

REPUBLIC SERVICES, INC.  
Form 10-Q  
October 28, 2011  
[Table of Contents](#)

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

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2011

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-14267

**REPUBLIC SERVICES, INC.**

(Exact name of registrant as specified in its charter)

Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

**DELAWARE**  
(State or other jurisdiction of

**65-0716904**  
(IRS Employer

incorporation or organization)

Identification No.)

**18500 NORTH ALLIED WAY**

**PHOENIX, ARIZONA**  
(Address of principal executive offices)

**85054**  
(Zip code)

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

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

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

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

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☒ (Do not check if a smaller reporting company)

Smaller reporting company ☐

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

On October 17, 2011, the registrant had outstanding 370,363,917 shares of Common Stock, par value \$.01 per share (excluding treasury shares of 31,604,909).

**Table of Contents**

**REPUBLIC SERVICES, INC.**

**INDEX**

**PART I FINANCIAL INFORMATION**

Item 1.	<u>Financial Statements</u>	3
	<u>Consolidated Balance Sheets as of September 30, 2011 (Unaudited) and December 31, 2010</u>	3
	<u>Unaudited Consolidated Statements of Income for the Three and Nine Months Ended September 30, 2011 and 2010</u>	4
	<u>Unaudited Consolidated Statement of Stockholders' Equity for the Nine Months Ended September 30, 2011</u>	5
	<u>Unaudited Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2011 and 2010</u>	6
	<u>Notes to Unaudited Consolidated Financial Statements</u>	7
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	37
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	59
Item 4.	<u>Controls and Procedures</u>	59

**PART II OTHER INFORMATION**

Item 1.	<u>Legal Proceedings</u>	60
Item 1A.	<u>Risk Factors</u>	63
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	64
Item 3.	<u>Defaults upon Senior Securities</u>	64
Item 4.	<u>(Removed and Reserved)</u>	64
Item 5.	<u>Other Information</u>	64
Item 6.	<u>Exhibits</u>	64
	<u>Signatures</u>	66

**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS.****REPUBLIC SERVICES, INC.****CONSOLIDATED BALANCE SHEETS**

(in millions, except per share amounts)

	September 30, 2011 (Unaudited)	December 31, 2010
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 72.6	\$ 88.3
Accounts receivable, less allowance for doubtful accounts of \$46.1 and \$50.9, respectively	901.3	828.9
Prepaid expenses and other current assets	175.9	207.4
Deferred tax assets	104.6	121.5
<b>Total current assets</b>	<b>1,254.4</b>	<b>1,246.1</b>
Restricted cash and marketable securities	160.5	172.8
Property and equipment, net	6,708.9	6,698.5
Goodwill	10,646.7	10,655.3
Other intangible assets, net	427.6	451.3
Other assets	258.1	237.9
<b>Total assets</b>	<b>\$ 19,456.2</b>	<b>\$ 19,461.9</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 515.2	\$ 606.5
Notes payable and current maturities of long-term debt	9.7	878.5
Deferred revenue	306.8	295.1
Accrued landfill and environmental costs, current portion	190.2	182.0
Accrued interest	82.8	93.1
Other accrued liabilities	752.8	621.3
<b>Total current liabilities</b>	<b>1,857.5</b>	<b>2,676.5</b>
Long-term debt, net of current maturities	7,021.6	5,865.1
Accrued landfill and environmental costs, net of current portion	1,413.5	1,416.6
Deferred income taxes and other long-term tax liabilities	1,069.7	1,044.8
Self-insurance reserves, net of current portion	301.1	304.5
Other long-term liabilities	178.3	305.5
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; 401.9 and 400.2 issued including shares held in treasury, respectively	4.0	4.0
Additional paid-in capital	6,486.0	6,431.1
Retained earnings	2,055.3	1,890.3
Treasury stock, at cost (31.1 and 16.5 shares, respectively)	(930.7)	(500.8)
Accumulated other comprehensive (loss) income, net of tax	(2.2)	21.9

# Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

Total Republic Services, Inc. stockholders' equity	7,612.4	7,846.5
Noncontrolling interests	2.1	2.4
Total stockholders' equity	7,614.5	7,848.9
Total liabilities and stockholders' equity	\$ 19,456.2	\$ 19,461.9

The accompanying notes are an integral part of these statements.

**Table of Contents****REPUBLIC SERVICES, INC.****UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

(in millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenue	\$ 2,116.2	\$ 2,061.7	\$ 6,167.7	\$ 6,085.8
Expenses:				
Cost of operations	1,260.0	1,224.9	3,657.5	3,580.0
Depreciation, amortization and depletion	215.0	211.6	629.4	628.4
Accretion	19.4	20.1	58.6	60.5
Selling, general and administrative	207.5	209.4	611.5	630.5
Loss on disposition of assets and impairments, net	5.8	25.5	24.8	27.1
Restructuring charges		2.6		9.6
Operating income	408.5	367.6	1,185.9	1,149.7
Interest expense	(108.3)	(122.0)	(335.4)	(387.0)
Loss on extinguishment of debt	(6.0)	(19.4)	(207.3)	(151.7)
Interest income		0.4	0.3	0.5
Other income, net	1.8	3.1	3.8	4.7
Income before income taxes	296.0	229.7	647.3	616.2
Provision for income taxes	102.4	95.2	249.4	256.6
Net income	193.6	134.5	397.9	359.6
Net (income) loss attributable to noncontrolling interests	(0.1)	(0.3)	0.3	(0.7)
Net income attributable to Republic Services, Inc.	\$ 193.5	\$ 134.2	\$ 398.2	\$ 358.9
Basic earnings per share attributable to Republic Services, Inc. stockholders:				
Basic earnings per share	\$ 0.52	\$ 0.35	\$ 1.05	\$ 0.94
Weighted average common shares outstanding	373.2	384.0	377.9	382.6
Diluted earnings per share attributable to Republic Services, Inc. stockholders:				
Diluted earnings per share	\$ 0.52	\$ 0.35	\$ 1.05	\$ 0.93
Weighted average common and common equivalent shares outstanding	374.7	386.1	379.6	384.7
Cash dividends per common share	\$ 0.22	\$ 0.20	\$ 0.62	\$ 0.58

The accompanying notes are an integral part of these statements.

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

	Republic Services, Inc. Stockholders' Equity							Accumulated Other Comprehensive Income (Loss), Net of Tax		Noncontrolling Interests
	Total	Common Stock Shares	Common Stock Amount	Paid-In Capital	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount			
Balance as of December 31, 2010	\$ 7,848.9	400.2	\$ 4.0	\$ 6,431.1	\$ 1,890.3	(16.5)	\$ (500.8)	\$ 21.9		\$ 2.4
Net income (loss)	397.9				398.2					(0.3)
Other comprehensive loss	(24.1)							(24.1)		
Cash dividends declared	(232.7)				(232.7)					
Issuances of common stock	38.0	1.7		38.0						
Stock-based compensation	16.4			16.9	(0.5)					
Purchase of common stock for treasury	(429.9)					(14.6)	(429.9)			
Balance as of September 30, 2011	\$ 7,614.5	401.9	\$ 4.0	\$ 6,486.0	\$ 2,055.3	(31.1)	\$ (930.7)	\$ (2.2)		\$ 2.1

The accompanying notes are an integral part of these statements.

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

	Nine Months Ended September 30,	
	2011	2010
Cash provided by operating activities:		
Net income	\$ 397.9	\$ 359.6
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization of property and equipment	384.3	384.0
Landfill depletion and amortization	188.0	191.5
Amortization of intangible and other assets	57.1	52.9
Accretion	58.6	60.5
Non-cash interest expense - debt	20.9	40.9
Non-cash interest expense - other	37.2	36.2
Stock-based compensation	16.4	18.3
Deferred tax benefit	(18.9)	(1.7)
Provision for doubtful accounts, net of adjustments	10.9	14.4
Excess income tax benefit from stock option exercises	(2.4)	(2.9)
Asset impairments	45.9	11.5
Loss on extinguishment of debt	207.3	151.7
(Gain) loss on disposition of assets, net	(34.8)	5.8
Other non-cash items	(6.7)	0.9
Change in assets and liabilities, net of effects from business acquisitions and divestitures:		
Accounts receivable	(80.7)	(48.6)
Prepaid expenses and other assets	24.5	(36.9)
Accounts payable	6.3	(81.1)
Restructuring and synergy related expenditures	(2.9)	(15.8)
Capping, closure and post-closure expenditures	(73.3)	(62.2)
Remediation expenditures	(26.7)	(32.2)
Other liabilities	77.9	(83.1)
Cash provided by operating activities	1,286.8	963.7
Cash used in investing activities:		
Purchases of property and equipment	(696.1)	(571.4)
Proceeds from sales of property and equipment	23.4	17.4
Cash used in business acquisitions and development projects, net of cash acquired	(40.8)	(21.4)
Cash proceeds from divestitures, net of cash divested	14.2	50.6
Change in restricted cash and marketable securities	12.3	33.0
Other	(2.2)	(0.6)
Cash used in investing activities	(689.2)	(492.4)
Cash used in financing activities:		
Proceeds from notes payable and long-term debt	1,137.5	1,069.5
Proceeds from issuance of senior notes, net of discount	1,844.9	1,499.4
Payments of notes payable and long-term debt	(2,827.6)	(2,763.3)
Premiums paid on extinguishment of debt	(89.6)	(30.4)
Fees paid to issue and retire senior notes and certain hedging relationships	(58.8)	(23.7)
Issuances of common stock	35.6	67.1
Excess income tax benefit from stock option exercises	2.4	2.9



Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

Purchases of common stock for treasury	(429.9)	(1.4)
Cash dividends paid	(227.8)	(217.7)
Distributions paid to noncontrolling interests		(1.2)
Cash used in financing activities	(613.3)	(398.8)
(Decrease) increase in cash and cash equivalents	(15.7)	72.5
Cash and cash equivalents at beginning of period	88.3	48.0
Cash and cash equivalents at end of period	\$ 72.6	\$ 120.5

The accompanying notes are an integral part of these statements.

---

**Table of Contents**

**REPUBLIC SERVICES, INC.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**1. BASIS OF PRESENTATION AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

Republic Services, Inc. (a Delaware corporation) and its subsidiaries (also referred to collectively as Republic, we, us, our, or the company in this report) 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 four geographic regions – Eastern, Midwestern, Southern, and Western, which we have identified as our reportable segments.

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

We have prepared these unaudited consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). All significant intercompany accounts and transactions have been eliminated. 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 that can be expected for a full year. You should read these interim 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, 2010.

For comparative purposes, certain prior year amounts have been reclassified to conform to the current year presentation.

**Management's Estimates and Assumptions**

In preparing our financial statements, we include numerous estimates and assumptions that affect the accounting, recognition and disclosure of assets, liabilities, stockholders' equity, revenue and expenses. 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 some cases, these estimates are particularly difficult to determine and we must exercise significant judgment. In preparing our financial statements, the most difficult, subjective and complex estimates and assumptions that deal with the greatest amount of uncertainty relate to our accounting for our long-lived assets, landfill development costs, final capping, closure and post-closure costs, and the recoverability of goodwill; our valuation allowances for accounts receivable and deferred tax assets; our liabilities for potential litigation, claims and assessments; and our liabilities for environmental remediation, employee benefit plans, stock-based compensation, deferred taxes, uncertain tax positions and self-insurance. Each of these items 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, 2010. Our actual results may differ significantly from our estimates.

**New Accounting Pronouncements**

***Goodwill Impairment Test***

In December 2010, the Financial Accounting Standards Board (FASB) issued authoritative guidance that modifies the requirements of the Step 1 goodwill impairment test for reporting units with zero or negative carrying amounts. We adopted this guidance effective January 1, 2011, and it did not have a material impact on our consolidated financial position or results of operations.

In September 2011, the FASB issued a new accounting standard update to allow the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount before applying the two-step goodwill impairment test. The adoption of this standard will not impact our consolidated financial position or results of operations.



**Table of Contents****REPUBLIC SERVICES, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED*****Other Comprehensive Income***

In June 2011, the FASB issued a new accounting standard update on the presentation of comprehensive income. The updated standard requires the presentation of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The updated standard also requires presentation of adjustments for items that are reclassified from other comprehensive income to net income in the statement where the components of net income and the components of other comprehensive income are presented. We will adopt this presentation standard as of the beginning of 2012, or when applicable. It will only impact the presentation of our financial statements and will not impact our consolidated financial position or results of operations.

***Multi-employer Pension Plans***

In September 2011, the FASB issued a new accounting standard update requiring companies participating in multi-employer pension plans to disclose more information about their involvement in those plans. Retrospective application of the disclosures is required. This guidance is effective for fiscal years ending after December 15, 2011. The Company is currently evaluating the impact of this guidance on its multi-employer pension plan disclosures.

**2. BUSINESS ACQUISITIONS, DISPOSITION OF ASSETS AND ASSET IMPAIRMENTS****Acquisitions**

We acquired various solid waste businesses during the nine months ended September 30, 2011 and 2010. The aggregate cash used in these acquisitions, net of cash acquired, was \$40.8 million and \$21.4 million, respectively. The purchase price paid for these acquisitions during the nine months ended September 30 and the preliminary allocation of the purchase price as of September 30 are as follows (in millions):

	2011	2010
Purchase price:		
Cash used in acquisitions, net of cash acquired	\$ 40.8	\$ 21.4
Fair value of operations surrendered	47.8	
Holdbacks	0.8	0.6
<b>Total</b>	<b>89.4</b>	<b>22.0</b>
Allocated as follows:		
Working capital	7.0	0.5
Property and equipment	43.9	9.3
Other liabilities, net	(8.5)	(0.9)
Value of assets acquired and liabilities assumed	42.4	8.9
<b>Excess purchase price to be allocated</b>	<b>\$ 47.0</b>	<b>\$ 13.1</b>
Excess purchase price to be allocated as follows:		
Other intangible assets	32.0	3.0
Goodwill	15.0	10.1

## Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

Total allocated	\$ 47.0	\$ 13.1
-----------------	---------	---------

Substantially all of the goodwill and intangible assets recorded for these acquisitions are deductible for tax purposes.

**Table of Contents****REPUBLIC SERVICES, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED****Disposition of Assets and Asset Impairments**

The components of the loss on disposition of assets and impairments, net during the three and nine months ended September 30, 2011 are as follows (in millions):

	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2011
Eastern Region asset impairment	\$ 5.9	\$ 5.9
Gain on the disposition of businesses		(17.1)
Southern Region landfill asset impairment	0.3	28.8
Western Region asset impairment		7.2
All other, net	(0.4)	
Loss on disposition of assets and impairments, net	\$ 5.8	\$ 24.8

During the nine months ended September 30, 2011, we disposed of businesses in three markets in our Southern Region, resulting in a gain of \$17.1 million. In connection with these dispositions, we closed a landfill site, resulting in an asset impairment charge of \$28.8 million for the remaining landfill assets and the acceleration of capping, closure and post-closure obligations. Additionally, we recorded asset impairments of \$7.2 million for expected losses on the divestiture of certain businesses and related goodwill in our Western Region. These assets were subsequently sold in the third quarter of 2011 resulting in no further loss. Proceeds from dispositions of solid waste assets were \$14.2 million for the nine months ended September 30, 2011.

During the three and nine months ended September 30, 2010, we recorded a net loss on the disposition of assets and impairments of \$25.5 million and \$27.1 million, respectively. In August 2010, we divested hauling operations and two transfer stations in our Eastern Region for aggregate proceeds of approximately \$50 million and recognized a loss on disposition of \$14.7 million. Additionally, we recorded an impairment loss of \$11.5 million related to certain long lived assets that are held and used.

**3. GOODWILL AND OTHER INTANGIBLE ASSETS, NET****Goodwill**

A summary of the activity and balances in goodwill accounts by operating segment is as follows (in millions):

	Balance at December 31, 2010	Acquisitions	Divestitures	Adjustments to Acquisitions	Balance at September 30, 2011
Eastern	\$ 2,791.9	\$ 7.0	\$ (0.7)	\$ (0.2)	\$ 2,798.0
Midwestern	2,129.6	4.8		0.7	2,135.1
Southern	2,721.8	2.8	(19.5)	(0.1)	2,705.0
Western	3,012.0	0.4	(3.6)	(0.2)	3,008.6
Total	\$ 10,655.3	\$ 15.0	\$ (23.8)	\$ 0.2	\$ 10,646.7

Acquisitions      Divestitures

Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

	Balance at December 31, 2009			Adjustments to Acquisitions	Balance at September 30, 2010
Eastern	\$ 2,818.5	\$	\$ (20.5)	\$ (2.5)	\$ 2,795.5
Midwestern	2,118.2	0.9		(1.9)	2,117.2
Southern	2,724.7			(2.6)	2,722.1
Western	3,005.7	9.2		(2.9)	3,012.0
Total	\$ 10,667.1	\$ 10.1	\$ (20.5)	\$ (9.9)	\$ 10,646.8

**Table of Contents****REPUBLIC SERVICES, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED****Other Intangible Assets, Net**

Other intangible assets, net, include values assigned to customer relationships, franchise agreements, other municipal agreements, non-compete agreements and trade names, and are amortized over periods ranging from 2 to 23 years. A summary of the activity and balances by intangible asset type is as follows (in millions):

	Gross Intangible Assets			Accumulated Amortization			Net
	Balance at December 31, 2010	Acquisitions	Balance at September 30, 2011	Balance at December 31, 2010	Additions Charged to Expense	Balance at September 30, 2011	Intangibles at September 30, 2011
Customer relationships, franchise and other municipal agreements	\$ 537.1	\$ 28.3	\$ 565.4	\$ (130.7)	\$ (47.4)	\$ (178.1)	\$ 387.3
Trade names	30.0		30.0	(12.5)	(4.5)	(17.0)	13.0
Non-compete agreements	12.9	3.7	16.6	(7.2)	(1.5)	(8.7)	7.9
Other intangible assets	62.9		62.9	(41.2)	(2.3)	(43.5)	19.4
<b>Total</b>	<b>\$ 642.9</b>	<b>\$ 32.0</b>	<b>\$ 674.9</b>	<b>\$ (191.6)</b>	<b>\$ (55.7)</b>	<b>\$ (247.3)</b>	<b>\$ 427.6</b>

	Gross Intangible Assets			Accumulated Amortization			Net
	Balance at December 31, 2009	Acquisitions	Balance at September 30, 2010	Balance at December 31, 2009	Additions Charged to Expense	Balance at September 30, 2010	Intangibles at September 30, 2010
Customer relationships, franchise and other municipal agreements	\$ 521.1	\$ 0.9	\$ 522.0	\$ (70.5)	\$ (44.8)	\$ (115.3)	\$ 406.7
Trade names	30.0		30.0	(6.5)	(4.5)	(11.0)	19.0
Non-compete agreements	7.4	2.1	9.5	(6.5)	(0.5)	(7.0)	2.5
Other intangibles assets	62.9		62.9	(37.9)	(2.5)	(40.4)	22.5
<b>Total</b>	<b>\$ 621.4</b>	<b>\$ 3.0</b>	<b>\$ 624.4</b>	<b>\$ (121.4)</b>	<b>\$ (52.3)</b>	<b>\$ (173.7)</b>	<b>\$ 450.7</b>

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

A summary of prepaid expenses and other current assets as of September 30, 2011 and December 31, 2010 is as follows (in millions):

	2011	2010
Inventories	\$ 37.8	\$ 31.3
Prepaid expenses	62.6	55.9
Other non-trade receivables	38.6	45.4
Income tax receivable	32.8	69.8
Other current assets	4.1	5.0



## Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

Total	\$ 175.9	\$ 207.4
-------	----------	----------

The fair value of our interest rate swaps, which matured in August 2011, of \$5.2 million is included in other non-trade receivables as of December 31, 2010. Other current assets include the fair value of fuel and commodity hedges of \$2.2 million and \$3.5 million as of September 30, 2011 and December 31, 2010, respectively.

### Other Assets

A summary of other assets as of September 30, 2011 and December 31, 2010 is as follows (in millions):

	2011	2010
Deferred financing costs	\$ 56.3	\$ 41.1
Deferred compensation plan	33.9	27.4
Notes and other receivables	34.5	34.0
Reinsurance receivable	53.8	54.5
Other	79.6	80.9
 Total	 \$ 258.1	 \$ 237.9

**Table of Contents****REPUBLIC SERVICES, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED****5. OTHER LIABILITIES****Other Accrued Liabilities**

A summary of other accrued liabilities as of September 30, 2011 and December 31, 2010 is as follows (in millions):

	2011	2010
Accrued payroll and benefits	\$ 147.3	\$ 158.4
Accrued fees and taxes	127.5	111.8
Self-insurance reserves, current portion	119.1	112.7
Accrued dividends	81.6	76.7
Synergy incentive plan	68.1	
Current tax liabilities	18.6	
Restructuring liabilities	0.4	3.9
Accrued professional fees and legal settlement reserves	81.8	53.1
Other	108.4	104.7
Total	\$ 752.8	\$ 621.3

Other accrued liabilities include the fair value of fuel and commodity hedges of \$14.2 million and \$8.4 million as of September 30, 2011 and December 31, 2010, respectively.

We expect to pay amounts earned under the synergy incentive plan during the first quarter of 2012. The synergy incentive plan was fully accrued and was included in other long-term liabilities as of December 31, 2010.

**Other Long-Term Liabilities**

A summary of other long-term liabilities as of September 30, 2011 and December 31, 2010 is as follows (in millions):

	2011	2010
Deferred compensation liability	\$ 31.4	\$ 27.7
Pension and other postretirement liabilities	5.2	14.4
Contingent legal liabilities	61.6	105.8
Ceded insurance reserves	53.8	54.5
Synergy incentive plan		68.1
Other	26.3	35.0
Total	\$ 178.3	\$ 305.5

**Self-Insurance Reserves**

In general, our self-insurance reserves are recorded on an undiscounted basis. However, the self-insurance liabilities we acquired in the acquisition of Allied Waste Industries, Inc. (Allied) have been recorded at our estimate of fair value, and, therefore, have been discounted to present value using a rate of 9.75%. Discounted reserves are accreted to non-cash interest expense through the period they are paid.

## Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

Our liabilities for unpaid and incurred but not reported claims at September 30, 2011 (which includes claims for workers' compensation, general liability, vehicle liability and employee health care benefits) were \$420.2 million under our current risk management program and are included in other accrued liabilities and self-insurance reserves in our consolidated balance sheets. While the ultimate amount of claims incurred depends on future developments, we believe recorded reserves are adequate to cover the future payment of claims. However, it is possible that recorded reserves may not be adequate to cover the future payment of claims. Adjustments, if any, to estimates recorded resulting from ultimate claim payments will be reflected in our consolidated statements of income in the periods in which such adjustments are known.

**Table of Contents****REPUBLIC SERVICES, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED****Accrued Liabilities Associated with the Allied Acquisition**

We evaluated our operating contracts and leases acquired from Allied and recorded liabilities for unfavorable contract and lease exit costs. The underlying lease agreements and contracts have remaining non-cancellable terms ranging from 1 to 21 years. The following tables reflect activity during the nine months ended September 30, 2011 and 2010 associated with unfavorable contracts and lease exit liabilities included in other accrued and other long-term liabilities (in millions):

	Balance at December 31, 2010	Payments / Amortization	Adjustments	Balance at September 30, 2011
Unfavorable contracts	\$ 37.6	\$ (7.2)	\$ (5.3)	\$ 25.1
Lease exit costs	5.0	(1.3)	(0.6)	3.1
<b>Total</b>	<b>\$ 42.6</b>	<b>\$ (8.5)</b>	<b>\$ (5.9)</b>	<b>\$ 28.2</b>

	Balance at December 31, 2009	Payments / Amortization	Adjustments	Balance at September 30, 2010
Unfavorable contracts	\$ 49.0	\$ (7.7)	\$ (1.3)	\$ 40.0
Lease exit costs	6.4	(1.2)		5.2
<b>Total</b>	<b>\$ 55.4</b>	<b>\$ (8.9)</b>	<b>\$ (1.3)</b>	<b>\$ 45.2</b>

**6. LANDFILL AND ENVIRONMENTAL COSTS**

As of September 30, 2011, we owned or operated 192 active solid waste landfills with total available disposal capacity of approximately 4.8 billion in-place cubic yards. Additionally, we currently have post-closure responsibility for 129 closed landfills.

**Accrued Landfill and Environmental Costs**

A summary of landfill and environmental liabilities as of September 30, 2011 and December 31, 2010 is as follows (in millions):

	2011	2010
Landfill final capping, closure and post-closure liabilities	\$ 1,048.8	\$ 1,046.5
Remediation	554.9	552.1
	<b>1,603.7</b>	<b>1,598.6</b>
Less: Current portion	(190.2)	(182.0)
<b>Long-term portion</b>	<b>\$ 1,413.5</b>	<b>\$ 1,416.6</b>

**Final Capping, Closure and Post-Closure Costs**

## Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

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

	2011	2010
Asset retirement obligation liabilities, beginning of year	\$ 1,046.5	\$ 1,074.5
Non-cash additions	25.5	23.8
Acquisitions and other adjustments	15.1	1.7
Asset retirement obligation adjustments	(23.6)	(10.6)
Payments	(73.3)	(62.2)
Accretion expense	58.6	60.5
Asset retirement obligation liabilities, end of period	1,048.8	1,087.7
Less: Current portion	(104.1)	(113.3)
Long-term portion	\$ 944.7	\$ 974.4

**Table of Contents****REPUBLIC SERVICES, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

Annually, in the fourth quarter, we review our calculations for 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 all the relevant facts and circumstances are known.

The fair value of assets that are legally restricted for purposes of collateralizing certain of our final capping, closure and post-closure obligations was \$54.5 million and \$61.8 million as of September 30, 2011 and December 31, 2010, respectively. Such assets are included in restricted cash and marketable securities in our consolidated balance sheets.

**Environmental Remediation Liabilities**

We accrue for remediation costs when they become probable and can be reasonably estimated. We believe that the amounts accrued for remediation costs are adequate. When there is a range of reasonable estimates of the costs associated with remediation of a site, we use the amount within the range that constitutes our best estimate. If no amount within the range appears to be a better estimate than any other, we use the amount that is at the low end of such 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 at September 30, 2011 would be approximately \$131 million higher than the amounts recorded. Future changes in our estimates of the cost, timing or duration of the required actions could have a material adverse effect on our consolidated financial position, results of operations and cash flows.

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

	2011	2010
Remediation liabilities, beginning of year	\$ 552.1	\$ 554.1
Acquisitions and other adjustments		1.5
Additions charged to expense	4.7	4.6
Payments	(26.7)	(32.2)
Accretion expense (non-cash interest expense)	24.8	21.8
Remediation liabilities, end of period	554.9	549.8
Less: Current portion	(86.1)	(100.4)
Long-term portion	\$ 468.8	\$ 449.4

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

*Countywide Landfill.* In September 2009, Republic Services of Ohio II, LLC entered into Final Findings and Orders with the Ohio Environmental Protection Agency that require us to implement a comprehensive operation and maintenance program to manage the remediation area at the Countywide Recycling and Disposal Facility (Countywide). The remediation liability for Countywide recorded as of September 30, 2011 is \$63.0 million, of which \$5.1 million is expected to be paid during the next twelve months. We believe the reasonably possible range of loss for remediation costs is \$54 million to \$75 million.

*West Contra Costa County Landfill.* In 2006, we were issued an Enforcement Order by the California Department of Toxic Substance Control (DTSC) for the Class 1 Hazardous waste cell at the West Contra Costa County Landfill (West County). Subsequently, we entered into a Consent Agreement with DTSC in 2007 in which we agreed to undertake certain remedial actions. The remediation liability for West County recorded as of September 30, 2011 is \$45.1 million, of which \$1.2 million is expected to be paid during the next twelve months. We believe the reasonably possible range of loss for remediation costs is \$35 million to \$62 million.

## Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

*Sunrise Landfill.* In August 2008, Republic Services of Southern Nevada (RSSN), signed a Consent Decree with the EPA, the Bureau of Land Management and Clark County, Nevada related to the Sunrise Landfill. Under the Consent Decree, RSSN has agreed to perform certain remedial actions at the Sunrise Landfill for which RSSN and Clark County were otherwise jointly and severally liable. The remediation liability for Sunrise recorded as of September 30, 2011 is \$37.0 million, of which \$25.5 million is expected to be paid during the next twelve months. We believe the reasonably possible range of loss for remediation costs is \$27 million to \$42 million.

*Congress Landfill.* In August 2010, Congress Development Company 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 for Congress recorded as of September 30, 2011 is \$84.0 million, of which \$7.6 million is expected to be paid during the next twelve months. We believe the reasonably possible range of loss for remediation costs is \$43 million to \$143 million.

**Table of Contents****REPUBLIC SERVICES, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED****Environmental Operating Costs**

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

**7. DEBT**

Our notes payable, capital leases and long-term debt as of September 30, 2011 and December 31, 2010 are listed in the following table in millions, and are presented net of unamortized discounts, adjustments to fair value related to hedging transactions and the unamortized portion of adjustments to fair value recorded in purchase accounting.

	September 30, 2011	December 31, 2010
\$1.75 billion revolver due 2013, amended to \$1.25 billion due 2013	\$ 35.0	\$ 25.0
\$1.0 billion revolver due 2012, amended to \$1.25 billion due 2016	85.0	50.0
Senior notes, fixed interest rate of 5.750%, due February 2011		261.7
Senior notes, fixed interest rate of 6.375%, due April 2011		215.1
Senior notes, fixed interest rate of 6.750%, due August 2011		392.0
Senior notes, fixed interest rate of 7.125%, due May 2016		535.5
Senior notes, fixed interest rate of 6.875%, due June 2017	671.7	663.9
Senior notes, fixed interest rate of 3.800%, due May 2018	699.8	
Senior notes, fixed interest rate of 5.500%, due September 2019	646.1	645.8
Senior notes, fixed interest rate of 5.000%, due March 2020	849.9	849.9
Senior notes, fixed interest rate of 5.250%, due November 2021	600.0	600.0
Debentures, fixed interest rate of 9.250%, due May 2021	33.3	93.4
Senior notes, fixed interest rate of 4.750%, due May 2023	548.6	
Senior notes, fixed interest rate of 6.086%, due March 2035	250.2	249.8
Debentures, fixed interest rate of 7.400%, due September 2035	123.2	267.6
Senior notes, fixed interest rate of 6.200%, due March 2040	649.5	649.5
Senior notes, fixed interest rate of 5.700%, due May 2041	596.6	
Tax-exempt bonds and other tax-exempt financings; fixed and floating interest rates ranging from 0.13% to 8.25%; maturities ranging from 2012 to 2035	1,152.3	1,151.8
Other debt unsecured and secured by real property, equipment and other assets; interest rates ranging from 5.00% to 11.90%; maturing through 2042	90.1	92.6
Total debt	7,031.3	6,743.6
Less: Current portion	(9.7)	(878.5)
Long-term portion	\$ 7,021.6	\$ 5,865.1



**Table of Contents****REPUBLIC SERVICES, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED****Loss on Extinguishment of Debt**

During the three and nine months ended September 30, 2011 and 2010, we completed financing transactions that resulted in cash paid for premiums and professional fees to repurchase outstanding debt as well as the non-cash write-off of unamortized debt discounts and deferred issuance costs:

	Quarter	Principal Repaid	Cash Paid in Loss on Extinguishment of Debt	Non-cash Loss on Extinguishment of Debt	Total Loss on Extinguishment of Debt
<b>2011:</b>					
\$99.5 million 9.250% debentures due May 2021	First	\$ 5.0	\$ 1.5	\$ 0.3	\$ 1.8
Amendments to credit facilities	Second			1.7	1.7
\$600.0 million 7.125% senior notes due May 2016	Second	600.0	21.4	61.3	82.7
\$99.5 million 9.250% debentures due May 2021	Second	59.2	22.7	3.5	26.2
\$360.0 million 7.400% debentures due September 2035	Second	182.7	41.9	46.7	88.6
Ineffective portion of interest rate lock settlements	Second		0.3		0.3
\$360.0 million 7.400% debentures due September 2035	Third	12.0	2.8	3.2	6.0
Loss on extinguishment of debt for the nine months ended September 30, 2011					
			\$ 90.6	\$ 116.7	\$ 207.3

<b>2010:</b>					
Accounts receivable securitization program	First	\$ 300.0	\$	\$ 0.2	\$ 0.2
\$425.0 million 6.125% senior notes due February 2014	First	425.0	8.7	44.1	52.8
\$600.0 million 7.250% senior notes due March 2015	First	600.0	21.8	57.5	79.3
Refinancing and retirement of various industrial revenue bonds	Third	20.8		19.4	19.4
Loss on extinguishment of debt for the nine months ended September 30, 2010					
			\$ 30.5	\$ 121.2	\$ 151.7

**Credit Facilities**

In April 2011, we amended and restated our \$1.0 billion revolving credit facility due April 2012 (the Amended and Restated Credit Facility) to increase the borrowing capacity to \$1.25 billion and to extend the maturity to April 2016. The Amended and Restated Credit Facility includes a feature that will allow us to increase availability, at our option, by an aggregate amount up to \$500 million through increased commitments from existing lenders or the addition of new lenders. At our option, borrowings under the Amended and Restated Credit Facility bear interest at a Base Rate, or a Eurodollar Rate, plus an applicable margin based on our Debt Ratings (all as defined in the agreements). Substantially all of our subsidiaries guarantee all obligations under the Amended and Restated Credit Facility.

Contemporaneous with the execution of the Amended and Restated Credit Facility, we entered into Amendment No. 2 to our existing \$1.75 billion credit facility (the Existing Credit Facility and, together with the Amended and Restated Credit Facility, the Credit Facilities), to reduce the commitments under the Existing Credit Facility to \$1.25 billion and conform certain terms of the Existing Credit Facility to those of the Amended and Restated Credit Facility. Amendment No. 2 does not extend the maturity date under the Existing Credit Facility, which matures in September 2013. Substantially all of our subsidiaries continue to guarantee all obligations under the Existing Credit Facility.

## Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

As of September 30, 2011 and December 31, 2010, the interest rate for our borrowings under our Credit Facilities was 1.51% and 1.56%, respectively. Our Credit Facilities also are subject to facility fees based on applicable rates defined in the agreements and the aggregate commitments, regardless of usage. Availability under our Credit Facilities can be used for working capital, capital expenditures, letters of credit and other general corporate purposes. The agreements governing our Credit Facilities require us to comply with certain financial and other covenants. We may pay dividends and repurchase common stock if we are in compliance with these covenants. As of September 30, 2011 and December 31, 2010, we had \$120.0 million and \$75.0 million of Eurodollar Rate borrowings, respectively. We had \$919.6 million and \$1,037.5 million of letters of credit utilizing availability under our Credit Facilities, leaving \$1,460.4 million and \$1,637.5 million of availability under our Credit Facilities, at September 30, 2011 and December 31, 2010, respectively. We were in compliance with the covenants under our Credit Facilities at September 30, 2011.

### **Senior Notes and Debentures**

During the three months ended September 30, 2011, our 6.750% senior notes matured. We used cash on hand and incremental borrowings under our Credit Facilities to repay \$387.0 million of principal due on these notes.

During the three months ended June 30, 2011, we issued \$700.0 million of 3.800% senior notes due 2018 (the 3.800% Notes), \$550.0 million of 4.750% senior notes due 2023 (the 4.750% Notes) and \$600.0 million of 5.700% senior notes due 2041 (the 5.700% Notes, and together with the 3.800% Notes and the 4.750% Notes, the Notes). The Notes are unsecured and unsubordinated obligations and are guaranteed by each of our subsidiaries that also guarantees the Credit Facilities. These guarantees are general senior unsecured obligations of our subsidiary guarantors. We used the net proceeds from the Notes as follows (i) \$621.4 million to fund the redemption of our \$600.0 million 7.125%

---

**Table of Contents**

**REPUBLIC SERVICES, INC.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

senior notes maturing in 2016; (ii) \$81.6 million to purchase \$59.2 million of our subsidiary Browning-Ferris Industries, LLC's 9.250% debentures maturing in 2021; (iii) \$221.8 million to purchase \$180.7 million of our subsidiary Browning-Ferris Industries, LLC's 7.400% debentures maturing in 2035; (iv) \$619.0 million to repay borrowings under our revolving credit facilities; and (v) the remainder for general corporate purposes.

During the three months ended June 30, 2011, our 6.375% senior notes matured. We used cash on hand and incremental borrowings under our Credit Facilities to repay \$216.9 million of principal due on these notes.

During the three months ended March 31, 2011, our 5.750% senior notes matured. We used cash on hand and incremental borrowings under our Credit Facilities to repay \$262.9 million of principal due on these notes.

In March 2010, we issued \$850.0 million of 5.00% senior notes due 2020 and \$650.0 million of 6.20% senior notes due 2040. We used the net proceeds to retire certain outstanding debt and to reduce amounts outstanding under our Credit Facilities and for general corporate purposes.

As of September 30, 2011 and December 31, 2010, our senior notes and debentures totaled \$5,668.9 million and \$5,424.2 million, respectively, net of unamortized discounts and adjustments to fair value recorded in purchase accounting for the debt assumed from Allied of \$157.5 million and \$282.9 million, respectively, which is being amortized over the remaining term of the notes, and adjustments to fair value related to our interest rate swap agreements of \$5.2 million at December 31, 2010.

**Tax-Exempt Financings**

As of September 30, 2011 and December 31, 2010, we had \$1,152.3 million and \$1,151.8 million, respectively, of fixed and variable rate tax-exempt financings outstanding with maturities ranging from 2012 to 2035. As of September 30, 2011 and December 31, 2010, the total of the unamortized adjustment to fair value recorded in purchase accounting for the tax-exempt financings assumed from Allied was \$19.9 million and \$21.9 million, respectively, which is being amortized to interest expense over the remaining terms of the debt.

Approximately 75% of our tax-exempt financings are remarketed quarterly, weekly or daily by a remarketing agent to effectively maintain a variable yield. Certain of these variable rate tax-exempt financings are credit enhanced with letters of credit having terms in excess of one year issued by banks with investment grade credit ratings. The holders of the bonds can put them back to the remarketing agent 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 these bonds using availability under our revolving Credit Facilities, if necessary.

As of September 30, 2011, we had \$160.5 million of restricted cash and marketable securities, of which \$25.4 million represented proceeds from the issuance of tax-exempt bonds and other tax-exempt financings and will be used to fund capital expenditures under the terms of the agreements. Restricted cash also includes amounts held in trust as a financial guarantee of our performance.

**Other Debt**

Other debt includes capital lease liabilities of \$89.2 million and \$91.8 million as of September 30, 2011 and December 31, 2010, respectively, with maturities ranging from 2013 to 2042.

**Fair Value of Debt**

The fair value of our fixed rate senior notes using quoted market rates was \$6.4 billion and \$6.0 billion at September 30, 2011 and December 31, 2010, respectively. The carrying value of our fixed rate senior notes was \$5.7 billion and \$5.4 billion at September 30, 2011 and December 31, 2010, respectively. The carrying amounts of our remaining notes payable and tax-exempt financings approximate fair value because interest rates are variable and, accordingly, approximate current market rates for instruments with similar risk and maturities. The fair value of our debt is determined as of the balance sheet date and is subject to change.

**Guarantees**

Substantially all of our subsidiaries have guaranteed our obligations under the Credit Facilities.

**Table of Contents****REPUBLIC SERVICES, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

Substantially all of our subsidiaries guarantee each series of senior notes issued by our parent company, Republic Services, Inc. Our parent company and substantially all of our subsidiaries guarantee each series of senior notes issued by our subsidiary Allied Waste North America, Inc. (AWNA Notes) and each series of senior notes issued by our subsidiary Browning-Ferris Industries, LLC (successor to Browning-Ferris Industries, Inc.) (BFI Notes). All of these guarantees would be automatically released upon the release of our subsidiaries from their guarantee obligations under the Credit Facilities, except the guarantee of Allied in the case of the AWNA Notes, and the guarantees of Allied and Allied Waste North America, Inc. in the case of the BFI Notes.

We have guaranteed some of the tax-exempt bonds of our subsidiaries. If a subsidiary fails to meet its obligations associated with tax-exempt bonds as they come due, we will be required to perform under the related guarantee agreement.

No additional liability has been recorded for these guarantees mentioned above because the underlying obligations are reflected in our consolidated balance sheets.

**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. We also entered into interest rate swap agreements to manage risk associated with fluctuations in interest rates. The swap agreements, with a total notional value of \$210.0 million, matured in August 2011. This maturity was identical to our unsecured notes that also matured in August 2011. Under the swap agreements, we paid interest at floating rates based on changes in LIBOR and received interest at a fixed rate of 6.75%.

The following table summarizes the reduction to interest expense due to periodic settlements of active swap agreements for the three and nine months ended September 30 (in millions):

Consolidated Statement of Income Classification	Reduction to interest expense due to periodic settlements of active swap agreements	
	Three Months Ended September 30,	
	2011	2010
Interest expense	\$ 1.0	\$ 2.1
Nine Months Ended September 30,		
	2011	2010
Interest expense	\$ 5.4	\$ 6.4

From time to time, we enter into treasury and interest rate locks for the purpose of managing exposure to fluctuations in interest rates in anticipation of future debt issuances. During the first and second quarters of 2011, we entered into a number of interest rate lock agreements having an aggregate notional amount of \$725.0 million with fixed interest rates ranging from 3.10% to 4.61% to manage exposure to fluctuations in interest rates in anticipation of the planned issuance of the Notes. Upon issuance of the Notes in the second quarter of 2011, we terminated the interest rate locks and paid \$36.5 million to the counterparties. The effective portion of the interest rate locks, recorded as a component of accumulated other comprehensive income, was \$36.2 million, or \$21.2 million net of tax. The effective portion of the interest rate locks will be amortized as an increase to interest expense over the life of the issued debt. We expect to amortize \$1.4 million over the next twelve months as a yield adjustment of the Notes. This transaction was accounted for as a cash flow hedge. As of September 30, 2011, no interest rate lock cash flow hedges were outstanding.

During the first quarter of 2010, we entered into interest rate lock agreements having an aggregate notional amount of \$500.0 million to hedge interest rates in connection with the issuance of the 2020 and 2040 Notes. Upon issuance of these notes, we terminated the interest rate locks and paid approximately \$7.0 million to the counterparties. The effective portion of the interest rate locks, recorded as a component of accumulated other comprehensive income, was \$6.4 million or \$3.7 million net of tax. The effective portion of the interest rate locks will be amortized as an

## Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

increase to interest expense over the life of the issued debt, of which \$0.3 million is scheduled to be amortized over the next twelve months as a yield adjustment to the 2020 and 2040 Notes.

**Table of Contents****REPUBLIC SERVICES, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

The following table summarizes the gain (loss) on our interest rate locks (settlement and amortization) included in comprehensive income for the three and nine months ended September 30, net of tax (in millions):

	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion) Three Months Ended September 30,	
	2011	2010
Interest rate locks	\$ 0.3	\$ 0.1
	Nine Months Ended September 30,	
	2011	2010
Interest rate locks	\$ (20.7)	\$ (3.5)

**8. INCOME TAXES**

Our effective tax rate, exclusive of noncontrolling interests, for the three and nine months ended September 30, 2011 was 34.6% and 38.5%, respectively. The effective tax rate for the three months ended September 30, 2011 was lower than anticipated primarily due to the realization of approximately \$19 million of tax credits and lower state rates due to changes in estimates, of which approximately \$4 million related to our disposition of assets. For the three and nine months ended September 30, 2010 our effective tax rate was 41.5% and 41.7%, respectively. We record income tax expense based upon our anticipated full year effective income tax rate.

Income taxes paid, net of refunds, were \$131.8 million and \$330.6 million for the nine months ended September 30, 2011 and 2010, respectively.

We are subject to income tax in the United States and Puerto Rico, as well as income tax in multiple state jurisdictions. We have also acquired Allied's open tax periods as a result of the 2008 merger. Consequently, we are currently under examination or administrative review by various state and federal taxing authorities for certain tax years, including federal income tax audits for calendar years 2000 through 2010.

We recognize interest and penalties as incurred within the provision for income taxes in the consolidated statements of income. As of September 30, 2011, we have accrued a liability for penalties of \$0.7 million and interest (including interest on penalties) of \$110.4 million related to our uncertain tax positions.

We believe that the liabilities for uncertain tax positions recorded are adequate. However, during the next twelve months we believe it is reasonably possible that the amount of unrecognized tax benefits will increase or decrease. We are unable to estimate a range at this time. 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 and cash flows.

***Exchange of Partnership Interests***

In April 2002, Allied exchanged minority partnership interests in four waste-to-energy facilities for majority partnership interests in equipment purchasing businesses, which are now wholly owned subsidiaries. In November 2008, the IRS issued a formal disallowance to Allied contending that the exchange was instead a sale on which a corresponding gain should have been recognized. This issue is currently before the Appeals Division of the IRS. We believe our position is supported by relevant technical authorities and strong business purpose. Although we intend to vigorously defend our position on this matter, if the exchange is treated as a sale, we estimate it could have a potential federal and state cash tax impact of \$156.2 million plus accrued interest through September 30, 2011 of approximately \$80.7 million. In addition, the IRS has asserted a penalty of 20% of the additional income tax due. At September 30, 2011, the amount of the asserted penalty and penalty-related interest was approximately \$50.6 million. The potential tax and interest (but not penalty or penalty-related interest) for this matter have been fully reserved in our consolidated balance sheets. The successful assertion by the IRS of penalty and penalty-related interest in connection with this matter could

have a material adverse effect on our consolidated financial position, results of operations and cash flows.

***Methane Gas***

As part of its examination of Allied's 2000 through 2008 federal income tax returns, the IRS reviewed Allied's treatment of costs associated with its landfill operations. As a result of this review, the IRS has proposed that certain landfill costs be allocated to the collection and control of methane gas that is naturally produced within the landfill. The IRS' position is that the methane gas produced by a landfill is a joint product resulting from operation of the landfill and, therefore, these costs should not be expensed until the methane gas is sold or otherwise disposed.



**Table of Contents****REPUBLIC SERVICES, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

We are contesting this issue at the Appeals Division of the IRS. We believe we have several meritorious defenses, including the fact that methane gas is not actively produced for sale by us but rather arises naturally in the context of providing disposal services. Therefore, we believe that the resolution of this issue will not have a material adverse impact on our consolidated financial position, results of operations or cash flows.

**9. STOCK BASED COMPENSATION****Available Shares**

In March 2011, our Board of Directors approved the Amended and Restated Republic Services, Inc. 2007 Stock Incentive Plan (the Amended and Restated Plan). The Amended and Restated Plan was ratified by the Company's stockholders in May 2011. We currently have 22.1 million shares of common stock reserved for future grants under our Amended and Restated Plan.

**Stock Options**

We use a binomial option-pricing model to fair value our stock option grants. We recognize compensation expense on a straight-line basis over the requisite service period for each separately vesting portion of the award, or to the employee's retirement eligible date, if earlier. Expected volatility is based on the weighted average of the most recent one-year volatility and a historical rolling average volatility of our stock over the expected life of the option. The risk-free interest rate is based on Federal Reserve rates in effect for bonds with maturity dates equal to the expected term of the option. We use historical data to estimate future option exercises, forfeitures and expected life of the options. When appropriate, separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. During the nine months ended September 30, 2011 and 2010, the weighted-average estimated fair values of stock options granted were \$5.35 and \$5.27 per option, respectively, which were calculated using the following weighted-average assumptions:

	Nine Months Ended September 30,	
	2011	2010
Expected volatility	27.3%	28.6%
Risk-free interest rate	1.7%	2.4%
Dividend yield	2.7%	2.9%
Expected life (in years)	4.4	4.3
Contractual life (in years)	7	7
Expected forfeiture rate	3.0%	3.0%

The following table summarizes the stock option activity for the nine months ended September 30, 2011:

	Number of Shares (in millions)	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in millions)
Outstanding at December 31, 2010	13.6	\$ 24.97		
Granted	2.9	\$ 29.86		
Exercised	(1.5)	\$ 22.43		\$ 13.2
Forfeited or expired	(0.4)	\$ 28.79		
Outstanding at September 30, 2011	14.6	\$ 26.10	4.4	\$ 38.6

## Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

Exercisable at September 30, 2011	8.2	\$	25.02	3.5	\$	29.2
-----------------------------------	-----	----	-------	-----	----	------

During the nine months ended September 30, 2011 and 2010, compensation expense for stock options was \$10.2 million and \$9.6 million, respectively.

**Table of Contents****REPUBLIC SERVICES, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

As of September 30, 2011, total unrecognized compensation expense related to outstanding stock options was \$13.2 million, which will be recognized over a weighted average period of 1.8 years.

**Other Stock Awards**

The following table summarizes the restricted stock unit and restricted stock activity for the nine months ended September 30, 2011:

	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
Unissued at December 31, 2010	849.3	\$ 26.39		
Granted	174.3	\$ 30.01		
Vested and Issued	(226.0)	\$ 26.95		
Forfeited	(8.1)	\$ 24.97		
Unissued at September 30, 2011	789.5	\$ 27.04	0.5	\$ 22.2
Vested and unissued at September 30, 2011	389.8	\$ 26.87		

During the nine months ended September 30, 2011, our non-employee directors were awarded 82,500 restricted stock units, which vested immediately. During the nine months ended September 30, 2011, we awarded 76,699 restricted stock units to executives that vest in four equal annual installments beginning on the anniversary date of the original grant. In addition, 15,119 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 nine months ended September 30, 2011 and 2010, compensation expense related to restricted stock units and restricted stock totaled \$6.2 million and \$8.7 million, respectively.

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

In August 2011, our board of directors approved a share repurchase program pursuant to which we may repurchase up to \$750.0 million of our outstanding shares of common stock through December 31, 2013. This authorization is in addition to the \$400 million repurchase program authorized in November 2010. From November 2010 to September 30, 2011, we repurchased 16.0 million shares of our stock for \$470.2 million at a weighted average cost per share of \$29.30.

We initiated a quarterly cash dividend in July 2003. The dividend has been increased from time to time thereafter. In July 2011, the board of directors approved an increase in the quarterly dividend to \$0.22 per share. Cash dividends declared were \$232.7 million and \$222.1 million for the nine months ended September 30, 2011 and 2010, respectively. As of September 30, 2011, we recorded a quarterly dividend payable of \$81.6 million to stockholders of record at the close of business on October 3, 2011.

## Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

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

**Table of Contents****REPUBLIC SERVICES, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
<b>Basic earnings per share:</b>				
Net income attributable to Republic Services, Inc.	\$ 193,500	\$ 134,200	\$ 398,200	\$ 358,900
Weighted average common shares outstanding	373,182	384,007	377,850	382,648
Basic earnings per share	\$ 0.52	\$ 0.35	\$ 1.05	\$ 0.94
<b>Diluted earnings per share:</b>				
Net income attributable to Republic Services, Inc.	\$ 193,500	\$ 134,200	\$ 398,200	\$ 358,900
Weighted average common shares outstanding	373,182	384,007	377,850	382,648
<b>Effect of dilutive securities:</b>				
Options to purchase common stock	1,351	2,018	1,628	1,951
Unvested restricted stock awards	162	53	136	91
Weighted average common and common equivalent shares outstanding	374,695	386,078	379,614	384,690
Diluted earnings per share	\$ 0.52	\$ 0.35	\$ 1.05	\$ 0.93
<b>Antidilutive securities not included in the diluted earnings per share calculations:</b>				
Options to purchase common stock	5,215	2,294	3,462	3,112

**11. OTHER COMPREHENSIVE INCOME AND FINANCIAL INSTRUMENTS**

A summary of comprehensive income for the three and nine months ended September 30 is as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net Income	\$ 193.6	\$ 134.5	\$ 397.9	\$ 359.6
Change in value, settlements and amortization of interest rate locks, net of tax	0.3	0.1	(20.7)	(3.5)
Change in value of commodity hedges, net of tax	0.6	(1.0)	0.2	(3.1)
Change in value of fuel hedges, net of tax	(6.1)	1.2	(4.5)	(0.2)
Employee benefit plan liability adjustments, net of tax	(0.8)	2.4	0.9	2.5
Comprehensive income	187.6	137.2	373.8	355.3
Comprehensive (income) loss attributable to noncontrolling interests	(0.1)	(0.3)	0.3	(0.7)
Comprehensive income attributable to Republic Services, Inc.	\$ 187.5	\$ 136.9	\$ 374.1	\$ 354.6

## Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

The effective tax rates used to calculate the changes in other comprehensive income shown in the table above were 41.3% and 42.0% for 2011 and 2010, respectively.

### **Fuel Hedges**

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

**Table of Contents****REPUBLIC SERVICES, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

The following table summarizes our outstanding fuel hedges at September 30, 2011:

Inception Date	Commencement Date	Termination Date	Notional Amount (in Gallons per Month)	Contract Price per Gallon
November 5, 2007	January 5, 2009	December 30, 2013	60,000	\$ 3.28
March 17, 2008	January 5, 2009	December 31, 2012	50,000	3.72
March 17, 2008	January 5, 2009	December 31, 2012	50,000	3.74
September 22, 2008	January 1, 2009	December 31, 2011	150,000	4.16 - 4.17
July 10, 2009	January 1, 2011	December 31, 2011	100,000	3.05
July 10, 2009	January 1, 2012	December 31, 2012	100,000	3.20
August 8, 2011	July 1, 2012	December 31, 2012	500,000	3.84
August 8, 2011	January 1, 2013	December 31, 2013	500,000	3.83
August 8, 2011	January 1, 2014	December 31, 2014	500,000	3.82
August 8, 2011	July 2, 2012	December 31, 2012	500,000	3.84
August 8, 2011	January 7, 2013	December 30, 2013	500,000	3.82
August 9, 2011	July 1, 2012	December 31, 2012	250,000	3.80
August 9, 2011	January 1, 2013	December 31, 2013	250,000	3.83
August 9, 2011	January 1, 2014	December 31, 2014	250,000	3.82
August 9, 2011	January 6, 2014	December 29, 2014	500,000	3.83
September 30, 2011	January 6, 2014	December 29, 2014	250,000	3.69
September 30, 2011	January 7, 2013	December 30, 2013	250,000	3.70

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

The fair values of our fuel hedges are obtained from counter-parties and are determined using standard option valuation models with assumptions about commodity prices being based on those observed in underlying markets (Level 2 in the fair value hierarchy). The aggregated fair values of our outstanding fuel hedges at September 30, 2011 and December 31, 2010 were current assets of \$1.2 million and \$1.6 million, respectively, and current liabilities of \$9.1 million and \$1.9 million, respectively, and have been recorded in other current assets and other accrued liabilities in our consolidated balance sheets, respectively.

The following table summarizes the impact of our fuel hedges on our results of operations and comprehensive income for the three and nine months ended September 30 (in millions):

Derivatives in	Amount of Gain or (Loss) Recognized in	Statement of Income Classification	Amount of Realized Gain or (Loss)	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Cash Flow					
Hedging	OCI on Derivatives (Effective Portion)				
Relationships					

# Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

	Three Months Ended September 30, 2011		Three Months Ended September 30, 2010		Three Months Ended September 30, 2011		Three Months Ended September 30, 2010	
Fuel hedges	\$ (6.1)	\$ 1.2	Cost of operations	\$ 0.3	\$ (0.6)	Other expense, net	\$ (0.1)	\$ 0.1
	Nine Months Ended September 30, 2011		Nine Months Ended September 30, 2010		Nine Months Ended September 30, 2011		Nine Months Ended September 30, 2010	
Fuel hedges	\$ (4.5)	\$ (0.2)	Cost of operations	\$ 0.7	\$ (1.9)	Other income, net	\$	\$



**Table of Contents****REPUBLIC SERVICES, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED****Recycling Commodity Hedges**

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

The following table summarizes our outstanding commodity swaps at September 30, 2011:

Inception Date	Commencement Date	Termination Date	Transaction Hedged	Notional Amount (in Short Tons per Month)	Contract Price Per Short Ton
December 8, 2009	January 1, 2010	December 31, 2011	ONP	2,000	\$ 76.00
December 10, 2009	January 1, 2010	December 31, 2011	OCC	2,000	82.00
December 11, 2009	January 1, 2010	December 31, 2011	OCC	2,000	82.00
January 5, 2010	January 1, 2010	December 31, 2011	ONP	2,000	84.00
January 6, 2010	January 1, 2010	December 31, 2011	OCC	1,000	90.00
January 27, 2010	February 1, 2010	January 31, 2012	OCC	1,000	90.00
September 23, 2010	January 1, 2011	December 31, 2011	ONP	1,000	95.00
September 28, 2010	January 1, 2011	December 31, 2011	ONP	1,000	95.00
October 11, 2010	January 1, 2011	December 31, 2012	OCC	1,500	115.00

If the price per short ton of the hedging instrument (average price) as reported on the Official Board Market is less than the contract price per short ton, we receive the difference between the average price and the contract price (multiplied by the notional short tons) from the counter-party. If the price of the commodity exceeds the contract price per short ton, we pay the difference to the counter-party.

The fair values of our commodity swaps are obtained from counter-parties and are determined using standard option valuation models with assumptions about commodity prices being based on those observed in underlying markets (Level 2 in the fair value hierarchy).

We entered into costless collar agreements on forecasted sales of up to 25,000 short tons of OCC and ONP a month. The agreements involve combining a purchased put option giving us the right to sell up to 25,000 short tons of OCC and ONP monthly at an established floor strike price with a written call option obligating us to deliver up to 25,000 short tons of OCC and ONP monthly at an established cap strike price. The puts and calls have the same settlement dates, are net settled in cash on such dates and have the same terms to expiration. The contemporaneous combination of options resulted in no net premium for us and represent costless collars. Under the agreements, no payments will be made or received by us, 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 be required to pay the counterparty an amount equal to the excess of the settlement price over the cap times the monthly volumes hedged. Also, if the settlement price is below the floor, the counterparty will be required to pay us the deficit of the settlement price below the floor times the monthly volumes hedged. The objective of these agreements is to reduce the variability of the cash flows of the forecasted sales of OCC and ONP between two designated strike prices.

**Table of Contents****REPUBLIC SERVICES, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

The following costless collar hedges were outstanding at September 30, 2011:

Inception Date	Commencement Date	Termination Date	Transaction Hedged	Notional Amount (in Short Tons per Month)	Floor Strike Price Per Short Ton	Cap Strike Price Per Short Ton
December 8, 2010	January 1, 2011	December 31, 2012	OCC	2,000	\$ 80.00	\$ 180.00
December 8, 2010	January 1, 2011	December 31, 2012	OCC	2,000	86.00	210.00
December 8, 2010	January 1, 2011	December 31, 2012	OCC	2,000	81.00	190.00
December 8, 2010	January 1, 2011	December 31, 2012	OCC	2,000	85.00	195.00
December 8, 2010	January 1, 2011	December 31, 2012	OCC	2,000	87.00	195.00
January 19, 2011	February 1, 2011	December 31, 2012	OCC	2,500	90.00	155.00
January 19, 2011	February 1, 2011	December 31, 2012	OCC	2,500	90.00	155.00
April 15, 2011	July 1, 2011	December 31, 2012	OCC	2,000	90.00	155.00
April 15, 2011	July 1, 2011	December 31, 2012	OCC	2,000	90.00	155.00
April 26, 2011	July 1, 2011	December 31, 2012	ONP	1,000	90.00	165.00
April 26, 2011	July 1, 2011	December 31, 2012	ONP	1,000	90.00	165.00
August 1, 2011	January 1, 2012	December 31, 2012	ONP	2,000	85.00	135.00
August 1, 2011	January 1, 2012	December 31, 2012	ONP	2,000	85.00	135.00

The costless collar hedges are recorded on the balance sheet at fair value. The fair values of the costless collars are obtained from the counter party and 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 commodity hedges at September 30, 2011 and December 31, 2010 were current assets of \$1.0 million and \$1.9 million, respectively, and current liabilities of \$5.1 million and \$6.5 million, respectively, and have been recorded in other current assets and other accrued liabilities in our consolidated balance sheets, respectively.

The following table summarizes the impact of our commodity hedges on our results of operations and comprehensive income for the three and nine months ended September 30 (in millions):

Derivatives in  Cash Flow  Hedging  Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)		Statement of Income Classification	Amount of Realized Gain or (Loss)		Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	Three Months Ended September 30,			Three Months Ended September 30,			Three Months Ended September 30,	
	2011	2010		2011	2010		2011	2010
Recycling commodity hedges	\$ 0.6	\$ (1.0)	Revenue	\$ (2.8)	\$ (0.2)	Other income, net	\$	\$ (0.1)

# Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

	Nine Months Ended September 30,			Nine Months Ended September 30,			Nine Months Ended September 30,	
	2011	2010		2011	2010		2011	2010
Recycling commodity hedges	\$ 0.2	\$ (3.1)	Revenue	\$ (6.8)	\$ (2.0)	Other income, net	\$	\$ (0.2)

**Table of Contents****REPUBLIC SERVICES, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED****Fair Value Measurements**

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

As of September 30, 2011 and December 31, 2010, our assets and liabilities that are measured at fair value on a recurring basis include the following (in millions):

	Total as of September 30, 2011	Fair Value Measurements Using Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Restricted cash and marketable securities	\$ 160.5	\$ 160.5	\$	\$
Fuel hedges - other current assets	1.2		1.2	
Commodity hedges - other current assets	1.0		1.0	
<b>Total assets</b>	<b>\$ 162.7</b>	<b>\$ 160.5</b>	<b>\$ 2.2</b>	<b>\$</b>
<b>Liabilities:</b>				
Fuel hedges - other accrued liabilities	\$ 9.1	\$	\$ 9.1	\$
Commodity hedges - other accrued liabilities	5.1		5.1	
<b>Total liabilities</b>	<b>\$ 14.2</b>	<b>\$</b>	<b>\$ 14.2</b>	<b>\$</b>

	Total as of December 31, 2010	Fair Value Measurements Using Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Restricted cash and marketable securities	\$ 172.8	\$ 172.8	\$	\$
Fuel hedges - other current assets	1.6		1.6	
Commodity hedges - other current assets	1.9		1.9	
Interest rate swaps - other assets	5.2		5.2	
<b>Total assets</b>	<b>\$ 181.5</b>	<b>\$ 172.8</b>	<b>\$ 8.7</b>	<b>\$</b>
<b>Liabilities:</b>				
Fuel hedges - other accrued liabilities	\$ 1.9	\$	\$ 1.9	\$
Commodity hedges - other accrued liabilities	6.5		6.5	

## Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

Total liabilities	\$	8.4	\$		\$	8.4	\$
-------------------	----	-----	----	--	----	-----	----

### 12. SEGMENT REPORTING

Our operations are managed and evaluated through four regions: Eastern, Midwestern, Southern and Western. These four regions are presented below as our reportable segments. These reportable segments provide integrated waste management services consisting of collection, transfer, recycling and disposal of domestic non-hazardous solid waste.

**Table of Contents****REPUBLIC SERVICES, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

Summarized financial information concerning our reportable segments for the three and nine months ended September 30, 2011 and 2010 is shown in the following tables (in millions):

	Gross Revenue	Intercompany Revenue	Net Revenue	Depreciation, Amortization, Depletion and Accretion	Operating Income (Loss)	Capital Expenditures	Total Assets
<b>Three Months Ended September 30, 2011:</b>							
Eastern	\$ 638.6	\$ (95.6)	\$ 543.0	\$ 52.7	\$ 121.3	\$ 56.8	\$ 4,472.2
Midwestern	578.0	(103.2)	474.8	54.6	101.2	55.3	3,812.7
Southern	598.8	(80.0)	518.8	57.6	118.6	57.2	4,892.5
Western	670.7	(117.1)	553.6	56.7	125.7	60.1	5,520.9
Corporate entities	30.1	(4.1)	26.0	12.8	(58.3)	(15.0)	757.9
Total	\$ 2,516.2	\$ (400.0)	\$ 2,116.2	\$ 234.4	\$ 408.5	\$ 214.4	\$ 19,456.2

**Three Months Ended September 30, 2010:**

Eastern	\$ 618.8	\$ (90.3)	\$ 528.5	\$ 52.4	\$ 107.3	\$ 40.1	\$ 4,429.7
Midwestern	562.6	(107.3)	455.3	54.3	95.3	41.8	3,661.1
Southern	576.5	(79.6)	496.9	55.3	115.9	57.0	4,860.7
Western	684.1	(127.2)	556.9	56.6	125.3	62.1	5,521.1
Corporate entities	28.4	(4.3)	24.1	13.1	(76.2)	(15.0)	985.4
Total	\$ 2,470.4	\$ (408.7)	\$ 2,061.7	\$ 231.7	\$ 367.6	\$ 186.0	\$ 19,458.0

	Gross Revenue	Intercompany Revenue	Net Revenue	Depreciation, Amortization, Depletion and Accretion	Operating Income (Loss)	Capital Expenditures	Total Assets
<b>Nine Months Ended September 30, 2011:</b>							
Eastern	\$ 1,856.0	\$ (274.5)	\$ 1,581.5	\$ 151.7	\$ 375.7	\$ 172.0	\$ 4,472.2
Midwestern	1,654.6	(294.2)	1,360.4	161.0	278.0	171.1	3,812.7
Southern	1,764.0	(236.4)	1,527.6	169.6	348.5	164.4	4,892.5
Western	1,976.8	(350.5)	1,626.3	167.7	366.6	184.8	5,520.9
Corporate entities	84.2	(12.3)	71.9	38.0	(182.9)	3.8	757.9
Total	\$ 7,335.6	\$ (1,167.9)	\$ 6,167.7	\$ 688.0	\$ 1,185.9	\$ 696.1	\$ 19,456.2

**Nine Months Ended September 30, 2010:**

Eastern	\$ 1,830.7	\$ (267.9)	\$ 1,562.8	\$ 156.9	\$ 358.0	\$ 124.9	\$ 4,429.7
Midwestern	1,633.3	(305.5)	1,327.8	160.8	284.9	160.0	3,661.1
Southern	1,726.9	(237.2)	1,489.7	170.3	356.1	144.9	4,860.7
Western	1,999.8	(370.8)	1,629.0	162.2	387.3	158.6	5,521.1
Corporate entities	90.3	(13.8)	76.5	38.7	(236.6)	(17.0)	985.4
Total	\$ 7,281.0	\$ (1,195.2)	\$ 6,085.8	\$ 688.9	\$ 1,149.7	\$ 571.4	\$ 19,458.0

## Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

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

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

**Table of Contents****REPUBLIC SERVICES, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2011		2010		2011		2010	
Collection:								
Residential	\$ 538.3	25.4%	\$ 548.4	26.6%	\$ 1,601.6	26.0%	\$ 1,629.2	26.8%
Commercial	625.9	29.6	624.6	30.3	1,871.5	30.3	1,868.8	30.7
Industrial	397.5	18.8	387.4	18.8	1,141.7	18.5	1,118.8	18.4
Other	8.5	0.4	7.3	0.4	24.4	0.4	21.1	0.3
Total collection	1,570.2	74.2	1,567.7	76.1	4,639.2	75.2	4,637.9	76.2
Transfer and disposal	778.5		778.2		2,219.0		2,262.0	
Less: Intercompany	(380.8)		(394.5)		(1,112.8)		(1,152.4)	
Transfer and disposal, net	397.7	18.8	383.7	18.6	1,106.2	17.9	1,109.6	18.2
Sale of recycling materials	111.4	5.3	72.2	3.5	317.0	5.2	221.0	3.6
Other non-core	36.9	1.7	38.1	1.8	105.3	1.7	117.3	2.0
Other	148.3	7.0	110.3	5.3	422.3	6.9	338.3	5.6
Total revenue	\$ 2,116.2	100.0%	\$ 2,061.7	100.0%	\$ 6,167.7	100.0%	\$ 6,085.8	100.0%

Other revenue consists primarily of sales of recycled materials and revenue from National Accounts. National Accounts revenue included in other revenue represents the portion of revenue generated from nationwide contracts in markets outside our operating areas, and, as such, 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.

**13. COMMITMENTS AND CONTINGENCIES****Legal Proceedings**

We are subject to extensive and evolving laws and regulations and have implemented our own safeguards to respond to regulatory requirements. In the normal course of conducting our operations, we become involved in legal proceedings. Some of these actions may result in fines, penalties or judgments against us, which may impact earnings and cash flows for a particular period. Although we cannot predict the ultimate outcome of any legal matter with certainty, except as described below or in Note 8, *Income Taxes*, in the discussion of our outstanding tax dispute with the IRS, we do not believe that 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, legal proceedings refers to litigation and similar claims against us and our subsidiaries, excluding: (i) 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-Self-Insurance Reserves*; (ii) tax-related matters, which are discussed in Note 8, *Income Taxes*; and (iii) 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 \$113 million relating to our outstanding legal proceedings as of September 30, 2011, including those described herein and others



## Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

not specifically identified herein. As of the end of each applicable reporting period, we review each of our legal proceedings and, where it is probable that a liability has been incurred, we accrue for all probable and reasonably estimable losses. Where we are able to reasonably estimate a range of losses we may incur with respect to such a matter, we record an accrual for the amount within the range that constitutes our best estimate. If we are able to reasonably estimate a range but no amount within the range appears to be a better estimate than any other, we use the amount that is the low end of such range. If we used the high ends of such ranges, our aggregate potential liability would have been approximately \$107 million higher than the amount recorded as of September 30, 2011.

### *Countywide Matters*

In September 2009, Republic Services of Ohio II, LLC (Republic-Ohio) entered into Final Findings and Orders with the Ohio Environmental Protection Agency that require us to implement a comprehensive operation and maintenance program to manage the remediation area at the Countywide Recycling and Disposal Facility (Countywide). The remediation liability for Countywide recorded as of September 30, 2011 is \$63.0 million, of which \$5.1 million is expected to be paid during the next twelve months. We believe the reasonably possible range of loss for remediation costs is \$54 million to \$75 million.

**Table of Contents****REPUBLIC SERVICES, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

In a suit filed on October 8, 2008 in the Tuscarawas County Ohio Court of Common Pleas, approximately 700 individuals and businesses located in the area around Countywide sued Republic Services, Inc. and Republic-Ohio for alleged negligence and nuisance. Republic-Ohio has owned and operated Countywide since February 1, 1999. Waste Management, Inc. and Waste Management Ohio, Inc., previous owners and operators of Countywide, have been named as defendants as well. Plaintiffs allege that due to the acceptance of a specific waste stream and operational issues and conditions, the landfill has generated odors and other unsafe emissions that have impaired the use and value of their property and may have adverse health effects. A second almost identical lawsuit was filed by approximately 82 plaintiffs on October 13, 2009 in the Tuscarawas County Ohio Court of Common Pleas against Republic Services, Inc., Republic-Ohio, Waste Management, Inc., and Waste Management Ohio, Inc. The court has consolidated the two actions. We have assumed both the defense and the liability of the Waste Management entities in the consolidated action. The relief requested on behalf of each plaintiff in the consolidated action is: (1) an award of compensatory damages according to proof in an amount in excess of \$25,000 for each of the three counts of the amended complaint; (2) an award of punitive damages in the amount of two times compensatory damages, pursuant to applicable statute, or in such amount as may be awarded at trial for each of the three counts of the amended complaint; (3) costs for medical screening and monitoring of each plaintiff; (4) interest on the damages according to law; (5) costs and disbursements of the lawsuit; (6) reasonable fees for attorneys and expert witnesses; and (7) any other and further relief as the court deems just, proper and equitable. Plaintiffs filed an amended consolidated complaint on September 9, 2010, which no longer asserts a claim for medical monitoring. As a result of various dismissals of plaintiffs, this case presently consists of approximately 600 plaintiffs. Discovery is ongoing. In February 2011, the court granted our motion to dismiss plaintiffs' qualified statutory nuisance claims. We will continue to vigorously defend against the plaintiffs' allegations in the consolidated action.

***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 and 5% for 2009, and is accruing at a rate of 4% thereafter. Management anticipates that post-judgment interest could accrue through the middle of 2012 for a total of up to \$9.0 million. We appealed to the Court of Appeals, and on May 19, 2011 the court reduced the punitive damages award to \$7.0 million. The Ohio Supreme Court has granted plaintiff's and defendants' petitions for review of the appellate decision. It is reasonably possible that following all appeals a final judgment of liability for compensatory and punitive damages may be assessed against us related to this matter.

***Litigation Related to Fuel and Administrative Fees***

On November 20, 2009, Klingler's European Bake Shop & Deli, Inc., filed a complaint against BFI Waste Services, LLC in the Circuit Court of Jefferson County, Alabama, in which plaintiff complains about fuel recovery fees and administrative fees charged. The complaint purports to be filed on behalf of a class of similarly situated plaintiffs in Alabama. This complaint asserts various legal and equitable theories of recovery and alleges in essence that the fees were not properly disclosed, were unfair, and were contrary to contract. Class-certification-related discovery is underway. Plaintiff's deadline for moving for class certification is November 10, 2011. Plaintiff has not specified the amount of damages sought. Although the range of reasonably possible loss cannot be estimated, we do not believe that this matter will have a material impact on our consolidated financial positions, results of operations or cash flows. We will continue to vigorously defend the claims in this lawsuit.

***Contracting Matter***

We discovered actions of non-compliance by one of our subsidiaries with the subcontracting provisions of certain government contracts in one of our markets. We reported the discovery to, and expect further discussions with, law enforcement authorities and other authorities. Such non-compliance could result in payments by us in the form of restitution, damages, or penalties, or the loss of future business in the affected market or markets. Based on the information currently available to us, including our expectation that our self-disclosure will be viewed favorably by the applicable authorities, we presently believe that the resolution of the matter, while it may have a material impact on our results of operations or cash flows in the period in which it is recognized or paid, will not have a material adverse effect on our consolidated financial position.



**Table of Contents**

**REPUBLIC SERVICES, INC.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

***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.

In August 2010, Congress Development Company 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 for Congress recorded as of September 30, 2011 is \$84.0 million, of which \$7.6 million is expected to be paid during the next twelve months. We believe the reasonably possible range of loss for remediation costs is \$43 million to \$143 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 2,550 plaintiffs sued our subsidiaries Allied Transportation and Allied Waste Industries, Inc., CDC and Sexton. 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 April 29, 2011, plaintiffs filed a motion for leave to amend their complaint to seek punitive damages, and that motion is fully briefed.

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. The court entered an order dismissing Allied Waste Industries, Inc. without prejudice on October 26, 2010. Discovery is ongoing. We intend to vigorously defend against the plaintiffs' allegations in this action.

***Livingston Matter***

On October 13, 2009, the Twenty-First Judicial District Court, Parish of Livingston, State of Louisiana, issued its Post Class Certification Findings of Fact and Conclusions of Law in a lawsuit alleging nuisance from the activities of the CECOS hazardous waste facility located in Livingston Parish, Louisiana. The court granted class certification for all those living within a six mile radius of the CECOS site between the years 1977 and 1990. We appealed the class certification order. On August 17, 2011, the court of appeals granted a joint motion to remand the case to the trial court for the parties to finalize a proposed settlement. The parties executed a proposed settlement agreement on September 15, 2011. The Court preliminarily approved the agreement on September 26, 2011 and will conduct a fairness hearing on December 8, 2011.

***Multi-Employer Pension Plans***

We contribute to 28 multi-employer pension plans under collective bargaining agreements covering union-represented employees. Approximately 20% of our total current employees are participants in such multi-employer plans. These plans generally provide retirement benefits to participants based on their service to contributing employers. We do not administer these multi-employer 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 trustees. We generally are not represented on the boards of trustees.

Under current law regarding multi-employer benefit plans, a plan's termination, our voluntary withdrawal (which we consider from time to time), or the mass withdrawal of all contributing employers from any under-funded, multi-employer pension plan would require us to make payments to the plan for our proportionate share of the multi-employer plan's unfunded vested liabilities. In the near future, as to any one or more of these plans, we may voluntarily withdraw from the plan, there may be a mass withdrawal of employees contributing to the plan or the plan may terminate. We could have adjustments to our estimates for these matters in the near term that could have a material adverse effect on our consolidated financial condition, results of operations and cash flows.

**Table of Contents****REPUBLIC SERVICES, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED****Restricted Cash and Marketable Securities**

Our restricted cash deposits and marketable securities include, among other things, restricted cash held for capital expenditures under certain debt facilities, restricted cash and marketable securities used to settle claims related to our self insurance programs, 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 are as follows (in millions):

	September 30, 2011	December 31, 2010
Financing proceeds	\$ 25.4	\$ 39.8
Capping, closure and post-closure obligations	54.5	61.8
Self-insurance	73.4	63.8
Other	7.2	7.4
<b>Total restricted cash and marketable securities</b>	<b>\$ 160.5</b>	<b>\$ 172.8</b>

**Off-Balance Sheet Arrangements**

We have no off-balance sheet debt or similar obligations, other than operating leases and the financial assurances discussed above, 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.

**14. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS**

We are the primary obligor under certain of the Senior Notes issued by us. Substantially all of our subsidiaries have jointly and severally guaranteed these notes. All of the subsidiary guarantors are 100% wholly owned direct or indirect subsidiaries of the parent, and all guarantees are full, unconditional and joint and several with respect to principal, interest and liquidated damages, if any. As such, we present condensed consolidating balance sheets as of September 30, 2011 and December 31, 2010, condensed consolidating statements of income for the three and nine months ended September 30, 2011 and 2010, and cash flows for the nine months ended September 30, 2011 and 2010 for each of Republic Services, Inc. (Parent), guarantor subsidiaries and the other non-guarantor subsidiaries with any consolidating adjustments.

**Table of Contents****REPUBLIC SERVICES, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED****Condensed Consolidating Balance Sheets****(in millions)**

	Parent	Guarantors	September 30, 2011 Non-Guarantors	Eliminations	Consolidated
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 11.5	\$ 58.1	\$ 3.0	\$	\$ 72.6
Accounts receivable, net		835.1	66.2		901.3
Prepaid expenses and other current assets	68.3	84.2	23.4		175.9
Deferred tax assets	94.4		10.2		104.6
Total current assets	174.2	977.4	102.8		1,254.4
Restricted cash and marketable securities	25.4	48.8	86.3		160.5
Property and equipment, net	52.4	6,155.8	500.7		6,708.9
Goodwill		10,646.7			10,646.7
Other intangible assets, net	16.9	410.7			427.6
Investment and net advances to affiliate	14,962.9	68.0	151.4	(15,182.3)	
Other assets	107.1	96.6	54.4		258.1
Total assets	\$ 15,338.9	\$ 18,404.0	\$ 895.6	\$ (15,182.3)	\$ 19,456.2
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Current liabilities:					
Accounts payable	\$ 195.4	\$ 297.4	\$ 22.4	\$	\$ 515.2
Notes payable and current maturities of long-term debt	0.6	7.5	1.6		9.7
Deferred revenue		304.8	2.0		306.8
Accrued landfill and environmental costs, current portion		190.2			190.2
Accrued interest	60.5	22.3			82.8
Other accrued liabilities	363.3	203.8	185.7		752.8
Total current liabilities	619.8	1,026.0	211.7		1,857.5
Long-term debt, net of current maturities	5,981.5	1,026.9	13.2		7,021.6
Accrued landfill and environmental costs, net of current portion		1,142.5	271.0		1,413.5
Deferred income taxes and other long-term tax liabilities	1,078.3		(8.6)		1,069.7
Self-insurance reserves, net of current portion		76.9	224.2		301.1
Other long-term liabilities	46.9	77.7	53.7		178.3
Commitments and contingencies					
Stockholders' equity:					
Common stock	4.0				4.0
Other equity	7,608.4	15,054.0	128.3	(15,182.3)	7,608.4
Total Republic Services, Inc. stockholders' equity	7,612.4	15,054.0	128.3	(15,182.3)	7,612.4
Noncontrolling interests			2.1		2.1
Total stockholders' equity	7,612.4	15,054.0	130.4	(15,182.3)	7,614.5

Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

Total liabilities and stockholders' equity	\$ 15,338.9	\$ 18,404.0	\$ 895.6	\$ (15,182.3)	\$ 19,456.2
--	-------------	-------------	----------	---------------	-------------

**Table of Contents****REPUBLIC SERVICES, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED****Condensed Consolidating Balance Sheets****(in millions)**

	Parent	Guarantors	December 31, 2010 Non-Guarantors	Eliminations	Consolidated
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 14.5	\$ 71.1	\$ 2.7	\$	\$ 88.3
Accounts receivable, net		800.6	28.3		828.9
Prepaid expenses and other current assets	112.0	74.8	20.6		207.4
Deferred tax assets	111.2		10.3		121.5
<b>Total current assets</b>	<b>237.7</b>	<b>946.5</b>	<b>61.9</b>		<b>1,246.1</b>
Restricted cash and marketable securities	39.8	47.0	86.0		172.8
Property and equipment, net	47.2	6,280.6	370.7		6,698.5
Goodwill		10,655.3			10,655.3
Other intangible assets, net	21.8	429.5			451.3
Investment and net advances to affiliate	13,513.9	40.9	149.1	(13,703.9)	
Other assets	88.2	94.7	55.0		237.9
<b>Total assets</b>	<b>\$ 13,948.6</b>	<b>\$ 18,494.5</b>	<b>\$ 722.7</b>	<b>\$ (13,703.9)</b>	<b>\$ 19,461.9</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Current liabilities:					
Accounts payable	\$ 89.7	\$ 500.2	\$ 16.6	\$	\$ 606.5
Notes payable and current maturities of long-term debt	392.2	484.5	1.8		878.5
Deferred revenue		291.6	3.5		295.1
Accrued landfill and environmental costs, current portion		182.0			182.0
Accrued interest	61.4	31.7			93.1
Other accrued liabilities	222.3	200.5	198.5		621.3
<b>Total current liabilities</b>	<b>765.6</b>	<b>1,690.5</b>	<b>220.4</b>		<b>2,676.5</b>
Long-term debt, net of current maturities	4,090.8	1,760.0	14.3		5,865.1
Accrued landfill and environmental costs, net of current portion		1,148.1	268.5		1,416.6
Deferred income taxes and other long-term tax liabilities	1,053.3		(8.5)		1,044.8
Self-insurance reserves, net of current portion		97.7	206.8		304.5
Other long-term liabilities	192.4	58.6	54.5		305.5
Commitments and contingencies					
Stockholders' equity:					
Common stock	4.0				4.0
Other equity	7,842.5	13,739.6	(35.7)	(13,703.9)	7,842.5
<b>Total Republic Services, Inc. stockholders' equity</b>	<b>7,846.5</b>	<b>13,739.6</b>	<b>(35.7)</b>	<b>(13,703.9)</b>	<b>7,846.5</b>
Noncontrolling interests			2.4		2.4
<b>Total stockholders' equity</b>	<b>7,846.5</b>	<b>13,739.6</b>	<b>(33.3)</b>	<b>(13,703.9)</b>	<b>7,848.9</b>



Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

Total liabilities and stockholders' equity	\$ 13,948.6	\$ 18,494.5	\$ 722.7	\$ (13,703.9)	\$ 19,461.9
--	-------------	-------------	----------	---------------	-------------

**Table of Contents****REPUBLIC SERVICES, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED****Condensed Consolidating Statements of Income****(in millions)**

	Three Months Ended September 30, 2011				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenue	\$	\$ 2,028.3	\$ 107.7	\$ (19.8)	\$ 2,116.2
Expenses:					
Cost of operations	1.5	1,185.8	92.5	(19.8)	1,260.0
Depreciation, amortization and depletion	5.7	198.3	11.0		215.0
Accretion		19.2	0.2		19.4
Selling, general and administrative	33.1	166.9	7.5		207.5
Loss on disposition of assets and impairments, net	1.3	4.5			5.8
Operating (loss) income	(41.6)	453.6	(3.5)		408.5
Interest expense	(75.5)	(32.7)	(0.1)		(108.3)
Loss on extinguishment of debt		(6.0)			(6.0)
Interest income	(1.5)	(1.9)	3.4		
Other (expense) income, net	(4.7)	6.5			1.8
Equity in earnings of subsidiaries	199.8	3.1	0.8	(203.7)	
Intercompany interest income (expense)	112.6	(130.3)	17.7		
Income before income taxes	189.1	292.3	18.3	(203.7)	296.0
Provision for income taxes	(4.4)	100.0	6.8		102.4
Net income	193.5	192.3	11.5	(203.7)	193.6
Net loss attributable to noncontrolling interests			(0.1)		(0.1)
Net income attributable to Republic Services, Inc.	\$ 193.5	\$ 192.3	\$ 11.4	\$ (203.7)	\$ 193.5

	Nine Months Ended September 30, 2011				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenue	\$	\$ 5,974.4	\$ 246.6	\$ (53.3)	\$ 6,167.7
Expenses:					
Cost of operations	5.3	3,511.4	194.1	(53.3)	3,657.5
Depreciation, amortization and depletion	16.9	592.5	20.0		629.4
Accretion		58.0	0.6		58.6
Selling, general and administrative	105.7	487.5	18.3		611.5
(Gain) loss on disposition of assets and impairments, net	(1.1)	25.9			24.8
Operating (loss) income	(126.8)	1,299.1	13.6		1,185.9
Interest expense	(201.2)	(134.3)	0.1		(335.4)
Loss on extinguishment of debt	(1.9)	(205.4)			(207.3)
Interest income	(5.9)	(4.4)	10.6		0.3
Other (expense) income, net	(12.2)	14.4	1.6		3.8
Equity in earnings of subsidiaries	649.4	8.7	2.3	(660.4)	
Intercompany interest income (expense)	(81.4)	57.8	23.6		

Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

Income before income taxes	220.0	1,035.9	51.8	(660.4)	647.3
Provision for income taxes	(178.2)	408.4	19.2		249.4
Net income	398.2	627.5	32.6	(660.4)	397.9
Net income attributable to noncontrolling interests			0.3		0.3
Net income attributable to Republic Services, Inc.	\$ 398.2	\$ 627.5	\$ 32.9	\$ (660.4)	\$ 398.2

**Table of Contents****REPUBLIC SERVICES, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED****Condensed Consolidating Statements of Income****(in millions)**

	Three Months Ended September 30, 2010				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenue	\$	\$ 2,000.8	\$ 79.7	\$ (18.8)	\$ 2,061.7
Expenses:					
Cost of operations	0.4	1,175.5	67.8	(18.8)	1,224.9
Depreciation, amortization and depletion	5.6	201.6	4.4		211.6
Accretion		9.5	10.6		20.1
Selling, general and administrative	48.1	158.3	3.0		209.4
Loss on disposition of assets and impairments, net		25.5			25.5
Restructuring charges		2.6			2.6
Operating (loss) income	(54.1)	427.8	(6.1)		367.6
Interest expense	(53.9)	(68.2)	0.1		(122.0)
Loss on extinguishment of debt	(1.4)	(18.0)			(19.4)
Interest income		0.2	0.2		0.4
Other (expense) income, net	2.1	0.9	0.1		3.1
Equity in earnings of subsidiaries	104.6	4.3	1.0	(109.9)	
Intercompany interest income (expense)	152.6	(166.9)	14.3		
Income before income taxes	149.9	180.1	9.6	(109.9)	229.7
Provision for income taxes	15.7	75.9	3.6		95.2
Net income	134.2	104.2	6.0	(109.9)	134.5
Net income attributable to noncontrolling interests			(0.3)		(0.3)
Net income attributable to Republic Services, Inc.	\$ 134.2	\$ 104.2	\$ 5.7	\$ (109.9)	\$ 134.2

	Nine Months Ended September 30, 2010				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenue	\$	\$ 5,913.1	\$ 224.5	\$ (51.8)	\$ 6,085.8
Expenses:					
Cost of operations	3.7	3,455.4	172.7	(51.8)	3,580.0
Depreciation, amortization and depletion	15.8	601.2	11.4		628.4
Accretion		18.3	42.2		60.5
Selling, general and administrative	145.3	476.3	8.9		630.5
Loss on disposition of assets and impairments, net		27.1			27.1
Restructuring charges		9.6			9.6
Operating (loss) income	(164.8)	1,325.2	(10.7)		1,149.7
Interest expense	(151.8)	(236.1)	0.9		(387.0)
Loss on extinguishment of debt	(1.5)	(150.0)	(0.2)		(151.7)
Interest income	(2.0)	(2.5)	5.0		0.5
Other (expense) income, net	3.4	1.3			4.7

Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

Equity in earnings of subsidiaries	296.3	17.0	2.6	(315.9)	
Intercompany interest income (expense)	419.0	(473.1)	54.1		
Income before income taxes	398.6	481.8	51.7	(315.9)	616.2
Provision for income taxes	39.7	197.3	19.6		256.6
Net income	358.9	284.5	32.1	(315.9)	359.6
Net income attributable to noncontrolling interests			(0.7)		(0.7)
Net income attributable to Republic Services, Inc.	\$ 358.9	\$ 284.5	\$ 31.4	\$ (315.9)	\$ 358.9

**Table of Contents****REPUBLIC SERVICES, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED****Condensed Consolidating Statements of Cash Flows****(in millions)**

	Nine Months Ended September 30, 2011				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
<b>Cash (Used in) Provided by Operating Activities:</b>					
Net income	\$ 398.2	\$ 627.5	\$ 32.6	\$ (660.4)	\$ 397.9
Equity in earnings of subsidiaries, net of taxes	(649.4)	(8.7)	(2.3)	660.4	
Other adjustments	(172.3)	1,054.7	6.5		888.9
<b>Cash (Used in) Provided by Operating Activities</b>	<b>(423.5)</b>	<b>1,673.5</b>	<b>36.8</b>		<b>1,286.8</b>
<b>Cash (Used in) Provided by Investing Activities:</b>					
Purchases of property and equipment		(661.1)	(35.0)		(696.1)
Proceeds from sales of property and equipment		23.4			23.4
Cash used in acquisitions, net of cash acquired		(40.8)			(40.8)
Cash proceeds from divestitures, net of cash divested		14.2			14.2
Change in restricted cash and marketable securities	14.4	(1.8)	(0.3)		12.3
Other		(2.2)			(2.2)
<b>Change in investment and net advances to affiliate</b>	<b>(419.2)</b>			<b>419.2</b>	
<b>Cash (Used in) Provided by Investing Activities</b>	<b>(404.8)</b>	<b>(668.3)</b>	<b>(35.3)</b>	<b>419.2</b>	<b>(689.2)</b>
<b>Cash Provided by (Used in) Financing Activities:</b>					
Proceeds from notes payable and long-term debt	1,137.5				1,137.5
Proceeds from issuance of senior notes, net of discount	1,844.9				1,844.9
Payments of notes payable and long-term debt	(1,479.5)	(1,346.9)	(1.2)		(2,827.6)
Premiums paid on extinguishment of debt		(89.6)			(89.6)
Fees paid to issue and retire senior notes and certain hedging relationships	(57.9)	(0.9)			(58.8)
Issuances of common stock	35.6				35.6
Excess income tax benefit from stock option exercises	2.4				2.4
Purchases of common stock for treasury	(429.9)				(429.9)
Cash dividends paid	(227.8)				(227.8)
<b>Change in investment and net advances from parent</b>		<b>419.2</b>		<b>(419.2)</b>	
<b>Cash Provided by (Used in) Financing Activities</b>	<b>825.3</b>	<b>(1,018.2)</b>	<b>(1.2)</b>	<b>(419.2)</b>	<b>(613.3)</b>
<b>(Decrease) Increase in Cash and Cash Equivalents</b>	<b>(3.0)</b>	<b>(13.0)</b>	<b>0.3</b>		<b>(15.7)</b>
Cash and Cash Equivalents at Beginning of Period	14.5	71.1	2.7		88.3
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 11.5</b>	<b>\$ 58.1</b>	<b>\$ 3.0</b>	<b>\$</b>	<b>\$ 72.6</b>

**Table of Contents****REPUBLIC SERVICES, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED****Condensed Consolidating Statements of Cash Flows****(in millions)**

	Nine Months Ended September 30, 2010				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
<b>Cash Provided by (Used in) Operating Activities:</b>					
Net income	\$ 358.9	\$ 284.5	\$ 32.1	\$ (315.9)	\$ 359.6
Equity in earnings of subsidiaries, net of taxes	(296.3)	(17.0)	(2.6)	315.9	
Other adjustments	99.6	533.2	(28.7)		604.1
<b>Cash Provided by (Used in) Operating Activities</b>	<b>162.2</b>	<b>800.7</b>	<b>0.8</b>		<b>963.7</b>
<b>Cash (Used in) Provided by Investing Activities:</b>					
Purchases of property and equipment		(559.7)	(11.7)		(571.4)
Proceeds from sales of property and equipment		17.4			17.4
Cash used in acquisitions, net of cash acquired		(21.4)			(21.4)
Cash proceeds from divestitures, net of cash divested		50.6			50.6
Change in restricted cash and marketable securities	(6.6)	31.9	7.7		33.0
Other		(0.6)			(0.6)
Change in investment and net advances to affiliate	(1,164.0)	(300.0)		1,464.0	
<b>Cash (Used in) Provided by Investing Activities</b>	<b>(1,170.6)</b>	<b>(781.8)</b>	<b>(4.0)</b>	<b>1,464.0</b>	<b>(492.4)</b>
<b>Cash Provided by (Used in) Financing Activities:</b>					
Proceeds from notes payable and long-term debt	1,069.5				1,069.5
Proceeds from issuance of senior notes, net of discount	1,499.4				1,499.4
Payments of notes payable and long-term debt	(1,397.3)	(1,064.8)	(301.2)		(2,763.3)
Premiums paid on extinguishment of debt		(30.4)			(30.4)
Fees paid to issue and retire senior notes and certain hedging relationships	(23.7)				(23.7)
Issuances of common stock	67.1				67.1
Excess income tax benefit from stock option exercises	2.9				2.9
Purchases of common stock for treasury	(1.4)				(1.4)
Cash dividends paid	(217.7)				(217.7)
Distributions paid to noncontrolling interest			(1.2)		(1.2)
Change in investment and net advances from parent		1,164.0	300.0	(1,464.0)	
<b>Cash Provided by (Used in) Financing Activities</b>	<b>998.8</b>	<b>68.8</b>	<b>(2.4)</b>	<b>(1,464.0)</b>	<b>(398.8)</b>
<b>(Decrease) Increase in Cash and Cash Equivalents</b>	<b>(9.6)</b>	<b>87.7</b>	<b>(5.6)</b>		<b>72.5</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>101.8</b>	<b>(62.6)</b>	<b>8.8</b>		<b>48.0</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 92.2</b>	<b>\$ 25.1</b>	<b>\$ 3.2</b>	<b>\$</b>	<b>\$ 120.5</b>





**Table of Contents****ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

You should read the following discussion in conjunction with the unaudited consolidated financial statements and notes thereto included under Item 1. In addition, you should refer to our audited consolidated financial statements and notes thereto and related *Management's Discussion and Analysis of Financial Condition and Results of Operations* appearing in our Annual Report on Form 10-K for the year ended December 31, 2010.

**Overview**

We are the second largest provider of services in the domestic non-hazardous solid waste industry, as measured by revenue. We provide non-hazardous solid waste collection services for commercial, industrial, municipal and residential customers through 339 collection companies in 39 states and Puerto Rico. We own or operate 193 transfer stations, 192 active solid waste landfills and 73 recycling facilities. We also operate 70 landfill gas and renewable energy projects.

Revenue for the nine months ended September 30, 2011 increased to \$6,167.7 million compared to \$6,085.8 million for the same period in 2010. Core price for the nine months ended September 30, 2011 increased 0.9%, fuel surcharges increased 1.0%, and commodity revenue increased 1.4%. Offsetting this revenue growth of 3.3% were decreases of 1.4% due to the expiration of our San Mateo County contract and our transportation and disposal contract with the City of Toronto effective December 31, 2010, 0.5% from volume declines and 0.1% related to divestitures.

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2011		2010		2011		2010	
Revenue	\$ 2,116.2	100.0%	\$ 2,061.7	100.0%	\$ 6,167.7	100.0%	\$ 6,085.8	100.0%
Expenses:								
Cost of operations	1,260.0	59.6	1,224.9	59.4	3,657.5	59.3	3,580.0	58.8
Depreciation, amortization and depletion of property and equipment	195.5	9.2	193.9	9.4	572.3	9.3	575.5	9.4
Amortization of other intangible assets and other assets	19.5	0.9	17.7	0.9	57.1	0.9	52.9	0.9
Accretion	19.4	0.9	20.1	1.0	58.6	1.0	60.5	1.0
Selling, general and administrative	207.5	9.8	209.4	10.2	611.5	9.9	630.5	10.4
Loss on disposition of assets and impairments, net	5.8	0.3	25.5	1.2	24.8	0.4	27.1	0.4
Restructuring charges			2.6	0.1			9.6	0.2
Operating income	\$ 408.5	19.3%	\$ 367.6	17.8%	\$ 1,185.9	19.2%	\$ 1,149.7	18.9%

Our pre-tax income was \$296.0 million and \$647.3 million for the three and nine months ended September 30, 2011, respectively, versus \$229.7 million and \$616.2 million for the comparable 2010 periods, respectively. Our net income attributable to Republic Services, Inc. was \$193.5 million and \$398.2 million for the three and nine months ended September 30, 2011, or \$0.52 and \$1.05 per diluted share, respectively, versus \$134.2 million and \$358.9 million, or \$0.35 and \$0.93 per diluted share for the comparable 2010 periods, respectively.

During each of the three and nine month periods ended September 30, we recorded a number of charges and other expenses and benefits that impacted our pre-tax income, net income attributable to Republic Services, Inc. (Net Income - Republic) and diluted earnings per share as noted in the following table (in millions, except per share data). Additionally, see our *Income Taxes* discussion contained in the Results of Operations section of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

**Table of Contents**

	Three Months Ended September 30, 2011			Three Months Ended September 30, 2010		
	Pre-tax Income	Net Income - Republic	Diluted Earnings per Share	Pre-tax Income	Net Income - Republic	Diluted Earnings per Share
As reported	\$ 296.0	\$ 193.5	\$ 0.52	\$ 229.7	\$ 134.2	\$ 0.35
Loss on extinguishment of debt	6.0	5.8	0.01	19.4	9.2	0.02
Costs to achieve synergies				7.4	4.5	0.01
Restructuring charges				2.6	1.6	0.01
Loss on disposition of assets and impairments, net	5.8	(0.8)		25.5	23.3	0.06
Adjusted	\$ 307.8	\$ 198.5	\$ 0.53	\$ 284.6	\$ 172.8	\$ 0.45

	Nine Months Ended September 30, 2011			Nine Months Ended September 30, 2010		
	Pre-tax Income	Net Income - Republic	Diluted Earnings per Share	Pre-tax Income	Net Income - Republic	Diluted Earnings per Share
As reported	\$ 647.3	\$ 398.2	\$ 1.05	\$ 616.2	\$ 358.9	\$ 0.93
Loss on extinguishment of debt	207.3	127.3	0.33	151.7	92.5	0.24
Costs to achieve synergies				25.0	15.3	0.04
Restructuring charges				9.6	5.9	0.02
Loss on disposition of assets and impairments, net	24.8	17.6	0.05	27.1	24.2	0.06
Adjusted	\$ 879.4	\$ 543.1	\$ 1.43	\$ 829.6	\$ 496.8	\$ 1.29

We believe that the presentation of adjusted pre-tax income, adjusted net income attributable to Republic Services, Inc. and adjusted diluted earnings per share, which are not measures determined in accordance with generally accepted accounting principles in the United States (U.S. GAAP), provide an understanding of operational activities before the financial impact of certain non-operational 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. Comparable charges and costs have been incurred in prior periods, and similar types of adjustments can reasonably be expected to be recorded in future periods. Our definition of adjusted pre-tax income, adjusted net income attributable to Republic Services, Inc. and adjusted diluted earnings per share may not be comparable to similarly titled measures presented by other companies.

*Loss on Extinguishment of Debt.* During the three and nine months ended September 30, 2011 and 2010, we completed refinancing transactions that resulted in cash paid for premiums and professional fees to repurchase outstanding debt as well as the non-cash write-off of unamortized debt discounts and deferred issuance costs. For more detailed discussion of the components of these costs and the debt series to which they relate, see our *Loss on Extinguishment of Debt* discussion contained in the Results of Operations section of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

*Costs to achieve synergies.* During the three and nine months ended September 30, 2010, we incurred \$7.4 million and \$25.0 million, respectively, of incremental costs to achieve our synergy plan that are recorded in selling, general and administrative expenses. These incremental costs primarily related to a synergy incentive plan as well as other integration costs. We expect to pay amounts earned under the synergy incentive plan during the first quarter of 2012.

*Restructuring charges.* During the three and nine months ended September 30, 2010, we incurred \$2.6 million and \$9.6 million, respectively, of restructuring and integration charges related to our acquisition of Allied. These charges consisted of severance and other employee termination and relocation benefits as well as consulting and professional fees. Substantially all of these charges were recorded in our corporate segment. As of September 30, 2011, \$0.4 million remains accrued for severance and other employee termination benefits. We expect that the majority of these charges will be paid during 2011.

*Loss on Disposition of Assets and Impairments, Net.* During the three and nine months ended September 30, 2011, we recorded a loss on disposition of assets and impairments, net of \$5.8 million and \$24.8 million, respectively. For more detailed discussion of the components of these costs, see our *Loss on Disposition of Assets and Impairments, Net* discussion contained in the Results of Operations section of this

## Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

Management's Discussion and Analysis of Financial Condition and Results of Operations. Additionally, see our *Income Taxes* discussion contained in the Results of Operations section of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

**Table of Contents****Results of Operations****Revenue**

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

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2011		2010		2011		2010	
Collection:								
Residential	\$ 538.3	25.4%	\$ 548.4	26.6%	\$ 1,601.6	26.0%	\$ 1,629.2	26.8%
Commercial	625.9	29.6	624.6	30.3	1,871.5	30.3	1,868.8	30.7
Industrial	397.5	18.8	387.4	18.8	1,141.7	18.5	1,118.8	18.4
Other	8.5	0.4	7.3	0.4	24.4	0.4	21.1	0.3
Total collection	1,570.2	74.2	1,567.7	76.1	4,639.2	75.2	4,637.9	76.2
Transfer and disposal	778.5		778.2		2,219.0		2,262.0	
Less: Intercompany	(380.8)		(394.5)		(1,112.8)		(1,152.4)	
Transfer and disposal, net	397.7	18.8	383.7	18.6	1,106.2	17.9	1,109.6	18.2
Sale of recycling materials	111.4	5.3	72.2	3.5	317.0	5.2	221.0	3.6
Other non-core	36.9	1.7	38.1	1.8	105.3	1.7	117.3	2.0
Other	148.3	7.0	110.3	5.3	422.3	6.9	338.3	5.6
Total revenue	\$ 2,116.2	100.0%	\$ 2,061.7	100.0%	\$ 6,167.7	100.0%	\$ 6,085.8	100.0%

Approximately 50% of our annual revenue is restricted as to the amount of certain pricing changes. Such restrictions on price increases include but are not limited to the following:

Price changes based upon fluctuation in a specific index as defined in the contract;

Fixed price increases based on stated contract terms; or

Price changes based on cost plus a specific profit margin or other measurement.

Of these restricted pricing arrangements, approximately 70% are based on a consumer price index, 20% are fixed arrangements with the remainder based upon a cost plus or other specific arrangement. The consumer price index varies from either a single historical stated period of

## Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

time or an average of trailing historical rates over a stated period of time. In addition, many pricing resets lag between the measurement period and the date the revised pricing goes into effect. As a result, current changes in a specific index, such as the consumer price index, may not manifest themselves in our reported pricing for several quarters into the future.

**Table of Contents**

The following table reflects changes in our core revenue for the three and nine months ended September 30:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Core price	0.7%	1.5%	0.9%	1.7%
Fuel surcharges	1.2	0.5	1.0	0.7
Recycling Commodities	1.7	0.6	1.4	1.4
Total price	3.6	2.6	3.3	3.8
Volume	0.3	(2.5)	(0.5)	(4.3)
San Mateo and Toronto contract losses	(1.4)		(1.4)	
Total internal growth	2.5	0.1	1.4	(0.5)
Acquisitions / divestitures, net	0.1	(0.7)	(0.1)	(1.3)
Total	2.6%	(0.6)%	1.3%	(1.8)%

During the three and nine months ended September 30, 2011, our total price increased 3.6% and 3.3% primarily due to core price increases, increases in fuel surcharges, and commodity price increases. Our San Mateo County contract and our transportation and disposal contract with the City of Toronto ended effective December 31, 2010, which reduced our internal revenue growth by 1.4%. Volume growth for the three months ended September 30, 2011 was positive primarily due to special waste and construction and demolition volumes in our landfill line of business, partially offset by decreases in the collection and transfer station lines of business due to the challenging economic environment.

***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 who transport our waste to disposal facilities and costs for local operators who provide waste handling services associated with our National Accounts in markets outside our standard operating areas; fuel, which includes the direct cost of fuel used by our vehicles, net of fuel credits; disposal franchise fees and taxes consisting of landfill taxes, municipal franchise fees, host community fees and royalties; landfill operating costs, which includes landfill accretion, financial assurance, leachate disposal and other landfill maintenance costs; risk management, which includes casualty insurance premiums and claims; cost of goods sold, which includes material costs paid to suppliers associated with recycling commodities; and other, which includes expenses such as facility operating costs, equipment rent and gains or losses on sale of assets used in our operations.

**Table of Contents**

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

	Three Months Ended September 30,				Nine Months Ended September 30,							
	2011		2010		2011		2010					
Labor and related benefits	\$	387.7	18.3%	\$	392.9	19.1%	\$	1,148.4	18.6%	\$	1,152.3	18.9%
Transfer and disposal costs		166.9	7.9		173.8	8.4		483.2	7.8		503.7	8.3
Maintenance and repairs		166.0	7.8		158.4	7.7		471.4	7.6		459.8	7.6
Transportation and subcontract costs		118.2	5.6		118.6	5.8		330.2	5.4		354.1	5.8
Fuel		133.3	6.3		101.8	4.9		388.2	6.3		299.8	4.9
Franchise fees and taxes		103.7	4.9		101.2	4.9		296.2	4.8		296.5	4.9
Landfill operating costs		34.0	1.6		31.2	1.5		92.9	1.5		95.9	1.6
Risk management		39.9	1.9		52.5	2.5		129.9	2.1		135.6	2.2
Cost of goods sold		41.8	2.0		24.7	1.2		113.8	1.9		75.6	1.2
Other		68.5	3.2		69.8	3.4		203.3	3.3		206.7	3.4
Total cost of operations	\$	1,260.0	59.5%	\$	1,224.9	59.4%	\$	3,657.5	59.3%	\$	3,580.0	58.8%

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

Our cost of operations as a percentage of revenue increased 0.1% and 0.5% for the three and nine months ended September 30, 2011, respectively, versus the comparable 2010 periods, primarily as a result of the following:

Average fuel costs per gallon for the three and nine months ended September 30, 2011 were \$3.87 and \$3.84, respectively, versus \$2.94 for the comparable 2010 periods, an increase of \$0.93 and \$0.90 or 31.6% and 30.6%, respectively.

Cost of goods sold increased primarily as a result of changes in the market prices of commodities for the three and nine months ended September 30, 2011 versus the comparable 2010 periods. Average prices for old corrugated cardboard (OCC) for the three and nine months ended September 30, 2011 were \$172.57 per ton and \$165.04 per ton, respectively, versus \$132.72 per ton and \$137.33 per ton for the comparable 2010 periods, an increase of \$39.85 per ton and \$27.71 per ton or 30.0% and 20.2%, respectively. Average prices of old newspaper (ONP) for the three and nine months ended September 30, 2011 were \$152.93 per ton and \$150.59 per ton, respectively, versus \$104.40 per ton and \$106.24 per ton for the comparable 2010 periods, an increase of \$48.53 per ton and \$44.35 per ton or 46.5% and 41.7%, respectively.

The increases were partially offset by:

A decline in labor and related benefits primarily due to increased productivity primarily due to automation of our residential fleet and lower collection volumes.

A decline in transfer and disposal costs during the three and nine months ended September 30, 2011 versus the comparable 2010 periods primarily due to the divestiture of transfer stations in 2010 as well as overall lower collection volumes.

A decline in transportation and subcontract costs during the three and nine months ended September 30, 2011 versus the comparable 2010 periods primarily due to the expiration of our San Mateo County contract and our transportation and disposal contract with the City of Toronto. Partially offsetting these decreases in the three months ended September 30, 2011 were increases due to subcontract expenses and fuel surcharges related to project work with certain of our National Accounts customers.

A decline in risk management costs as we experienced higher favorable actuarial development during the three months ended September 30, 2011 versus the comparable 2010 period. Our insurance premium costs also decreased during the three and nine months ended September 30, 2011 versus the comparable 2010 periods due to our continued focus on safety as well as increased retention limits in certain of our insurance programs.

During the three and nine months ended September 30, 2011, approximately 66% of the total waste volume that we collected was disposed at landfill sites that we own or operate (internalization), versus 67% for the comparable 2010 periods.



**Table of Contents*****Depreciation, Amortization and Depletion of Property and Equipment***

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

	Three Months Ended September 30, 2011		2010		Nine Months Ended September 30, 2011		2010	
Depreciation and amortization of property and equipment	\$ 128.3	6.0%	\$ 128.1	6.2%	\$ 384.3	6.2%	\$ 384.0	6.3%
Landfill depletion and amortization	67.2	3.2	65.8	3.2	188.0	3.1	191.5	3.1
Depreciation, amortization and depletion expense	\$ 195.5	9.2%	\$ 193.9	9.4%	\$ 572.3	9.3%	\$ 575.5	9.4%

Depreciation, amortization and depletion expenses for property and equipment were \$195.5 million and \$572.3 million or, as a percentage of revenue, 9.2% and 9.3% for the three and nine months ended September 30, 2011, respectively, versus \$193.9 million and \$575.5 million or, as a percentage of revenue, 9.4% for the comparable 2010 periods.

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

Amortization of intangible and other assets was \$19.5 million and \$57.1 million or, as a percentage of revenue, 0.9% for the three and nine months ended September 30, 2011, versus \$17.7 million and \$52.9 million or, as a percentage of revenue, 0.9% for the comparable 2010 periods. Our other intangible assets primarily relate to customer lists, franchise agreements, municipal contracts and agreements, tradenames and, to a lesser extent, non-compete agreements.

***Accretion Expenses***

Accretion expenses were \$19.4 million and \$58.6 million or, as a percentage of revenue, 0.9% and 1.0% for the three and nine months ended September 30, 2011, respectively, versus \$20.1 million and \$60.5 million or, as a percentage of revenue, 1.0% for the comparable 2010 periods. The amounts have remained relatively unchanged as our asset retirement obligations remained relatively consistent period over period.

***Selling, General and Administrative Expenses***

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

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

	Three Months Ended September 30, 2011		2010		Nine Months Ended September 30, 2011		2010	
Salaries	\$ 133.7	6.3%	\$ 134.0	6.5%	\$ 399.5	6.5%	\$ 402.2	6.6%
Provision for doubtful accounts	4.8	0.2	4.1	0.2	10.9	0.2	14.4	0.2
Costs to achieve synergies			7.4	0.4			25.0	0.4
Other	69.0	3.3	63.9	3.1	201.1	3.2	188.9	3.2
Total selling, general and administrative expenses	\$ 207.5	9.8%	\$ 209.4	10.2%	\$ 611.5	9.9%	\$ 630.5	10.4%

The cost categories shown above 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.

**Table of Contents**

During the three and nine months ended September 30, 2010, we incurred \$7.4 million and \$25.0 million, respectively, of incremental costs to achieve our synergy plan that are recorded in selling, general and administrative expenses. These incremental costs primarily relate to a synergy incentive plan as well as other integration costs. All costs related to the synergy plan have been accrued as of December 31, 2010. We expect to pay amounts earned under the synergy incentive plan during the first quarter of 2012.

***Loss on Disposition of Assets and Impairments, Net***

During the three and nine months ended September 30, 2011, we recorded a loss on disposition of assets and impairments, net of \$5.8 million and \$24.8 million, respectively. The components of the loss on disposition of assets and impairments, net during the three and nine months ended September 30, 2011 are as follows (in millions):

	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2011
Eastern Region asset impairment	\$ 5.9	\$ 5.9
Gain on the disposition of businesses		(17.1)
Southern Region landfill asset impairment	0.3	28.8
Western Region asset impairment		7.2
All other, net	(0.4)	
Loss on disposition of assets and impairments, net	\$ 5.8	\$ 24.8

During the nine months ended September 30, 2011, we disposed of businesses in three markets in our Southern Region resulting in a gain of \$17.1 million. In connection with these dispositions, we closed a landfill resulting in an asset impairment charge of \$28.8 million for the remaining landfill assets and the acceleration of capping, closure and post-closure obligations. Additionally, we recorded asset impairments of \$7.2 million for expected losses on the divestiture of certain businesses and related goodwill in our Western Region. These assets were subsequently sold in the third quarter of 2011 resulting in no further loss. Proceeds from dispositions of solid waste assets were \$14.2 million for the nine months ended September 30, 2011.

During the three and nine months ended September 30, 2010, we recorded a net loss on the disposition of assets and impairments of \$25.5 million and \$27.1 million, respectively. In August 2010, we divested hauling operations and two transfer stations in our Eastern Region for aggregate proceeds of approximately \$50 million and recognized a loss on disposition of \$14.7 million. Additionally, we recorded an impairment loss of \$11.5 million related to certain long lived assets that are held and used.

***Restructuring Charges***

During the three and nine months ended September 30, 2010, we incurred \$2.6 million and \$9.6 million, respectively, of restructuring and integration charges related to our acquisition of Allied. These charges consisted of severance and other employee termination and relocation benefits as well as consulting and professional fees. Substantially all of these charges were recorded in our corporate segment. As of September 30, 2011, \$0.4 million remains accrued for severance and other employee termination benefits. We expect that the majority of these charges will be paid during 2011. We did not incur any such charges during the three and nine months ended September 30, 2011.

**Table of Contents****Interest Expense**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Interest expense on debt and capital lease obligations	\$ 93.1	\$ 99.6	\$ 282.6	\$ 314.0
Accretion of debt discounts	4.8	12.3	20.9	40.9
Accretion of remediation and risk reserves	12.7	12.0	37.2	36.2
Less: capitalized interest	(2.3)	(1.9)	(5.3)	(4.1)
<b>Total interest expense</b>	<b>\$ 108.3</b>	<b>\$ 122.0</b>	<b>\$ 335.4</b>	<b>\$ 387.0</b>

The decrease in interest expense and accretion of debt discounts during the three and nine months ended September 30, 2011 versus the comparable 2010 periods is primarily due to refinancing certain of our higher interest rate debt in 2010 and 2011. Cash paid for interest was \$295.1 million and \$326.9 million for the nine months ended September 30, 2011 and 2010, respectively.

The debt we assumed from Allied was recorded at fair value as of December 5, 2008. We recorded a discount of \$624.3 million that is amortized as interest expense over the applicable terms of the related debt instruments or written-off upon refinancing. The remaining unamortized discounts as of September 30, 2011 on the outstanding debt assumed from Allied are as follows:

	Remaining Discount	Expected Amortization Over the Next Twelve Months
\$750.0 million 6.875% senior notes due June 2017	\$ 78.3	\$ 11.1
\$99.5 million 9.250% debentures due May 2021	2.1	0.1
\$360.0 million 7.400% debentures due September 2035	42.1	0.4
Other, maturing 2014 through 2018	19.9	2.9
<b>Total</b>	<b>\$ 142.4</b>	<b>\$ 14.5</b>

**Loss on Extinguishment of Debt**

During the three and nine months ended September 30, 2011 and 2010, we completed financing transactions that resulted in cash paid for premiums and professional fees to repurchase debt as well as the non-cash write-off of unamortized debt discounts and deferred issuance costs:

	Quarter	Principal Repaid	Cash Paid in Loss on Extinguishment of Debt	Non-cash Loss on Extinguishment of Debt	Total Loss on Extinguishment of Debt
<b>2011:</b>					
\$99.5 million 9.250% debentures due May 2021	First	\$ 5.0	\$ 1.5	\$ 0.3	\$ 1.8
Amendments to credit facilities	Second			1.7	1.7
\$600.0 million 7.125% senior notes due May 2016	Second	600.0	21.4	61.3	82.7
\$99.5 million 9.250% debentures due May 2021	Second	59.2	22.7	3.5	26.2
\$360.0 million 7.400% debentures due September 2035	Second	182.7	41.9	46.7	88.6
Ineffective portion of interest rate lock settlements	Second		0.3		0.3

# Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

\$360.0 million 7.400% debentures due September 2035	Third	12.0	2.8	3.2	6.0
--	-------	------	-----	-----	-----

Loss on extinguishment of debt for the nine months ended September 30, 2011		\$	90.6	\$	116.7	\$	207.3
---	--	----	------	----	-------	----	-------

## 2010:

Accounts receivable securitization program	First	\$	300.0	\$		\$	0.2	\$	0.2
\$425.0 million 6.125% senior notes due February 2014	First		425.0		8.7		44.1		52.8
\$600.0 million 7.250% senior notes due March 2015	First		600.0		21.8		57.5		79.3
Refinancing and retirement of various industrial revenue bonds	Third		20.8				19.4		19.4

Loss on extinguishment of debt for the nine months ended September 30, 2010		\$	30.5	\$	121.2	\$	151.7
---	--	----	------	----	-------	----	-------

**Table of Contents**

For a more detailed discussion, see also our Financial Condition section of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

**Income Taxes**

Our provision for income taxes was \$102.4 million and \$249.4 million for the three and nine months ended September 30, 2011, respectively, versus \$95.2 million and \$256.6 million for the comparable 2010 periods. Our effective income tax rate was 34.6% and 38.5% for the three and nine months ended September 30, 2011, respectively, versus 41.5% and 41.7% for the comparable 2010 periods. The effective tax rate for the three months ended September 30, 2011 was lower than anticipated primarily due to the realization of approximately \$19 million of tax credits and lower state rates due to changes in estimates, of which approximately \$4 million related to our disposition of assets.

In the future we may choose to divest of certain operating assets that have little or no tax basis, thereby resulting in a higher taxable gain than otherwise would be recognized. The higher taxable gain will increase our effective rate in the quarter in which the divestiture is consummated.

**Reportable Segments**

Our operations are managed and reviewed through four geographic regions that we designate as our reportable segments. Summarized financial information concerning our reportable segments for the three and nine months ended September 30, 2011 and 2010 is shown in the following table (in millions of dollars and as a percentage of revenue):

	Net Revenue	Depreciation, Amortization, Depletion and Accretion	Gain (Loss) on Disposition of Assets, Net and Asset Impairment	Operating Income (Loss)	Operating Margin
<b>Three Months Ended September 30, 2011:</b>					
Eastern	\$ 543.0	\$ 52.7	\$ (5.3)	\$ 121.3	22.3%
Midwestern	474.8	54.6	0.4	101.2	21.3
Southern	518.8	57.6	(0.2)	118.6	22.9
Western	553.6	56.7	0.5	125.7	22.7
Corporate entities	26.0	12.8	(1.2)	(58.3)	
Total	\$ 2,116.2	\$ 234.4	\$ (5.8)	\$ 408.5	19.3%
<b>Three Months Ended September 30, 2010:</b>					
Eastern	\$ 528.5	\$ 52.4	\$ (15.8)	\$ 107.3	20.3%
Midwestern	455.3	54.3	(0.4)	95.3	20.9
Southern	496.9	55.3	1.5	115.9	23.3
Western	556.9	56.6	(0.3)	125.3	22.5
Corporate entities	24.1	13.1	(10.5)	(76.2)	
Total	\$ 2,061.7	\$ 231.7	\$ (25.5)	\$ 367.6	17.8%

**Table of Contents**

	Net Revenue	Depreciation, Amortization, Depletion and Accretion	Gain (Loss) on Disposition of Assets, Net and Asset Impairment	Operating Income (Loss)	Operating Margin
<b>Nine Months Ended September 30, 2011:</b>					
Eastern	\$ 1,581.5	\$ 151.7	\$ (8.9)	\$ 375.7	23.8%
Midwestern	1,360.4	161.0	(0.2)	278.0	20.4
Southern	1,527.6	169.6	(11.9)	348.5	22.8
Western	1,626.3	167.7	(4.9)	366.6	22.5
Corporate entities	71.9	38.0	1.1	(182.9)	
Total	\$ 6,167.7	\$ 688.0	\$ (24.8)	\$ 1,185.9	19.2%
<b>Nine Months Ended September 30, 2010:</b>					
Eastern	\$ 1,562.8	\$ 156.9	\$ (16.4)	\$ 358.0	22.9%
Midwestern	1,327.8	160.8	(0.8)	284.9	21.5
Southern	1,489.7	170.3	1.1	356.1	23.9
Western	1,629.0	162.2	(0.4)	387.3	23.8
Corporate entities	76.5	38.7	(10.6)	(236.6)	
Total	\$ 6,085.8	\$ 688.9	\$ (27.1)	\$ 1,149.7	18.9%

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

Significant changes in the revenue and operating margins of our reportable segments comparing the three and nine months ended September 30, 2011 with the comparable 2010 periods are discussed in the following paragraphs. The results of our reportable segments affected by the disposition of certain assets and liabilities in the normal course of business are noted below where significant.

***Eastern Region***

Revenue for the three and nine months ended September 30, 2011 benefited from core price growth in all lines of business except residential collection and an increase in commodity recycling revenue. Volume increases in our residential collection and landfill lines of business also helped to increase our revenue.

For the three and nine months ended September 30, 2011, operating margins were 22.3% and 23.8%, respectively, versus 20.3% and 22.9% for the comparable 2010 periods.

The increase in operating margins for the three months ended September 30, 2011 versus the comparable 2010 period is due primarily to favorable adjustments to landfill depletion and amortization expense for asset retirement obligations of \$2.3 million in 2011 as well as lower subcontract and transportation costs as a result of a decline in subcontracted volumes, lower risk management costs and a lower loss on the disposition of assets and impairments. During the three months ended September 30, 2011 we recorded losses on the disposition of assets and impairments of \$5.3 million versus \$15.8 million for the comparable 2010 period. These favorable items were partially offset by higher fuel costs.

The increase in operating margins for the nine months ended September 30, 2011 versus the comparable 2010 period is due primarily to favorable adjustments to landfill depletion and amortization expense for asset retirement obligations of \$9.0 million versus \$0.2 million in 2010 as well as lower disposal, subcontract and transportation costs as a result of a decline in subcontracted volumes and a lower loss on the disposition of assets and impairments. During the nine months ended September 30, 2011 we recorded losses on the disposition of assets and impairments of \$8.9 million versus \$16.4 million for the comparable 2010 period. These favorable items were partially offset by higher fuel costs.





## **Table of Contents**

### ***Midwestern Region***

Revenue for the three and nine months ended September 30, 2011 benefited from core price growth in all lines of business and an increase in recycling commodity revenue. These increases were offset by volume declines in residential collection and transfer and disposal lines of business, in part due to the expiration of the City of Toronto transportation and disposal contract.

For the three and nine months ended September 30, 2011, operating margins were 21.3% and 20.4%, respectively, versus 20.9% and 21.5% for the comparable 2010 periods.

The increase in operating margins for the three months ended September 30, 2011 versus the comparable 2010 period is due primarily to lower disposal, subcontract and transportation costs as a result of a decline in subcontracted volumes and lower risk management costs. These favorable items were partially offset by higher fuel and higher sales and marketing costs.

The decrease in operating margins for the nine months ended September 30, 2011 versus the comparable 2010 period is due primarily to higher fuel and sales and marketing costs and legal settlements partially offset by lower disposal, subcontract and transportation costs.

### ***Southern Region***

Revenue for the three and nine months ended September 30, 2011 benefited from core price growth in all lines of business, except residential collection and transfer, an increase in landfill volume and an increase in commodity recycling revenue. These increases were partially offset by volume declines in our residential collection line of business.

For the three and nine months ended September 30, 2011, operating margins were 22.9% and 22.8%, respectively, versus 23.3% and 23.9% for the comparable 2010 periods.

The decrease in operating margins for the three months ended September 30, 2011 versus the comparable 2010 period is due primarily to higher fuel and truck maintenance costs partially offset by lower disposal and risk management costs.

The decrease in operating margins for the nine months ended September 30, 2011 versus the comparable 2010 period is due primarily to the early closure of a landfill resulting in an impairment charge of \$28.8 million for the write-off of the remaining landfill assets and the acceleration of capping, closure and post-closure obligations, partially offset by a gain of \$17.1 million relating to the disposition of businesses in three markets during the second quarter of 2011. Additionally, margins were affected by higher fuel costs, partially offset by lower disposal costs, during the nine months ended September 30, 2011 versus the comparable 2010 period.

### ***Western Region***

Revenue for the three and nine months ended September 30, 2011 benefited from core price growth in all lines of business and an increase in recycling commodity revenues. Partially offsetting these increases were volume declines in all lines of business, primarily due to the expiration of our San Mateo County contract.

For the three and nine months ended September 30, 2011, operating margins were 22.7% and 22.5%, respectively, versus 22.5% and 23.8% for the comparable 2010 periods.

The increase in operating margins for the three months ended September 30, 2011 versus the comparable 2010 period is due primarily to lower labor, benefit and disposal costs due to the expiration of our San Mateo County contract and lower risk management costs, partially offset by higher fuel costs.

The decrease in operating margins for the nine months ended September 30, 2011 versus the comparable 2010 period is due primarily to losses on dispositions of assets and impairments during the nine months ended September 30, 2011 of \$4.9 million from the divestiture of a business versus \$0.4 million for the comparable 2010 period and higher fuel costs in the current period. Additionally, in the first quarter of 2010, there was a favorable \$5.7 million adjustment to landfill depletion and amortization expense for asset retirement obligations. These unfavorable items were partially offset by lower labor, benefit and disposal costs due to the expiration of our San Mateo County contract.



**Table of Contents****Corporate Entities**

For the three and nine months ended September 30, 2011, operating loss improved \$17.9 million and \$53.7 million, respectively, versus the comparable 2010 periods. During the three and nine months ended September 30, 2010, we incurred \$7.4 million and \$25.0 million, respectively, of incremental costs to achieve our synergy plan and \$2.6 million and \$9.6 million, respectively, of restructuring and integration charges related to our acquisition of Allied, as well as higher litigation costs in the prior year periods. Additionally, during the nine months ended September 30, 2010, we recorded an impairment loss of \$11.5 million related to certain long lived assets that were held and used. We did not incur these expenses during the comparable 2011 periods.

**Landfill and Environmental Matters****Available Airspace**

The following table reflects landfill airspace activity for active landfills owned or operated by us for the nine months ended September 30, 2011:

	Balance as of December 31, 2010	New Expansions Undertaken	Landfills Acquired, Net of Divestitures	Permits Granted, Net of Closures	Airspace Consumed	Changes in Engineering Estimates	Balance as of September 30 2011
<b>Cubic yards (in millions):</b>							
Permitted airspace	4,595.5		7.9	64.1	(60.1)	0.6	4,608.0
Probable expansion airspace	149.1	49.2		(18.0)			180.3
Total cubic yards (in millions)	4,744.6	49.2	7.9	46.1	(60.1)	0.6	4,788.3
<b>Number of sites:</b>							
Permitted airspace	193		1	(2)			192
Probable expansion airspace	8	3		(2)			9

Changes in engineering estimates typically include modifications to the available disposal capacity of a landfill based on a refinement of the capacity calculations resulting from updated information. Changes in design typically include significant modifications to a landfill's footprint or vertical slopes.

As of September 30, 2011, we owned or operated 192 active solid waste landfills with total available disposal capacity estimated to be 4.8 billion in-place cubic yards. Total available disposal capacity represents the sum of estimated permitted airspace plus an estimate of probable expansion airspace. These estimates are developed at least annually by engineers utilizing information provided by annual aerial surveys. As of September 30, 2011, total available disposal capacity is estimated to be 4.6 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 deemed 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 nine months ended September 30, 2011, total available airspace increased by 43.7 million cubic yards, net, primarily due to new expansions and the recovery of past permitted airspace at our Countywide Landfill of approximately 20 million cubic yards, net, offset by 60.1 million cubic yards of airspace consumed.

As of September 30, 2011, nine of our landfills met all of our criteria for including their probable expansion airspace in our total available disposal capacity. At projected annual volumes, these landfills have an estimated remaining average life of 48 years, including probable expansion airspace. The average estimated remaining life of all of our landfills is 55 years. We have other expansion opportunities that are not included in our total available airspace because they do not meet all of our criteria to be deemed probable expansion airspace.

**Final Capping, Closure and Post-Closure Costs**

As of September 30, 2011, accrued final capping, closure and post-closure costs were \$1,048.8 million, of which \$104.1 million is current and \$944.7 million is long-term as reflected in our unaudited consolidated balance sheet in accrued landfill and environmental costs.



**Table of Contents****Environmental Remediation Liabilities**

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

*Countywide Landfill.* In September 2009, Republic Services of Ohio II, LLC entered into Final Findings and Orders with the Ohio Environmental Protection Agency that require us to implement a comprehensive operation and maintenance program to manage the remediation area at the Countywide Recycling and Disposal Facility (Countywide). The remediation liability for Countywide recorded as of September 30, 2011 is \$63.0 million, of which \$5.1 million is expected to be paid during the next twelve months. We believe the reasonably possible range of loss for remediation costs is \$54 million to \$75 million.

*West Contra Costa County Landfill.* In 2006, we were issued an Enforcement Order by the California Department of Toxic Substance Control (DTSC) for the Class 1 Hazardous waste cell at the West Contra Costa County Landfill (West County). Subsequently, we entered into a Consent Agreement with DTSC in 2007 in which we agreed to undertake certain remedial actions. The remediation liability for West County recorded as of September 30, 2011 is \$45.1 million, of which \$1.2 million is expected to be paid during the next twelve months. We believe the reasonably possible range of loss for remediation costs is \$35 million to \$62 million.

*Sunrise Landfill.* In August 2008, Republic Services of Southern Nevada (RSSN), signed a Consent Decree with the EPA, the Bureau of Land Management and Clark County, Nevada related to the Sunrise Landfill. Under the Consent Decree, RSSN has agreed to perform certain remedial actions at the Sunrise Landfill for which RSSN and Clark County were otherwise jointly and severally liable. The remediation liability for Sunrise recorded as of September 30, 2011 is \$37.0 million, of which \$25.5 million is expected to be paid during the next twelve months. We believe the reasonably possible range of loss for remediation costs is \$27 million to \$42 million.

*Congress Landfill.* In August 2010, Congress Development Company 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 for Congress recorded as of September 30, 2011 is \$84.0 million, of which \$7.6 million is expected to be paid during the next twelve months. We believe the reasonably possible range of loss for remediation costs is \$43 million to \$143 million.

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

**Investment in Landfills**

The following tables reflect changes in our investment in landfills for the nine months ended September 30, 2011 and the future expected investment as of September 30, 2011 (in millions):

	Balance as of December 31, 2010	Capital Additions	Acquisitions Net of Divestitures	Non-cash Additions for Asset Retirement Obligations	Impairments, Transfers and Other Adjustments	Adjustments for Asset Retirement Obligations	Balance as of September 30, 2011
Non-depletable landfill land	\$ 158.0	\$ 0.7	\$	\$	\$ (0.9)	\$	\$ 157.8
Landfill development costs	4,575.2	2.3	8.7	25.5	55.9	(23.6)	4,644.0
Construction-in-progress - landfill	133.2	199.8	(0.4)		(94.1)		238.5
Accumulated depletion and amortization	(1,504.6)	(199.0)	0.5		19.5	10.3	(1,673.3)
Net investment in landfill land and development costs	\$ 3,361.8	\$ 3.8	\$ 8.8	\$ 25.5	\$ (19.6)	\$ (13.3)	\$ 3,367.0

**Table of Contents**

	Balance as of September 30, 2011	Expected Future Investment	Total Expected Investment
Non-depletable landfill land	\$ 157.8	\$	\$ 157.8
Landfill development costs	4,644.0	6,298.4	10,942.4
Construction-in-progress - landfill	238.5		238.5
Accumulated depletion and amortization	(1,673.3)		(1,673.3)
Net investment in landfill land and development costs	\$ 3,367.0	\$ 6,298.4	\$ 9,665.4

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

	Nine Months Ended September 30,	
	2011	2010
Number of landfills owned or operated	192	193
Net investment, excluding non-depletable land (in millions)	\$ 3,209.2	\$ 3,159.8
Total estimated available disposal capacity (in millions of cubic yards)	4,788.3	4,723.3
Net investment per cubic yard	\$ 0.67	\$ 0.67
Landfill depletion and amortization expense (in millions)	\$ 188.0	\$ 191.5
Accretion expense (in millions)	58.6	60.5
	\$ 246.6	\$ 252.0
Airspace consumed (in millions of cubic yards)	60.1	63.3
Depletion, amortization and accretion expense per cubic yard of airspace	\$ 4.10	\$ 3.98

The increase in the investment in our landfills, in aggregate dollars, is primarily due to new expansions and acquisitions.

During the nine months ended September 30, 2011, our weighted-average compaction rate was approximately 1,800 pounds per cubic yard based on our three-year historical moving average as compared to 1,700 pounds per cubic yard for the nine months ended September 30, 2010. Our compaction rates may improve as a result of the settlement and decomposition of waste.

As of September 30, 2011, we expect to spend an estimated additional \$6.3 billion on existing landfills, primarily related to cell construction and environmental structures, over their expected remaining lives. Our total expected investment, excluding non-depletable land, estimated to be \$9.5 billion or \$1.99 per cubic yard, is used in determining our depletion and amortization expense based on airspace consumed using the units-of-consumption method.

**Table of Contents****Selected Balance Sheet Accounts**

The following tables reflect the activity in our allowance for doubtful accounts, final capping, closure, post-closure and remediation liabilities, and accrued self-insurance during the nine months ended September 30, 2011 and 2010 (in millions):

	Allowance for Doubtful Accounts	Final Capping, Closure and Post-Closure	Remediation	Self- Insurance
Balance, December 31, 2010	\$ 50.9	\$ 1,046.5	\$ 552.1	\$ 417.2
Non-cash additions		25.5		
Acquisition and other adjustments		15.1		
Asset retirement obligation adjustments		(23.6)		
Accretion expense		58.6	24.8	4.4
Additions charged to expense	10.9		4.7	275.0
Payments or usage	(15.7)	(73.3)	(26.7)	(276.4)
Balance, September 30, 2011	46.1	1,048.8	554.9	420.2
Less: Current portion	(46.1)	(104.1)	(86.1)	(119.1)
Long-term portion	\$	\$ 944.7	\$ 468.8	\$ 301.1

	Allowance for Doubtful Accounts	Final Capping, Closure and Post-Closure	Remediation	Self- Insurance
Balance, December 31, 2009	\$ 55.2	\$ 1,074.5	\$ 554.1	\$ 412.9
Non-cash additions		23.8		
Acquisition and other adjustments		1.7	1.5	
Asset retirement obligation adjustments		(10.6)		
Accretion expense		60.5	21.8	6.3
Additions charged to expense	14.4		4.6	280.0
Payments or usage	(20.8)	(62.2)	(32.2)	(290.2)
Balance, September 30, 2010	48.8	1,087.7	549.8	409.0
Less: Current portion	(48.8)	(113.3)	(100.4)	(117.8)
Long-term portion	\$	\$ 974.4	\$ 449.4	\$ 291.2

As of September 30, 2011, accounts receivable were \$901.3 million, net of allowance for doubtful accounts of \$46.1 million, resulting in days sales outstanding of 39, or 26 days net of deferred revenue. In addition, at September 30, 2011, our accounts receivable in excess of 90 days old totaled \$49.7 million, or 5.25% of gross receivables outstanding.

**Property and Equipment**

The following tables reflect the activity in our property and equipment accounts for the nine months ended September 30, 2011 (in millions):

Balance as of December 31, 2010	Capital Additions	Retirements	Gross Property and Equipment				Impairments, Transfers and Other Adjustments	Balance as of September 30, 2011
			Acquisitions, Net of Divestitures	Non-Cash Additions for Asset	Adjustments for Asset Retirement Obligations			

Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

						Retirement Obligations										
Other land	\$	391.9	\$	0.8	\$	(1.6)	\$	(1.0)	\$	(11.3)	\$	378.8				
Non-depletable landfill land		158.0		0.7						(0.9)		157.8				
Landfill development costs		4,575.2		2.3		8.7		25.5		(23.6)		55.9	4,644.0			
Vehicles and equipment		4,142.1		344.5		(120.5)		0.7				9.2	4,376.0			
Buildings and improvements		768.5		6.8		(2.0)		1.7				10.5	785.5			
Construction-in-progress - landfill		133.2		199.8				(0.4)				(94.1)	238.5			
Construction-in-progress - other		27.2		46.9				(0.1)				(20.7)	53.3			
Total	\$	10,196.1	\$	601.8	\$	(124.1)	\$	9.6	\$	25.5	\$	(23.6)	\$	(51.4)	\$	10,633.9



**Table of Contents**

	Balance as of December 31, 2010	Accumulated Depreciation, Amortization and Depletion					Balance as of September 30, 2011
		Additions Charged to Expense	Retirements	Acquisitions, Net of Divestitures	Adjustments for Asset Retirement Obligations	Impairments, Transfers and Other Adjustments	
Landfill development costs	\$ (1,504.6)	\$ (199.0)	\$	\$ 0.5	\$ 10.3	\$ 19.5	\$ (1,673.3)
Vehicles and equipment	(1,820.6)	(360.1)	108.4	18.1		(0.3)	(2,054.5)
Buildings and improvements	(172.4)	(26.4)	1.0	0.3		0.3	(197.2)
Total	\$ (3,497.6)	\$ (585.5)	\$ 109.4	\$ 18.9	\$ 10.3	\$ 19.5	\$ (3,925.0)

**Liquidity and Capital Resources**

The major components of changes in cash flows for the nine months ended September 30, 2011 and 2010 are discussed in the following paragraphs. The following table summarizes our cash flow from operating activities, investing activities and financing activities for the nine months ended September 30, 2011 and 2010 (in millions):

	Nine Months Ended September 30,	
	2011	2010
Net cash provided by operating activities	\$ 1,286.8	\$ 963.7
Net cash used in investing activities	(689.2)	(492.4)
Net cash used in financing activities	(613.3)	(398.8)

**Cash Flows Provided by Operating Activities**

The most significant items affecting the comparison of our operating cash flows for the nine months ended September 30, 2011 and 2010 are summarized below:

*Earnings increase.* Our net income increased by \$38.3 million during the nine months ended September 30, 2011 versus the comparable 2010 period.

*Changes in assets and liabilities, net of effects from business acquisitions and divestitures.* Changes in assets and liabilities decreased our cash flow from operations by \$74.9 million in the nine months ended September 30, 2011 versus a decrease of \$359.9 million in the comparable 2010 period, primarily as a result of the following:

During the nine months ended September 30, 2011, we received a net income tax refund of \$49.8 million primarily due to the December 2010 tax law change for bonus depreciation. During the nine months ended September 30, 2010 we paid \$110.6 million related to the settlement of certain tax liabilities regarding BFI risk management companies.

Total cash paid for taxes was \$131.8 million and \$330.6 million for the nine months ended September 30, 2011 and 2010, respectively, including items mentioned in the proceeding paragraph.

Cash paid for restructuring and synergy related charges was \$12.9 million lower during the nine months ended September 30, 2011 than the comparable 2010 period.

Cash paid for interest was \$31.8 million lower during the nine months ended September 30, 2011 than the comparable 2010 period due to reductions in debt balances and refinancing of our higher interest rate debt.

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



## **Table of Contents**

### ***Cash Flows Used in Investing Activities***

The most significant items affecting the comparison of our cash flows used in investing activities for the nine months ended September 30, 2011 and 2010 are summarized below:

*Capital expenditures.* Capital expenditures during the nine months ended September 30, 2011 were \$696.1 million, compared with \$571.4 million in the comparable 2010 period. During 2011, we expect our capital expenditures to approximate \$985 million. However, we expect property and equipment received during 2011 to be approximately \$865 million, which excludes \$120 million of property and equipment received during 2010 but paid for during 2011.

*Cash used in acquisitions.* During the nine months ended September 30, 2011, we acquired various solid waste businesses for which we paid \$40.8 million. During the nine months ended September 30, 2010, we completed three acquisitions of businesses for which we paid \$21.4 million.

*Cash proceeds from divestitures.* During the nine months ended September 30, 2011, we divested of certain assets in our Southern, Western and Eastern Regions for which we received \$14.2 million. During the nine month period ended September 30, 2010, we received \$50.6 million in cash proceeds, net of cash divested, primarily related to assets sold in our Eastern Region.

*Change in restricted cash and marketable securities.* Changes in our restricted cash and marketable securities balances, which are related to the issuance of tax-exempt bonds for our capital needs, collateral for certain of our obligations and amounts held in trust as a guarantee of performance, provided \$12.3 million and \$33.0 million to our investing activities during the nine months ended September 30, 2011 and 2010, respectively. Funds received from issuances of tax-exempt bonds are deposited directly into trust accounts by the bonding authority at the time of issuance. As we do not have the ability to use these funds for general operating purposes, they are classified as restricted cash in our consolidated balance sheets. Proceeds from bond issuances into restricted trust accounts represent cash used in investing activities in our consolidated statements of cash flows. Reimbursements from the trust for qualifying expenditures 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 Credit Facilities, and tax-exempt bonds and other financings. We expect to use primarily cash 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 nine months ended September 30, 2011 and 2010 are summarized below:

*Net debt repayments or borrowings.* Proceeds from notes payable and long-term debt and issuance of senior notes net of payments of notes payable and long-term debt were \$154.8 million during the nine months ended September 30, 2011 versus net payments of \$194.4 million in the comparable 2010 period. For a more detailed discussion, see our Financial Condition section of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

*Premiums and fees paid to issue and retire senior notes.* Cash premiums and fees paid in connection with the issuance of our senior notes and tax-exempt financings as well as purchasing and retiring certain indebtedness and certain hedging relationships were \$148.4 million during the nine months ended September 30, 2011 versus \$54.1 million in the comparable 2010 period.

*Purchases of common stock for treasury.* In August 2011, our board of directors approved a share repurchase program pursuant to which we may repurchase up to \$750 million of our outstanding shares of common stock through December 31, 2013. This authorization is in addition to the \$400 million repurchase program authorized in November 2010. From November 2010 to September 30, 2011, we repurchased 16.0 million shares of our stock for \$470.2 million at a weighted average cost per share of \$29.30. During the nine months ended September 30, 2011, we repurchased 14.6 million shares for \$429.1 million at a weighted average cost per share of \$29.39.

*Cash dividends paid.* We initiated a quarterly cash dividend in July 2003. The dividend has been increased from time to time thereafter. In July 2011, the board of directors approved an increase in the quarterly dividend to \$0.22 per share. Dividends paid were \$227.8 million and \$217.7 million for the nine months ended September 30, 2011 and 2010, respectively.



## **Table of Contents**

### **Financial Condition**

As of September 30, 2011, we had \$72.6 million of cash and cash equivalents, and \$160.5 million of restricted cash deposits and restricted marketable securities, including \$25.4 million of restricted cash held for capital expenditures under certain debt facilities.

### ***Credit Facilities***

In April 2011, we amended and restated our \$1.0 billion revolving credit facility due April 2012 (the Amended and Restated Credit Facility) to increase the borrowing capacity to \$1.25 billion and to extend the maturity to April 2016. The Amended and Restated Credit Facility includes a feature that will allow us to increase availability, at our option, by an aggregate amount up to \$500 million, through increased commitments from existing lenders or the addition of new lenders. At our option, borrowings under the Amended and Restated Credit Facility bear interest at a Base Rate, or a Eurodollar Rate, plus an applicable margin based on our Debt Ratings (all as defined in the agreements).

Contemporaneous with the execution of the Amended and Restated Credit Facility, we entered into Amendment No. 2, to our existing \$1.75 billion credit facility (the Existing Credit Facility and, together with the Amended and Restated Credit Facility, the Credit Facilities), to reduce the commitments under the Existing Credit Facility to \$1.25 billion and conform certain terms of the Existing Credit Facility to those of the Amended and Restated Credit Facility. Amendment No. 2 does not extend the maturity date under the Existing Credit Facility, which matures in September 2013. Substantially all of our subsidiaries continue to guarantee all obligations under the Existing Credit Facility.

As of September 30, 2011 and December 31, 2010, the interest rate for our borrowings under our Credit Facilities was 1.51% and 1.56%, respectively. Our Credit Facilities also 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. As of September 30, 2011 and December 31, 2010, we had \$120.0 million and \$75.0 million of Eurodollar Rate borrowings, respectively. We had \$919.6 million and \$1,037.5 million of letters of credit utilizing availability under our Credit Facilities, leaving \$1,460.4 million and \$1,637.5 million of availability under our Credit Facilities, at September 30, 2011 and December 31, 2010, respectively.

The agreements governing our Credit Facilities require us to comply with certain financial and other covenants. We may pay dividends and repurchase common stock if we are in compliance with these covenants. Compliance with these covenants is a condition for any incremental borrowings under our Credit Facilities and failure to meet these covenants would enable the lenders to require repayment of any outstanding loans (which would adversely affect our liquidity). At September 30, 2011, our EBITDA to interest ratio was 5.09 compared to the 3.00 minimum required by the covenants, and our total debt to EBITDA ratio was 3.02 compared to the 3.50 maximum allowed by the covenants. At September 30, 2011, we were in compliance with the covenants of the Credit Facilities, and we expect to be in compliance throughout 2011.

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.

### ***Senior Notes and Debentures***

During the three months ended September 30, 2011, our 6.750% senior notes matured. We used cash on hand and incremental borrowings under our Credit Facilities to repay \$387.0 million of principal due on these notes.

**Table of Contents**

During the three and nine months ended September 30, 2011 and 2010, we completed financing transactions that resulted in cash paid for premiums and professional fees to repurchase outstanding debt as well as the non-cash write-off of unamortized debt discounts and deferred issuance costs:

	Quarter	Principal Repaid	Cash Paid in Loss on Extinguishment of Debt	Non-cash Loss on Extinguishment of Debt	Total Loss on Extinguishment of Debt
<b>2011:</b>					
\$99.5 million 9.250% debentures due May 2021	First	\$ 5.0	\$ 1.5	\$ 0.3	\$ 1.8
Amendments to credit facilities	Second			1.7	1.7
\$600.0 million 7.125% senior notes due May 2016	Second	600.0	21.4	61.3	82.7
\$99.5 million 9.250% debentures due May 2021	Second	59.2	22.7	3.5	26.2
\$360.0 million 7.400% debentures due September 2035	Second	182.7	41.9	46.7	88.6
Ineffective portion of interest rate lock settlements	Second		0.3		0.3
\$360.0 million 7.400% debentures due September 2035	Third	12.0	2.8	3.2	6.0
Loss on extinguishment of debt for the nine months ended September 30, 2011					
			\$ 90.6	\$ 116.7	\$ 207.3
<b>2010:</b>					
Accounts receivable securitization program	First	\$ 300.0	\$	\$ 0.2	\$ 0.2
\$425.0 million 6.125% senior notes due February 2014	First	425.0	8.7	44.1	52.8
\$600.0 million 7.250% senior notes due March 2015	First	600.0	21.8	57.5	79.3
Refinancing and retirement of various industrial revenue bonds	Third	20.8		19.4	19.4
Loss on extinguishment of debt for the nine months ended September 30, 2010					
			\$ 30.5	\$ 121.2	\$ 151.7

During the three months ended June 30, 2011, we issued \$700.0 million of 3.800% senior notes due 2018 (the 3.800% Notes), \$550.0 million of 4.750% senior notes due 2023 (the 4.750% Notes) and \$600.0 million of 5.700% senior notes due 2041 (the 5.700% Notes, and together with the 3.800% Notes and the 4.750% Notes, the Notes). The Notes are unsecured and unsubordinated obligations and are guaranteed by each of our subsidiaries that also guarantees the Credit Facilities. These guarantees are general senior unsecured obligations of our subsidiary guarantors. We used the net proceeds from the Notes as follows (i) \$621.4 million to fund the redemption of our \$600.0 million 7.125% senior notes maturing in 2016; (ii) \$81.6 million to purchase \$59.2 million of our subsidiary Browning-Ferris Industries, LLC's 9.250% debentures maturing in 2021; (iii) \$221.8 million to purchase \$180.7 million of our subsidiary Browning-Ferris Industries, LLC's 7.400% debentures maturing in 2035; (iv) \$619.0 million to repay borrowings under our revolving credit facilities; and (v) the remainder for general corporate purposes.

During the three months ended June 30, 2011, our 6.375% senior notes matured. We used cash on hand and incremental borrowings under our Credit Facilities to repay \$216.9 million of principal due on these notes.

During the three months ended March 31, 2011, our 5.750% senior notes matured. We used cash on hand and incremental borrowings under our Credit Facilities to repay \$262.9 million of principal due on these notes.

In March 2010, we issued \$850.0 million of 5.00% senior notes due 2020 and \$650.0 million of 6.20% senior notes due 2040. We used the net proceeds to retire certain outstanding debt, to reduce amounts outstanding under our Credit Facilities and for general corporate purposes.

***Tax-Exempt Financings***

At September 30, 2011, we had \$1,152.3 million of tax-exempt bonds and other tax-exempt financings outstanding. Borrowings under these bonds and other financings bear interest based on fixed or floating interest rates at prevailing market rates ranging from 0.08% to 8.25% at September 30, 2011 and have maturities ranging from 2012 to 2035. As of September 30, 2011, we had \$25.4 million of restricted cash related to proceeds from tax-exempt bonds and other tax-exempt financings. This restricted cash will be used to reimburse capital expenditures under

the terms of the agreements.

Approximately 75% of our tax-exempt financings are remarketed quarterly, weekly or daily by a remarketing agent to effectively maintain a variable yield. Certain of these variable rate tax-exempt financings are credit enhanced with letters of credit having terms in excess of one year issued by banks with investment grade credit ratings. The holders of the bonds can put them back to the remarketing agent at the end of each interest period. To date, the remarketing agents have been able to remarket our variable rate unsecured tax-exempt bonds.

**Table of Contents*****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 related to premiums paid to effectuate the repurchase and the write off of the relative portion of unamortized note discounts and deferred issuance costs.

**Credit Rating**

We have received investment grade credit ratings. As of September 30, 2011, our senior debt was rated BBB, Baa3, and BBB by Standard & Poor's Rating Services, Inc., Moody's Investors Service, Inc. and Fitch, Inc., respectively.

**Off-Balance Sheet Arrangements**

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

**Free Cash Flow**

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Cash provided by operating activities	\$ 491.2	\$ 368.9	\$ 1,286.8	\$ 963.7
Purchases of property and equipment	(214.4)	(186.0)	(696.1)	(571.4)
Proceeds from sales of property and equipment	7.1	4.8	23.4	17.4
Free cash flow	\$ 283.9	\$ 187.7	\$ 614.1	\$ 409.7

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Purchases of property and equipment per the unaudited consolidated statements of cash flows	\$ 214.4	\$ 186.0	\$ 696.1	\$ 571.4



## Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

Adjustments for property and equipment received during the prior period but paid for in the following period, net	(0.2)	21.6	(94.3)	(36.0)
Property and equipment received during the period	\$ 214.2	\$ 207.6	\$ 601.8	\$ 535.4

## **Table of Contents**

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 13, *Commitments and Contingencies*, to our 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, 2010. 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 Standards**

For a description of the new accounting standards that affect us, see Note 1, *Basis of Presentation and Recently Issued Accounting Pronouncements*, to our 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, co 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;

## Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

general economic and market conditions, including the current global economic and financial market crisis, inflation and changes in commodity pricing, fuel, labor, risk and health insurance and other variable costs that are generally not within our control, and our exposure to credit and counterparty risk;

**Table of Contents**

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;

the fact that 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, to the extent not adequately covered by insurance, could result in substantial expenses;

risks associated with undisclosed liabilities of acquired businesses;

risks associated with pending and future legal proceedings, including litigation, audits or investigations brought by or before any governmental body;

severe weather conditions, which could impair our financial results by causing increased costs, loss of revenue, reduced operational efficiency or disruptions to our operations;

compliance with existing and future legal and regulatory requirements, including limitations or bans on disposal of certain types of wastes or on the transportation of waste, which could limit our ability to conduct or grow our business, increase our costs to operate or require additional capital expenditures;

## Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

workforce factors, including potential increases in our costs if we are required to provide additional funding to any multi-employer pension plan to which we contribute and the negative impact on our operations of union organizing campaigns, work stoppages or labor shortages;

the negative effect that trends toward requiring recycling, waste reduction at the source and prohibiting the disposal of certain types of wastes could have on volumes of waste going to landfills;

changes by the Financial Accounting Standards Board or other accounting regulatory bodies to generally accepted accounting principles or policies; and

acts of war, riots or terrorism, including the events taking place in the Middle East and the continuing war on terrorism, as well as actions taken or to be taken by the United States or other governments as a result of further acts or threats of terrorism, and the impact of these acts on economic, financial and social conditions in the United States.

The risks included here are not exhaustive. Refer to Part I, Item 1A Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2010 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 these 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.

## **Table of Contents**

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

#### **Fuel Price Risk**

Fuel costs represent a significant operating expense. When economically practical, we may enter into contracts or engage in other strategies to mitigate market risk. Where appropriate, we have implemented a fuel recovery fee that is designed to recover our fuel costs. While we charge these fees to a majority of our customers, we cannot 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, because the increase in revenue is more than offset by the increase in cost. Conversely, a decrease in fuel costs results in (1) a decrease in our cost of operations, (2) a smaller decrease in our revenue and (3) an increase in our operating margin percentage.

At our current consumption levels, a one-cent change in the price of diesel fuel changes our fuel costs by \$1.4 million on an annual basis, which would be partially offset by a smaller change in the fuel recovery fees charged to our customers. Accordingly, a substantial rise or drop in fuel costs could result in a material impact to our revenue and cost of operations.

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

#### **Commodities Price Risk**

We market recycled products such as cardboard and newspaper from our material recycling facilities. As a result, changes in the market prices of these items will impact our results of operations. Revenue from sales of these products during the nine months ended September 30, 2011 and 2010 was \$317.0 million and \$221.0 million, respectively.

See Note 11, *Other Comprehensive Income and Financial Instruments*, of the notes to our unaudited consolidated financial statements for further discussion of our fuel and recycling commodity hedges.

#### **Interest Rate Risk**

We are subject to interest rate risk on our variable rate long-term debt. From time to time, to reduce the risk from interest rate fluctuations, we have entered into interest rate swap contracts that have been authorized pursuant to our policies and procedures. We do not use financial instruments for trading purposes and are not a party to any leveraged derivatives.

At September 30, 2011, we had approximately \$866 million of floating rate debt. If interest rates increased or decreased by 100 basis points, annualized interest expense and cash payments for interest would increase or decrease by approximately \$9 million. This analysis does not reflect the effect that interest rates would have on other items, such as new borrowings. See Note 7, *Debt*, of the notes to our unaudited consolidated financial statements 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.

**Table of Contents****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 our own safeguards to respond to regulatory requirements. In the normal course of conducting our operations, we become involved in legal proceedings. Some of these actions may result in fines, penalties or judgments against us, which may impact earnings and cash flows for a particular period. Although we cannot predict the ultimate outcome of any legal matter with certainty, except as described below or in Note 7 to our unaudited consolidated financial statements, *Income Taxes*, in the discussion of our outstanding tax dispute with the IRS, we do not believe that 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, *legal proceedings* refers to litigation and similar claims against us and our subsidiaries, excluding: (i) 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 4 to our unaudited consolidated financial statements, *Other Liabilities-Self-Insurance Reserves*; (ii) tax-related matters, which are discussed in Note 7 to our unaudited consolidated financial statements, *Income Taxes*; and (iii) environmental remediation liabilities, which are discussed in Note 5 to our unaudited consolidated financial statements, *Landfill and Environmental Costs*. Please see our unaudited consolidated financial statements included in this Form 10-Q under Item 1 for information about these matters.

We accrue for legal proceedings when losses become probable and reasonably estimable. We have recorded an aggregate accrual of approximately \$113 million relating to our outstanding legal proceedings as of September 30, 2011, including those described herein and others not specifically identified herein. As of the end of each applicable reporting period, we review each of our legal proceedings and, where it is probable that a liability has been incurred, we accrue for all probable and reasonably estimable losses. Where we are able to reasonably estimate a range of losses we may incur with respect to such a matter, we record an accrual for the amount within the range that constitutes our best estimate. If we are able to reasonably estimate a range but no amount within the range appears to be a better estimate than any other, we use the amount that is the low end of such range. If we used the high ends of such ranges, our aggregate potential liability would have been approximately \$107 million higher than the amount recorded as of September 30, 2011.

**General Legal Proceedings*****Countywide Matter***

In a suit filed on October 8, 2008 in the Tuscarawas County Ohio Court of Common Pleas, approximately 700 individuals and businesses located in the area around Countywide sued Republic Services, Inc. and Republic-Ohio for alleged negligence and nuisance. Republic-Ohio has owned and operated Countywide since February 1, 1999. Waste Management, Inc. and Waste Management Ohio, Inc., previous owners and operators of Countywide, have been named as defendants as well. Plaintiffs allege that due to the acceptance of a specific waste stream and operational issues and conditions, the landfill has generated odors and other unsafe emissions that have impaired the use and value of their property and may have adverse health effects. A second almost identical lawsuit was filed by approximately 82 plaintiffs on October 13, 2009 in the Tuscarawas County Ohio Court of Common Pleas against Republic Services, Inc., Republic-Ohio, Waste Management, Inc., and Waste Management Ohio, Inc. The court has consolidated the two actions. We have assumed both the defense and the liability of the Waste Management entities in the consolidated action. The relief requested on behalf of each plaintiff in the consolidated action is: (1) an award of compensatory damages according to proof in an amount in excess of \$25,000 for each of the three counts of the amended complaint; (2) an award of punitive damages in the amount of two times compensatory damages, pursuant to applicable statute, or in such amount as may be awarded at trial for each of the three counts of the amended complaint; (3) costs for medical screening and monitoring of each plaintiff; (4) interest on the damages according to law; (5) costs and disbursements of the lawsuit; (6) reasonable fees for attorneys and expert witnesses; and (7) any other and further relief as the court deems just, proper and equitable. Plaintiffs filed an amended consolidated complaint on September 9, 2010, which no longer asserts a claim for medical monitoring. As a result of various dismissals of plaintiffs, this case presently consists of approximately 600 plaintiffs. Discovery is ongoing. In February 2011, the court granted our motion to dismiss plaintiffs' qualified

statutory public nuisance claims. We will continue to vigorously defend against the plaintiffs' allegations in the consolidated action.



## **Table of Contents**

### ***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 and 5% for 2009, and is accruing at a rate of 4% thereafter. Management anticipates that post-judgment interest could accrue through the middle of 2012 for a total of up to \$9.0 million. We appealed to the Court of Appeals, and on May 19, 2011 the court reduced the punitive damages award to \$7.0 million. The Ohio Supreme Court has granted plaintiff's and defendants' petitions for review of the appellate decision. It is reasonably possible that following all appeals a final judgment of liability for compensatory and punitive damages may be assessed against us related to this matter.

### ***Litigation Related to Fuel and Administrative Fees***

On November 20, 2009, Klingler's European Bake Shop & Deli, Inc., filed a complaint against BFI Waste Services, LLC in the Circuit Court of Jefferson County, Alabama, in which plaintiff complains about fuel recovery fees and administrative fees charged. The complaint purports to be filed on behalf of a class of similarly situated plaintiffs in Alabama. This complaint asserts various legal and equitable theories of recovery and alleges in essence that the fees were not properly disclosed, were unfair, and were contrary to contract. Class-certification-related discovery is underway. Plaintiff's deadline for moving for class certification is November 10, 2011. Plaintiff has not specified the amount of damages sought. Although the range of reasonably possible loss cannot be estimated, we do not believe that this matter will have a material impact on our consolidated financial positions, results of operations or cash flows. We will continue to vigorously defend the claims in this lawsuit.

### ***Compensation Matter***

Shortly after the dismissal of his 2009 lawsuit in Federal court in Delaware challenging our disclosures in our 2009 proxy statement with respect to the Executive Incentive Plan, the same stockholder sued Republic Services, Inc., its directors, and several executive officers in the Court of Chancery in Delaware. His new lawsuit, filed in May 2011, challenges certain compensation decisions that were made by the Board of Directors or its Compensation Committee. The lawsuit is purportedly brought on behalf of our company against all of our directors and several executive officers. In particular, the plaintiff's amended complaint: (1) challenges certain payments totaling \$3.05 million to be made to our former Chief Executive Officer, James O. Connor, under his June 25, 2010 Retirement Agreement; (2) contends that the company committed waste by awarding restricted stock units that vest over time (which typically would not be tax deductible) rather than awarding performance-based units (which typically would be tax deductible); (3) alleges that the Board overpaid itself by awarding directors too many restricted stock units in 2009 and 2010; and (4) alleges that the Company may not pay any bonuses under its Synergy Incentive Plan because net earnings have not increased since the merger with Allied. The amended complaint seeks injunctive relief and seeks an equitable accounting for unspecified losses the company purportedly sustained. We believe the lawsuit is without merit and is not material. The defendants will defend the lawsuit vigorously and have filed motions to dismiss the amended complaint.

### ***Contracting Matter***

We discovered actions of non-compliance by one of our subsidiaries with the subcontracting provisions of certain government contracts in one of our markets. We reported the discovery to, and have had further discussions with, law enforcement and other authorities. Such non-compliance could result in payments by us in the form of restitution, damages, or penalties, or the loss of future business in the affected market or other markets. Based on the information currently available to us, including our expectation that our self-disclosure will be viewed favorably by the applicable authorities, we presently believe that the resolution of the matter, while it may have a material impact on our results of operations or cash flows in the period in which it is recognized or paid, will not have a material adverse effect on our consolidated financial position.

### ***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.



## **Table of Contents**

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 2,550 plaintiffs sued our subsidiaries Allied Transportation and Allied Waste Industries, Inc., CDC and Sexton. 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 April 29, 2011, plaintiffs filed a motion for leave to amend their complaint to seek punitive damages, and that motion is fully briefed.

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. The court entered an order dismissing Allied Waste Industries, Inc. without prejudice on October 26, 2010. Discovery is ongoing. We intend to vigorously defend against the plaintiffs' allegations in this action.

### ***Livingston Matter***

On October 13, 2009, the Twenty-First Judicial District Court, Parish of Livingston, State of Louisiana, issued its Post Class Certification Findings of Fact and Conclusions of Law in a lawsuit alleging nuisance from the activities of the CECOS hazardous waste facility located in Livingston Parish, Louisiana. The court granted class certification for all those living within a six mile radius of the CECOS site between the years 1977 and 1990. We appealed the class certification order. On August 17, 2011, the court of appeals granted a joint motion to remand the case to the trial court for the parties to finalize a proposed settlement. The parties executed a proposed settlement agreement on September 15, 2011. The Court preliminarily approved the agreement on September 26, 2011 and will conduct a fairness hearing on December 8, 2011.

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

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

#### ***Forward Matters***

The District Attorney for San Joaquin County filed a civil action against Forward, Inc. and Allied Waste Industries, Inc. on February 14, 2008 in the Superior Court of California, County of San Joaquin. The complaint seeks civil penalties of \$2,500 for each alleged violation, but no less than \$10.0 million, and an injunction against Forward and Allied for alleged permit and regulatory violations at the Forward Landfill. The District Attorney contends that the alleged violations constitute unfair business practices under the California Business and Professions Code section 17200, et seq., by virtue of violations of Public Resources Code Division 30, Part 4, Chapter 3, Article 1, sections 44004 and 44014(b); California Code of Regulations Title 27, Chapter 3, Subchapter 4, Article 6, sections 20690(11) and 20919.5; and Health and Safety Code sections 25200, 25100, et seq., and 25500, et seq. Although the complaint is worded very broadly and does not identify specific permit or regulatory violations, the District Attorney has articulated three primary concerns in past communications, alleging that the landfill: (1) used green waste containing food as alternative daily cover, (2) exceeded its daily solid waste tonnage receipt limitations under its solid waste facility permit, and (3) received hazardous waste in violation of its permit (i.e., auto shredder waste). Additionally, the District Attorney alleges that landfill gas measured by a monitoring probe at the property boundary has exceeded an action level of five percent methane. We are vigorously defending against the allegations.

On March 2, 2011, the U.S. Environmental Protection Agency (EPA) Region IX and the San Joaquin Valley Air Pollution Control District filed a civil action against Forward, Inc. in the U.S. District Court for the Northern District of California. The complaint seeks civil penalties of up to \$75,000 for each day of alleged violation, an order directing Forward to comply with various Clean Air Act regulations and the landfill's Title V permit, and unspecified injunctive relief. The facility is jointly regulated by the EPA and the San Joaquin Valley Air Pollution Control District. The alleged violations include operating gas collection wellheads at greater than 15% oxygen, experiencing a subsurface oxidation event on multiple occasions, submitting inaccurate compliance certifications, and operating a compost facility and associated equipment without a permit. We are undergoing nonbinding mediation with the agencies as we continue to vigorously defend against the allegations.

## **Table of Contents**

### ***Sunshine Canyon Matter***

On November 17, 2009, the South Coast Air Quality Management District (SCAQMD) issued a Petition for an Order for Abatement (Petition) as a result of a series of odor complaints and notices of violation alleged to be associated with the operations at the Sunshine Canyon Landfill located in Sylmar, California (Sunshine Canyon). The Petition described eight notices of violation beginning in November 2008 and continuing to November 2009. The SCAQMD's independent Hearing Board held a series of public hearings between December 2009 and March 2010, after which it issued a final order (Order) that requires certain operational changes aimed at odor control, and further requires Sunshine Canyon to perform several studies regarding odor control techniques, equipment and site meteorology. In July 2010, the Hearing Board approved an amended Order suspending certain operational requirements contained in the initial Order pending completion of additional odor control studies. While the District prosecutor's office has stated its intention to assess a penalty on Sunshine Canyon, it has not indicated the amount or type of such a penalty. In September 2010, the County of Los Angeles Department of Public Works (Department) issued a directive to Sunshine Canyon requiring the implementation of certain corrective measures aimed at reducing odors. Since September 2010 and continuing into 2011, Sunshine Canyon has received several Notices of Violation from the SCAQMD based on confirmed odor complaints from the neighborhood near the landfill.

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

Since 2006, the Lorain County Landfill located in Lorain, Ohio has agreed to two consensual Director's Final Findings and Orders (DFFO's) issued by the Ohio Environmental Protection Agency related to operational issues, including odor nuisances. The Ohio Attorney General's office has advised us that it intends to initiate legal proceedings against our subsidiary, Lorain County Landfill, LLC, and against Lorain County LFG Power Station Energy Developments, Inc., which has operated and maintained the landfill's gas collection system, for violations that are alleged to continue to occur in violation of the DFFOs and are related to continuing alleged nuisance odors. We are engaging in discussions with representatives of the Attorney General's office to attempt to amicably resolve the State's issues and to negotiate a consent order that would be filed with the common pleas court. The Attorney General's office has communicated an initial settlement demand to Lorain County Landfill, LLC. We understand that the Attorney General's Office also is seeking a penalty against Lorain County LFG Power Station Energy Developments, Inc. The Attorney General's office also is seeking injunctive relief related to ongoing landfill operations, including the landfill gas collection and control system. Settlement discussions with the Attorney General's office are ongoing.

### ***Queen Creek Matter***

The Maricopa County Air Quality Department issued a Notice of Violation (NOV) to the Maricopa County Solid Waste Department in March 2010 and to the Town of Queen Creek (Queen Creek) and Allied Waste Industries (Arizona), Inc. (Allied Waste) in October 2010 relating to the Queen Creek Landfill (Landfill). The NOV alleges violations of the Clean Air Act relating to the Landfill while it was in operation. The Landfill was owned by Maricopa County and operated by Allied Waste under contract with Queen Creek between 1996 and 2007, at which time it was closed. The NOV alleges the failure to design, install and operate a landfill gas collection control system, failure to timely apply for an air quality permit, and failure to provide required reports relating to landfill capacity, status and closure. Under the terms of several intergovernmental agreements between Maricopa County and Queen Creek, Maricopa County agreed to be responsible for the majority of activities that are the subject of the NOV's and to indemnify Queen Creek and its contractors for Maricopa County's failure to meet its obligations under the agreements. We will vigorously defend against the allegations and seek indemnification from Maricopa County.

## **ITEM 1A. RISK FACTORS.**

There were no material changes during the nine months ended September 30, 2011 in the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2010.

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

The following table provides information relating to our purchases of shares of our common stock during the three months ended September 30, 2011:

	Total Number of Shares (or Units) Purchased (a)	Average Price Paid per Share (a)	Total Number of Shares Purchased as Part of Publicly Announced Program (b)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (c)
July 2011	265,814	\$ 29.76	265,814	\$ 88,860,900
August 2011	4,986,957	\$ 27.75	4,986,957	\$ 700,483,987
September 2011	716,411	\$ 28.92	716,411	\$ 679,767,478
	5,969,182		5,969,182	

- (a) In August 2011, our board of directors approved a share repurchase program pursuant to which we may repurchase up to \$750.0 million of our outstanding shares of common stock through December 31, 2013 (the 2011 Program). The 2011 Program was publicly announced on August 15, 2011. Previously, our board of directors approved a share repurchase program pursuant to which we were authorized to repurchase up to \$400.0 million of our outstanding shares of common stock through December 31, 2011 (the 2010 Program). The 2010 Program was publicly announced on November 4, 2010. The authorization under the 2011 Program was in addition to the authorization then remaining under the 2010 Program. During the third quarter of 2011, we completed our share purchases under the 2010 Program. Share repurchases under the programs 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 programs, the timing of any purchases, the prices and the number of shares of common stock to be purchased will be determined by our management, at its discretion, and will depend upon market conditions and other factors. The 2011 Program may be extended, suspended or discontinued at any time.
- (b) The total number of shares purchased during the three months ended September 30, 2011 includes: (i) 3,468,008 shares of common stock purchased pursuant to the 2010 Program and (ii) 2,501,174 shares of common stock purchased pursuant to the 2011 Program.
- (c) Shares that may be purchased under the program exclude shares of common stock that may be surrendered to satisfy statutory minimum tax withholding obligations in connection with the vesting of restricted stock issued to employees.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

**ITEM 4. (REMOVED AND RESERVED).****ITEM 5. OTHER INFORMATION.**

None.

**ITEM 6. EXHIBITS.**

Exhibit  
Number

Description of Exhibit

## Edgar Filing: REPUBLIC SERVICES, INC. - Form 10-Q

10.1* +	Form of Republic Services, Inc. Non-NEO Stock Option Agreement
10.2* +	Form of Republic Services, Inc. NEO Stock Option Agreement
10.3* +	Form of Republic Services, Inc. Non-NEO Restricted Stock Agreement
10.4* +	Form of Republic Services, Inc. NEO Restricted Stock Agreement
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

**Table of Contents**

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

+ Indicates a management or compensatory plan or arrangement

\* 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.

**Table of Contents**

**SIGNATURES**

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

REPUBLIC SERVICES, INC.

Date: October 27, 2011

By: /s/ TOD C. HOLMES  
**Tod C. Holmes**  
**Executive Vice President and**  
**Chief Financial Officer**  
**(Principal Financial Officer)**

Date: October 27, 2011

By: /s/ CHARLES F. SERIANNI  
**Charles F. Serianni**  
**Senior Vice President and**  
**Chief Accounting Officer**  
**(Principal Accounting Officer)**