represented by this certificate, whether voluntary, involuntary, or by operation of law, are subject to certain terms, conditions, and restrictions on transfer as set forth in the Republic Services, Inc. Amended and Restated 2007 Stock Incentive Plan (the “Plan”), and in an Agreement entered into by and between the registered owner of such shares and Republic Services, Inc. (the “Company”), dated (the “Award Agreement”). A copy of the Plan and the Award Agreement may be obtained from the Secretary of the Company.”

(d) Removal of Restrictions. Except as otherwise provided in the Plan or applicable law, shares of Restricted Stock shall become freely transferable by the Participant upon the lapse of the applicable restrictions. Once the shares of Restricted Stock are released from the restrictions, the Participant shall be entitled to have the legend required by paragraph (c) above removed from the share certificate evidencing such Restricted Stock and the Company shall pay or distribute to the Participant all dividends and distributions held in escrow by the Company with respect to such Restricted Stock.

(e) Stockholder Rights. Unless otherwise provided in an Award Agreement and until the expiration of all restrictions applicable to the Award, the following provisions shall apply with respect to the Restricted Stock and Restricted Stock Units granted pursuant to the Plan.

(i) Restricted Stock. With respect to Restricted Stock, the following provisions apply:

(1) the Restricted Stock shall be treated as outstanding,

(2) the Participant holding shares of Restricted Stock may exercise full voting rights with respect to such shares, and

(3) the Participant holding shares of Restricted Stock shall be entitled to receive all dividends and other distributions paid with respect to such shares while they are so held. Notwithstanding anything to the contrary, all such dividends and distributions with respect to Restricted Stock that is subject to performance-based vesting requirements shall be held in escrow by the Company (subject to the same restrictions on forfeitability) until all restrictions on the respective Restricted Stock have lapsed. If any such dividends or distributions are paid in shares of Common Stock, such shares shall be subject to the same restrictions on transferability and forfeitability as the shares of Restricted Stock with respect to which they were paid.

(ii) Restricted Stock Units. With respect to Restricted Stock Units, the following provisions apply:

(1) prior to settlement of the Restricted Stock Unit with shares of Common Stock, the Restricted Stock Unit carries no voting or dividend or other rights associated with the ownership of Common Stock and the shares of Common Stock to which the Restricted Stock Units relate shall not be treated as outstanding, and

(2) unless otherwise provided in the Award Agreement, any Dividend Equivalents that are granted with respect to any Restricted Stock Units shall be either (A) paid with respect to such Restricted Stock Unit at the dividend payment date in cash or in shares of Common Stock having a Fair Market Value equal to the amount of such dividends, or (B) deferred with respect to such Restricted Stock Units and the amount or value thereof automatically deemed reinvested in additional Restricted Stock Units, other Awards or other investment vehicles, as the Committee shall provide in the Award Agreement (subject to the same restrictions on forfeitability) until all restrictions on the respective Restricted Stock Units have lapsed. Notwithstanding anything to the contrary, any Dividend Equivalents that are granted with respect to a Restricted Stock Unit that is subject to performance-based vesting requirements shall be subject to the provisions set forth in the foregoing clause 2(B).

(f) Termination of Service. Unless otherwise provided in an Award Agreement and subject to the provisions of Section 9(b), if a Participant’s employment or other service with the Company terminates for any reason, all unvested shares of Restricted Stock and unvested Restricted Stock Units held by the Participant and any dividends, distributions or Dividend Equivalents, held in escrow by Republic with respect to such Restricted Stock

or Restricted Stock Units shall be forfeited immediately and returned to the Company. Notwithstanding this paragraph, all grants of Restricted Stock or Restricted Stock Units that vest solely upon the attainment of Performance Goals shall be subject to the provisions of Section 9(b) and treated pursuant to the terms and conditions that would have been applicable under Section 10(d) as if such grants of Restricted Stock or Restricted Stock Units were Awards of Performance Shares. Notwithstanding anything in the Plan to the contrary other than the provisions of Section 9(b), the Committee may provide, in its sole and absolute discretion, that following the termination of employment or other service of a Participant with the Company for any reason, any unvested shares of Restricted Stock or Restricted Stock Units held by the Participant that vest solely upon a future service requirement shall vest in whole or in part, at any time subsequent to such termination of employment or other service.

#### 10. PERFORMANCE SHARES AND PERFORMANCE UNITS

(a) Grant of Performance Shares and Performance Units. Subject to the terms and conditions of the Plan, the Committee may grant to such Eligible Individuals as the Committee may determine, Performance Shares and Performance Units, in such amounts, and on such terms and conditions the Committee shall determine in its sole and absolute discretion. Each grant of a Performance Share or a Performance Unit shall satisfy the requirements as set forth in this Section.

(b) Performance Goals. Performance Goals for Awards granted to an Eligible Individual who is, or is likely to be, as of the end of the tax year in which the Company would claim a tax deduction in connection with such Award, a Covered Employee will be based on one or more of the following criteria, as determined by the Committee in its absolute and sole discretion and will be subject to the provisions of this Section 10(b): (i) the attainment of certain target levels of, or a specified increase in, Republic's enterprise value or value creation targets; (ii) the attainment of certain target levels of, or a specified increase in, Republic's after-tax or pre-tax profits, or a component thereof, including, without limitation, that attributable to Republic's continuing and/or other operations; (iii) the attainment of certain target levels of, or a specified increase relating to, Republic's operational cash flow or working capital, or a component thereof; (iv) the attainment of certain target levels of, or a specified decrease relating to, Republic's operational costs, or a component thereof; (v) the attainment of a certain level of reduction of, or other specified objectives with regard to limiting the level of increase in, all or a portion of bank debt or other of Republic's long-term or short-term public or private debt or other similar financial obligations of Republic, which may be calculated net of cash balances and/or other offsets and adjustments as may be established by the Committee; (vi) the attainment of a certain target level of, or specified increase in, earnings per share or earnings per share from Republic's continuing operations, or a component thereof; (vii) the attainment of certain target levels of, or a specified increase in, Republic's net sales, revenues, net income or earnings before income tax or other exclusions; (viii) the attainment of certain target levels of, or a specified increase in, Republic's return on capital employed or return on invested capital; (ix) the attainment of certain target levels of, or a specified increase in, Republic's after-tax or pre-tax return on stockholder equity; (x) the attainment of certain target levels in the fair market value of Republic's Common Stock; (xi) the growth in the value of an investment in the Common Stock assuming the reinvestment of dividends; and/or (xii) the attainment of certain target levels of, or a specified increase in, EBITDA (earnings before interest, taxes, depreciation, depletion, amortization and accretion). In addition, Performance Goals may be based upon the attainment by a subsidiary, division or other operational unit of Republic of specified levels of performance under one or more of the measures described above. Further, the Performance Goals may be based upon the attainment by Republic (or a subsidiary, division or other operational unit of Republic) of specified levels of performance under one or more of the foregoing measures relative to the performance of other corporations. To the extent permitted under Code Section 162(m) of the Code (including, without limitation, compliance with any requirements for stockholder approval), the Committee may, in its sole and absolute discretion: (i) designate additional business criteria upon which the Performance Goals may be based; (ii) modify, amend or adjust the business criteria described herein or (iii) incorporate in the Performance Goals provisions regarding changes in accounting methods, corporate transactions (including, without limitation, dispositions or acquisitions) and similar events or circumstances. Performance Goals may include a threshold level of performance below which no Award will be earned, levels of performance at which an Award will become partially earned and a level at which an Award will be fully earned. Performance Goals shall be objective and shall otherwise meet the requirements of Section 162(m) of the Code and the regulations thereunder, including the requirement that the level or levels of performance targeted by the Committee result in the achievement of Performance Goals being "substantially uncertain". Performance Goals shall be established not later than 90 days

after the beginning of any Performance Period applicable to the Award, or at such other date as may be required or permitted for “performance-based compensation” under Section 162(m) of the Code.

(c) Terms and Conditions of Performance Shares and Performance Units. The applicable Award Agreement shall set forth (i) the number of Performance Shares or the dollar value of Performance Units granted to the Participant; (ii) the Performance Period (which shall not be shorter than twelve (12) months nor longer than five (5) years) and Performance Goals with respect to each such Award; (iii) the threshold, target and maximum shares of Common Stock or dollar values of each Performance Share or Performance Unit and corresponding Performance Goals, and (iv) any other terms and conditions as the Committee determines in its sole and absolute discretion. The Committee shall establish, in its sole and absolute discretion, the Performance Goals for the applicable Performance Period for each Performance Share or Performance Unit granted hereunder. The Performance Goals shall be based upon the criteria set forth in Section 10(b), or, in the case of an Award that the Committee determines shall not be subject to Section 10(b), any other criteria that the Committee, in its sole discretion, shall determine should be used for that purpose. Performance Goals for different Participants and for different grants of Performance Shares and Performance Units need not be identical. Unless otherwise provided in an Award Agreement, the Participants’ rights as a stockholder in Performance Shares shall be substantially identical to the terms and conditions that would have been applicable under Section 9 above if the Performance Shares were Restricted Stock. A holder of Performance Units is not entitled to the rights of a holder of our Common Stock.

(d) Determination and Payment of Performance Units or Performance Shares Earned. As soon as practicable after the end of a Performance Period, the Committee shall determine the extent to which Performance Shares or Performance Units have been earned on the basis of the Company’s actual performance in relation to the established Performance Goals as set forth in the applicable Award Agreement and shall certify these results in writing. As soon as practicable after the Committee has determined that an amount is payable or should be distributed with respect to a Performance Share or a Performance Unit, the Committee shall cause the amount of such Award to be paid or distributed to the Participant or the Participant’s estate, devisee or heir at law (whichever is applicable). Unless otherwise provided in an Award Agreement, the Committee shall determine in its sole and absolute discretion whether payment with respect to the Performance Share or Performance Unit shall be made in cash, in shares of Common Stock, or in a combination thereof. For purposes of making payment or a distribution with respect to a Performance Share or Performance Unit, the cash equivalent of a share of Common Stock shall be determined by the Fair Market Value of the Common Stock on the day the Committee designates the Performance Shares or Performance Units to be payable.

(e) Termination of Employment. Unless otherwise provided in an Award Agreement, and subject to the provisions of Section 9(b), if a Participant’s employment or other service with the Company terminates for any reason, all of the Participant’s outstanding Performance Shares and Performance Units shall be subject to the rules of this Section.

(i) Termination for Reason Other Than Death or Disability. If a Participant’s employment or other service with the Company terminates prior to the expiration of a Performance Period with respect to any Performance Units or Performance Shares held by such Participant for any reason other than death or Disability, the outstanding Performance Units or Performance Shares held by such Participant for which the Performance Period has not yet expired shall terminate upon such termination and the Participant shall have no further rights pursuant to such Performance Units or Performance Shares.

(ii) Termination of Employment for Death or Disability. If a Participant’s employment or other service with the Company terminates by reason of the Participant’s death or Disability prior to the end of a Performance Period, the Participant, or the Participant’s estate, devisee or heir at law (whichever is applicable), shall be entitled to a payment of the Participant’s outstanding Performance Units and Performance Share at the end of the applicable Performance Period, pursuant to the terms of the Plan and the Participant’s Award Agreement; *provided, however*, that the Participant shall be deemed to have earned only that proportion (to the nearest whole unit or share) of the Performance Units or Performance Shares granted to the Participant under such Award as the number of months of the Performance Period which have elapsed since the first day of the Performance Period for which the Award was granted to the end of the month in which the Participant’s termination of employment or other service occurs, bears to the total number of months in the Performance

Period, subject to the attainment of the Performance Goals associated with the Award as certified by the Committee. The right to receive any remaining Performance Units or Performance Shares shall be canceled and forfeited.

#### **11. BONUS STOCK AND AWARDS IN LIEU OF OBLIGATIONS**

The Committee is authorized to grant shares of Common Stock to any Eligible Individual as a bonus, or to grant shares of Common Stock or other Awards in lieu of obligations to pay cash or deliver other property under the Plan or under other plans or compensatory arrangements, provided that, in the case of Eligible Individuals subject to Section 16 of the Exchange Act, the amount of such grants remains within the discretion of the Committee to the extent necessary to ensure that acquisitions of Common Stock or other Awards are exempt from liability under Section 16(b) of the Exchange Act. Shares of Common Stock or Awards granted hereunder shall be subject to such other terms as shall be determined by the Committee.

#### **12. DIVIDEND EQUIVALENTS**

The Committee is authorized to grant Dividend Equivalents in connection with another Award granted to any Eligible Individual entitling the Eligible Individual to receive cash, Common Stock, other Awards, or other property equal in value to the dividends paid with respect to a specified number of shares of Common Stock, or other periodic payments. Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award. Except as otherwise provided in the Plan and subject to Section 17, the Committee may provide that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional shares of Common Stock, Awards, or other investment vehicles, and subject to such restrictions on transferability and risks of forfeiture, as the Committee may specify. Any such determination by the Committee shall be made at the grant date of the applicable Award.

#### **13. AWARD GRANTS TO NON-EMPLOYEE DIRECTORS**

Notwithstanding any minimum vesting provisions contained in the Plan, any Award granted to a Non-Employee Director shall not be required to be subject to any minimum vesting requirements. Notwithstanding the preceding sentence or anything to the contrary contained in this Plan, in no event shall an Award of Restricted Stock Units be made to any Non-Employee Director if, as a result of such Award, such Non-Employee Director would be entitled to have vest in any calendar year in excess of 15,000 Restricted Stock Units held by such Non-Employee Director (excluding, for these purposes, accelerated vesting upon death, disability, termination of service as a Non-Employee Director or Change of Control as set forth in the Plan or the applicable Award Agreement).

#### **14. CHANGE IN CONTROL**

(a) Effect of “Change in Control.” If and only to the extent provided in any employment or other agreement between the Participant and the Company, or in the Company’s Executive Separation Policy, or in any Award Agreement, or to the extent otherwise determined by the Committee in its sole discretion and without any requirement that each Participant be treated consistently, upon the occurrence of a Change in Control:

(i) Any Option or Stock Appreciation Right that was not previously vested and exercisable as of the time of the Change in Control, shall become immediately vested and exercisable, subject to applicable restrictions set forth in Section 16(a) hereof.

(ii) Any restrictions, deferral of settlement, and forfeiture conditions applicable to Restricted Stock or Restricted Stock Units subject only to future service requirements granted under the Plan shall lapse and such Awards shall be deemed fully vested as of the time of the Change in Control, except to the extent of any waiver by the Participant and subject to applicable restrictions set forth in Section 16(a) hereof.

(iii) With respect to any outstanding Award subject to achievement of Performance Goals and conditions under the Plan, the Committee may, in its sole discretion, deem such Performance Goals and conditions as having been met as of the date of the Change in Control.

(iv) Notwithstanding the foregoing or any provision in any Award Agreement to the contrary, and unless the Committee otherwise determines in a specific instance, or as is provided in any employment or other agreement between the Participant and the Company or the Company's Executive Separation Policy, each outstanding Option, Stock Appreciation Right, Restricted Stock or Restricted Stock Unit shall not be accelerated as described in Sections 14(a)(i), (ii) and (iii), if either (A) Republic is the surviving entity in the Change in Control and the Option, Stock Appreciation Right, Restricted Stock or Restricted Stock Unit continues to be outstanding after the Change in Control on substantially the same terms and conditions as were applicable immediately prior to the Change in Control or (B) the successor company assumes or substitutes for the applicable Award. For the purposes of this Section 14(a)(iv), an Option, Stock Appreciation Right, Restricted Stock or Restricted Stock Unit shall be considered assumed or substituted for if following the Change in Control the Award confers the right to purchase or receive, for each share of Common Stock subject to the Option, Stock Appreciation Right, Restricted Stock or Restricted Stock Unit immediately prior to the Change in Control, on substantially the same vesting and other terms and conditions as were applicable to the Award immediately prior to the Change in Control, the consideration (whether stock, cash or other securities or property) received in the transaction constituting the Change in Control by holders of shares of Common Stock for each share of Common Stock held on the effective date of such transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares); *provided, however*, that if such consideration received in the transaction constituting the Change in Control is not solely common stock of the successor company or its parent or subsidiary, the Committee may, with the consent of the successor company or its parent or subsidiary, provide that the consideration to be received upon the exercise or vesting of an Option, Stock Appreciation Right, Restricted Stock or Restricted Stock Unit, for each share of Common Stock subject thereto, will be solely common stock of the successor company or its parent or subsidiary substantially equal in fair market value to the per share consideration received by holders of shares of Common Stock in the transaction constituting the Change in Control. The determination of such substantial equality of value of consideration shall be made by the Committee in its sole discretion and its determination shall be conclusive and binding. Notwithstanding the foregoing, on such terms and conditions as may be set forth in an Award Agreement, in the event of a termination of a Participant's employment in such successor company (other than for Cause) within 24 months following such Change in Control, each Award held by such Participant at the time of the Change in Control shall be accelerated as described in Sections 14(a)(i), (ii) and (iii) above.

(b) *Adjustments in Case of Certain Transactions*. In the event of any merger, consolidation or other reorganization in which Republic does not survive, or in the event of any Change in Control, any outstanding Awards may be dealt with, subject to the provisions of Section 14(a), in accordance with any of the following approaches, without the requirement of obtaining any consent or agreement of a Participant, as determined by the agreement effectuating the transaction or, if and to the extent not so determined, as determined by the Committee: (a) the continuation of the outstanding Awards by Republic, if Republic is a surviving entity, (b) the assumption or substitution for, as those terms are defined in Section 14(a)(iv), the outstanding Awards by the surviving entity or its parent or subsidiary, (c) full exercisability or vesting and accelerated expiration of the outstanding Awards, or (d) settlement of the value of the outstanding Awards in cash or cash equivalents or other property followed by cancellation of such Awards (which value, in the case of Options or Stock Appreciation Rights, shall be measured by the amount, if any, by which the Fair Market Value of a share of Common Stock exceeds the exercise or grant price of the Option or Stock Appreciation Right as of the effective date of the transaction).

(c) *Notice of Change in Control*. The Committee shall give written notice of any proposed transaction referred to in Section 14(b) at a reasonable period of time prior to the closing date for such transaction (which notice may be given either before or after the approval of such transaction), in order that Participants may have a reasonable period of time prior to the closing date of such transaction within which to exercise any Awards that are then exercisable (including any Awards that may become exercisable upon the closing date of such transaction). A Participant may condition his or her exercise of any Awards upon the consummation of the transaction.

## **15. CHANGE IN STATUS OF PARENT OR SUBSIDIARY**

Unless otherwise provided in an Award Agreement or otherwise determined by the Committee, in the event that an entity which was previously a part of the Company is no longer a part of the Company, as determined by the Committee in its sole discretion, the Committee may, in its sole and absolute discretion (i) provide on a case by case basis that some or all outstanding Awards held by a Participant employed by or performing service for such



entity may become immediately exercisable or vested, without regard to any limitation imposed pursuant to this Plan; (ii) provide on a case by case basis that some or all outstanding Awards held by a Participant employed by or performing service for such entity or business unit may remain outstanding, may continue to vest, and/or may remain exercisable for a period not exceeding one (1) year, subject to the terms of the Award Agreement and this Plan; and/or (iii) treat the employment or other services of a Participant employed by such entity as terminated if such Participant is not employed by Republic or any entity that is a part of the Company immediately after such event.

## 16. REQUIREMENTS OF LAW

(a) Violations of Law. The Company shall not be required to sell or issue any shares of Common Stock under any Award if the sale or issuance of such shares would constitute a violation by the individual exercising the Award, the Participant or the Company of any provisions of any law or regulation of any governmental authority, including without limitation any provisions of the Sarbanes-Oxley Act, and any other federal or state securities laws or regulations. Any determination in this connection by the Committee shall be final, binding, and conclusive. The Company shall not be obligated to take any affirmative action in order to cause the exercise of an Award, the issuance of shares pursuant thereto or the grant of an Award to comply with any law or regulation of any governmental authority.

(b) Registration. At the time of any exercise or receipt of any Award, the Company may, if it shall determine it necessary or desirable for any reason, require the Participant (or Participant's heirs, legatees or legal representative, as the case may be), as a condition to the exercise or grant thereof, to deliver to the Company a written representation of present intention to hold the shares for their own account as an investment and not with a view to, or for sale in connection with, the distribution of such shares, except in compliance with applicable federal and state securities laws with respect thereto. In the event such representation is required to be delivered, an appropriate legend may be placed upon each certificate delivered to the Participant (or Participant's heirs, legatees or legal representative, as the case may be) upon the Participant's exercise of part or all of the Award or receipt of an Award and a stop transfer order may be placed with the transfer agent. Each Award shall also be subject to the requirement that, if at any time the Company determines, in its discretion, that the listing, registration or qualification of the shares subject to the Award upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of or in connection with, the issuance or purchase of the shares thereunder, the Award may not be exercised in whole or in part and the restrictions on an Award may not be removed unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company in its sole discretion. The Participant shall provide the Company with any certificates, representations and information that the Company requests and shall otherwise cooperate with the Company in obtaining any listing, registration, qualification, consent or approval that the Company deems necessary or appropriate. The Company shall not be obligated to take any affirmative action in order to cause the exercisability or vesting of an Award, to cause the exercise of an Award or the issuance of shares pursuant thereto, or to cause the grant of Award to comply with any law or regulation of any governmental authority.

(c) Withholding for Taxes; Set-Off for Debt. Whenever the Company proposes or is required to issue or transfer shares of Common Stock to a Participant under the Plan, the Company shall have the right to require the Participant to remit to the Company an amount sufficient to satisfy all federal, state and local withholding tax requirements prior to the delivery of any certificate or certificates for such shares. If such certificates have been delivered prior to the time a withholding obligation arises, the Company shall have the right to require the Participant to remit to the Company an amount sufficient to satisfy all federal, state or local withholding tax requirements at the time such obligation arises and to withhold from other amounts payable to the Participant, as compensation or otherwise, as necessary. Whenever payments under the Plan are to be made to a Participant in cash, such payments shall be net of any amounts sufficient to satisfy all federal, state and local withholding tax requirements. In lieu of requiring a Participant to make a payment to the Company in an amount related to the withholding tax requirement, the Committee may, in its sole discretion, provide that at the Participant's election, the tax withholding obligation shall be satisfied by the Company's withholding a portion of the shares otherwise distributable to the Participant, such shares being valued at their Fair Market Value at the date of exercise, or by the Participant's delivering to the Company a portion of the shares previously delivered by the Company, such shares being valued at their Fair Market Value as of the date of delivery of such shares by the Participant to the Company.

In addition, the Company shall have the right of set-off for debt to the Company ("Employee Debt") incurred by a Participant whose employment has terminated but who exercises Options subject to the Plan. In such instance, the Company may withhold payment or portion of the shares otherwise distributable to the Participant, such shares being valued at their fair market value at the date of the exercise, in an amount equal to such Employee Debt (which may include, but is not limited to, amounts owed the Company for breaches of any security agreement, relocation expense agreement or other indebtedness).

(d) Governing Law. The Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware.

## 17. GENERAL PROVISIONS

(a) Award Agreements. All Awards granted pursuant to the Plan shall be evidenced by an Award Agreement. Each Award Agreement shall specify the terms and conditions of the Award granted and shall contain any additional provisions, as the Committee shall deem appropriate, in its sole and absolute discretion (including, to the extent that the Committee deems appropriate, provisions relating to confidentiality, non-competition, non-solicitation and similar matters). The terms of each Award Agreement need not be identical for Eligible Individuals provided that all Award Agreements comply with the terms of the Plan.

(b) Purchase Price. To the extent the purchase price of any Award granted hereunder is less than par value of a share of Common Stock and such purchase price is not permitted by applicable law, the per share purchase price shall be deemed to be equal to the par value of a share of Common Stock.

(c) Dividends and Dividend Equivalents. A Participant shall not be entitled to receive, currently or on a deferred basis, cash or stock dividends, or Dividend Equivalents, on shares of Common Stock covered by (i) an Option or Stock Appreciation Right or (ii) any other Award which has not vested and is subject to performance-based vesting requirements. The Committee in its absolute and sole discretion may credit a Participant's Award that is subject to performance-based vesting with Dividend Equivalents with respect to such Awards (other than an Option or a Stock Appreciation Right); *provided* that such Dividend Equivalents shall be subject to the same restrictions on forfeitability as applicable to the underlying Award until all restrictions on the respective Award have lapsed. To the extent that dividends and distributions relating to an Award are held in escrow by the Company, or Dividend Equivalents are credited to an Award, a Participant shall not be entitled to any interest on any such amounts. The Committee may not grant Dividend Equivalents to an Award subject to performance-based vesting to the extent that the grant of such Dividend Equivalents would limit the Company's deduction of the compensation payable under such Award for federal tax purposes pursuant to Code Section 162(m).

(d) Deferral of Awards. The Committee may from time to time establish procedures pursuant to which a Participant may elect to defer, until a time or times later than the vesting of an Award, receipt of all or a portion of the shares of Common Stock or cash subject to such Award and to receive Common Stock or cash at such later time or times, all on such terms and conditions as the Committee shall determine. The Committee shall not permit the deferral of an Award unless counsel for Republic determines that such action will not result in adverse tax consequences to a Participant under Section 409A of the Code. If any such deferrals are permitted, then notwithstanding anything to the contrary herein, a Participant who elects to defer receipt of Common Stock shall not have any rights as a stockholder with respect to deferred shares of Common Stock unless and until shares of Common Stock are actually delivered to the Participant with respect thereto, except to the extent otherwise determined by the Committee.

(e) Prospective Employees. Notwithstanding anything to the contrary, any Award granted to a Prospective Employee shall not become vested prior to the date the Prospective Employee first becomes an employee of the Company.

(f) Issuance of Certificates; Stockholder's Rights. Republic shall deliver to the Participant a certificate evidencing the Participant's ownership of shares of Common Stock issued pursuant to the exercise of an Award as soon as administratively practicable after satisfaction of all conditions relating to the issuance of such shares. A Participant shall not have any of the rights of a stockholder with respect to such Common Stock prior to satisfaction of all conditions relating to the issuance of such Common Stock, and, except as expressly provided in

the Plan, no adjustment shall be made for dividends, distributions or other rights of any kind for which the record date is prior to the date on which all such conditions have been satisfied.

(g) Transferability of Awards. A Participant may not Transfer an Award other than by will or the laws of descent and distribution. Awards may be exercised during the Participant's lifetime only by the Participant. No Award shall be liable for or subject to the debts, contracts, or liabilities of any Participant, nor shall any Award be subject to legal process or attachment for or against such person. Any purported Transfer of an Award in contravention of the provisions of the Plan shall have no force or effect and shall be null and void, and the purported transferee of such Award shall not acquire any rights with respect to such Award. Notwithstanding anything to the contrary, the Committee may in its sole and absolute discretion permit the Transfer of an Award without value to a Participant's "family member" as such term is defined in the Form S-8 Registration Statement under the Securities Act of 1933, as amended, under such terms and conditions as specified by the Committee. In such case, such Award shall be exercisable only by the transferee approved of by the Committee. To the extent that the Committee permits the Transfer of an Incentive Stock Option to a "family member", so that such Option fails to continue to satisfy the requirements of an incentive stock option under the Code such Option shall automatically be re-designated as a Non-Qualified Stock Option. A transfer for value shall not be deemed to occur where an Award is transferred by a Participant pursuant to a domestic resolutions order or for bona-fide estate planning purposes.

(h) Buyout and Settlement Provisions. Except as prohibited in Section 7(d) of the Plan, the Committee may at any time on behalf of Republic offer to buy out any Awards previously granted based on such terms and conditions as the Committee shall determine which shall be communicated to the Participants at the time such offer is made.

(i) Use of Proceeds. The proceeds received by Republic from the issuance of Common Stock pursuant to Awards granted under the Plan shall constitute general funds of Republic.

(j) Modification or Substitution of an Award. Subject to the terms and conditions of the Plan, the Committee may modify outstanding Awards. Notwithstanding the following, no modification of an Award shall adversely affect any rights or obligations of the Participant under the applicable Award Agreement without the Participant's consent. The Committee in its sole and absolute discretion may rescind, modify, or waive any vesting requirements or other conditions applicable to an Award except as otherwise provided in the Plan. Notwithstanding the foregoing, without the approval of the stockholders of Republic, an Option or a Stock Appreciation Right may not be modified as described in Section 7(d) provided that (i) the foregoing shall not apply to Substitute Awards and adjustments or substitutions in accordance with Section 6 or Section 14, and (ii) if an Award is modified, extended or renewed and thereby deemed to be in issuance of a new Award under the Code or the applicable accounting rules, the exercise price of such Award may continue to be the original Exercise Price even if less than Fair Market Value of the Common Stock at the time of such modification, extension or renewal.

(k) Amendment and Termination of Plan. The Board may, at any time and from time to time, amend, suspend or terminate the Plan as to any shares of Common Stock as to which Awards have not been granted; *provided, however*, that the approval of the stockholders of Republic in accordance with applicable law and the Certificate of Incorporation and Bylaws of Republic shall be required for any amendment: (i) that changes the class of individuals eligible to receive Awards under the Plan; (ii) that increases the maximum number of shares of Common Stock in the aggregate that may be subject to Awards that are granted under the Plan (except as permitted under Section 6 or Section 14 hereof); (iii) the approval of which is necessary to comply with federal or state law (including without limitation Section 162(m) of the Code and Rule 16b-3 under the Exchange Act) or with the rules of any stock exchange or automated quotation system on which the Common Stock may be listed or traded; or (iv) that proposed to eliminate a requirement provided herein that the stockholders of Republic must approve an action to be undertaken under the Plan. Except as permitted under Section 6 or Section 14 hereof, no amendment, suspension or termination of the Plan shall, without the consent of the holder of an Award, alter or impair rights or obligations under any Award theretofore granted under the Plan. Awards granted prior to the termination of the Plan may extend beyond the date the Plan is terminated and shall continue subject to the terms of the Plan as in effect on the date the Plan is terminated.

(l) Section 409A of the Code.

(i) The Award Agreement for any Award that the Committee reasonably determines to constitute a Section 409A Plan, as defined in Section 17(1)(ii) hereof, and the provisions of the Plan applicable to that Award, shall be construed in a manner consistent with the applicable requirements of Section 409A of the Code, and the Committee, in its sole discretion and without the consent of any Participant, may amend any Award Agreement (and the provisions of the Plan applicable thereto) if and to the extent that the Committee determines that such amendment is necessary or appropriate to comply with the requirements of Section 409A of the Code.

(ii) If any Award constitutes a “nonqualified deferred compensation plan” under Section 409A of the Code (a “Section 409A Plan”), then the Award shall be subject to the following additional requirements, if and to the extent required to comply with Section 409A of the Code:

(A) Payments under the Section 409A Plan may not be made earlier than the first to occur of (1) the Participant’s “separation from service”, (2) the date the Participant becomes “disabled”, (3) the Participant’s death, (4) a “specified time (or pursuant to a fixed schedule)” specified in the Award Agreement at the date of the deferral of such compensation, (5) a “change in the ownership or effective control of the corporation, or in the ownership of a substantial portion of the assets” of the Company, or (6) the occurrence of an “unforeseeable emergency”;

(B) The time or schedule for any payment of the deferred compensation may not be accelerated, except to the extent provided in applicable Treasury Regulations or other applicable guidance issued by the Internal Revenue Service;

(C) Any elections with respect to the deferral of such compensation or the time and form of distribution of such deferred compensation shall comply with the requirements of Section 409A(a)(4) of the Code; and

(D) In the case of any Participant who is “specified employee”, a distribution on account of a “separation from service” may not be made before the date which is six months after the date of the Participant’s “separation from service” (or, if earlier, the date of the Participant’s death).

For purposes of the foregoing, the terms in quotations shall have the same meanings as those terms have for purposes of Section 409A of the Code, and the limitations set forth herein shall be applied in such manner (and only to the extent) as shall be necessary to comply with any requirements of Section 409A of the Code that are applicable to the Award.

(iii) Notwithstanding the foregoing, or any provision of this Plan or any Award Agreement, the Company does not make any representation to any Participant that any Awards made pursuant to this Plan are exempt from, or satisfy, the requirements of, Section 409A, and the Company shall have no liability or other obligation to indemnify or hold harmless the Participant for any tax, additional tax, interest or penalties that the Participant may incur in the event that any provision of this Plan, or any Award Agreement, or any amendment or modification thereof, or any other action taken with respect thereto, is deemed to violate any of the requirements of Section 409A.

(m) Notification of 83(b) Election. If in connection with the grant of any Award any Participant makes an election permitted under Code Section 83(b), such Participant must notify the Company in writing of such election within ten (10) days after filing such election with the Internal Revenue Service.

(n) Detrimental Activity. All Awards shall be subject to cancellation by the Committee in accordance with the terms of this Section 15(n) if the Participant engages in any Detrimental Activity or if otherwise so required under applicable law. To the extent that a Participant engages in any Detrimental Activity at any time prior to, or during the one year period after, any exercise or vesting of an Award but prior to a Change in Control, the Company shall, upon the recommendation of the Committee, in its sole and absolute discretion, be entitled to (i) immediately terminate and cancel any Awards held by the Participant that have not yet been exercised, and/or (ii) with respect to Awards of the Participant that have been previously exercised, recover from the Participant at any time within two (2) years after such exercise but prior to a Change in Control (and the Participant shall be obligated to pay over to the Company with respect to any such Award previously held by such Participant): (A) with respect to any Options exercised, an amount equal to the excess of the Fair Market Value of the Common Stock for which any

Option was exercised over the Exercise Price paid (regardless of the form by which payment was made) with respect to such Option; (B) with respect to any Award other than an Option, any shares of Common Stock granted and vested pursuant to such Award, and if such shares are not still owned by the Participant, the Fair Market Value of such shares on the date they were issued, or if later, the date all vesting restrictions were satisfied; and (C) any cash or other property (other than Common Stock) received by the Participant from the Company pursuant to an Award. Without limiting the generality of the foregoing, in the event that a Participant engages in any Detrimental Activity at any time prior to any exercise of an Award and the Company exercises its remedies pursuant to this Section 17(n) following the exercise of such Award, such exercise shall be treated as having been null and void, *provided* that the Company will nevertheless be entitled to recover the amounts referenced above. In addition to the foregoing, the Committee may, in its sole discretion, include in an Award Agreement that the Award may be cancelled and/or that amounts received under the Award may be recovered from the Participant in certain situations such as financial restatements or committing any act that is detrimental to the Company.

(o) *Disclaimer of Rights*. No provision in the Plan, any Award granted or any Award Agreement entered into pursuant to the Plan shall be construed to confer upon any individual the right to remain in the employ of or other service with the Company or to interfere in any way with the right and authority of the Company either to increase or decrease the compensation of any individual, including any holder of an Award, at any time, or to terminate any employment or other relationship between any individual and the Company. The grant of an Award pursuant to the Plan shall not affect or limit in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge, consolidate, dissolve or liquidate, or to sell or transfer all or any part of its business or assets.

(p) *Unfunded Status of Plan*. The Plan is intended to constitute an “unfunded” plan for incentive and deferred compensation. With respect to any payments as to which a Participant has a fixed and vested interest but which are not yet made to such Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company.

(q) *Nonexclusivity of Plan*. The adoption of the Plan shall not be construed as creating any limitations upon the right and authority of the Board to adopt such other incentive compensation arrangements (which arrangements may be applicable either generally to a class or classes of individuals or specifically to a particular individual or individuals) as the Board in its sole discretion determines desirable.

(r) *Other Benefits*. No Award payment under the Plan shall be deemed compensation for purposes of computing benefits under any retirement plan of the Company or any agreement between a Participant and the Company, nor affect any benefits under any other benefit plan of the Company now or subsequently in effect under which benefits are based upon a Participant’s level of compensation.

(s) *Headings*. The section headings in the Plan are for convenience only; they form no part of this Agreement and shall not affect its interpretation.

(t) *Pronouns*. The use of any gender in the Plan shall be deemed to include all genders, and the use of the singular shall be deemed to include the plural and vice versa, wherever it appears appropriate from the context.

(u) *Successors and Assigns*. The Plan shall be binding on all successors of the Company and all successors and permitted assigns of a Participant, including, but not limited to, a Participant’s estate, devisee, or heir at law.

(v) *Severability*. If any provision of the Plan or any Award Agreement shall be determined to be illegal or unenforceable by any court of law in any jurisdiction, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms, and all provisions shall remain enforceable in any other jurisdiction.

(w) *Notices*. Any communication or notice required or permitted to be given under the Plan shall be in writing, and mailed by registered or certified mail or delivered by hand, to Republic, to its principal place of business, attention: General Counsel, and if to the holder of an Award, to the address as appearing on the records of the Company.

**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

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

Date: July 25, 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

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

Date: July 25, 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 June 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

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

Date: July 25, 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 June 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

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

Date: July 25, 2013