

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2014

or

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

For the transition period from _____ to _____

Commission File Number: 1-14267

REPUBLIC SERVICES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

**18500 NORTH ALLIED WAY
PHOENIX, ARIZONA**

(Address of principal executive offices)

65-0716904

(I.R.S. Employer
Identification No.)

85054

(Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

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

On July 17, 2014, the registrant had outstanding 413,764,065 shares of Common Stock, par value \$.01 per share (excluding 58,066,592 treasury shares).

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, 2014	December 31, 2013
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 49.5	\$ 213.3
Accounts receivable, less allowance for doubtful accounts of \$39.3 and \$38.3, respectively	932.8	890.7
Prepaid expenses and other current assets	135.5	200.3
Deferred tax assets	107.3	117.6
Total current assets	1,225.1	1,421.9
Restricted cash and marketable securities	178.1	169.7
Property and equipment, net	7,126.9	7,036.8
Goodwill	10,752.3	10,724.1
Other intangible assets, net	292.0	315.8
Other assets	301.6	280.9
Total assets	\$ 19,876.0	\$ 19,949.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 522.3	\$ 511.4
Notes payable and current maturities of long-term debt	10.1	15.7
Deferred revenue	313.3	301.8
Accrued landfill and environmental costs, current portion	184.4	178.7
Accrued interest	65.8	68.2
Other accrued liabilities	609.6	641.3
Total current liabilities	1,705.5	1,717.1
Long-term debt, net of current maturities	7,042.1	7,002.4
Accrued landfill and environmental costs, net of current portion	1,476.7	1,464.3
Deferred income taxes and other long-term tax liabilities	1,149.5	1,185.4
Self-insurance reserves, net of current portion	291.2	294.9
Other long-term liabilities	355.5	379.0
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; 413.6 and 411.0 issued including shares held in treasury, respectively	4.1	4.1
Additional paid-in capital	6,843.9	6,764.9
Retained earnings	2,758.0	2,632.7
Treasury stock, at cost (58.1 and 50.6 shares, respectively)	(1,757.3)	(1,501.2)
Accumulated other comprehensive income, net of tax	4.5	3.0
Total Republic Services, Inc. stockholders' equity	7,853.2	7,903.5
Noncontrolling interests	2.3	2.6
Total stockholders' equity	7,855.5	7,906.1
Total liabilities and stockholders' equity	\$ 19,876.0	\$ 19,949.2

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,	
	2014	2013	2014	2013
Revenue	\$ 2,225.3	\$ 2,111.7	\$ 4,299.0	\$ 4,110.3
Expenses:				
Cost of operations	1,373.0	1,410.0	2,694.3	2,633.1
Depreciation, amortization and depletion	230.3	217.0	443.4	426.6
Accretion	19.4	19.2	38.9	38.4
Selling, general and administrative	221.0	228.2	434.7	434.7
Negotiation and withdrawal costs - Central States Pension and Other Funds	1.5	53.9	1.5	116.1
Gain on disposition of assets and impairments, net	—	(0.8)	—	(1.9)
Restructuring charges	1.8	3.0	1.8	7.9
Operating income	378.3	181.2	684.4	455.4
Interest expense	(86.9)	(90.2)	(173.8)	(179.8)
Loss on extinguishment of debt	(1.4)	(0.3)	(1.4)	(2.1)
Interest income	0.3	0.1	0.4	0.4
Other income, net	0.4	0.3	1.3	0.5
Income before income taxes	290.7	91.1	510.9	274.4
Provision for income taxes	111.7	34.7	199.3	93.1
Net income	179.0	56.4	311.6	181.3
Net income attributable to noncontrolling interests	—	(0.1)	(0.1)	(0.4)
Net income attributable to Republic Services, Inc.	\$ 179.0	\$ 56.3	\$ 311.5	\$ 180.9
Basic earnings per share attributable to Republic Services, Inc. stockholders:				
Basic earnings per share	\$ 0.50	\$ 0.16	\$ 0.87	\$ 0.50
Weighted average common shares outstanding	356.2	362.9	358.0	362.8
Diluted earnings per share attributable to Republic Services, Inc. stockholders:				
Diluted earnings per share	\$ 0.50	\$ 0.15	\$ 0.87	\$ 0.50
Weighted average common and common equivalent shares outstanding	357.6	364.4	359.3	364.2
Cash dividends per common share	\$ 0.260	\$ 0.235	\$ 0.520	\$ 0.470

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,	
	2014	2013	2014	2013
Net income	\$ 179.0	\$ 56.4	\$ 311.6	\$ 181.3
Other comprehensive (loss) income, net of tax				
Hedging activity:				
Settlements	0.5	0.3	1.1	1.2
Realized (gains) losses reclassified into earnings	(0.1)	0.1	(0.4)	(0.4)
Unrealized gains (losses)	2.7	(3.1)	0.8	(2.4)
Other comprehensive income (loss), net of tax	3.1	(2.7)	1.5	(1.6)
Comprehensive income	182.1	53.7	313.1	179.7
Comprehensive income attributable to noncontrolling interests	—	(0.1)	(0.1)	(0.4)
Comprehensive income attributable to Republic Services, Inc.	\$ 182.1	\$ 53.6	\$ 313.0	\$ 179.3

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 Income, Net of Tax	Noncontrolling Interests	Total
	Shares	Amount			Shares	Amount			
Balance as of December 31, 2013	411.0	\$ 4.1	\$ 6,764.9	\$ 2,632.7	(50.6)	\$ (1,501.2)	\$ 3.0	\$ 2.6	\$ 7,906.1
Net income	—	—	—	311.5	—	—	—	0.1	311.6
Other comprehensive income	—	—	—	—	—	—	1.5	—	1.5
Cash dividends declared	—	—	—	(185.3)	—	—	—	—	(185.3)
Issuances of common stock	2.6	—	67.5	—	—	—	—	—	67.5
Stock-based compensation	—	—	11.5	(0.9)	—	—	—	—	10.6
Purchase of common stock for treasury	—	—	—	—	(7.5)	(256.1)	—	—	(256.1)
Distributions paid to noncontrolling interests	—	—	—	—	—	—	—	(0.4)	(0.4)
Balance as of June 30, 2014	413.6	\$ 4.1	\$ 6,843.9	\$ 2,758.0	(58.1)	\$ (1,757.3)	\$ 4.5	\$ 2.3	\$ 7,855.5

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,	
	2014	2013
Cash provided by operating activities:		
Net income	\$ 311.6	\$ 181.3
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation, amortization, depletion and accretion	482.3	465.0
Non-cash interest expense	22.4	23.7
Restructuring related charges	1.8	7.9
Stock-based compensation	10.6	12.1
Deferred tax benefit	(26.2)	(54.5)
Provision for doubtful accounts, net of adjustments	8.4	7.5
Loss on extinguishment of debt	1.4	2.1
Gain on disposition of assets, net and asset impairments	(1.7)	(5.8)
Withdrawal liability - Central States Pension and Other Funds	—	99.9
Environmental adjustments	36.2	113.9
Excess income tax benefit from stock option exercises and other non-cash items	(2.3)	(1.6)
Change in assets and liabilities, net of effects from business acquisitions and divestitures:		
Accounts receivable	(48.8)	(40.1)
Prepaid expenses and other assets	(0.7)	(4.2)
Accounts payable	(4.1)	40.1
Restructuring expenditures	(0.8)	(12.6)
Capping, closure and post-closure expenditures	(20.9)	(41.8)
Remediation expenditures	(50.8)	(51.3)
Other liabilities	3.9	19.9
Cash provided by operating activities	722.3	761.5
Cash used in investing activities:		
Purchases of property and equipment	(472.9)	(461.8)
Proceeds from sales of property and equipment	6.7	7.4
Cash used in business acquisitions and development projects, net of cash acquired	(46.3)	(28.5)
Cash proceeds from divestitures, net of cash divested	—	2.7
Change in restricted cash and marketable securities	(8.4)	(19.6)
Other	(1.7)	(2.1)
Cash used in investing activities	(522.6)	(501.9)
Cash used in financing activities:		
Proceeds from notes payable and long-term debt	745.7	771.7
Payments of notes payable and long-term debt	(728.1)	(820.5)
Fees paid to issue notes payable	(4.0)	(1.5)
Issuances of common stock	65.4	122.9
Excess income tax benefit from stock option exercises	2.1	2.1
Purchases of common stock for treasury	(256.1)	(135.6)
Cash dividends paid	(186.6)	(169.8)
Distributions paid to noncontrolling interests	(0.4)	—
Other	(1.5)	0.2
Cash used in financing activities	(363.5)	(230.5)
(Decrease) increase in cash and cash equivalents	(163.8)	29.1
Cash and cash equivalents at beginning of year	213.3	67.6
Cash and cash equivalents at end of period	\$ 49.5	\$ 96.7

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

The 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, 2013.

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, multiemployer pension plans, employee benefit plans, deferred taxes, uncertain tax positions, and 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, 2013. Our actual results may differ significantly from our estimates.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board amended the Accounting Standards Codification and created Topic 606, *Revenue from Contracts with Customers*, to clarify the principles for recognizing revenue. This guidance requires that an entity recognize revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance will be effective for Republic beginning January 1, 2017 and must be adopted using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach. Early adoption is not permitted. We are currently assessing the method of adoption and the potential impact this guidance may have on our financial position, results of operations and cash flows.

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

2. BUSINESS ACQUISITIONS AND RESTRUCTURING CHARGES

Business Acquisitions

We acquired various solid waste businesses during the six months ended June 30, 2014 and 2013. The purchase price paid for these acquisitions during those periods and the allocations of the purchase price are as follows:

	2014	2013
Purchase price:		
Cash used in acquisitions, net of cash acquired	\$ 46.3	\$ 28.5
Holdbacks	6.2	3.4
Total	\$ 52.5	\$ 31.9
Allocated as follows:		
Accounts receivable	2.1	0.9
Property and equipment	15.0	8.1
Other liabilities	(1.3)	(1.8)
Fair value of assets acquired and liabilities assumed	15.8	7.2
Excess purchase price to be allocated	\$ 36.7	\$ 24.7
Excess purchase price allocated as follows:		
Other intangible assets	\$ 7.4	\$ 4.1
Goodwill	29.3	20.6
Total allocated	\$ 36.7	\$ 24.7

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 in aggregate, was not material.

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, 2014, we incurred costs of \$1.8 million due to a change in estimate of amounts recoverable from sublet income associated with abandoned office space with non-cancellable lease terms. 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-cancelable terms. As of June 30, 2014, \$2.7 million remains accrued for lease exit costs. We expect any future expense related to such activities to be immaterial. Substantially all of these charges were recorded in our corporate segment.

3. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill

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

	Balance as of December 31, 2013	Acquisitions	Divestitures	Adjustments to Acquisitions	Balance as of June 30, 2014
East	\$ 3,020.2	\$ 15.5	\$ —	\$ (0.2)	\$ 3,035.5
Central	3,264.8	13.8	—	(0.3)	3,278.3
West	4,439.1	—	—	(0.6)	4,438.5
Total	\$ 10,724.1	\$ 29.3	\$ —	\$ (1.1)	\$ 10,752.3

Adjustments to acquisitions during the six months ended June 30, 2014 primarily related to deferred tax asset adjustments resulting from the exercise of legacy Allied stock options, which were recorded to goodwill in purchase accounting.

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 and non-compete agreements, and are amortized over periods ranging from 1 to 23 years. A summary of the activity and balances in other intangible assets accounts by intangible asset type is as follows:

	Gross Intangible Assets			Accumulated Amortization			Net Other Intangible Assets as of June 30, 2014
	Balance as of December 31, 2013	Acquisitions and Other Additions	Balance as of June 30, 2014	Balance as of December 31, 2013	Additions Charged to Expense	Balance as of June 30, 2014	
Customer relationships, franchise and other municipal agreements	\$ 598.9	\$ 5.2	\$ 604.1	\$ (309.7)	\$ (29.2)	\$ (338.9)	\$ 265.2
Non-compete agreements	23.6	2.2	25.8	(14.8)	(1.6)	(16.4)	9.4
Other intangible assets	63.9	—	63.9	(46.1)	(0.4)	(46.5)	17.4
Total	<u>\$ 686.4</u>	<u>\$ 7.4</u>	<u>\$ 693.8</u>	<u>\$ (370.6)</u>	<u>\$ (31.2)</u>	<u>\$ (401.8)</u>	<u>\$ 292.0</u>

4. OTHER ASSETS
Prepaid Expenses and Other Current Assets

A summary of prepaid expenses and other current assets as of June 30, 2014 and December 31, 2013 is as follows:

	2014	2013
Inventories	\$ 38.6	\$ 37.8
Prepaid expenses	52.6	59.0
Other non-trade receivables	20.2	23.4
Reinsurance receivable	13.3	14.8
Income tax receivable	—	55.3
Commodity and fuel hedge assets	7.8	7.0
Other current assets	3.0	3.0
Total	<u>\$ 135.5</u>	<u>\$ 200.3</u>

Other Assets

A summary of other assets as of June 30, 2014 and December 31, 2013 is as follows:

	2014	2013
Deferred financing costs	\$ 50.5	\$ 51.4
Deferred compensation plan	74.1	65.1
Notes and other receivables	28.4	19.5
Reinsurance receivable	50.3	46.9
Other	98.3	98.0
Total	<u>\$ 301.6</u>	<u>\$ 280.9</u>

Notes and other receivables includes the fair value of interest rate swaps of \$7.8 million as of June 30, 2014.

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, 2014 and December 31, 2013 is as follows:

	2014	2013
Accrued payroll and benefits	\$ 136.6	\$ 172.7
Accrued fees and taxes	117.0	121.3
Self-insurance reserves, current portion	133.9	136.6
Ceded insurance reserves, current portion	13.3	14.8
Accrued dividends	92.5	93.7
Current tax liabilities	0.8	—
Accrued professional fees and legal settlement reserves	27.6	28.3
Other	87.9	73.9
Total	\$ 609.6	\$ 641.3

Other accrued liabilities includes the fair value of fuel and recycling commodity hedges of \$0.7 million as of December 31, 2013.

Other Long-Term Liabilities

A summary of other long-term liabilities as of June 30, 2014 and December 31, 2013 is as follows:

	2014	2013
Deferred compensation plan	\$ 73.3	\$ 67.0
Pension and other post-retirement liabilities	5.1	6.5
Legal settlement reserves	29.4	27.3
Ceded insurance reserves	50.3	46.9
Withdrawal liability - Central States Pension and Other Funds	147.6	171.4
Other	49.8	59.9
Total	\$ 355.5	\$ 379.0

Other long-term liabilities includes the fair value of interest rate swaps of \$4.4 million as of December 31, 2013.

Self-Insurance Reserves

Our liabilities for unpaid and incurred but not reported claims as of June 30, 2014 and December 31, 2013 (which include claims for workers' compensation, general liability, vehicle liability and employee health care benefits) were \$425.1 million and \$431.5 million, respectively, under our risk management program and are included in other accrued liabilities and self-insurance reserves, net of current portion, in our consolidated balance sheets. While the ultimate amount of claims incurred depends on future developments, we believe the recorded reserves are adequate to cover the future payment of claims; however, it is possible that these recorded reserves may not be adequate to cover the future payment of claims. Adjustments, if any, to estimates recorded resulting from ultimate claim payments will be reflected in our consolidated statements of income 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, 2014, we owned or operated 190 active solid waste landfills with total available disposal capacity of approximately 4.9 billion in-place cubic yards. Additionally, we had post-closure responsibility for 124 closed landfills.

Accrued Landfill and Environmental Costs

A summary of accrued landfill and environmental liabilities as of June 30, 2014 and December 31, 2013 is as follows:

	2014	2013
Landfill final capping, closure and post-closure liabilities	\$ 1,111.3	\$ 1,091.3
Environmental remediation liabilities	549.8	551.7
Total accrued landfill and environmental costs	1,661.1	1,643.0
Less: current portion	(184.4)	(178.7)
Long-term portion	\$ 1,476.7	\$ 1,464.3

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, 2014 and 2013:

	2014	2013
Asset retirement obligation liabilities, beginning of year	\$ 1,091.3	\$ 1,052.4
Non-cash additions	18.9	17.6
Acquisitions/divestitures and other adjustments	0.3	0.1
Asset retirement obligation adjustments	(17.2)	(0.4)
Payments	(20.9)	(41.8)
Accretion expense	38.9	38.4
Asset retirement obligation liabilities, end of period	1,111.3	1,066.3
Less: current portion	(92.6)	(105.4)
Long-term portion	\$ 1,018.7	\$ 960.9

We review annually, in the fourth quarter, 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 and make adjustments as appropriate.

The fair value of assets that are legally restricted for purposes of settling final capping, closure and post-closure obligations was \$56.3 million and \$56.0 million as of June 30, 2014 and December 31, 2013, respectively, and is included in restricted cash and marketable securities in our consolidated balance sheets.

Landfill Operating Expenses

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

Environmental Remediation Liabilities

We accrue for remediation costs when they become probable and can be reasonably estimated. There can sometimes be a range of reasonable estimates of the costs associated with remediation of a site. In these cases, 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 actions. If we used the reasonably possible high ends of our ranges, our aggregate potential remediation liability as of June 30, 2014 would be approximately \$440 million higher than the amount recorded. Future

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

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 or cash flows.

The following table summarizes the activity in our environmental remediation liabilities for the six months ended June 30, 2014 and 2013:

	2014	2013
Environmental remediation liabilities, beginning of year	\$ 551.7	\$ 563.7
Net additions charged to expense	36.2	113.9
Payments	(50.8)	(51.3)
Accretion expense (non-cash interest expense)	12.7	13.3
Environmental remediation liabilities, end of period	549.8	639.6
Less: current portion	(91.8)	(128.6)
Long-term portion	\$ 458.0	\$ 511.0

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

Bridgeton Landfill. As of December 31, 2013, the remediation liability recorded for our closed Bridgeton Landfill in Missouri was \$93.9 million. During the six months ended June 30, 2014, we paid \$35.0 million related to management and monitoring of the remediation area. During that period, we also recorded a charge to earnings of \$36.1 million primarily related to the design and construction of a leachate management facility. As the nature and extent of our leachate remediation efforts continued to change, it became necessary to upgrade certain treatment facility design features and infrastructure. We continue to work with state and federal regulatory agencies on our remediation efforts. From time to time, this may require us to modify our construction plan or future operating timeline and procedures, which could result in changes to our expected liability. As of June 30, 2014, the remediation liability recorded for this site is \$95.0 million, of which \$31.5 million is expected to be paid during the remainder of 2014. We believe the remaining reasonably possible high end of our range would be approximately \$335 million.

Congress Landfill. In August 2010, Congress Development Co. 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 Congress Landfill. The remediation liability recorded as of June 30, 2014 is \$83.0 million, of which \$3.5 million is expected to be paid during the remainder of 2014. We believe the remaining reasonably possible high end of our range would be approximately \$150 million.

REPUBLIC SERVICES, INC.
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7. DEBT

The carrying value of our notes payable, capital leases and long-term debt as of June 30, 2014 and December 31, 2013 is listed in the following table in millions, and is adjusted for the fair value of interest rate swaps, unamortized discounts and the unamortized portion of adjustments to fair value recorded in purchase accounting. Original issue discounts and adjustments to fair value recorded in purchase accounting are amortized to interest expense over the term of the applicable instrument using the effective interest method.

Maturity	Interest Rate	June 30, 2014			December 31, 2013		
		Principal	Adjustments	Carrying Value	Principal	Adjustments	Carrying Value
Credit facilities:							
Uncommitted facility	Variable	\$ 26.4	\$ —	\$ 26.4	\$ —	\$ —	\$ —
June 2019	Variable	—	—	—	—	—	—
May 2017	Variable	—	—	—	—	—	—
Senior notes:							
May 2018	3.800	700.0	(0.1)	699.9	700.0	(0.1)	699.9
September 2019	5.500	650.0	(2.7)	647.3	650.0	(2.9)	647.1
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	(1.9)	848.1	850.0	(2.0)	848.0
May 2023	4.750	550.0	6.0	556.0	550.0	(5.7)	544.3
March 2035	6.086	275.7	(24.2)	251.5	275.7	(24.5)	251.2
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	(3.3)	596.7
Debentures:							
May 2021	9.250	35.3	(1.7)	33.6	35.3	(1.7)	33.6
September 2035	7.400	165.3	(40.8)	124.5	165.2	(41.0)	124.2
Tax-exempt:							
2015 - 2044	0.300 - 5.625	1,083.8	—	1,083.8	1,087.7	—	1,087.7
Other:							
2014 - 2046	5.000 - 12.203	85.0	—	85.0	86.0	—	86.0
Total Debt		<u>\$ 7,121.5</u>	<u>\$ (69.3)</u>	<u>7,052.2</u>	<u>\$ 7,099.9</u>	<u>\$ (81.8)</u>	<u>7,018.1</u>
Less: current portion				(10.1)			(15.7)
Long-term portion				<u>\$ 7,042.1</u>			<u>\$ 7,002.4</u>

Loss on Extinguishment of Debt

During the three months ended June 30, 2014, we completed the refinancing of our Credit Facilities and certain of our tax-exempt financings, which resulted in non-cash charges for deferred issuance costs of \$1.4 million.

Credit Facilities

In June 2014, we entered into a \$1.25 billion unsecured revolving credit facility (the Replacement Credit Facility), which replaces our \$1.0 billion credit facility maturing in April 2016. The Replacement Credit Facility will mature in June 2019 and 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 Replacement 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).

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Contemporaneous with the execution of the Replacement Credit Facility, we entered into Amendment No. 3 to our existing \$1.25 billion unsecured credit facility (the Existing Credit Facility and, together with the Replacement Credit Facility, the Credit Facilities), to reduce the commitments under the Existing Credit Facility to \$1.0 billion and conform certain terms of the Existing Credit Facility with those of the Replacement Credit Facility. Amendment No. 3 does not extend the maturity date of the Existing Credit Facility, which matures in May 2017. The Existing Credit Facility also maintains the feature that allows the Company to increase availability under the Existing Credit Facility, at the Company's option, by an aggregate amount of up to \$500 million, through increased commitments from existing lenders or the addition of new lenders.

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, 2014 and December 31, 2013, we had no borrowings under our Credit Facilities. We had \$646.1 million and \$722.1 million of letters of credit using availability under our Credit Facilities, leaving \$1,603.9 million and \$1,527.9 million of availability under our Credit Facilities at June 30, 2014 and December 31, 2013, respectively.

We have a \$125.0 million unsecured credit facility agreement (the Uncommitted Credit Facility) bearing interest at LIBOR, plus an applicable margin. Our Uncommitted Credit Facility 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, 2014, we had \$26.4 million of borrowings under our Uncommitted Credit Facility and none as of December 31, 2013.

Tax-Exempt Financings

As of June 30, 2014, approximately 90% of our tax-exempt financings are remarketed quarterly by remarketing agents to effectively maintain a variable yield. 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 primarily includes capital lease liabilities of \$84.9 million and \$85.9 million as of June 30, 2014 and December 31, 2013, respectively, with maturities ranging from 2014 to 2046.

Interest Rate Swap and Lock Agreements

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

Fair Value Hedges

During the second half of 2013, we entered into various interest rate swap agreements relative to our 4.750% fixed rate senior notes due in May 2023. These transactions were entered into with the goal of reducing overall borrowing costs and rebalancing our debt portfolio's ratio of fixed to floating interest rates. As of June 30, 2014, these swap agreements have a total notional value of \$300.0 million and mature in May 2023, which is identical to the maturity of the hedged senior notes. Under these swap agreements, we pay interest at floating rates based on changes in LIBOR and receive interest at a fixed rate of 4.750%. These transactions were designated as fair value hedges because the swaps hedge against the changes in fair value of the fixed rate senior notes resulting from changes in interest rates. The majority of these interest rate swaps do not contain credit-risk-related contingent features and we believe our exposure to such features, where applicable, is minimal.

As of June 30, 2014, the interest rate swap agreements are reflected at their fair value of \$7.8 million and are included in other assets. As of December 31, 2013, the interest rate swap agreements are reflected at their fair value of \$4.4 million and are included in other long-term liabilities. To the extent they are effective, these interest rate swap agreements are included as an adjustment to long-term debt in our consolidated balance sheets. We recognized net interest income of \$1.9 million and \$3.8

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

million during the three and six months ended June 30, 2014, respectively, related to net swap settlements for these interest rate swap agreements, which is included as an offset to interest expense in our unaudited consolidated statement of income. For the three and six months ended June 30, 2014, we recognized a loss on the change in fair value of the hedged senior notes attributable to changes in the benchmark interest rate totaling \$5.5 million and \$7.1 million, with an offsetting gain on the related interest rate swaps totaling \$5.8 million and \$7.8 million, respectively. The difference of these fair value changes represents hedge ineffectiveness, which is recorded directly in earnings as other income, net. There were no interest rate swap agreements outstanding as of June 30, 2013.

Cash Flow Hedges

As of June 30, 2014 and 2013, no interest rate lock cash flow hedges were outstanding. As of June 30, 2014 and December 31, 2013, the effective portion of the interest rate locks, recorded as a component of accumulated other comprehensive income, was \$22.4 million and \$23.0 million, respectively. The effective portion of the interest rate locks is amortized as an adjustment to interest expense over the life of the issued debt using the effective interest method. We expect to amortize \$2.7 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, 2014 and 2013 was \$0.6 million and \$0.6 million, respectively, and for the six months ended June 30, 2014 and 2013 was \$1.3 million and \$1.2 million, respectively.

8. INCOME TAXES

Our effective tax rate, exclusive of noncontrolling interests, for the three and six months ended June 30, 2014 was 38.4% and 39.0%, respectively. The 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 for the six months ended June 30, 2013 was favorably affected by the resolution of our 2009 to 2010 tax years with the IRS appeals division and Congressional Joint Committee on Taxation.

Cash paid for income taxes was \$167.8 million and \$116.8 million for the six months ended June 30, 2014 and 2013, respectively.

We recognize interest and penalties as incurred within the provision for income taxes in the consolidated statements of income. As of June 30, 2014, we have accrued a liability for penalties of \$0.5 million and a liability for interest (including interest on penalties) of \$17.6 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. We provide a partial valuation allowance due to uncertainty surrounding the future utilization of these carryforwards in the taxing jurisdictions where the loss carryforwards exist. 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.

The realization of our deferred tax asset for state loss carryforwards ultimately depends upon the existence of sufficient taxable income in the appropriate state taxing jurisdictions in future periods. We continue to regularly monitor both positive and negative evidence in determining the ongoing need for a valuation allowance. As of June 30, 2014, the valuation allowance associated with our state loss carryforwards is approximately \$69 million.

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

9. STOCK-BASED COMPENSATION

Available Shares

In May 2013, our board of directors approved the Republic Services, Inc. Amended and Restated 2007 Stock Incentive Plan (the Plan). The Plan was ratified by our stockholders in May 2013. We currently have approximately 16.0 million shares of common stock reserved for future grants under the Plan.

Stock Options

The following table summarizes the stock option activity for the six months ended June 30, 2014:

	Number of Shares (in millions)	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in millions)
Outstanding as of December 31, 2013	10.5	\$ 28.91		
Granted	0.5	33.53		
Exercised	(2.3)	27.83		\$ 17.0
Forfeited or expired	(0.2)	30.61		
Outstanding as of June 30, 2014	8.5	\$ 29.43	4.2	\$ 71.3
Exercisable as of June 30, 2014	4.3	\$ 28.10	3.3	\$ 42.2

During the six months ended June 30, 2014 and 2013, compensation expense for stock options was \$3.6 million and \$7.9 million, respectively.

As of June 30, 2014, total unrecognized compensation expense related to outstanding stock options was \$7.8 million, which will be recognized over a weighted average period of 1.7 years. The total fair value of stock options that vested during the six months ended June 30, 2014 was \$11.7 million.

Other Stock Awards

The following table summarizes restricted stock unit and restricted stock activity for the six months ended June 30, 2014:

	Number of Restricted Stock Units and Shares of Restricted Stock (in thousands)	Weighted Average Grant Date Fair Value per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in millions)
Other stock awards as of December 31, 2013	997.0	\$ 28.48		
Granted	745.8	33.31		
Vested and issued	(251.5)	28.62		
Forfeited	(21.9)	33.56		
Other stock awards as of June 30, 2014	1,469.4	\$ 24.21	1.3	\$ 55.8
Vested and unissued as of June 30, 2014	558.2	\$ 32.00		

During the six months ended June 30, 2014, we awarded our non-employee directors 86,425 restricted stock units, which vested immediately. During the six months ended June 30, 2014, we awarded 639,308 restricted stock units to executives and employees that either vest in four equal annual installments beginning on the anniversary date of the original grant or cliff vest after four years. In addition, 20,069 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.

During the six months ended June 30, 2014 and 2013, compensation expense related to restricted stock units and restricted stock totaled \$7.1 million and \$4.2 million, respectively. As of June 30, 2014, total unrecognized compensation expense

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related to outstanding restricted stock units and restricted shares was \$24.3 million, which will be recognized over a weighted average period of 3.3 years.

10. STOCKHOLDERS' EQUITY AND EARNINGS PER SHARE

We have had a share repurchase program since November 2010. From November 2010 to June 30, 2014, we repurchased 42.9 million shares of our stock for \$1,295.1 million at a weighted average cost per share of \$30.18. During the three months ended June 30, 2014, we repurchased 3.6 million shares of our stock for \$123.7 million at a weighted average cost per share of \$34.85. During the six months ended June 30, 2014, we repurchased 7.5 million shares of our stock for \$255.9 million at a weighted average cost per share of \$34.35.

We initiated a quarterly cash dividend in July 2003 and have increased it from time to time thereafter. In April 2014, the board of directors approved a quarterly dividend of \$0.26 per share. Cash dividends declared were \$185.3 million and \$170.0 million for the six months ended June 30, 2014 and 2013, respectively. As of June 30, 2014, we recorded a quarterly dividend payable of \$92.5 million to stockholders of record at the close of business on July 1, 2014.

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 awards 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, 2014 and 2013 are calculated as follows (in thousands, except per share amounts):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Basic earnings per share:				
Net income attributable to Republic Services, Inc.	\$ 179,000	\$ 56,300	\$ 311,500	\$ 180,900
Weighted average common shares outstanding	356,213	362,948	358,021	362,808
Basic earnings per share	\$ 0.50	\$ 0.16	\$ 0.87	\$ 0.50
Diluted earnings per share:				
Net income attributable to Republic Services, Inc.	\$ 179,000	\$ 56,300	\$ 311,500	\$ 180,900
Weighted average common shares outstanding	356,213	362,948	358,021	362,808
Effect of dilutive securities:				
Options to purchase common stock	1,300	1,400	1,240	1,387
Unvested restricted stock awards	69	39	52	28
Weighted average common and common equivalent shares outstanding	357,582	364,387	359,313	364,223
Diluted earnings per share	\$ 0.50	\$ 0.15	\$ 0.87	\$ 0.50
Antidilutive securities not included in the diluted earnings per share calculations:				
Options to purchase common stock	413	2,523	355	2,393

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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) loss, net of tax, by component, for the six months ended June 30, 2014 is as follows:

	Gains and Losses on Cash Flow Hedges	Defined Benefit Pension Items	Total
Balance as of December 31, 2013	\$ 19.3	\$ (22.3)	\$ (3.0)
Other comprehensive income before reclassifications	(1.9)	—	(1.9)
Amounts reclassified from accumulated other comprehensive income	0.4	—	0.4
Net current-period other comprehensive income	(1.5)	—	(1.5)
Balance as of June 30, 2014	<u>\$ 17.8</u>	<u>\$ (22.3)</u>	<u>\$ (4.5)</u>

A summary of reclassifications out of accumulated other comprehensive income for the three and six months ended June 30, 2014 and 2013 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,		
	2014	2013	2014	2013	
Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income		Amount Reclassified from Accumulated Other Comprehensive Income		Affected Line Item in the Statement Where Net Income is Presented
Gains (losses) on cash flow hedges:					
Recycling commodity hedges	\$ —	\$ —	\$ —	\$ 0.1	Revenue
Fuel hedges	0.8	0.5	2.0	1.8	Cost of operations
Interest rate contracts	(0.6)	(0.6)	(1.3)	(1.2)	Interest expense
	0.2	(0.1)	0.7	0.7	Total before tax
	(0.1)	—	(0.3)	(0.3)	Tax benefit (expense)
	<u>\$ 0.1</u>	<u>\$ (0.1)</u>	<u>\$ 0.4</u>	<u>\$ 0.4</u>	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. These 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, 2014:

Year	Gallons Hedged	Weighted Average Contract Price per Gallon
2014	13,500,000	\$3.81
2015	18,000,000	3.74
2016	18,000,000	3.68

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

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gallons) from the counterparty. If the average price is less than the contract price per gallon, we pay the difference to the counterparty.

The fair values of our fuel hedges are determined using standard option valuation models with assumptions about commodity prices based on those observed in underlying markets (Level 2 in the fair value hierarchy). The aggregated fair values of our outstanding fuel hedges as of June 30, 2014 and December 31, 2013 were current assets of \$7.7 million and \$6.7 million, respectively, and current liabilities of \$0.1 million as of December 31, 2013, and have been recorded in prepaid expenses and other current assets and other accrued liabilities in our consolidated balance sheets, respectively. The ineffective portions of the changes in fair values resulted in gains of less than \$0.1 million for the three and six months ended June 30, 2014 and 2013, and have been recorded in other income, net in our consolidated statements of income.

Total gains (losses) recognized in other comprehensive income for fuel hedges (the effective portion) were \$2.5 million and \$(3.5) million for the three months ended June 30, 2014 and 2013, respectively, and \$0.6 million and \$(2.2) million for the six months ended June 30, 2014 and 2013, respectively.

Recycling Commodity Hedges

Our revenue from sale 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 the 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 these agreements, we will make or receive no payments as long as the settlement price is between the floor price and cap price; however, if the settlement price is above the cap, we will pay the counterparty an amount equal to the excess of the settlement price over the cap times the monthly volumes hedged. 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 variability of cash flows for forecasted sales of OCC and ONP between two designated strike prices.

As of June 30, 2014, we had outstanding costless collar hedges for OCC totaling 36,000 tons with a weighted average floor strike price of \$91.50 per ton and a weighted average cap strike price of \$145.00 per ton, all of which will be settled in 2014. As of June 30, 2014, there were no outstanding costless collar hedges for ONP. Costless collar hedges are recorded in our consolidated balance sheets at fair value. Fair values of 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 as of June 30, 2014 and December 31, 2013 were current assets of \$0.1 million and \$0.3 million, respectively, and current liabilities of \$0.6 million as of December 31, 2013, and have been recorded in prepaid expenses and other current assets and other accrued liabilities in our consolidated balance sheets, respectively. The ineffective portions of the changes in fair values resulted in gains of less than \$0.1 million for the three and six months ended June 30, 2014 and 2013, and have been recorded in other income, net in our consolidated statements of income.

Total gains (losses) recognized in other comprehensive income for recycling commodity hedges (the effective portion) were \$0.3 million and \$0.4 million for the three months ended June 30, 2014 and 2013, respectively, and \$0.2 million and \$(0.2) million for the six months ended June 30, 2014 and 2013, respectively.

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.

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The carrying value for certain of our financial instruments, including cash, accounts receivable, accounts payable and certain other accrued liabilities, approximates fair value because of their short-term nature.

As of June 30, 2014 and December 31, 2013, our assets and liabilities that are measured at fair value on a recurring basis include the following:

	Carrying Amount	Total as of June 30, 2014	Fair Value Measurements Using		
			Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:					
Money market mutual funds	\$ 71.9	\$ 71.9	\$ 71.9	\$ —	\$ —
Bonds - restricted cash and marketable securities	45.5	45.5	—	45.5	—
Fuel hedges - other current assets	7.7	7.7	—	7.7	—
Commodity hedges - other current assets	0.1	0.1	—	0.1	—
Interest rate swaps - other assets	7.8	7.8	—	7.8	—
Total assets	\$ 133.0	\$ 133.0	\$ 71.9	\$ 61.1	\$ —
Liabilities:					
Total debt	7,052.2	7,875.3	—	7,875.3	—
Total liabilities	\$ 7,052.2	\$ 7,875.3	\$ —	\$ 7,875.3	\$ —

	Carrying Amount	Total as of December 31, 2013	Fair Value Measurements Using		
			Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:					
Money market mutual funds	\$ 176.0	\$ 176.0	\$ 176.0	\$ —	\$ —
Bonds - restricted cash and marketable securities	36.6	36.6	—	36.6	—
Fuel hedges - other current assets	6.7	6.7	—	6.7	—
Commodity hedges - other current assets	0.3	0.3	—	0.3	—
Total assets	\$ 219.6	\$ 219.6	\$ 176.0	\$ 43.6	\$ —
Liabilities:					
Fuel hedges - other accrued liabilities	\$ 0.1	\$ 0.1	\$ —	\$ 0.1	\$ —
Commodity hedges - other accrued liabilities	0.6	0.6	—	0.6	—
Interest rate swaps - other liabilities	4.4	4.4	—	4.4	—
Total debt	7,018.1	7,538.1	—	7,538.1	—
Total liabilities	\$ 7,023.2	\$ 7,543.2	\$ —	\$ 7,543.2	\$ —

The fair value of our fixed rate senior notes was \$6.7 billion and \$6.4 billion as of June 30, 2014 and December 31, 2013, respectively. The carrying value of these notes and debentures was \$5.9 billion and \$5.8 billion as of June 30, 2014 and December 31, 2013, 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. See Note 7, *Debt*, for further information related to our debt.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

13. SEGMENT REPORTING

Our operations are managed and evaluated through three regions: East, Central and West. These three regions are presented below as our reportable segments, which provide integrated waste management services consisting of collection, transfer, recycling and disposal of domestic non-hazardous solid waste.

Summarized financial information concerning our reportable segments for the three and six months ended June 30, 2014 and 2013 is shown in the following table:

	Gross Revenue	Intercompany Revenue	Net Revenue	Depreciation, Amortization, Depletion and Accretion	Operating Income (Loss)	Capital Expenditures	Total Assets
Three Months Ended June 30, 2014							
East	\$ 739.8	\$ (107.2)	\$ 632.6	\$ 67.4	\$ 111.5	\$ 67.4	\$ 4,618.9
Central	839.3	(165.2)	674.1	81.4	129.1	103.0	5,839.8
West	1,072.1	(200.1)	872.0	90.0	201.6	92.7	8,233.8
Corporate entities	50.4	(3.8)	46.6	10.9	(63.9)	(4.3)	1,183.5
Total	\$ 2,701.6	\$ (476.3)	\$ 2,225.3	\$ 249.7	\$ 378.3	\$ 258.8	\$ 19,876.0
Three Months Ended June 30, 2013							
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	\$ 2,559.8	\$ (448.1)	\$ 2,111.7	\$ 236.2	\$ 181.2	\$ 247.0	\$ 19,774.2
	Gross Revenue	Intercompany Revenue	Net Revenue	Depreciation, Amortization, Depletion and Accretion	Operating Income (Loss)	Capital Expenditures	Total Assets
Six Months Ended June 30, 2014							
East	\$ 1,427.9	\$ (200.6)	\$ 1,227.3	\$ 132.3	\$ 213.5	\$ 100.3	\$ 4,618.9
Central	1,575.7	(298.6)	1,277.1	157.7	229.0	140.7	5,839.8
West	2,091.1	(385.3)	1,705.8	171.0	404.9	142.5	8,233.8
Corporate entities	95.8	(7.0)	88.8	21.3	(163.0)	89.4	1,183.5
Total	\$ 5,190.5	\$ (891.5)	\$ 4,299.0	\$ 482.3	\$ 684.4	\$ 472.9	\$ 19,876.0
Six Months Ended June 30, 2013							
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	\$ 4,957.2	\$ (846.9)	\$ 4,110.3	\$ 465.0	\$ 455.4	\$ 461.8	\$ 19,774.2

Intercompany revenue reflects transactions within and between segments that are generally made on a basis intended to reflect the market value of such services. Capital expenditures for corporate entities primarily include vehicle inventory acquired but not yet assigned to operating locations and facilities. Corporate functions include legal, tax, treasury, information technology, risk management, human resources, corporate accounts, closed landfills and other administrative functions.

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

The following table shows our total reported revenue by service line for the three and six months ended June 30, 2014 and 2013 (in millions of dollars and as a percentage of revenue):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2014		2013		2014		2013	
Collection:								
Residential	\$ 549.5	24.7%	\$ 548.6	26.0%	\$ 1,087.4	25.3%	\$ 1,083.9	26.4%
Commercial	677.2	30.4	650.5	30.8	1,341.4	31.2	1,293.9	31.5
Industrial	455.1	20.5	413.2	19.6	857.5	19.9	790.0	19.2
Other	9.4	0.4	8.9	0.4	18.4	0.4	17.1	0.4
Total collection	1,691.2	76.0	1,621.2	76.8	3,304.7	76.8	3,184.9	77.5
Transfer	276.0		265.9		513.9		499.2	
Less: Intercompany	(168.4)		(159.9)		(317.3)		(301.7)	
Transfer, net	107.6	4.8	106.0	5.0	196.6	4.6	197.5	4.8
Landfill	527.8		493.8		974.1		925.2	
Less: Intercompany	(245.9)		(234.7)		(455.4)		(441.7)	
Landfill, net	281.9	12.7	259.1	12.3	518.7	12.1	483.5	11.8
Sale of recycled commodities	103.3	4.6	90.3	4.3	198.8	4.6	178.3	4.3
Other non-core	41.3	1.9	35.1	1.6	80.2	1.9	66.1	1.6
Other	144.6	6.5	125.4	5.9	279.0	6.5	244.4	5.9
Total revenue	\$ 2,225.3	100.0%	\$ 2,111.7	100.0%	\$ 4,299.0	100.0%	\$ 4,110.3	100.0%

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

14. COMMITMENTS AND CONTINGENCIES

General Legal Proceedings

We are subject to extensive and evolving laws and regulations and have implemented safeguards to respond to regulatory requirements. In the normal course of our business, we become involved in legal proceedings. Some of these actions may result in fines, penalties or judgments against us, which may impact earnings and cash flows for a particular period. Although we cannot predict the ultimate outcome of any legal matter with certainty, 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 \$53.2 million relating to our outstanding legal proceedings as of June 30, 2014, including those described herein and others not specifically identified in this Form 10-Q. 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 \$66.5 million higher than the amount recorded as of June 30, 2014.

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

Luri Matter

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

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 Congress Landfill. The remediation liability recorded as of June 30, 2014 is \$83.0 million, of which \$3.5 million is expected to be paid during the remainder of 2014. We believe the remaining reasonably possible high end of our range would be approximately \$150 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.

Bridgeton Landfill Matters

As is discussed in Note 6, *Landfill and Environmental Costs*, we have recorded an environmental remediation charge at our closed Bridgeton Landfill in Missouri to manage the remediation area and monitor the site. The remediation liability recorded as of June 30, 2014 is \$95.0 million, of which \$31.5 million is expected to be paid during the remainder of 2014. We believe the remaining reasonably possible high end of our range would be approximately \$335 million.

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

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

269 households and 683 residents in total. On April 15, 2014, we entered into a Settlement Agreement and Release with settling members of the classes in exchange for our payment of approximately \$6.9 million. The agreement is subject to court approval and is also subject to a maximum percentage of class members opting out of the settlement.

Multiemployer Pension Plans

We contribute to 26 multiemployer pension plans under collective bargaining agreements (CBAs) covering union-represented employees. Approximately 22% of our total current employees are participants in such multiemployer plans. These plans generally provide retirement benefits to participants based on their service to contributing employers. We do not administer these plans. In general, these plans are managed by boards of trustees with the unions appointing certain trustees and other contributing employers of the plan appointing certain members. We generally are not represented on the board of trustees.

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

Central States, Southeast and Southwest Areas Pension Fund

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

During the six months ended June 30, 2014, we made progress payments associated with the withdrawal liability of \$7.9 million. As of June 30, 2014, our estimated liability recorded for our withdrawal from the Fund was \$161.4 million. We anticipate that this liability will be due in installments over a period of 20 years. Our estimated withdrawal liability is based on information provided to us by the Fund, our actuarial calculations and a number of other variable factors, including our estimated number of 2013 contribution based units. As we obtain updated information from the Fund, the factors used in deriving our estimated withdrawal liability are subject to change. Future changes in our estimated withdrawal liability or timing of payments could have a material adverse effect on our consolidated financial position, results of operations and cash flows.

For additional discussion and detail regarding multiemployer pension plans, see Note 11, *Employee Benefit Plans*, to our consolidated financial statements in Item 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

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 our restricted cash and marketable securities as of June 30, 2014 and December 31, 2013:

	2014	2013
Financing proceeds	\$ 30.5	\$ 21.9
Capping, closure and post-closure obligations	56.3	56.0
Self-insurance	90.3	88.4
Other	1.0	3.4
Total restricted cash and marketable securities	\$ 178.1	\$ 169.7

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

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 2014, our board of directors approved an increase in our quarterly dividend of 7.7% to \$0.28 per share. The quarterly dividend of \$0.28 per share will be paid on October 15, 2014 to stockholders of record on October 1, 2014.

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 fiscal year ended December 31, 2013.

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 339 collection operations. We own or operate 198 transfer stations, 190 active solid waste landfills and 62 recycling centers. We also operate 71 landfill gas and renewable energy projects.

Revenue for the six months ended June 30, 2014 increased by 4.6% to \$4,299.0 million compared to \$4,110.3 million for the same period in 2013. This change in revenue is due to increases in average yield of 1.3%, fuel recovery fees of 0.1%, volume of 2.1%, recycled commodities of 0.5% and acquisitions, net of divestitures of 0.6%.

The following table summarizes our revenue, costs and expenses for the three and six months ended June 30, 2014 and 2013 (in millions of dollars and as a percentage of revenue):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2014		2013		2014		2013	
Revenue	\$ 2,225.3	100.0 %	\$ 2,111.7	100.0 %	\$ 4,299.0	100.0 %	\$ 4,110.3	100.0 %
Expenses:								
Cost of operations	1,373.0	61.7	1,410.0	66.8	2,694.3	62.7	2,633.1	64.1
Depreciation, amortization and depletion of property and equipment	213.5	9.6	199.4	9.4	409.9	9.6	391.7	9.5
Amortization of other intangible assets and other assets	16.8	0.7	17.6	0.8	33.5	0.8	34.9	0.8
Accretion	19.4	0.9	19.2	0.9	38.9	0.9	38.4	0.9
Selling, general and administrative	221.0	9.9	228.2	10.8	434.7	10.1	434.7	10.6
Negotiation and withdrawal costs - Central States Pension and Other Funds	1.5	0.1	53.9	2.6	1.5	—	116.1	2.8
Gain on disposition of assets and impairments, net	—	—	(0.8)	—	—	—	(1.9)	—
Restructuring charges	1.8	0.1	3.0	0.1	1.8	—	7.9	0.2
Operating income	\$ 378.3	17.0 %	\$ 181.2	8.6 %	\$ 684.4	15.9 %	\$ 455.4	11.1 %

Our pre-tax income was \$290.7 million and \$510.9 million for the three and six months ended June 30, 2014, respectively, compared to \$91.1 million and \$274.4 million for the same periods in 2013, respectively. Our net income attributable to Republic Services, Inc. was \$179.0 million and \$311.5 million for the three and six months ended June 30, 2014, or \$0.50 and \$0.87 per diluted share, respectively, compared to \$56.3 million and \$180.9 million, or \$0.15 and \$0.50 per diluted share for the same periods in 2013, 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, 2014			Three Months Ended June 30, 2013		
	Pre-tax Income	Net Income - Republic	Diluted Earnings per Share	Pre-tax Income	Net Income - Republic	Diluted Earnings per Share
As reported	\$ 290.7	\$ 179.0	\$ 0.50	\$ 91.1	\$ 56.3	\$ 0.15
Negotiation and withdrawal costs - Central States Pension and Other Funds ⁽¹⁾	1.5	0.9	0.00	53.9	33.7	0.10
Restructuring charges ⁽¹⁾	1.8	1.0	0.00	3.0	1.4	—
Loss on extinguishment of debt ⁽¹⁾	1.4	0.9	0.00	0.3	0.1	—
Gain on disposition of assets and impairments, net	—	—	—	(0.9)	(0.4)	—
Bridgeton remediation	—	—	—	108.7	65.6	0.18
Total adjustments	4.7	2.8	0.01	165.0	100.4	0.28
As adjusted	\$ 295.4	\$ 181.8	\$ 0.51	\$ 256.1	\$ 156.7	\$ 0.43

(1) The aggregate impact of these items noted to adjusted diluted earnings per share totals to \$0.01 for the three months ended June 30, 2014.

	Six Months Ended June 30, 2014			Six Months Ended June 30, 2013		
	Pre-tax Income	Net Income - Republic	Diluted Earnings per Share	Pre-tax Income	Net Income - Republic	Diluted Earnings per Share
As reported	\$ 510.9	\$ 311.5	\$ 0.87	\$ 274.4	\$ 180.9	\$ 0.50
Negotiation and withdrawal costs - Central States Pension and Other Funds ⁽¹⁾	1.5	0.9	0.00	116.1	72.4	0.20
Restructuring charges ⁽¹⁾	1.8	1.0	0.00	7.9	4.9	0.01
Loss on extinguishment of debt ⁽¹⁾	1.4	0.9	0.00	2.1	1.2	—
Gain on disposition of assets and impairments, net	—	—	—	(1.9)	(0.9)	—
Bridgeton remediation	36.1	21.8	0.06	108.7	65.6	0.18
Total adjustments	40.8	24.6	0.07	232.9	143.2	0.39
As adjusted	\$ 551.7	\$ 336.1	\$ 0.94	\$ 507.3	\$ 324.1	\$ 0.89

(1) The aggregate impact of these items noted to adjusted diluted earnings per share totals to \$0.01 for the six months ended June 30, 2014.

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

Negotiation and withdrawal costs - Central States Pension and Other Funds. During the three and six months ended June 30, 2014, we recorded charges to earnings of \$1.5 million, primarily related to costs associated with our 2013 withdrawal from the Central States, Southeast and Southwest Areas Pension Fund (the 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, primarily related to our negotiation and 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.

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, 2014, we incurred costs of \$1.8 million due to a change in estimate of amounts recoverable from sublet income associated with abandoned office space with non-cancellable lease terms. 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-cancelable terms.

Loss on extinguishment of debt. During the three and six months ended June 30, 2014, we completed the refinancing of our Credit Facilities and certain of our tax-exempt financings, which resulted in non-cash charges for deferred issuance costs of \$1.4 million. During the three and six months ended June 30, 2013, we refinanced certain of our tax-exempt financings, which resulted in non-cash charges for deferred issuance costs of \$0.3 million and \$2.1 million, respectively.

Gain on disposition of assets and impairments, net. For a 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. During the first quarter of 2014, we recorded a charge to earnings of \$36.1 million primarily related to the design and construction of a leachate management facility at our closed Bridgeton Landfill in Missouri. During the three and six months ended June 30, 2013, we recorded an environmental remediation charge in the amount of \$108.7 million to manage the remediation area and monitor the site.

Recent Developments

In July 2014, we reaffirmed our full year 2014 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, 2014, which is not a measure determined in accordance with U.S. GAAP:

	(Anticipated) Year Ending December 31, 2014
Diluted earnings per share	\$1.86 - \$1.91
Negotiation and withdrawal costs - Central States Pension and Other Funds ⁽¹⁾	0.00
Restructuring charges ⁽¹⁾	0.00
Loss on extinguishment of debt ⁽¹⁾	0.00
Gain on disposition of assets and impairments, net	—
Bridgeton remediation	0.06
Total adjustments	0.07
Adjusted diluted earnings per share	\$1.93 - \$1.98

(1) The aggregate impact of these items noted to adjusted diluted earnings per share totals to \$0.01.

We believe that the presentation of adjusted diluted earnings per share, which excludes negotiation and withdrawal costs - Central States Pension and Other Funds, restructuring charges, loss on extinguishment of debt, 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.

At its meeting held in July 2014, our board of directors approved an increase in our quarterly dividend of 7.7% to \$0.28 per share. The quarterly dividend of \$0.28 per share will be paid on October 15, 2014 to stockholders of record on October 1, 2014.

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 recycling 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 recycled commodities. 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, 2014 and 2013 (in millions of dollars and as a percentage of revenue):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2014		2013		2014		2013	
Collection:								
Residential	\$ 549.5	24.7 %	\$ 548.6	26.0 %	\$ 1,087.4	25.3 %	\$ 1,083.9	26.4 %
Commercial	677.2	30.4	650.5	30.8	1,341.4	31.2	1,293.9	31.5
Industrial	455.1	20.5	413.2	19.6	857.5	19.9	790.0	19.2
Other	9.4	0.4	8.9	0.4	18.4	0.4	17.1	0.4
Total collection	1,691.2	76.0	1,621.2	76.8	3,304.7	76.8	3,184.9	77.5
Transfer	276.0		265.9		513.9		499.2	
Less: Intercompany	(168.4)		(159.9)		(317.3)		(301.7)	
Transfer, net	107.6	4.8	106.0	5.0	196.6	4.6	197.5	4.8
Landfill	527.8		493.8		974.1		925.2	
Less: Intercompany	(245.9)		(234.7)		(455.4)		(441.7)	
Landfill, net	281.9	12.7	259.1	12.3	518.7	12.1	483.5	11.8
Sale of recycled commodities	103.3	4.6	90.3	4.3	198.8	4.6	178.3	4.3
Other non-core	41.3	1.9	35.1	1.6	80.2	1.9	66.1	1.6
Other	144.6	6.5	125.4	5.9	279.0	6.5	244.4	5.9
Total revenue	\$ 2,225.3	100.0 %	\$ 2,111.7	100.0 %	\$ 4,299.0	100.0 %	\$ 4,110.3	100.0 %

The following table reflects changes in our revenue for the three and six months ended June 30, 2014 and 2013:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Average yield	1.4%	1.3 %	1.3%	1.3 %
Fuel recovery fees	0.2	0.2	0.1	0.3
Total price	1.6	1.5	1.4	1.6
Volume	2.6	0.9	2.1	(0.1)
Recycled commodities	0.6	(0.3)	0.5	(0.3)
Total internal growth	4.8	2.1	4.0	1.2
Acquisitions / divestitures, net	0.6	0.4	0.6	0.5
Total	5.4%	2.5 %	4.6%	1.7 %
Core price	3.1%	3.1 %	3.1%	3.1 %

During the three and six months ended June 30, 2014, we experienced the following changes in our revenue as compared to the same periods in 2013:

- Average yield increased revenue by 1.4% 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 0.1% of the total revenue growth during the three and six months ended June 30, 2014, respectively. These fees fluctuate with the price of fuel and, consequently, any increase in fuel prices would result in an increase in our revenue. Higher fuel recovery fees for the three and six months ended June 30, 2014 resulted primarily from an increase in the fuel recovery rates charged. During the three and six months ended June 30, 2014, we were able to recover approximately 76% and 74%, respectively, of our direct fuel expenses with fuel recovery fees, compared to approximately 75% and 74% for the same periods in 2013, respectively.
- Volume increased revenue by 2.6% and 2.1% during the three and six months ended June 30, 2014, respectively, primarily due to volume increases in our industrial and commercial collection and landfill lines of business due to improving business activity and new National Accounts contracts, partially offset by declines in our residential collection and our transfer line of business. Volume increases in our landfill line of business were attributable to increased special waste volumes.
- Recycled commodities increased revenue by 0.6% and 0.5% during the three and six months ended June 30, 2014, respectively, primarily due to overall changes in the market price and mix of materials, as well as increased production volumes. The average prices for old corrugated cardboard for the three and six months ended June 30, 2014 were \$118 and \$123 per ton, respectively, compared to \$125 and \$124 per ton for the same periods in 2013, respectively. The average price of old newspaper for the three and six months ended June 30, 2014 was \$89 per ton, compared to \$96 and \$99 per ton for the same periods in 2013, respectively. Our recycled commodity volume for the three and six months ended June 30, 2014 of 0.6 million tons sold and 1.2 million tons sold, respectively, was 13% and 8% higher, respectively, as a result of our continued investment in recycling centers along with increases in brokering of recycled commodity volumes on behalf of our National Accounts customers.

Changing market demand for recycled commodities causes volatility in commodity prices. At current volumes and mix of materials, we believe a \$10 per ton change in the price of recycled commodities will change annual revenue and operating income by approximately \$31 million and \$19 million, respectively.

Cost of Operations

Cost of operations includes labor and related benefits, which consists of salaries and wages, health and welfare benefits, incentive compensation and payroll taxes. It also includes transfer and disposal costs representing tipping fees paid to third party disposal facilities and transfer stations; maintenance and repairs relating to our vehicles, equipment and containers, including related labor and benefit costs; transportation and subcontractor costs, which include costs for independent haulers that transport our waste to disposal facilities and costs for local operators who provide waste handling services associated with our National Accounts in markets outside our standard operating areas; fuel, which includes the direct cost of fuel used by our vehicles, net of fuel tax credits; disposal franchise fees and taxes, consisting of landfill taxes, municipal franchise fees, host

community fees and royalties; landfill operating costs, which includes financial assurance, leachate disposal, remediation charges 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, 2014 and 2013 (in millions of dollars and as a percentage of revenue):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2014		2013		2014		2013	
Labor and related benefits	\$ 427.2	19.2 %	\$ 410.9	19.5 %	\$ 843.3	19.6 %	\$ 811.4	19.7 %
Transfer and disposal costs	173.6	7.8	167.3	8.0	324.1	7.5	310.1	7.5
Maintenance and repairs	198.4	8.9	186.2	8.8	381.3	8.9	359.7	8.8
Transportation and subcontract costs	130.4	5.9	116.8	5.5	244.8	5.7	221.3	5.4
Fuel	134.4	6.0	129.0	6.1	263.7	6.1	256.6	6.2
Franchise fees and taxes	110.2	5.0	104.3	4.9	207.1	4.8	200.6	4.9
Landfill operating costs	38.4	1.7	36.5	1.7	73.7	1.7	77.4	1.9
Risk management	37.9	1.7	45.5	2.2	80.8	1.9	87.0	2.1
Cost of goods sold	43.0	1.9	30.0	1.4	82.7	2.0	58.3	1.4
Other	79.5	3.6	74.8	3.5	156.7	3.7	142.0	3.6
Subtotal	1,373.0	61.7	1,301.3	61.6	2,658.2	61.9	2,524.4	61.5
Bridgeton remediation	—	—	108.7	5.2	36.1	0.8	108.7	2.6
Total cost of operations	\$ 1,373.0	61.7 %	\$ 1,410.0	66.8 %	\$ 2,694.3	62.7 %	\$ 2,633.1	64.1 %

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

Our cost of operations decreased \$37.0 million and increased \$61.2 million or, as a percentage of revenue, a decrease of 5.1% and 1.4% for the three and six months ended June 30, 2014, respectively, compared to the same periods in 2013, 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 and higher collection volumes. The Central and East Regions experienced unfavorable weather conditions during the first quarter of 2014, which contributed to increases in labor expense, resulting from lower labor productivity.
- Transfer and disposal costs increased primarily due to higher collection volumes. During the six months ended June 30, 2014 and 2013, approximately 68% of the total waste volume we collected was disposed at landfill sites that we own or operate (internalization).
- Maintenance and repairs expense increased due to higher collection volumes, cost of parts, third party truck repairs and costs associated with our fleet maintenance initiative.
- Transportation and subcontract costs increased primarily due to new National Accounts contracts and subcontracted work resulting from growth in landfill special waste volume.
- Our fuel costs in aggregate dollars increased due primarily to increases in fuel gallons. Additionally, alternative fuel tax credits were recognized during 2013, which did not recur in 2014. The national average fuel costs per gallon for the three months ended June 30, 2014 were \$3.94 compared to \$3.88 for the same period in 2013, an increase of \$0.06 or 1.5%. The national average fuel costs per gallon for the six months ended June 30, 2014 were \$3.95 compared to \$3.96 for the same period in 2013, a decrease of \$0.01 or 0.3%.

At current consumption levels, we believe a twenty-cent per gallon change in the price of diesel fuel would change our fuel costs by approximately \$25 million per year. Offsetting these changes in fuel expense would be changes in our fuel recovery fee charged to our customers. At current participation rates, a twenty-cent per gallon change in the price of diesel fuel changes our fuel recovery fee by approximately \$20 million per year.

- Landfill operating costs in aggregate dollars increased \$1.9 million for the three months ended June 30, 2014 due to volume increases in our landfill line of business. For the six months ended June 30, 2014, landfill operating costs decreased \$3.7 million primarily due to lower leachate management expenses.
- Risk management expenses decreased primarily due to favorable actuarial development in our workers' compensation, vehicle liability and general liability self-insurance programs.
- Cost of goods sold relates to rebates paid for volumes delivered to our recycling facilities. Cost of goods sold in aggregate dollars increased \$13.0 million and \$24.4 million, primarily due to an increase in brokering and production of recycled commodity volumes.
- Other expenses increased \$4.7 million and \$14.7 million during the three and six months ended June 30, 2014, respectively, primarily due to higher facility operating costs, including property taxes related to infrastructure investments, coupled with a lower net gain on sale of operating assets. Additionally, during the six months ended June 30, 2014, other expenses increased due to higher utility costs associated with the unfavorable weather conditions experienced in our Central and East Regions during the first quarter of 2014, as well as \$4.8 million of 2012 alternative fuel tax credits recognized during the first quarter of 2013, which did not recur in 2014.
- During the first quarter of 2014, we recorded a charge to earnings of \$36.1 million primarily related to the design and construction of a leachate management facility at our closed Bridgeton Landfill in Missouri. During the three and six months ended June 30, 2013, we recorded an environmental remediation charge in the amount of \$108.7 million to manage the remediation area and monitor the site. It is reasonably possible that our recorded estimates may change in the near term depending on the extent and nature of our remediation efforts at the Bridgeton facility.

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, 2014 and 2013 (in millions of dollars and as a percentage of revenue):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2014		2013		2014		2013	
Depreciation and amortization of property and equipment	\$ 141.8	6.4 %	\$ 133.6	6.3 %	\$ 281.6	6.6 %	\$ 267.9	6.5 %
Landfill depletion and amortization	71.7	3.2	65.8	3.1	128.3	3.0	123.8	3.0
Depreciation, amortization and depletion expense	\$ 213.5	9.6 %	\$ 199.4	9.4 %	\$ 409.9	9.6 %	\$ 391.7	9.5 %

Depreciation and amortization of property and equipment in aggregate dollars increased \$8.2 million and \$13.7 million for the three and six months ended June 30, 2014, respectively, primarily due to higher acquisition costs of replacement vehicles and an increased number of CNG vehicles in our fleet, which are more expensive to purchase than diesel vehicles. In addition, we made increased investments in new and upgraded recycling infrastructure projects that became operational over the past several quarters. Depreciation and amortization of property and equipment as a percentage of revenue remained relatively flat with an increase of 0.1% for both the three and six months ended June 30, 2014.

Landfill depletion and amortization expense in aggregate dollars and as a percentage of revenue increased \$5.9 million and 0.1%, and \$4.5 million, for the three and six months ended June 30, 2014, respectively, primarily due to increased landfill disposal volumes and an overall increase in our average depletion rate. Also, during the six months ended June 30, 2014, we recorded a favorable amortization adjustment of \$5.8 million due to an increase in deemed probable expansion airspace at certain of our active solid waste landfills.

Amortization of Other Intangible Assets and Other Assets

Expenses for amortization of other intangible assets and other assets were \$16.8 million and \$33.5 million, or 0.7% and 0.8% of revenue, for the three and six months ended June 30, 2014, respectively, compared to \$17.6 million and \$34.9 million, or 0.8% of revenue, for the same periods in 2013, respectively. Our other intangible assets and other assets primarily relate to customer relationships, franchise agreements, other municipal agreements, favorable lease assets and, to a lesser extent, non-compete agreements. The decline in amortization is the result of certain intangible assets now being fully amortized.

Accretion Expense

Accretion expense was \$19.4 million and \$38.9 million, or 0.9% of revenue, for the three and six months ended June 30, 2014, respectively, compared to \$19.2 million and \$38.4 million, or 0.9% of revenue, for the same periods in 2013, respectively. Accretion expense has 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. Restructuring charges are excluded from selling, general and administrative expenses and are discussed separately below.

The following table summarizes our selling, general and administrative expenses for the three and six months ended June 30, 2014 and 2013 (in millions of dollars and as a percentage of revenue):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2014		2013		2014		2013	
Salaries	\$ 139.8	6.3 %	\$ 139.9	6.6 %	\$ 281.5	6.5 %	\$ 277.0	6.7 %
Provision for doubtful accounts	5.0	0.2	4.6	0.2	8.4	0.2	7.5	0.2
Other	76.2	3.4	83.7	4.0	144.8	3.4	150.2	3.7
Total selling, general and administrative expenses	\$ 221.0	9.9 %	\$ 228.2	10.8 %	\$ 434.7	10.1 %	\$ 434.7	10.6 %

These cost categories may change from time to time and may not be comparable to similarly titled categories used by other companies. As such, you should take care when comparing our selling, general and administrative expenses by cost component to those of other companies. The most significant items affecting our selling, general and administrative expenses during the three and six months ended June 30, 2014 and 2013 are summarized below:

- Salaries remained relatively flat during the three months ended June 30, 2014, and increased \$4.5 million during the six months ended June 30, 2014 primarily due to higher wages resulting from merit increases, offset by lower management incentive compensation.
- Other selling, general and administrative expenses in aggregate dollars decreased \$7.5 million and \$5.4 million during the three and six months ended June 30, 2014, respectively, primarily due to legal settlement charges incurred during the three months ended June 30, 2013, which did not recur in 2014.

Negotiation and Withdrawal Costs - Central States Pension and Other Funds

During the three and six months ended June 30, 2014, we recorded charges to earnings of \$1.5 million, primarily related to costs associated with our 2013 withdrawal from the 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, primarily related to our negotiation and 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 the Fund, see our *Central States, Southeast and Southwest Areas Pension Fund* discussion in Note 14, *Commitments and Contingencies*, to our unaudited consolidated financial statements in 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 the contingent sales price of \$1.0 million received 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.

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, 2014, we incurred costs of \$1.8 million due to a change in estimate of amounts recoverable from sublet income associated with abandoned office space with non-cancellable lease terms. 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-cancelable terms.

Interest Expense

The following table provides the components of interest expense, including accretion of debt discounts and accretion of discounts primarily associated with environmental and self-funded risk insurance liabilities assumed in the Allied acquisition, for the three and six months ended June 30, 2014 and 2013 (in millions of dollars):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Interest expense on debt and capital lease obligations	\$ 76.9	\$ 80.0	\$ 153.4	\$ 159.1
Accretion of debt discounts	1.6	1.7	3.3	3.4
Accretion of remediation reserves and other	9.6	10.2	19.1	20.3
Less: capitalized interest	(1.2)	(1.7)	(2.0)	(3.0)
Total interest expense	\$ 86.9	\$ 90.2	\$ 173.8	\$ 179.8

During the second half of 2013, we entered into various interest rate swap agreements relative to our 4.750% fixed rate senior notes due in May 2023. These swap agreements, which were designated as fair value hedges, have a total notional value of \$300.0 million and resulted in a \$1.9 million and a \$3.8 million reduction in interest expense during the three and six months ended June 30, 2014, respectively. Cash paid for interest was \$160.7 million and \$162.4 million for the six months ended June 30, 2014 and 2013, respectively.

Loss on Extinguishment of Debt

During the three and six months ended June 30, 2014, we completed the refinancing of our Credit Facilities and certain of our tax-exempt financings, which resulted in non-cash charges for deferred issuance costs of \$1.4 million. During the three and six months ended June 30, 2013, we refinanced certain of our tax-exempt financings, which resulted in non-cash charges for deferred issuance costs of \$0.3 million and \$2.1 million, respectively.

Other Income, Net

Other income, net was \$0.4 million and \$1.3 million for the three and six months ended June 30, 2014, respectively, compared to \$0.3 million and \$0.5 million for the same periods in 2013, respectively. The increase in other income, net is primarily due to the recognition of ineffectiveness of certain of our interest rate hedges.

Income Taxes

Our effective tax rate, exclusive of noncontrolling interests, for the three and six months ended June 30, 2014 was 38.4% and 39.0%, respectively. The 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 for the six months ended June 30, 2013 was favorably affected by the resolution of our 2009 to 2010 tax years with the IRS appeals division and Congressional Joint Committee on Taxation. Cash paid for income taxes was \$167.8 million and \$116.8 million for the six months ended June 30, 2014 and 2013, respectively.

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

Reportable Segments

Our operations are managed and evaluated through three regions: East, Central and West. These three regions are presented below as our reportable segments, which provide integrated waste management services consisting of collection, transfer, recycling and disposal of domestic non-hazardous solid waste. Summarized financial information concerning our reportable segments for the three and six months ended June 30, 2014 and 2013 is shown in the following table (in millions of dollars and 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 (Loss) on Disposition of Assets and Impairments, Net	Operating Income (Loss)	Operating Margin
Three Months Ended June 30, 2014							
East	\$ 632.6	\$ 67.4	\$ —	\$ 67.4	\$ —	\$ 111.5	17.6 %
Central	674.1	82.0	(0.6)	81.4	—	129.1	19.2
West	872.0	90.0	—	90.0	—	201.6	23.1
Corporate entities	46.6	10.9	—	10.9	—	(63.9)	—
Total	\$ 2,225.3	\$ 250.3	\$ (0.6)	\$ 249.7	\$ —	\$ 378.3	17.0 %
Three Months Ended June 30, 2013							
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	\$ 2,111.7	\$ 237.0	\$ (0.8)	\$ 236.2	\$ 0.8	\$ 181.2	8.6 %
Six Months Ended June 30, 2014							
East	\$ 1,227.3	\$ 132.3	\$ —	\$ 132.3	\$ —	\$ 213.5	17.4 %
Central	1,277.1	158.3	(0.6)	157.7	—	229.0	17.9
West	1,705.8	176.2	(5.2)	171.0	—	404.9	23.7
Corporate entities	88.8	21.3	—	21.3	—	(163.0)	—
Total	\$ 4,299.0	\$ 488.1	\$ (5.8)	\$ 482.3	\$ —	\$ 684.4	15.9 %
Six Months Ended June 30, 2013							
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	\$ 4,110.3	\$ 465.6	\$ (0.6)	\$ 465.0	\$ 1.9	\$ 455.4	11.1 %

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, 2014 with the same periods in 2013 are discussed in the following paragraphs.

East Region

Revenue for the three months ended June 30, 2014 increased 1.8% due primarily to average yield increases in all lines of business and volume increases in our commercial and industrial collection and landfill lines of business. Volume increases in our landfill line of business were primarily attributable to increased special waste and construction and demolition volumes. These increases were partially offset by declines in volume in our residential collection and transfer lines of business, and lower recycled commodity revenue.

Revenue for the six months ended June 30, 2014 increased 0.6% due primarily to increases in average yield in all lines of business offset by volume decreases in our residential collection line of business. Volumes increased in our commercial and industrial collection and landfill lines of business but did not offset the decline in our residential collection line of business. Volume increases in our landfill line of business were primarily attributable to increased special waste and construction and demolition volumes.

Operating income in our East Region decreased from \$113.7 million for the three months ended June 30, 2013, or an 18.3% operating margin, to \$111.5 million for the three months ended June 30, 2014, or a 17.6% operating margin. Operating income in our East Region decreased from \$229.3 million for the six months ended June 30, 2013, or an 18.8% operating margin, to \$213.5 million for the six months ended June 30, 2014, or a 17.4% operating margin. The following cost categories impacted operating income:

- Cost of operations favorably impacted operating income margin for the three months ended June 30, 2014 due to lower risk management expenses, offset partially by higher repair and maintenance costs and labor and related benefits. Cost of operations unfavorably impacted operating income margin for the six months ended June 30, 2014 primarily due to higher repair and maintenance costs, as well as increased labor and benefits and utility costs resulting largely from unfavorable weather conditions during the first quarter of 2014. These unfavorable items were partially offset by reduced risk management expenses and lower cost of goods sold. Landfill operating expenses as a percentage of revenue were relatively consistent for the three and six months ended June 30, 2014.
- Depreciation and amortization of property and equipment unfavorably impacted operating income margin for the three and six months ended June 30, 2014 due to higher acquisition costs of replacement vehicles. Landfill depletion also unfavorably impacted operating income margin for the three and six months ended June 30, 2014 due to higher landfill volumes associated with increased special waste and construction and demolition volumes.
- Selling, general and administrative costs unfavorably impacted operating income margin for the three and six months ended June 30, 2014 primarily due to unfavorable legal settlement charges from matters occurring in the ordinary course of business.

Central Region

Revenue for the three and six months ended June 30, 2014 increased 5.6% and 4.6%, respectively, primarily due to average yield increases in our commercial and industrial collection and disposal lines of business, as well as volume increases in all collection and landfill lines of business. These increases were partially offset by lower recycled commodity revenue and a decrease in average yield for our residential collection line of business.

Operating income in our Central Region increased from \$113.3 million for the three months ended June 30, 2013, or a 17.8% operating margin, to \$129.1 million for the three months ended June 30, 2014, or a 19.2% operating margin. Operating income in our Central Region increased from \$225.8 million for the six months ended June 30, 2013, or an 18.5% operating margin, to \$229.0 million for the six months ended June 30, 2014, or a 17.9% operating margin. The following cost categories impacted operating income:

- Cost of operations favorably impacted operating income margin during the three months ended June 30, 2014 due to lower risk management expenses, facility costs and other operating costs. These favorable items were partially offset by higher repair and maintenance costs and cost of goods sold. For the six months ended June 30, 2014, the cost of operations margin impact was flat.
- Selling, general and administrative costs unfavorably impacted operating income margin during the six months ended June 30, 2014, primarily due to favorable legal settlements recorded during 2013, which resulted from legal matters occurring in the ordinary course of business. For the three months ended June 30, 2014, the selling, general and administrative expenses margin impact was flat.

West Region

Revenue for the three months ended June 30, 2014 increased 5.7% due to increases in average yield and volume in all lines of business. Revenue for the six months ended June 30, 2014 increased 5.3% due to increases in average yield in all lines of business, and increases in volume in our collection and landfill lines of business.

Operating income in our West Region increased from \$188.6 million for the three months ended June 30, 2013, or a 22.9% operating margin, to \$201.6 million for the three months ended June 30, 2014, or a 23.1% operating margin. Operating income in our West Region increased from \$359.9 million for the six months ended June 30, 2013, or a 22.2% operating margin, to \$404.9 million for the six months ended June 30, 2014, or a 23.7% operating margin, primarily as a result of increased revenue and the following:

- Cost of operations favorably impacted operating income margin primarily due to lower risk management expenses and lower transfer and disposal costs. These favorable items were partially offset by higher cost of goods sold.
- Landfill depletion was favorably impacted by the amortization adjustment of \$5.2 million during the six months ended June 30, 2014 due to an increase in deemed probable airspace expansion at one of our active solid waste landfills.
- Selling, general and administrative expenses unfavorably impacted operating income margin during the three months ended June 30, 2014 primarily due to higher settlement charges. Selling, general and administrative expenses favorably impacted operating income margin during the six months ended June 30, 2014 due to higher legal settlement expenses incurred during the six months ended June 30, 2013 from matters occurring in the ordinary course of business.
- Gain on disposition of assets and impairments, net unfavorably impacted operating income during the six months ended June 30, 2014 primarily due to contingent sale price of \$1.0 million received in 2013 on a 2011 business divestiture.

Corporate Entities

During the three months ended June 30, 2014 and 2013, the corporate entities had operating losses of \$63.9 million and \$234.4 million, respectively. The improvement in operating losses primarily relates to unfavorable remediation adjustments in 2013 of \$108.7 million recorded in connection with environmental conditions at our closed Bridgeton Landfill in Missouri, and charges to earnings of \$42.0 million in 2013 for our withdrawal liability from the Fund in 2013. Additionally, during 2014, we recorded net favorable adjustments of \$3.6 million related to legal matters occurring in the ordinary course of business, compared to \$16.1 million in legal settlement expense during the same period in 2013.

During the six months ended June 30, 2014 and 2013, the corporate entities had operating losses of \$163.0 million and \$359.6 million, respectively. The improvement in operating losses primarily relates to unfavorable remediation adjustments in 2013 of \$108.7 million recorded at our closed Bridgeton Landfill in Missouri and charges to earnings of \$99.9 million in 2013 for our withdrawal liability from the Fund in 2013, compared to \$36.1 million recorded during 2014 for environmental remediation at Bridgeton Landfill. Additionally, during 2014 we recorded net favorable adjustments of \$3.6 million related to legal matters occurring in the ordinary course of business, compared to \$16.2 million in legal settlement expense during the same period in 2013.

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, 2014:

	Balance as of December 31, 2013	New Expansions Undertaken	Permits Granted, Net of Closures	Airspace Consumed	Changes in Engineering Estimates	Balance as of June 30, 2014
Cubic yards (in millions):						
Permitted airspace	4,650.6	—	49.2	(36.2)	0.3	4,663.9
Probable expansion airspace	222.9	47.1	(44.1)	—	—	225.9
Total cubic yards (in millions)	4,873.5	47.1	5.1	(36.2)	0.3	4,889.8
Number of sites:						
Permitted airspace	190	—	—	—	—	190
Probable expansion airspace	9	2	(2)	—	—	9

As of June 30, 2014, we owned or operated 190 active solid waste landfills with total available disposal capacity estimated to be 4.9 billion in-place cubic yards. Total available disposal capacity represents the sum of estimated permitted airspace plus an estimate of probable expansion airspace. Engineers develop these estimates at least annually using information provided by annual aerial surveys. As of June 30, 2014, 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 airspace included in an expansion area is determined to be probable expansion airspace and, therefore, included in our calculation of total available disposal capacity, it must meet all of our expansion criteria. During the six months ended June 30, 2014, total available airspace increased by 16.3 million cubic yards, primarily due to new expansions undertaken offset by airspace consumed.

As of June 30, 2014, nine of our landfills met all of our criteria for including their probable expansion airspace in their total available disposal capacity. At projected annual volumes, these landfills have an estimated remaining average site life of 54 years, including probable expansion airspace. The average estimated remaining life of all of our landfills is 66 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, 2014, accrued final capping, closure and post-closure costs were \$1,111.3 million, of which \$92.6 million are current and \$1,018.7 million are long-term as reflected in our unaudited consolidated balance sheet in accrued landfill and environmental costs included in Item 1 of this Form 10-Q.

Remediation and Other Charges for Landfill Matters

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

Bridgeton Landfill. As of December 31, 2013, the remediation liability recorded for our closed Bridgeton Landfill in Missouri was \$93.9 million. During the six months ended June 30, 2014, we paid \$35.0 million related to management and monitoring of the remediation area. During that period, we also recorded a charge to earnings of \$36.1 million primarily related to the design and construction of a leachate management facility. As the nature and extent of our leachate remediation efforts continued to change, it became necessary to upgrade certain treatment facility design features and infrastructure. We continue to work with state and federal regulatory agencies on our remediation efforts. From time to time, this may require us to modify our construction plan or future operating timeline and procedures, which could result in changes to our expected liability. As of June 30, 2014, the remediation liability recorded for this site is \$95.0 million, of which \$31.5 million is expected to be paid during the remainder of 2014. We believe the remaining reasonably possible high end of our range would be approximately \$335 million.

Congress Landfill. In August 2010, Congress Development Co. 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 Congress Landfill. The remediation liability recorded as of June 30, 2014 is \$83.0 million, of which \$3.5 million is expected to be paid during the remainder of 2014. We believe the remaining reasonably possible high end of our range would be approximately \$150 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 table reflects changes in our investment in landfills for the six months ended June 30, 2014 (in millions of dollars):

	Balance as of December 31, 2013	Capital Additions	Non-cash Additions for Asset Retirement Obligations	Impairments, Transfers and Other Adjustments	Adjustments for Asset Retirement Obligations	Balance as of June 30, 2014
Non-depletable landfill land	\$ 164.2	\$ —	\$ —	\$ (0.1)	\$ —	\$ 164.1
Landfill development costs	5,392.7	0.6	18.9	33.0	(17.2)	5,428.0
Construction-in-progress - landfill	72.5	116.8	—	(30.8)	—	158.5
Accumulated depletion and amortization	(2,160.2)	(134.2)	—	—	5.8	(2,288.6)
Net investment in landfill land and development costs	\$ 3,469.2	\$ (16.8)	\$ 18.9	\$ 2.1	\$ (11.4)	\$ 3,462.0

Selected Balance Sheet Accounts

The following table reflects the activity in our allowance for doubtful accounts, final capping, closure, post-closure costs, remediation liabilities, and accrued self-insurance during the six months ended June 30, 2014 and 2013 (in millions of dollars):

	Allowance for Doubtful Accounts	Final Capping, Closure and Post-Closure	Remediation	Self- Insurance
Balance as of December 31, 2013	\$ 38.3	\$ 1,091.3	\$ 551.7	\$ 431.5
Non-cash additions	—	18.9	—	—
Acquisitions/divestitures and other adjustments	—	0.3	—	—
Asset retirement obligation adjustments	—	(17.2)	—	—
Accretion expense	—	38.9	12.7	1.2
Additions charged to expense	8.4	—	36.2	185.8
Payments or usage	(7.4)	(20.9)	(50.8)	(193.4)
Balance as of June 30, 2014	39.3	1,111.3	549.8	425.1
Less: current portion	(39.3)	(92.6)	(91.8)	(133.9)
Long-term portion	\$ —	\$ 1,018.7	\$ 458.0	\$ 291.2

As of June 30, 2014, accounts receivable were \$932.8 million, net of allowance for doubtful accounts of \$39.3 million, resulting in days sales outstanding of 38, or 25 days net of deferred revenue. In addition, as of June 30, 2014, our accounts receivable in excess of 90 days outstanding totaled \$63.5 million, or 6.5% 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, 2014 (in millions of dollars):

	Gross Property and Equipment							
	Balance as of December 31, 2013	Capital Additions	Retirements	Acquisitions, Net of Divestitures	Non-cash Additions for Asset Retirement Obligations	Adjustments for Asset Retirement Obligations	Impairments, Transfers and Other Adjustments	Balance as of June 30, 2014
Other land	\$ 377.6	\$ 0.6	\$ —	\$ 1.9	\$ —	\$ —	\$ —	\$ 380.1
Non-depletable landfill land	164.2	—	(0.1)	—	—	—	—	164.1
Landfill development costs	5,392.7	0.6	—	—	18.9	(17.2)	33.0	5,428.0
Vehicles and equipment	5,403.7	340.9	(53.6)	12.2	—	—	13.5	5,716.7
Buildings and improvements	935.6	14.5	(1.3)	0.9	—	—	(0.5)	949.2
Construction-in-progress - landfill	72.5	116.8	—	—	—	—	(30.8)	158.5
Construction-in-progress - other	13.3	15.8	—	—	—	—	(15.3)	13.8
Total	\$ 12,359.6	\$ 489.2	\$ (55.0)	\$ 15.0	\$ 18.9	\$ (17.2)	\$ (0.1)	\$ 12,810.4

	Accumulated Depreciation, Amortization and Depletion						
	Balance as of December 31, 2013	Additions Charged to Expense	Retirements	Acquisitions, Net of Divestitures	Adjustments for Asset Retirement Obligations	Impairments, Transfers and Other Adjustments	Balance as of June 30, 2014
Landfill development costs	\$ (2,160.2)	\$ (134.2)	\$ —	\$ —	\$ 5.8	\$ —	\$ (2,288.6)
Vehicles and equipment	(2,883.8)	(261.6)	49.9	—	—	0.1	(3,095.4)
Buildings and improvements	(278.8)	(21.1)	0.4	—	—	—	(299.5)
Total	\$ (5,322.8)	\$ (416.9)	\$ 50.3	\$ —	\$ 5.8	\$ 0.1	\$ (5,683.5)

Liquidity and Capital Resources

The major components of changes in cash flows for the six months ended June 30, 2014 and 2013 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, 2014 and 2013 (in millions of dollars):

	Six Months Ended June 30,	
	2014	2013
Net cash provided by operating activities	\$ 722.3	\$ 761.5
Net cash used in investing activities	(522.6)	(501.9)
Net cash used in financing activities	(363.5)	(230.5)

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, 2014 and 2013 are summarized below:

Changes in assets and liabilities, net of effects from business acquisitions and divestitures, decreased our cash flow from operations by \$122.2 million during the six months ended June 30, 2014, compared to a decrease of \$90.0 million during the comparable 2013 period, primarily as a result of the following:

- Our accounts receivable, exclusive of the change in allowance for doubtful accounts, increased \$48.8 million during the six months ended June 30, 2014 due to timing of billings net of collections, compared to a \$40.1 million increase in the comparable 2013 period.
- Our accounts payable decreased \$4.1 million during the six months ended June 30, 2014 due to the timing of payments, compared to a \$40.1 million increase in the comparable 2013 period.
- Cash paid for income taxes was \$167.8 million and \$116.8 million for the six months ended June 30, 2014 and 2013, respectively.
- Cash paid for capping, closure and post-closure obligations was \$20.9 million lower during the six months ended June 30, 2014 than the comparable 2013 period primarily due to a \$17.8 million payment to settle our post-closure liability for one of our closed landfill sites in 2013.
- Cash paid for remediation obligations was relatively flat during the six months ended June 30, 2014 compared to the same period in 2013 and primarily relates 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, 2014 and 2013 are summarized below:

- Capital expenditures during the six months ended June 30, 2014 were \$472.9 million, compared with \$461.8 million in the comparable 2013 period. Property and equipment received during the six months ended June 30, 2014 and 2013 was \$488.2 million and \$476.1 million, respectively.
- During the six months ended June 30, 2014, we paid \$46.3 million for acquisitions of collection businesses in our Central and East Regions. During the comparable 2013 period, we paid \$28.5 million for acquisitions of collection businesses in all three regions.
- During 2013, we collected \$1.0 million related to a West Region business divestiture completed in 2011. In addition, 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.
- Our restricted cash and marketable securities balances decreased \$8.4 million and increased \$19.6 million during the six months ended June 30, 2014 and 2013, respectively. Changes in restricted cash and marketable securities are primarily related to the issuance of tax-exempt bonds, 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. 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.

We intend to finance capital expenditures and acquisitions through cash on hand, restricted cash held for capital expenditures, cash flows from operations, our revolving credit facilities, and tax-exempt bonds and other financings. We expect to use primarily cash for consideration paid for future business acquisitions.

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, 2014 and 2013 are summarized below:

- Proceeds from notes payable and long-term debt, net of payments were \$17.6 million during the six months ended June 30, 2014, compared to net payments of \$48.8 million in the comparable 2013 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.

- In August 2011, our board of directors approved a share repurchase program. In October 2013, the board of directors added \$650 million to the share repurchase authorization originally approved in August 2011. During the six months ended June 30, 2014, we repurchased \$255.9 million or 7.5 million shares of our common stock. From November 2010 to June 30, 2014, we repurchased 42.9 million shares of our common stock for \$1,295.1 million at a weighted average cost per share of \$30.18.
- We initiated a quarterly cash dividend in July 2003 and have increased it from time to time thereafter. In April 2014, our board of directors approved a quarterly dividend of \$0.26 per share. Dividends paid were \$186.6 million and \$169.8 million during the six months ended June 30, 2014 and 2013, respectively.

Financial Condition

As of June 30, 2014, we had \$49.5 million of cash and cash equivalents and \$178.1 million of restricted cash deposits and restricted marketable securities, including \$30.5 million of restricted cash and marketable securities held for capital expenditures under certain debt facilities, \$56.3 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 \$90.3 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 Item 1 of this Form 10-Q.

In June 2014, we entered into a \$1.25 billion unsecured revolving credit facility (the Replacement Credit Facility), which replaces our \$1.0 billion credit facility maturing in April 2016. The Replacement Credit Facility will mature in June 2019 and 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 Replacement 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 Replacement Credit Facility, we entered into Amendment No. 3 to our existing \$1.25 billion unsecured credit facility (the Existing Credit Facility and, together with the Replacement Credit Facility, the Credit Facilities), to reduce the commitments under the Existing Credit Facility to \$1.0 billion and conform certain terms of the Existing Credit Facility with those of the Replacement Credit Facility. Amendment No. 3 does not extend the maturity date of the Existing Credit Facility, which matures in May 2017. The Existing Credit Facility also maintains the feature that allows the Company to increase availability under the Existing Credit Facility, at the Company's option, by an aggregate amount of up to \$500 million, through increased commitments from existing lenders or the addition of new lenders.

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). As of June 30, 2014, our EBITDA to interest ratio was 6.94 compared to the 3.00 minimum required by the covenants, and our total debt to EBITDA ratio was 2.86 compared to the 3.75 maximum allowed by the covenants. In connection with entering into the Replacement Credit Facility and Amendment No. 3 to the Existing Credit Facility, our maximum total debt to EBITDA ratio was increased to 3.75 for each fiscal quarter ending before and including December 31, 2015, and 3.50 for 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.

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, 2014 and December 31, 2013, we had no borrowings under our Credit Facilities. We had \$646.1 million and \$722.1 million of letters of credit using availability under our Credit Facilities, leaving \$1,603.9 million and \$1,527.9 million of availability under our Credit Facilities as of June 30, 2014 and December 31, 2013, respectively.

As of June 30, 2014, we had \$26.4 million of borrowings under our Uncommitted Credit Facility. As of December 31, 2013, we had no borrowings under our Uncommitted Credit Facility. The interest rate for our borrowings under our Uncommitted Credit Facility was 1.2% as of June 30, 2014. The Uncommitted Credit Facility may be terminated at any time by either party.

Interest Rate Swap Agreements

During the second half of 2013, we entered into various interest rate swap agreements relative to our 4.750% fixed rate senior notes due in May 2023. These transactions were entered into with the goal of reducing overall borrowing costs and rebalancing our debt portfolio's ratio of fixed to floating interest rates. As of June 30, 2014, our outstanding swap agreements have a total notional value of \$300.0 million and require us to pay interest at floating rates based on changes in LIBOR, and receive interest at a fixed rate of 4.750%. For the three and six months ended June 30, 2014, we recognized \$1.9 million and \$3.8 million, respectively, as offsetting benefits to our interest expense from these swap agreements, which mature in May 2023.

Intended Uses of Cash

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

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

Credit Rating

We have received investment grade credit ratings. As of June 30, 2014, our senior debt was rated BBB+, Baa3, and BBB by Standard & Poor's Ratings Services, Moody's Investors Service, Inc. and Fitch Ratings, Inc., respectively.

Off-Balance Sheet Arrangements

We have no off-balance sheet debt or similar obligations, other than financial assurance instruments and operating leases, 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.

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 of dollars):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Cash provided by operating activities	\$ 325.9	\$ 341.7	\$ 722.3	\$ 761.5
Purchases of property and equipment	(259.2)	(247.0)	(472.9)	(461.8)
Proceeds from sales of property and equipment	4.2	4.2	6.7	7.4
Free cash flow	<u>\$ 70.9</u>	<u>\$ 98.9</u>	<u>\$ 256.1</u>	<u>\$ 307.1</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 unaudited 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 of dollars):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Purchases of property and equipment per the unaudited consolidated statements of cash flows	\$ 259.2	\$ 247.0	\$ 472.9	\$ 461.8
Adjustments for property and equipment received during the prior period but paid for in the following period, net	13.2	12.0	15.3	14.3
Property and equipment received during the period	<u>\$ 272.4</u>	<u>\$ 259.0</u>	<u>\$ 488.2</u>	<u>\$ 476.1</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 unaudited consolidated financial statements included under 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, 2013. 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.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board amended the Accounting Standards Codification and created Topic 606, *Revenue from Contracts with Customers*, to clarify the principles for recognizing revenue. This guidance will be effective for Republic beginning January 1, 2017. We are currently assessing the method of adoption and the potential impact this guidance may have on our consolidated financial position, results of operations or cash flows. For additional discussion, see Note 1, *Basis of Presentation*, to our unaudited consolidated financial statements included under Item 1 of this Quarterly Report on Form 10-Q.

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:

- 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;
- general economic and market conditions, including inflation and changes in commodity pricing, fuel, interest rates, labor, risk, health insurance and other variable costs that generally are 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, final capping, closure, post-closure and remediation costs, available airspace, and projected costs and expenses related to our landfills and property and equipment (including our estimates of the fair values of the assets and liabilities acquired in our acquisition of Allied), 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;
- 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 or remediation requirements, 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, including those brought about by climate change, 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 costs if we are required to provide additional funding to any multi-employer pension plan to which we contribute or if a withdrawal event occurs with respect to any multi-employer 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 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, 2013 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 new fuel hedges, renew 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 these fees to a majority of our customers, we are unable to charge such fees 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. 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 \$25 million per year. Offsetting these changes in fuel expense would be changes in our fuel recovery fee charged to our customers. At current participation rates, a twenty-cent per gallon change in the price of diesel fuel changes our fuel recovery fee by approximately \$20 million per year.

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

Commodities Price Risk

We market recycled products such as cardboard and newspaper from our recycling centers. Market demand for recycled commodities causes volatility in commodity prices. At current volumes and mix of materials, we believe a \$10 per ton change in the price of recycled commodities will change annual revenue and operating income by approximately \$31 million and \$19 million, respectively.

Revenue from sales of these products during the six months ended June 30, 2014 and 2013 was \$198.8 million and \$178.3 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 Item 1 of this Form 10-Q.

Interest Rate Risk

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

At June 30, 2014, we had approximately \$998.5 million of floating rate debt and \$300.0 million of floating interest rate swap contracts. If interest rates increased or decreased by 100 basis points on our variable rate debt, annualized interest expense and cash payments for interest would increase or decrease by approximately \$13.0 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 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, 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*, to our unaudited consolidated financial statements in Item 1 of this Form 10-Q; and (2) environmental remediation liabilities, which are discussed in Note 6, *Landfill and Environmental Costs*, to our unaudited consolidated financial statements in Item 1 of this Form 10-Q.

We accrue for legal proceedings when losses become probable and reasonably estimable. We have recorded an aggregate accrual of approximately \$53.2 million relating to our outstanding legal proceedings as of June 30, 2014, including those described in this Form 10-Q 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 had used the high ends of such ranges, our aggregate potential liability would have been approximately \$66.5 million higher than the amount recorded as of June 30, 2014.

General Legal Proceedings

Luri Matter

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

Amber 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), as well as CDC and Sexton. The court entered an order dismissing Allied without prejudice on October 26, 2010. The plaintiffs allege bodily injury, property damage and inability to have normal use and enjoyment of property arising from, among other things, odors and other damages arising from landfill gas leaking, and they base their claims on negligence, trespass, and nuisance. On January 6, 2012, the court took plaintiffs' motion for leave to amend their complaint to seek punitive damages under advisement, to be considered on a plaintiff-by-plaintiff basis. The court also granted plaintiffs leave to

serve discovery on the punitive damages issue. Following the court's order in our favor striking the plaintiffs' allegations requesting actual damages in excess of \$50 million and punitive damages in excess of \$50 million, the amount of damages being sought is unspecified. Discovery is ongoing.

Buck Matter

On March 20, 2013, a group of residents living near the Bridgeton Landfill filed a purported class action in Saint Louis County Circuit Court, Missouri, on behalf of tenants and owner-occupants of property located within a one-mile radius of the landfill. Defendants, Republic Services, Inc., Allied Services, LLC, and Bridgeton Landfill, LLC subsequently removed the action to the United States District Court for the Eastern District of Missouri. The action alleges that odors escaping from the landfill due to a subsurface smoldering event diminished the value of plaintiffs' property, caused irritation to the eyes, nose or throat, and negatively affected their use and enjoyment of their property. The action also seeks an injunction requiring the landfill to take action to prevent the subsurface smoldering event from reaching radioactive materials buried in the adjacent Westlake Landfill. The plaintiffs each seek \$500,000 in punitive damages on behalf of themselves and those similarly situated, and an unspecified amount in compensatory damages. Plaintiffs allege that the tenant and owner-occupant classes are comprised of approximately 269 households and 683 residents in total. On April 15, 2014, we entered into a Settlement Agreement and Release with settling members of the classes in exchange for our payment of approximately \$6.9 million. The agreement is subject to court approval and is also subject to a maximum percentage of class members opting out of the settlement.

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 the monetary sanctions will not equal or exceed \$100,000. We are disclosing the following matters in accordance with that requirement:

Bridgeton Landfill Matters

On July 23, 2012, the Missouri Department of Natural Resources (MDNR) issued a notice of violation (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. On June 19, 2014, the court entered an agreed amendment to the injunction providing for increased frequency in some carbon monoxide monitoring, three new rounds of air sampling, implementation of an Odor Management Plan, and cost reimbursement to MDNR.

Sunshine Canyon Landfill Matter

The Sunshine Canyon Landfill, located in Sylmar, California, entered into settlement agreements with the South Coast Air Quality Management District (SCAQMD) in 2012 and 2013. The settlement agreements resolved claims for excess emissions charges, civil penalties, and investigative and administrative costs relating to odor-related and surface emissions NOV's received from SCAQMD. Since the period covered by the 2013 settlement agreement, Sunshine Canyon has received an additional 15 NOV's from SCAQMD for odors and excess surface emissions.

ITEM 1A. RISK FACTORS.

There were no material changes during the six months ended June 30, 2014 in the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013.

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, 2014:

	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 2014	1,850,000	\$ 34.42	1,850,000	\$ 564,769,010
May 2014	1,050,000	\$ 34.96	1,050,000	\$ 528,061,525
June 2014	657,596	\$ 35.93	650,000	\$ 504,720,790
	<u>3,557,596</u>		<u>3,550,000</u>	

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

ITEM 5. OTHER INFORMATION.

Republic Services, Inc. has amended its bylaws to clarify procedures relating to committees of the board of directors. These procedures provide as follows:

- Regular meetings shall be held at such times as determined by the committee, and no notice is required.
- Special meetings may be called by the committee chairman or by the Secretary or Assistant Secretary on the written request of two or more committee members. Notice shall be mailed to each committee member at his or her residence or usual place of business not later than three days before the meeting, or shall be given by electronic transmission, by overnight express mail service, personally, or by telephone not later than 24 hours before the meeting. Notice need not be given to any committee member who signs a written waiver or waives notice by electronic transmission. A committee member's attendance at a meeting constitutes a waiver of notice, except when the committee member attends for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

- Meetings may be held at any place as designated by the committee chairman or by the body or person calling the meeting.
- In the absence or disqualification of a committee member, the member(s) present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another member of the board (a “Substitute Director”) to act in the place of any absent or disqualified member. A majority of the total number of members of a committee (together with any Substitute Directors) constitutes a quorum. Absent a quorum, a majority of those present (or if only one be present, then that one) may adjourn the meeting until a quorum is present. The vote of a majority of the committee members (together with any Substitute Directors) present at a meeting at which a quorum is present shall be the act of the committee.

ITEM 6. EXHIBITS.

Exhibit Number	Description of Exhibit
3.1*	Amended and Restated Bylaws of Republic Services, Inc.
4.1	Credit Agreement, dated as of June 30, 2014, by and among Republic Services, Inc., as Borrower, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and the other lenders party thereto (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated July 2, 2014).
4.2	Amendment No. 3 to Amended and Restated Credit Agreement, dated as of June 30, 2014, by and among Republic Services, Inc., as Borrower, Bank of America, N.A., as Administrative Agent, and each of the lenders party thereto (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K dated July 2, 2014).
10.1+	Offer Letter, dated May 23, 2014, by and between Robert Maruster and Republic Services, Inc. (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated June 2, 2014).
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.

**AMENDED AND RESTATED
BYLAWS
OF
REPUBLIC SERVICES, INC.**

(Amended as of July 22, 2014)

ARTICLE I
OFFICES

Section 1.1 Registered Office. The registered office of Republic Services, Inc., a Delaware corporation (the "Corporation"), shall be located at Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801.

Section 1.2 Offices. The Corporation may establish or discontinue, from time to time, such other offices and places of business within or without the State of Delaware as the Board of Directors deems proper for the conduct of the Corporation's business.

ARTICLE II
MEETINGS OF STOCKHOLDERS

Section 2.1 Annual Meeting. An annual meeting of stockholders for the purpose of electing directors and transacting such other business as may come before it shall be held at such place, if any, within or without the State of Delaware, on such date and at such time as shall be designated by the Board of Directors or the Chief Executive Officer.

Section 2.2 Special Meetings. Special meetings of stockholders, unless otherwise prescribed by statute, may be called by the Board of Directors or by the President. Business transacted at any special meeting of the stockholders shall be limited to the purposes stated in the notice.

Section 2.3 Notice of Meetings. Notice of each meeting of stockholders shall be given to each stockholder of record entitled to vote at the meeting at the stockholder's address as it appears on the stock books of the Corporation. The notice shall state the time and the place, if any (or the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person), of the meeting and shall be given not less than ten (10) nor more than sixty (60) days before the day of the meeting. Notice may be given personally, by mail or by electronic transmission in accordance with Section 232 of the General Corporation Law of the State of Delaware (the "General Corporation Law"). If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at his or her address as it appears on the records of the Corporation. In the case of a special meeting, the notice shall state the purpose or purposes for which the meeting is being called. Whenever notice is required to be given hereunder, a waiver of notice by the stockholder entitled to notice, in writing or by electronic transmission, whether before or after the time stated in the notice, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting except when a person attends for the express purpose of objecting, at the beginning of the meeting, to the transaction or any business because the meeting is not lawfully called or convened. Notice shall be deemed to have been given to all stockholders of record who share an address if notice is given in accordance with the "householding" rules set forth in Rule 14a-3(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 233 of the General Corporation Law. When a meeting is adjourned to another time or place, if any, notice need not be given of the adjourned meeting if the time and place, if any, (and the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person at such adjourned meeting) thereof are announced at the meeting at which the adjournment is taken, unless the adjournment is for more than thirty (30) days or a new record date is fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 2.4 Quorum and Adjournment. The presence, in person or by proxy, of the holders of a majority of the voting power of the outstanding shares of stock entitled to vote on every matter that is to be voted on, without regard to class or series, shall constitute a quorum at all meetings of the stockholders. In the absence of a quorum, the holders of a majority of the voting power of such shares of stock present in person or by proxy may adjourn such meeting, from time to time, without notice other than announcement at the meeting (unless otherwise required by law), until a quorum shall attend. At any meeting reconvened after such adjournment at which a quorum may be present, any business may be transacted which might have been transacted at the meeting as originally called, but only those stockholders entitled to vote at the meeting as originally called shall be entitled to vote at any reconvened meeting, unless a new record date for such meeting is fixed.

Section 2.5 Officers at Stockholders' Meetings. At any meeting of stockholders, the Chairman of the Board, or in his or her absence, the Chief Executive Officer, or if neither such person is available, then a person designated by the Board of Directors or in the absence of such designation then a person designated by the Chief Executive Officer, shall preside at and act as chairman of the meeting. The Secretary, or in his or her absence a person designated by the chairman of the meeting, shall act as secretary of the meeting and keep a record of the proceedings thereof.

Section 2.6 List of Stockholders Entitled to Vote. At least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder, shall be prepared by or for the Secretary. Such list shall be open to the examination of any stockholder for any purpose germane to the meeting at least ten (10) days prior to the meeting (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of meeting, or (ii) during ordinary business hours at the principal place of business of the Corporation. Such list shall also be available for inspection at the meeting, during the whole time thereof, and may be inspected by any stockholder who is present. Except as otherwise provided by law, the stock ledger shall be the only evidence as to who are the stockholders entitled to examine the list of stockholders required by this Section 2.6 or to vote in person or by proxy at any meeting of stockholders.

Section 2.7 Fixing Date for Stockholders of Record. In order that the Corporation may identify the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and which record date: (1) in the case of determination of stockholders entitled to vote at any meeting of stockholders or adjournment thereof, shall, unless otherwise required by law, not be less than ten (10) days nor more than sixty (60) days before the date of such meeting; and (2) in the case of any other action (other than a record date for determining stockholders entitled to express consent to corporate action without a meeting), shall not be more than sixty (60) days prior to any other action. If no record date is fixed, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice of the meeting is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. The record date for determining stockholders entitled to express consent to corporate action in writing without a meeting shall be determined pursuant to Section 2.11 of these Amended and Restated Bylaws (the "Bylaws"). The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 2.8 Voting and Proxies. Subject to the provisions for fixing the date for stockholders of record:

(a) Except as otherwise specified in the Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation"), each stockholder shall at every meeting of the stockholders be entitled to one vote for each share of stock held by that stockholder having voting rights as to the matter being voted upon.

(b) Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for that stockholder by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy expressly provides for a longer period.

(c) All matters other than the election of directors properly presented to any meeting of stockholders shall be decided by the affirmative vote of the holders of a majority of the voting power of the shares of stock present in person or by proxy and entitled to vote on the matter.

(d) Except as otherwise provided by these Bylaws, each director shall be elected by the vote of the majority of the votes cast with respect to that director's election at any meeting for the election of directors at which a quorum is present, provided that if, as of the tenth (10th) day preceding the date the Corporation first mails its notice of meeting for such meeting to the stockholders of the Corporation, the number of nominees exceeds the number of directors to be elected (a "Contested Election"), the directors shall be elected by the vote of a plurality of the votes cast. For purposes of this Section 2.8(d) of these Bylaws, a majority of the votes cast shall mean that the number of votes cast "for" a director's election exceeds the number of votes cast "against" that director's election (with "abstentions" and "broker nonvotes" not counted as a vote cast either "for" or "against" that director's election).

In order for any incumbent director to become a nominee of the Board of Directors for further service on the Board of Directors, such person must submit an irrevocable resignation, contingent on (i) that person not receiving a majority of the votes

cast in an election that is not a Contested Election, and (ii) acceptance of that resignation by the Board of Directors in accordance with the policies and procedures adopted by the Board of Directors for such purpose. In the event an incumbent director fails to receive a majority of the votes cast in an election that is not a Contested Election, the Nominating and Corporate Governance Committee, or such other committee designated by the Board of Directors pursuant to these Bylaws, shall make a recommendation to the Board of Directors as to whether to accept or reject the resignation of such incumbent director, or whether other action should be taken. The Board of Directors shall act on the resignation, taking into account the committee's recommendation, and publicly disclose (by a press release and filing an appropriate disclosure with the Securities and Exchange Commission) its decision regarding the resignation, and, if such resignation is rejected, the rationale behind the decision within ninety (90) days following certification of the election results. The committee in making its recommendation and the Board of Directors in making its decision each may consider any factors and other information that they consider appropriate and relevant.

If the Board of Directors accepts a director's resignation pursuant to this Section 2.8(d), or if a nominee for director is not elected and the nominee is not an incumbent director, then the Board of Directors may fill the resulting vacancy pursuant to Article III, Section 3.13 of these Bylaws.

Section 2.9 Inspectors of Election. The Corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors of election, who may be employees of the Corporation, to act at the meeting or any adjournment thereof and to make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. In the event that no inspector so appointed or designated is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath to execute faithfully the duties of inspector with strict impartiality and according to the best of his or her ability. The inspector or inspectors so appointed or designated shall (i) ascertain the number of shares of capital stock of the Corporation outstanding and the voting power of each such share, (ii) determine the shares of capital stock of the Corporation represented at the meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares of capital stock of the Corporation represented at the meeting and such inspectors' count of all votes and ballots. Such certification and report shall specify such other information as may be required by law. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders of the Corporation, the inspectors may consider such information as is permitted by applicable law. No person who is a candidate for an office at an election may serve as an inspector at such election.

Section 2.10 Conduct of Meetings. The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting by the person presiding over the meeting. The Board of Directors of the Corporation may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of any meeting of stockholders shall have the right and authority to convene and (for any or no reason) to adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 2.11 Consent of Stockholders in Lieu of Meeting.

(a) Any action that may be taken at any annual or special meeting of stockholders may be taken without a meeting and without a vote, if a consent in writing, setting forth the action so taken, is signed by the stockholders having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of such action without a meeting by less than unanimous written consent shall be given to each stockholder who did not consent thereto in writing.

(b) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request the Board of

Directors to fix a record date, which written notice shall include all information that would be required to be delivered pursuant to Section 2.12 of these Bylaws if the stockholder had been making a nomination or proposing business to be considered at a meeting of stockholders. The Board of Directors shall promptly, but in all events within 10 days after the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the Board of Directors within 10 days of the date on which such a request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation by delivery to its registered office in Delaware, its principal place of business or to any officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by applicable law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the date on which the Board of Directors adopts the resolution taking such prior action.

(c) In the event of the delivery, in the manner provided by paragraph (a) of this Section 2.11, to the Corporation of the requisite written consent or consents to take corporate action and/or any related revocation or revocations, the Corporation shall engage nationally recognized independent inspectors of elections for the purpose of promptly performing a ministerial review of the validity of the consents and revocations. For the purpose of permitting the inspectors to perform such review, no action by written consent without a meeting shall be effective until such date as the independent inspectors certify to the Corporation that the consents delivered to the Corporation in accordance with paragraph (a) of this Section 2.11 represent at least the minimum number of votes that would be necessary to take the corporate action. Nothing contained in this paragraph shall in any way be construed to suggest or imply that the Board of Directors or any stockholder shall not be entitled to contest the validity of any consent or revocation thereof, whether before or after such certification by the independent inspectors, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto, and the seeking of injunctive relief in such litigation).

Section 2.12 Notice of Stockholder Business and Nominations.

(a) Annual Meetings of Stockholders. (1) Nominations of persons for election to the Board of Directors and the proposal of other business to be considered by the stockholders may be made at an annual meeting of stockholders (A) pursuant to the Corporation's notice of meeting, (B) by or at the direction of the Board of Directors or (C) by any stockholder of the Corporation who (i) was a stockholder of record at the time of giving of notice provided for in this Bylaw and at the time of the annual meeting, (ii) is entitled to vote at the meeting and (iii) complies with the notice procedures set forth in this Bylaw as to such business or nomination; clause (C) shall be the exclusive means for a stockholder to make nominations or submit other business (other than matters properly brought under Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and included in the Corporation's notice of meeting) before an annual meeting of stockholders.

(2) Without qualification or limitation, for any nominations or any other business to be properly brought before an annual meeting by a stockholder pursuant to paragraph (a)(1)(C) of this Bylaw, the stockholder must have given timely notice thereof in writing to the Secretary and such other business must otherwise be a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120th day and not later than the close of business on the 90th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to the date of such annual meeting and not later than the close of business on the later of the 90th day prior to the date of such annual meeting or, if the first public announcement of the date of such annual meeting is less than 100 days prior to the date of such annual meeting, the 10th day following the day on which public announcement of the date of such meeting is first made by the Corporation. In no event shall any adjournment or postponement of an annual meeting or the announcement thereof commence a new time period for the giving of a stockholder's notice as described above. To be in proper form, a stockholder's notice (whether given pursuant to this paragraph (a)(2) or paragraph (b)) to the Secretary must: (A) set forth, as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, if any, (ii) (a) the class or series and number of shares of the Corporation which are, directly or indirectly, owned beneficially and of record by such stockholder and such beneficial owner, (b) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Corporation or with a value derived in whole or in part from the value of any class or series of shares of the Corporation, whether or not such instrument or right shall be subject to settlement in the underlying class or series of capital stock of the Corporation or otherwise (a "Derivative Instrument") directly or indirectly owned beneficially by such stockholder and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of

the Corporation, (c) any proxy, understanding, or relationship pursuant to which such stockholder has a right to vote any shares of any security of the Corporation, (d) any short interest in any security of the Corporation (for purposes of this Bylaw a person shall be deemed to have a short interest in a security if such person directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security), (e) any rights to dividends on the shares of the Corporation owned beneficially by such stockholder that are separated or separable from the underlying shares of the Corporation, (f) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder is a general partner or, directly or indirectly, beneficially owns an interest in a general partner and (g) any performance-related fees (other than an asset-based fee) that such stockholder is entitled to based on any increase or decrease in the value of shares of the Corporation or Derivative Instruments, if any, as of the date of such notice, including without limitation any such interests held by members of such stockholder's immediate family sharing the same household (which information shall be supplemented by such stockholder and beneficial owner, if any, not later than 10 days after the record date for the meeting to disclose such ownership as of the record date), and (iii) any other information relating to such stockholder and beneficial owner, if any, that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder; (B) if the notice relates to any business other than a nomination of a director or directors that the stockholder proposes to bring before the meeting, set forth (i) a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws of the Corporation, the language of the proposed amendment), the reasons for conducting such business at the meeting and any material interest of such stockholder and beneficial owner, if any, in such business and (ii) a description of all agreements, arrangements and understandings between such stockholder and beneficial owner, if any, and any other person or persons (including their names) in connection with the proposal of such business by such stockholder; (C) set forth, as to each person, if any, whom the stockholder proposes to nominate for election or reelection to the Board of Directors (i) all information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected) and (ii) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such stockholder and beneficial owner, if any, and their respective affiliates and associates, or others acting in concert therewith, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including, without limitation all information that would be required to be disclosed pursuant to Item 404 of Regulation S-K if the stockholder making the nomination and any beneficial owner on whose behalf the nomination is made, if any, or any affiliate or associate thereof or person acting in concert therewith, were the "registrant" for purposes of such item and the nominee were a director or executive officer of such registrant; and (D) with respect to each nominee for election or reelection to the Board of Directors, include a completed and signed questionnaire, representation and agreement required by Section 2.13 of these Bylaws. The foregoing notice requirements of this Section 2.12 shall be deemed satisfied by a stockholder with respect to business other than a nomination if the stockholder has notified the Corporation of his, her or its intention to present a proposal at an annual meeting in compliance with applicable rules and regulations promulgated under the Exchange Act and such stockholder's proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such nominee. For purposes of these Bylaws, "independent" has the meaning set forth in the New York Stock Exchange ("NYSE") listing standards (unless the Corporation's common stock ceases to be listed on the NYSE and is listed on another exchange, in which case such exchange's definition of independence shall apply), as supplemented by any additional requirements for independence that may be imposed by applicable law or regulation or by the Corporation's Corporate Governance Guidelines adopted by the Board of Directors.

(3) Notwithstanding anything in the second sentence of paragraph (a)(2) of this Bylaw to the contrary, in the event that the number of directors to be elected to the Board of Directors is increased effective at the annual meeting and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least 100 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

(b) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the

Corporation's notice of meeting (a) by or at the direction of the Board of Directors or (b) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who (i) is a stockholder of record at the time of giving of notice provided for in this Bylaw and at the time of the special meeting, (ii) is entitled to vote at the meeting, and (iii) complies with the notice procedures set forth in this Bylaw as to such nomination. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder's notice required by paragraph (a)(2) of this Bylaw with respect to any nomination (including the completed and signed questionnaire, representation and agreement required by Section 2.13 of this Bylaw) shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120th day prior to the date of such special meeting and not later than the close of business on the later of the 90th day prior to the date of such special meeting or, if the first public announcement of the date of such special meeting is less than 100 days prior to the date of such special meeting, the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall any adjournment or postponement of a special meeting or the announcement thereof commence a new time period for the giving of a stockholder's notice as described above.

(c) General. (1) Only such persons who are nominated in accordance with the procedures set forth in this Bylaw shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Bylaw. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, the chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Bylaw and, if any proposed nomination or business is not in compliance with this Bylaw, to declare that such defective proposal or nomination shall be disregarded. Notwithstanding the foregoing provisions of this Bylaw, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination or proposed business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Bylaw, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of the stockholders.

(2) For purposes of this Bylaw, "public announcement" shall mean disclosure in a press release reported by a national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act and the rules and regulations promulgated thereunder.

(3) Notwithstanding the foregoing provisions of this Bylaw, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Bylaw; provided, however, that any references in these Bylaws to the Exchange Act or the rules promulgated thereunder are not intended to and shall not limit the requirements applicable to nominations or proposals as to any other business to be considered pursuant to paragraph (a)(1)(C) or paragraph (b) of this Bylaw (other than, as provided in the penultimate sentence of (a)(2) of this Bylaw, matters brought properly under and in compliance with Rule 14a-8 of the Exchange Act, as may be amended from time to time). Nothing in this Bylaw shall be deemed to affect any rights (i) of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (ii) of the holders of any series of Preferred Stock if and to the extent provided for under law, the Certificate of Incorporation or these Bylaws.

Section 2.13 Submission of Questionnaire, Representation and Agreement. To be eligible to be a nominee for election or reelection as a director of the Corporation, a person must deliver (in accordance with the time periods prescribed for delivery of notice under Section 2.12 of these Bylaws) to the Secretary at the principal executive offices of the Corporation a written questionnaire with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made (which questionnaire shall be provided by the Secretary upon written request) and a written representation and agreement (in the form provided by the Secretary upon written request) that such person (a) is not and will not become a party to (1) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the Corporation, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the Corporation or (2) any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a director of the Corporation, with such person's fiduciary duties under applicable law, (b) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed therein and (c) in such person's individual capacity and

on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a director of the Corporation, and will comply with all applicable publicly disclosed corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the Corporation.

ARTICLE III DIRECTORS

Section 3.1 Number and Term of Office. The business and affairs of the Corporation shall be managed by or under the direction of its Board of Directors. The number of directors that shall constitute the whole Board of Directors shall be fixed from time to time by resolution of the Board of Directors and shall consist of not more than thirteen (13) members. At the first annual meeting of stockholders and at each annual meeting of stockholders thereafter, the respective terms of all of the directors then serving in office shall expire at the meeting, and successors to the directors shall be elected to hold office until the next succeeding annual meeting. Existing directors may be nominated for election each year for a successive term, in the manner provided in these Bylaws. Each director shall hold office for the term for which he or she is elected and qualified or until his or her successor shall have been elected and qualified or until his or her earlier resignation, removal from office or death. The Board of Directors may from time to time establish minimum qualifications for eligibility to become a director. Those qualifications may include, but shall not be limited to, a prerequisite stock ownership in the Corporation.

Section 3.2 Chairman of the Board. The Board of Directors shall elect one of its members to be Chairman of the Board for such term as determined by the Board of Directors, and shall fill any vacancy in the position of Chairman of the Board at such time and in such manner as the Board of Directors may determine. The Chairman of the Board shall preside at all meetings of the Board of Directors and stockholders, and shall have such other duties as may be prescribed from time to time by the Board of Directors.

Section 3.3 Place of Meetings. Meetings of the Board of Directors may be held at any place, within or without the State of Delaware, from time to time as designated by the Chairman of the Board or by the body or person calling such meeting.

Section 3.4 Regular Meetings. Regular meetings of the Board of Directors shall be held at such times as may be determined by the Board of Directors. No notice shall be required for any regular meeting.

Section 3.5 Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board, the Chief Executive Officer or the President, or by the Secretary or Assistant Secretary on the written request of two or more directors. Notice of any special meeting shall be mailed to each director at that director's residence or usual place of business not later than three (3) days before the day on which the meeting is to be held, or shall be given to that director by telegraph, telecopier or other method of electronic transmission, by overnight express mail service, personally, or by telephone, not later than twenty-four (24) hours before the time of such meeting. Notice of any meeting of the Board of Directors need not be given to any director if that director signs a written waiver thereof or waives notice by electronic transmission either before or after the time stated therein. Attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except when the director attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

Section 3.6 Action Without Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board of Directors or of such committee, as the case may be, consent thereto in writing or by electronic transmission, and such consents are filed with the minutes of the Board of Directors or of such committee.

Section 3.7 Presiding Officer and Secretary at Meetings. Each meeting of the Board of Directors or of stockholders shall be presided over by the Chairman of the Board, or in his or her absence, by the Chief Executive Officer or the President, in that order, and if none is present, then by such member of the Board of Directors as shall be chosen at the meeting.

Section 3.8 Quorum. A majority of the total authorized number of directors shall constitute a quorum for the transaction of business. In the absence of a quorum, a majority of those present (or if only one be present, then that one) may adjourn the meeting, without notice other than announcement at the meeting, until such time as a quorum is present. The vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 3.9 Meeting by Telephone. Members of the Board of Directors or of any committee thereof may participate in a meeting of the Board of Directors or of such committee by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation shall constitute presence in person at such meeting.

Section 3.10 Compensation. Directors shall receive such compensation and expense reimbursements for their services as Chairman of the Board, as directors or as members of committees as set by the Board of Directors. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity as an officer, agent or otherwise, and receiving compensation therefor.

Section 3.11 Resignations. Any director or member of a committee of the Corporation may resign at any time by giving notice thereof in writing or by electronic transmission to (a) the Chairman of the Board, the Chief Executive Officer or the President and (b) the Secretary. Such resignation shall be effective at the time of its receipt, unless a date certain is specified for it to take effect. Acceptance of any resignation shall not be necessary to make it effective.

Section 3.12 Removal of Directors. No director may be removed with or without cause before the expiration of his or her term of office except by vote of the stockholders at a meeting called for such a purpose.

Section 3.13 Filling of Vacancies. In case of a vacancy created by an increase in the number of directors or any vacancy created by death, removal, or resignation, the vacancy or vacancies may be filled either (a) by the Board of Directors, or (b) by the stockholders. In the case of a director appointed to fill a vacancy created by an increase in the number of directors, the director so appointed shall hold office until his or her successor is elected. In the case of a director appointed to fill a vacancy created by the death, removal or resignation of a director, the newly appointed director shall hold office for the term to which his or her predecessor was elected or until his or her successor is elected.

ARTICLE IV COMMITTEES

Section 4.1 Formation of committees; power and authority thereof. The Board of Directors may, by resolution passed by a majority of the whole Board of Directors, designate one or more committees, each such committee to consist of one or more directors of the Corporation. Any such committee, to the extent provided in such resolution or resolutions and to the extent permitted by law, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to the following matters: (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the General Corporation Law to be submitted to stockholders for approval or (ii) adopting, amending or repealing the Bylaws of the Corporation.

Section 4.2 Regular meetings. Regular meetings of a committee shall be held at such times as may be determined by the committee. No notice shall be required for any regular meeting.

Section 4.3 Special meetings. Special meetings of a committee may be called by the committee Chairman or by the Secretary or Assistant Secretary on the written request of two or more committee members. Notice of any special meeting shall be mailed to each committee member at that committee member's residence or usual place of business not later than three (3) days before the day on which the meeting is to be held, or shall be given to that committee member by telegraph, telecopier or other method of electronic transmission, by overnight express mail service, personally, or by telephone, not later than twenty-four (24) hours before the time of such meeting. Notice of any meeting of a committee need not be given to any committee member if that committee member signs a written waiver thereof or waives notice by electronic transmission either before or after the time stated therein. Attendance of a committee member at a meeting shall constitute a waiver of notice of such meeting, except when the committee member attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

Section 4.4 Place of meetings. Meetings of the committee may be held at any place, within or without the State of Delaware, from time to time as designated by the committee Chairman or by the body or person calling such meeting.

Section 4.5 Absent or disqualified members; quorum. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another member of the Board of Directors (a "Substitute Director") to act at the meeting in the place of any such absent or disqualified member. A majority of the total number of members of a committee (together with any Substitute Directors) shall constitute a quorum for the transaction of business. In the absence of a quorum, a majority of those present (or if only one be present, then that one) may adjourn the meeting, without notice other than announcement at the meeting, until such time as a quorum is present. The vote of a majority of the committee members (together with any Substitute Directors) present at a meeting at which a quorum is present shall be the act of the committee.

ARTICLE V
THE OFFICERS

Section 5.1 Designation. The Corporation shall have such officers with such titles and duties as set forth in these Bylaws or in a resolution of the Board of Directors adopted on or after the effective date of these Bylaws.

Section 5.2 Election and Qualification. The officers of the Corporation shall be elected by the Board of Directors and, if specifically determined by the Board of Directors, may consist of a Chief Executive Officer, President, Chief Operating Officer, Chief Financial Officer, one or more Vice Presidents, a Secretary, a Treasurer, one or more Assistant Secretaries and Assistant Treasurers, and such other officers and agents as the Board of Directors may deem advisable. None of the officers of the Corporation need be directors.

Section 5.3 Term of Office. Officers shall be chosen in such manner and shall hold their office for such term as determined by the Board of Directors. Each officer shall hold office from the time of his or her election and qualification to the time at which his or her successor is elected and qualified, or until his or her earlier resignation, removal or death.

Section 5.4 Resignation. Any officer of the Corporation may resign at any time by giving written notice of such resignation to (a) the Chairman of the Board, the Chief Executive Officer or the President and (b) the Secretary. Any such resignation shall take effect at the time specified therein or, if no time be specified, upon receipt thereof. The acceptance of such resignation shall not be necessary to make it effective.

Section 5.5 Removal. Any officer may be removed at any time, with or without cause, by the Board of Directors, but such removal shall be without prejudice to the contractual rights of such officer, if any, with the Corporation.

Section 5.6 Compensation. The compensation of each executive officer shall be determined by the Board of Directors.

Section 5.7 Chief Executive Officer. The Chief Executive Officer shall, subject to the direction and control of the Board of Directors, establish and implement the business plans, policies and procedures of the Corporation and have general and active management, direction and control over the business and affairs of the Corporation and over its other officers. The Chief Executive Officer shall report directly to the Board of Directors, shall preside over meetings of the Board of Directors and stockholders in the absence of the Chairman of the Board, and shall have general authority to execute bonds, deeds and contracts in the name of and on behalf of the Corporation and in general to exercise all the powers generally appertaining to the Chief Executive Officer of a corporation. During the extended absence of the Chief Executive Officer or during his or her extended inability to act, the Chairman of the Board (or such other officer or director as designated by the Board of Directors) shall exercise the powers and perform the duties of the Chief Executive Officer (which may include delegating some or all of such powers and duties to any other director or to an officer of the Corporation).

Section 5.8 President, Chief Operating Officer and Chief Financial Officer. The President, the Chief Operating Officer and the Chief Financial Officer shall have such duties as shall be assigned to each from time to time by the Chief Executive Officer or by the Board of Directors.

Section 5.9 Vice President. Each Vice President shall have such powers and shall perform such duties as shall be assigned to him or her from time to time by the Chief Executive Officer or by the Board of Directors.

Section 5.10 Secretary. The Secretary shall attend meetings of the Board of Directors and stockholders and record votes and minutes of such proceedings, subject to the direction of the Chairman of the Board; assist in issuing calls for meetings of stockholders and directors; keep the seal of the Corporation and affix it to such instruments as may be required from time to time; keep the stock transfer books and other books and records of the Corporation; act as stock transfer agent for the Corporation; attest the Corporation's execution of instruments when requested and appropriate; make such reports to the Board of Directors as are properly requested; and perform such other duties incident to the office of Secretary and those that may be otherwise assigned to the Secretary from time to time by the Chief Executive Officer or the Chairman of the Board.

Section 5.11 Treasurer. The Treasurer shall have custody of all corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation. The Treasurer shall deposit or disburse all moneys and other property in the name and to the credit of the Corporation as may be designated by the Chief Executive Officer or the Board of Directors. The Treasurer shall render to the Chief Executive Officer and the Board of Directors at the regular meetings of the Board of Directors, or whenever they may request it, an account of all his or her transactions as Treasurer and of

the financial condition of the Corporation. The Treasurer shall perform other duties incident to the office of Treasurer as the Chief Executive Officer or the Board of Directors shall from time to time designate.

Section 5.12 Other Officers. Each other officer of the Corporation shall have such powers and shall perform such duties as shall be assigned to him or her from time to time by the Chief Executive Officer or by the Board of Directors.

ARTICLE VI
CERTIFICATES OF STOCK, TRANSFER OF STOCK
AND REGISTERED STOCKHOLDERS

Section 6.1 Stock Certificates. The interest of each holder of stock of the Corporation shall be evidenced by a certificate or certificates; provided, however, that the Board of Directors may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Every holder of shares of the Corporation represented by certificates shall be entitled to a certificate signed by or in the name of the Corporation by the Chairman of the Board, or the President or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation certifying the number of shares owned by the holder thereof in the Corporation. Any of or all of the signatures on the certificate may be a facsimile. If any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, the certificate may be issued by the Corporation with the same effect as if he/she were such officer, transfer agent or registrar at the date of issuance.

Section 6.2 Classes/Series of Stock. The Corporation may issue one or more classes of stock or one or more series of stock within any class thereof, as stated and expressed in the Certificate of Incorporation or of any amendment thereto, any or all of which classes may be stock with par value or stock without par value. In the case of shares of stock of the Corporation represented by certificate, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock, provided that, in accordance with the General Corporation Law, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock, a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

Section 6.3 Transfer of Stock. Subject to the transfer restrictions permitted by Section 202 of the General Corporation Law and to stop transfer orders directed in good faith by the Corporation to any transfer agent to prevent possible violations of federal or state securities laws, rules or regulations, the shares of stock of the Corporation shall be transferable upon its books by the holders thereof in person or by their duly authorized attorneys or legal representatives (or, with respect to uncertificated shares, by delivery of duly executed instructions or in any other manner permitted by applicable law), and upon such transfer the old certificates (in the case of certificated shares) shall be surrendered to the Corporation by the delivery thereof to the person in charge of the stock and transfer books and ledgers, or to such other persons as the directors may designate, by whom they shall be cancelled, and new certificates (or uncertificated shares) shall be issued. A record shall be made of each transfer and whenever a transfer shall be made for collateral security, and not absolutely, it shall be so expressed in the entry of the transfer.

Section 6.4 Holders of Record. Prior to due presentment for registration of transfer, the Corporation may treat the holder of record of a share of its stock as the complete owner thereof exclusively entitled to vote, to receive notifications and otherwise entitled to all the rights and powers of a complete owner thereof, notwithstanding notice of the contrary.

Section 6.5 Lost, Stolen, Destroyed, or Mutilated Certificates. A new certificate of stock may be issued to replace a certificate theretofore issued by the Corporation, alleged to have been lost, stolen, destroyed or mutilated, and the Board of Directors or the President may require the owner of the lost or destroyed certificate or his or her legal representatives, to give such sum as they may direct to indemnify the Corporation against any expense or loss it may incur on account of the alleged loss of any such certificate.

Section 6.6 Dividends. Subject to the provisions of the Certificate of Incorporation and applicable law, the directors may, out of funds legally available therefor at any annual, regular, or special meeting, declare dividends upon the capital stock of the Corporation as and when they deem expedient. Dividends may be paid in cash, in property, or in shares of stock of the Corporation. Before declaring any dividends there may be set apart out of any funds of the Corporation available for dividends

such sum or sums as the directors from time to time in their discretion deem proper working capital to serve as a reserve fund to meet contingencies or as equalizing dividends or for such other purposes as the directors shall deem in the best interest of the Corporation.

ARTICLE VII
MISCELLANEOUS

Section 7.1 Fiscal Year. The fiscal year of the Corporation shall be determined by resolution of the Board of Directors.

Section 7.2 Corporate Seal. The corporate seal shall be in such form as the Board of Directors may from time to time prescribe and the same may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

Section 7.3 Severability. The invalidity or unenforceability of any provision hereof shall not affect the validity or enforceability of the remaining provisions hereof.

ARTICLE VIII
AMENDMENT OF BYLAWS

Section 8.1 General. These Bylaws may be made, altered, or repealed, or new bylaws may be adopted by the stockholders or the Board of Directors.

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

I, Donald W. Slager, certify that:

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

/s/ Donald W. Slager

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

Date: July 24, 2014

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

I, Glenn A. Culpepper, certify that:

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

/s/ Glenn A. Culpepper

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

Date: July 24, 2014

**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, 2014 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Donald W. Slager, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

/s/ Donald W. Slager

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

Date: July 24, 2014

**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, 2014 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Glenn A. Culpepper, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

/s/ Glenn A. Culpepper

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

Date: July 24, 2014