

REPUBLIC SERVICES, INC.
Form 10-Q
April 27, 2012
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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 March 31, 2012

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)

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DELAWARE
(State or other jurisdiction of
incorporation or organization)

65-0716904
(IRS Employer
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 April 17, 2012, the registrant had outstanding 370,231,465 shares of Common Stock, par value \$.01 per share (excluding treasury shares of 33,228,427).

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

(in millions, except per share data)

| | March 31, 2012 (Unaudited) | December 31, 2011 |
|---|----------------------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 73.5 | \$ 66.3 |
| Accounts receivable, less allowance for doubtful accounts of \$45.8 and \$48.1, respectively | 808.4 | 825.8 |
| Prepaid expenses and other current assets | 152.9 | 215.9 |
| Deferred tax assets | 144.4 | 157.7 |
| Total current assets | 1,179.2 | 1,265.7 |
| Restricted cash and marketable securities | 151.4 | 189.6 |
| Property and equipment, net | 6,813.0 | 6,792.3 |
| Goodwill | 10,653.1 | 10,647.0 |
| Other intangible assets, net | 398.1 | 409.6 |
| Other assets | 261.1 | 247.3 |
| Total assets | \$ 19,455.9 | \$ 19,551.5 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 451.0 | \$ 563.6 |
| Notes payable and current maturities of long-term debt | 34.2 | 34.8 |
| Deferred revenue | 309.0 | 290.2 |
| Accrued landfill and environmental costs, current portion | 182.6 | 184.2 |
| Accrued interest | 80.3 | 72.2 |
| Other accrued liabilities | 658.7 | 752.5 |
| Total current liabilities | 1,715.8 | 1,897.5 |
| Long-term debt, net of current maturities | 6,870.3 | 6,887.0 |
| Accrued landfill and environmental costs, net of current portion | 1,402.6 | 1,396.5 |
| Deferred income taxes and other long-term tax liabilities | 1,165.0 | 1,161.1 |
| Self-insurance reserves, net of current portion | 307.5 | 303.9 |
| Other long-term liabilities | 241.0 | 222.1 |
| 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; 403.3 and 402.1 issued including shares held in treasury, respectively | 4.0 | 4.0 |
| Additional paid-in capital | 6,532.0 | 6,495.6 |
| Retained earnings | 2,225.8 | 2,164.7 |
| Treasury stock, at cost (32.5 and 32.2 shares, respectively) | (992.8) | (961.5) |
| Accumulated other comprehensive loss, net of tax | (17.3) | (21.5) |

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| | | |
|--|-------------|-------------|
| Total Republic Services, Inc. stockholders' equity | 7,751.7 | 7,681.3 |
| Noncontrolling interests | 2.0 | 2.1 |
| Total stockholders' equity | 7,753.7 | 7,683.4 |
| Total liabilities and stockholders' equity | \$ 19,455.9 | \$ 19,551.5 |

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 March 31, | |
|--|------------------------------|------------|
| | 2012 | 2011 |
| Revenue | \$ 1,982.4 | \$ 1,964.9 |
| Expenses: | | |
| Cost of operations | 1,203.2 | 1,159.7 |
| Depreciation, amortization and depletion | 213.7 | 205.8 |
| Accretion | 19.7 | 19.7 |
| Selling, general and administrative | 222.5 | 203.9 |
| Gain on disposition of assets and impairments, net | (3.6) | (0.4) |
| Operating income | 326.9 | 376.2 |
| Interest expense | (104.3) | (115.7) |
| Loss on extinguishment of debt | | (1.8) |
| Interest income | 0.3 | 0.2 |
| Other income, net | 0.2 | 1.1 |
| Income before income taxes | 223.1 | 260.0 |
| Provision for income taxes | 80.3 | 101.9 |
| Net income | 142.8 | 158.1 |
| Net loss attributable to noncontrolling interests | 0.1 | 0.1 |
| Net income attributable to Republic Services, Inc. | \$ 142.9 | \$ 158.2 |
| Basic earnings per share attributable to Republic Services, Inc. stockholders: | | |
| Basic earnings per share | \$ 0.39 | \$ 0.41 |
| Weighted average common shares outstanding | 371.0 | 382.2 |
| Diluted earnings per share attributable to Republic Services, Inc. stockholders: | | |
| Diluted earnings per share | \$ 0.38 | \$ 0.41 |
| Weighted average common and common equivalent shares outstanding | 372.5 | 384.0 |
| Cash dividends per common share | \$ 0.22 | \$ 0.20 |

The accompanying notes are an integral part of these statements.

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

| | Three Months Ended March 31, | |
|--|------------------------------|----------|
| | 2012 | 2011 |
| Net income | \$ 142.8 | \$ 158.1 |
| Other comprehensive income (loss), net of tax | | |
| Hedging related activity | 7.7 | (4.3) |
| Pension related activity | (3.5) | |
| Other comprehensive income (loss), net of tax | 4.2 | (4.3) |
| Comprehensive income | 147.0 | 153.8 |
| Comprehensive loss attributable to noncontrolling interests | 0.1 | 0.1 |
| Comprehensive income attributable to Republic Services, Inc. | \$ 147.1 | \$ 153.9 |

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 Loss, Net of Tax | Noncontrolling Interests |
|---------------------------------------|--|--------|----------------------------------|----------------------|----------------|------------|--|-----------------------------|
| | Common Stock | | Additional Paid-In Capital | Retained Earnings | Treasury Stock | | | |
| | Shares | Amount | | | Shares | Amount | | |
| Balance as of December 31, 2011 | 402.1 | \$ 4.0 | \$ 6,495.6 | \$ 2,164.7 | (32.2) | \$ (961.5) | \$ (21.5) | \$ 2.1 |
| Net income | | | | 142.9 | | | | (0.1) |
| Other comprehensive income | | | | | | | 4.2 | |
| Cash dividends declared | | | | (81.5) | | | | |
| Issuances of common stock | 1.2 | | 28.1 | | | | | |
| Stock-based compensation | | | 8.3 | (0.3) | | | | |
| Purchase of common stock for treasury | | | | | (0.3) | (31.3) | | |
| Balance as of March 31, 2012 | 403.3 | \$ 4.0 | \$ 6,532.0 | \$ 2,225.8 | (32.5) | \$ (992.8) | \$ (17.3) | \$ 2.0 |

The accompanying notes are an integral part of these statements.

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

(in millions)

| | Three Months Ended March 31, | |
|---|------------------------------|----------|
| | 2012 | 2011 |
| Cash provided by operating activities: | | |
| Net income | \$ 142.8 | \$ 158.1 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation and amortization of property and equipment | 129.3 | 127.5 |
| Landfill depletion and amortization | 66.7 | 59.6 |
| Amortization of intangible and other assets | 17.7 | 18.7 |
| Accretion | 19.7 | 19.7 |
| Non-cash interest expense - debt | 4.9 | 10.1 |
| Non-cash interest expense - other | 12.3 | 12.1 |
| Stock-based compensation | 8.0 | 7.6 |
| Deferred tax provision | 2.9 | 13.3 |
| Provision for doubtful accounts, net of adjustments | 7.2 | 0.4 |
| Excess income tax benefit from stock option exercises | (1.1) | (0.7) |
| Asset impairments | 0.1 | 0.4 |
| Loss on extinguishment of debt | | 1.8 |
| Gain on disposition of assets, net | (7.9) | (5.3) |
| Other non-cash items | 0.8 | (0.2) |
| Change in assets and liabilities, net of effects from business acquisitions and divestitures: | | |
| Accounts receivable | 10.5 | (11.4) |
| Prepaid expenses and other assets | 56.9 | 23.9 |
| Accounts payable | (44.1) | (45.9) |
| Restructuring and synergy related expenditures | (68.1) | (2.0) |
| Capping, closure and post-closure expenditures | (11.8) | (13.2) |
| Remediation expenditures | (14.5) | (8.5) |
| Other liabilities | 1.9 | 67.7 |
| Cash provided by operating activities | 334.2 | 433.7 |
| Cash used in investing activities: | | |
| Purchases of property and equipment | (274.2) | (297.2) |
| Proceeds from sales of property and equipment | 4.8 | 6.9 |
| Cash used in business acquisitions and development projects, net of cash acquired | (19.7) | (16.5) |
| Cash proceeds from divestitures, net of cash divested | 9.5 | 4.9 |
| Change in restricted cash and marketable securities | 37.4 | 7.9 |
| Other | (0.1) | (0.3) |
| Cash used in investing activities | (242.3) | (294.3) |
| Cash used in financing activities: | | |
| Proceeds from notes payable and long-term debt | 564.3 | 486.5 |
| Payments of notes payable and long-term debt | (586.7) | (431.1) |
| Premiums paid on extinguishment of debt | | (1.5) |
| Fees paid to issue and retire senior notes and certain hedging relationships | | (0.1) |
| Issuances of common stock | 27.0 | 10.3 |
| Excess income tax benefit from stock option exercises | 1.1 | 0.7 |
| Purchases of common stock for treasury | (9.0) | (147.9) |

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| | | |
|--|---------|---------|
| Cash dividends paid | (81.4) | (76.7) |
| Cash used in financing activities | (84.7) | (159.8) |
| Increase (decrease) in cash and cash equivalents | 7.2 | (20.4) |
| Cash and cash equivalents at beginning of period | 66.3 | 88.3 |
| Cash and cash equivalents at end of period | \$ 73.5 | \$ 67.9 |

The accompanying notes are an integral part of these statements.

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REPUBLIC SERVICES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

Republic Services, Inc. (a Delaware corporation) and its subsidiaries (also referred to collectively as Republic, we, us, our, or the company) is the second largest provider of non-hazardous solid waste collection, transfer, recycling and disposal services in the United States, as measured by revenue. We manage and evaluate our operations through 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. All material intercompany accounts and transactions have been eliminated in consolidation.

We have prepared these unaudited consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information related to our organization, significant accounting policies and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP has been condensed or omitted. In the opinion of management, these financial statements include all adjustments that, unless otherwise disclosed, are of a normal recurring nature and necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented. Operating results for interim periods are not necessarily indicative of the results 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, 2011.

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

Management's Estimates and Assumptions

In preparing our financial statements, we make numerous estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. We must make these estimates and assumptions because certain information that we use is dependent on future events, cannot be calculated with a high degree of precision from data available or simply cannot be readily calculated based on generally accepted methodologies. In preparing our financial statements, the more critical and subjective areas that deal with the greatest amount of uncertainty relate to our accounting for our long-lived assets, including recoverability, landfill development costs, and final capping, closure and post-closure costs; our valuation allowances for accounts receivable and deferred tax assets; our liabilities for potential litigation, claims and assessments; our liabilities for environmental remediation, employee benefit plans, deferred taxes, uncertain tax positions; our self-insurance reserves; and our estimates of the fair values of assets acquired and liabilities assumed in any acquisition. Each of these 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, 2011. Our actual results may differ significantly from our estimates.

Table of Contents**2. BUSINESS ACQUISITIONS**

We acquired various solid waste businesses during the three months ended March 31, 2012 and 2011. The purchase price paid for these acquisitions during the three months ended March 31 and the preliminary allocation of the purchase price as of March 31 are as follows:

| | 2012 | 2011 |
|---|---------|---------|
| Purchase price: | | |
| Cash used in acquisitions, net of cash acquired | \$ 19.7 | \$ 16.5 |
| Allocated as follows: | | |
| Working capital | (0.9) | (0.6) |
| Property and equipment | 4.4 | 14.5 |
| Other liabilities, net | | (3.5) |
| Value of assets acquired and liabilities assumed | 3.5 | 10.4 |
| Excess purchase price to be allocated | \$ 16.2 | \$ 6.1 |
| Excess purchase price to be allocated as follows: | | |
| Other intangible assets | \$ 5.8 | \$ 1.8 |
| Goodwill | 10.4 | 4.3 |
| Total allocated | \$ 16.2 | \$ 6.1 |

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

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

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

| | Balance at December 31, 2011 | Acquisitions | Divestitures | Adjustments to Acquisitions | Balance at March 31, 2012 |
|------------|------------------------------------|--------------|--------------|-----------------------------------|------------------------------------|
| Eastern | \$ 2,798.0 | \$ 9.9 | \$ (3.9) | \$ (0.1) | \$ 2,803.9 |
| Midwestern | 2,135.5 | 0.5 | | (0.1) | 2,135.9 |
| Southern | 2,705.0 | | | (0.1) | 2,704.9 |
| Western | 3,008.5 | | | (0.1) | 3,008.4 |
| Total | \$ 10,647.0 | \$ 10.4 | \$ (3.9) | \$ (0.4) | \$ 10,653.1 |

| | Balance at December 31, 2010 | Acquisitions | Divestitures | Adjustments to Acquisitions | Balance at March 31, 2011 |
|------------|------------------------------------|--------------|--------------|--------------------------------|------------------------------------|
| Eastern | \$ 2,791.9 | \$ (0.1) | \$ | \$ (0.1) | \$ 2,791.7 |
| Midwestern | 2,129.6 | 4.4 | | | 2,134.0 |

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| | | | | | |
|----------|-------------|--------|----------|----------|-------------|
| Southern | 2,721.8 | | | (0.1) | 2,721.7 |
| Western | 3,012.0 | | (2.1) | (0.1) | 3,009.8 |
| Total | \$ 10,655.3 | \$ 4.3 | \$ (2.1) | \$ (0.3) | \$ 10,657.2 |

Table of Contents**Other Intangible Assets, Net**

Other intangible assets, net, include values assigned to customer relationships, franchise agreements, other municipal agreements, non-compete agreements and trade names, and are amortized over periods ranging from 1 to 24 years. A summary of the activity and balances by intangible asset type is as follows:

| | Gross Intangible Assets | | Accumulated Amortization | | | Net Intangibles at March 31, 2012 | |
|--|------------------------------|---------------|---------------------------|------------------------------|------------------------------|-----------------------------------|---------------------------|
| | Balance at December 31, 2011 | Acquisitions | Balance at March 31, 2012 | Balance at December 31, 2011 | Additions Charged to Expense | | Balance at March 31, 2012 |
| Customer relationships, franchise and other municipal agreements | \$ 566.2 | \$ 5.0 | \$ 571.2 | \$ (194.4) | \$ (14.7) | \$ (209.1) | \$ 362.1 |
| Trade names | 30.0 | | 30.0 | (18.5) | (1.5) | (20.0) | 10.0 |
| Non-compete agreements | 16.9 | 0.8 | 17.7 | (9.3) | (0.7) | (10.0) | 7.7 |
| Other intangible assets | 62.9 | | 62.9 | (44.2) | (0.4) | (44.6) | 18.3 |
| Total | \$ 676.0 | \$ 5.8 | \$ 681.8 | \$ (266.4) | \$ (17.3) | \$ (283.7) | \$ 398.1 |

| | Gross Intangible Assets | | Accumulated Amortization | | | Net Intangibles at March 31, 2011 | |
|--|------------------------------|---------------|---------------------------|------------------------------|------------------------------|-----------------------------------|---------------------------|
| | Balance at December 31, 2010 | Acquisitions | Balance at March 31, 2011 | Balance at December 31, 2010 | Additions Charged to Expense | | Balance at March 31, 2011 |
| Customer relationships, franchise and other municipal agreements | \$ 537.1 | \$ 0.7 | \$ 537.8 | \$ (130.7) | \$ (15.4) | \$ (146.1) | \$ 391.7 |
| Trade names | 30.0 | | 30.0 | (12.5) | (1.5) | (14.0) | 16.0 |
| Non-compete agreements | 12.9 | 1.1 | 14.0 | (7.2) | (0.4) | (7.6) | 6.4 |
| Other intangibles assets | 62.9 | | 62.9 | (41.2) | (0.8) | (42.0) | 20.9 |
| Total | \$ 642.9 | \$ 1.8 | \$ 644.7 | \$ (191.6) | \$ (18.1) | \$ (209.7) | \$ 435.0 |

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

A summary of prepaid expenses and other current assets as of March 31, 2012 and December 31, 2011 is as follows:

| | 2012 | 2011 |
|--------------------------------|-----------------|-----------------|
| Inventories | \$ 35.3 | \$ 35.2 |
| Prepaid expenses | 57.0 | 53.4 |
| Other non-trade receivables | 44.0 | 54.5 |
| Income tax receivable | | 68.4 |
| Commodity and fuel hedge asset | 11.3 | 3.0 |
| Other current assets | 5.3 | 1.4 |
| Total | \$ 152.9 | \$ 215.9 |

Other Assets

A summary of other assets as of March 31, 2012 and December 31, 2011 is as follows:

| | 2012 | 2011 |
|-----------------------------|--------------|--------------|
| Deferred financing costs | \$ 53.0 | \$ 54.6 |
| Deferred compensation plan | 49.0 | 34.5 |
| Notes and other receivables | 32.0 | 31.6 |
| Reinsurance receivable | 58.6 | 58.0 |
| Other | 68.5 | 68.6 |
| Total | \$ 261.1 | \$ 247.3 |

Table of Contents**5. OTHER LIABILITIES****Other Accrued Liabilities**

A summary of other accrued liabilities as of March 31, 2012 and December 31, 2011 is as follows:

| | 2012 | 2011 |
|---|-----------------|-----------------|
| Accrued payroll and benefits | \$ 118.3 | \$ 168.9 |
| Accrued fees and taxes | 115.2 | 115.3 |
| Self-insurance reserves, current portion | 110.3 | 114.4 |
| Accrued dividends | 81.5 | 81.4 |
| Synergy incentive plan | | 68.1 |
| Current tax liabilities | 75.4 | 29.4 |
| Accrued professional fees and legal settlement reserves | 40.1 | 81.3 |
| Other | 117.9 | 93.7 |
| Total | \$ 658.7 | \$ 752.5 |

Other accrued liabilities include the fair value of fuel and commodity hedges of \$0.9 million and \$5.4 million as of March 31, 2012 and December 31, 2011, respectively.

Other Long-Term Liabilities

A summary of other long-term liabilities as of March 31, 2012 and December 31, 2011 is as follows:

| | 2012 | 2011 |
|--|-----------------|-----------------|
| Deferred compensation liability | \$ 51.7 | \$ 31.4 |
| Pension and other postretirement liabilities | 46.4 | 46.8 |
| Contingent legal liabilities | 58.3 | 59.3 |
| Ceded insurance reserves | 58.6 | 58.0 |
| Other | 26.0 | 26.6 |
| Total | \$ 241.0 | \$ 222.1 |

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.

Our liabilities for unpaid and incurred but not reported claims at March 31, 2012 (which includes claims for workers' compensation, general liability, vehicle liability and employee health care benefits) were \$417.8 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 are recorded currently in earnings in the periods in which such adjustments are known.

6. LANDFILL AND ENVIRONMENTAL COSTS

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As of March 31, 2012, we owned or operated 191 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 130 closed landfills.

Accrued Landfill and Environmental Costs

A summary of landfill and environmental liabilities as of March 31, 2012 and December 31, 2011 is as follows:

| | 2012 | 2011 |
|--|------------|------------|
| Landfill final capping, closure and post-closure liabilities | \$ 1,055.2 | \$ 1,037.0 |
| Remediation | 530.0 | 543.7 |
| | 1,585.2 | 1,580.7 |
| Less: Current portion | (182.6) | (184.2) |
| Long-term portion | \$ 1,402.6 | \$ 1,396.5 |

Table of Contents**Final Capping, Closure and Post-Closure Costs**

The following table summarizes the activity in our asset retirement obligation liabilities, which includes liabilities for final capping, closure and post-closure, for the three months ended March 31:

| | 2012 | 2011 |
|--|------------|------------|
| Asset retirement obligation liabilities, beginning of year | \$ 1,037.0 | \$ 1,046.5 |
| Non-cash additions | 8.2 | 7.6 |
| Acquisitions/divestitures and other adjustments | (2.5) | 2.7 |
| Asset retirement obligation adjustments | 4.6 | (1.6) |
| Payments | (11.8) | (13.2) |
| Accretion expense | 19.7 | 19.7 |
| Asset retirement obligation liabilities, end of period | 1,055.2 | 1,061.7 |
| Less: Current portion | (89.0) | (92.9) |
| Long-term portion | \$ 966.2 | \$ 968.8 |

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 \$55.3 million and \$54.9 million as of March 31, 2012 and December 31, 2011, respectively. Such assets are included in restricted cash and marketable securities in our consolidated balance sheets.

Landfill Operating Expenses

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

Environmental Remediation Liabilities

We accrue for remediation costs when they become probable and can be reasonably estimated. 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 March 31, 2012 would be approximately \$197 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 three months ended March 31:

| | 2012 | 2011 |
|---|----------|----------|
| Remediation liabilities, beginning of year | \$ 543.7 | \$ 552.1 |
| Remediation adjustments | (7.6) | |
| Payments | (14.5) | (8.5) |
| Accretion expense (non-cash interest expense) | 8.4 | 8.3 |

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| | | |
|--|----------|----------|
| Remediation liabilities, end of period | 530.0 | 551.9 |
| Less: Current portion | (93.6) | (87.1) |
| Long-term portion | \$ 436.4 | \$ 464.8 |

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 March 31, 2012 is \$56.1 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 \$52 million to \$74 million.

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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 March 31, 2012 is \$84.2 million, of which \$7.4 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 \$154 million.

7. DEBT

Our notes payable, capital leases and long-term debt as of March 31, 2012 and December 31, 2011 are listed in the following table in millions, and are presented net of unamortized discounts and the unamortized portion of adjustments to fair value recorded in purchase accounting. Original issue discounts and adjustments to fair value recorded in purchase accounting are amortized to interest expense over the term of the applicable instrument using the effective interest method.

| Maturity | Interest Rate | Principal | 2012 Discount | Carry Value | Principal | 2011 Discount | Carry Value |
|---------------------------|----------------|------------|------------------|-------------|------------|------------------|-------------|
| Credit facilities: | | | | | | | |
| Uncommitted revolver | Variable% | \$ 15.9 | \$ | \$ 15.9 | \$ | \$ | \$ |
| September 2013 | Variable | | | | 17.2 | | 17.2 |
| April 2016 | Variable | | | | 17.2 | | 17.2 |
| Senior notes: | | | | | | | |
| June 2017 | 6.875 | 750.0 | (72.9) | 677.1 | 750.0 | (75.8) | 674.2 |
| May 2018 | 3.800 | 700.0 | (0.2) | 699.8 | 700.0 | (0.2) | 699.8 |
| September 2019 | 5.500 | 650.0 | (3.7) | 646.3 | 650.0 | (3.8) | 646.2 |
| March 2020 | 5.000 | 850.0 | (0.1) | 849.9 | 850.0 | (0.1) | 849.9 |
| November 2021 | 5.250 | 600.0 | | 600.0 | 600.0 | | 600.0 |
| May 2023 | 4.750 | 550.0 | (1.4) | 548.6 | 550.0 | (1.4) | 548.6 |
| March 2035 | 6.086 | 275.7 | (25.3) | 250.4 | 275.7 | (25.5) | 250.2 |
| March 2040 | 6.200 | 650.0 | (0.5) | 649.5 | 650.0 | (0.5) | 649.5 |
| May 2041 | 5.700 | 600.0 | (3.4) | 596.6 | 600.0 | (3.4) | 596.6 |
| Debentures: | | | | | | | |
| May 2021 | 9.250 | 35.3 | (2.0) | 33.3 | 35.3 | (2.0) | 33.3 |
| September 2035 | 7.400 | 165.2 | (41.8) | 123.4 | 165.2 | (41.9) | 123.3 |
| Tax-exempt: | | | | | | | |
| 2012 - 2035 | 0.200 - 8.250 | 1,141.1 | (15.2) | 1,125.9 | 1,142.2 | (15.8) | 1,126.4 |
| Other: | | | | | | | |
| 2012 - 2042 | 5.000 - 11.900 | 87.8 | | 87.8 | 89.4 | | 89.4 |
| Total Debt | | \$ 7,071.0 | \$ (166.5) | 6,904.5 | \$ 7,092.2 | \$ (170.4) | 6,921.8 |
| Less: Current portion | | | | (34.2) | | | (34.8) |
| Long-term portion | | | | \$ 6,870.3 | | | \$ 6,887.0 |

Credit Facilities

In March 2012, we entered into a new \$75.0 million uncommitted, unsecured credit facility agreement (the Uncommitted Credit Facility) bearing interest at LIBOR, plus an applicable margin. As of March 31, 2012, the interest rate for our borrowings under our Uncommitted Credit Facility was 1.26%. Our Uncommitted Credit Facility also is subject to facility fees defined in the agreement, regardless of usage. We can use borrowings under the Uncommitted Credit Facility for working capital and other general corporate purposes. The agreements governing our Uncommitted Credit Facility require us to comply with certain covenants. As of March 31, 2012, we had \$15.9 million of LIBOR borrowings. The Uncommitted Credit Facility may be terminated at any time.

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

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Credit Facility includes a feature that allows us to increase availability, at our option, by an aggregate amount up to \$500 million through increased commitments from existing lenders or the addition of new lenders. At our option, borrowings under the Amended and Restated Credit Facility bear interest at a Base Rate, or a Eurodollar Rate, plus an applicable margin based on our Debt Ratings (all as defined in the agreements). 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.

As of December 31, 2011, the interest rate for our borrowings under our Credit Facilities was 3.25%. 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 December 31, 2011, we had \$34.4 million of Eurodollar Rate borrowings. We had \$947.4 million and \$950.2 million of letters of credit using availability under our Credit Facilities, leaving \$1,552.6 million and \$1,515.4 million of availability under our Credit Facilities, at March 31, 2012 and December 31, 2011, respectively. We were in compliance with the covenants under our Credit Facilities at March 31, 2012.

Senior Notes and Debentures

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. Additionally, we repurchased \$5.0 million of our 9.250% Debentures due 2021 in the secondary market. We incurred a loss on extinguishment of debt of \$1.8 million for premiums paid to repurchase debt and to write-off unamortized debt discounts.

Tax-Exempt Financings

As of March 31, 2012 and December 31, 2011, approximately 75% of our tax-exempt financings are remarketed quarterly, weekly or daily by remarketing agents to effectively maintain a variable yield. Certain of these variable rate tax-exempt financings are credit enhanced with letters of credit having terms in excess of one year issued by banks with investment grade credit ratings. The holders of the bonds can put them back to the remarketing agents at the end of each interest period. To date, the remarketing agents have been able to remarket our variable rate unsecured tax-exempt bonds. These bonds have been classified as long term because of our ability and intent to refinance them using availability under our revolving Credit Facilities, if necessary.

As of March 31, 2012, we had \$151.4 million of restricted cash and marketable securities, of which \$17.3 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 \$87.5 million and \$88.3 million as of March 31, 2012 and December 31, 2011, respectively, with maturities ranging from 2012 to 2042.

Fair Value of Debt

The fair value of our fixed rate senior notes using significant observable market inputs (Level 2) was \$6.6 billion and \$6.3 billion at March 31, 2012 and December 31, 2011, respectively. The carrying value of our fixed rate senior notes was \$5.7 billion at March 31, 2012 and December 31, 2011, 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.

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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

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(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 AUNA 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 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%. We reduced interest expense by \$2.2 million due to periodic settlements of active swap agreements during the three months ended March 31, 2011.

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 senior 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 using the effective interest rate method. We expect to amortize \$1.5 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 March 31, 2012, no interest rate lock cash flow hedges were outstanding.

The gain (loss) on our interest rate locks (settlement and amortization) included in other comprehensive income for the three months ended March 31, 2012 and 2011, net of tax, was \$0.3 million and \$(7.4) million, respectively.

8. INCOME TAXES

Our effective tax rate, exclusive of noncontrolling interests, for the three months ended March 31, 2012 and 2011 was 36.0% and 39.2%, respectively. The effective tax rate for the three months ended March 31, 2012 was favorably affected by a change in estimated non-deductible penalties relating to certain legal settlements, and adjustments resulting from the filings of amended state returns related to the December 2011 settlement of Allied's 2000-2003 tax years. We record interim income tax expense based upon our anticipated full year effective income tax rate.

Cash for income taxes was a net refund of \$43.8 million and \$49.8 million for the three months ended March 31, 2012 and 2011, respectively. We received a \$50.0 million refund in each of February 2012 and 2011 related to tax law changes for bonus depreciation.

We are subject to income tax in the United States and Puerto Rico, as well as income tax in multiple state jurisdictions. We also have 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 2004 through 2010.

We recognize interest and penalties as incurred within the provision for income taxes in the consolidated statements of income. As of March 31, 2012, we have accrued a liability for penalties of \$0.7 million and a liability for interest (including interest on penalties) of \$45.4 million related to our uncertain tax positions.

We believe that the liabilities for uncertain tax positions recorded are adequate. However, a significant assessment against us in excess of the liabilities recorded could have a material adverse effect on our consolidated financial position, results of operations or cash flows.

During the next twelve months, it is reasonably possible that the amount of unrecognized tax benefits will increase or decrease. Gross unrecognized benefits that we expect to settle in the next twelve months are in the range of \$15 - \$30 million.

Table of Contents***Exchange of Partnership Interests***

In 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 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.

In December 2011 we reached an agreement with the IRS appeals division to settle this issue and all other matters related to Allied's 2000-2003 tax years. This issue also impacts Allied's 2004-2008 tax years, which are still before the IRS appeals division. We anticipate these subsequent tax periods will be resolved sometime during 2012.

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.

In December 2011, we resolved all tax matters related to Allied's 2000-2003 tax years. The company's treatment of costs was sustained and, therefore, no adjustment was made to the 2000-2003 tax years. Currently, Allied's 2004-2008 tax years remain at the IRS appeals division. 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 continue to 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. We anticipate this issue will be resolved for Allied's 2004-2008 tax years sometime during 2012.

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 19.1 million shares of common stock reserved for future grants under our Amended and Restated Plan.

Stock Options

The following table summarizes the stock option activity for the three months ended March 31, 2012:

| | Number of Shares | Weighted Average Exercise Price per Share | Weighted Average Remaining Contractual Term (years) | Aggregate Intrinsic Value |
|----------------------------------|---------------------|--|---|---------------------------------|
| Outstanding at December 31, 2011 | 14.3 | \$ 26.13 | | |
| Granted | 2.9 | 29.75 | | |
| Exercised | (1.2) | 22.40 | | \$ 9.0 |
| Forfeited or expired | (0.1) | 29.79 | | |
| Outstanding at March 31, 2012 | 15.9 | \$ 27.05 | 4.6 | \$ 56.3 |
| Exercisable at March 31, 2012 | 8.7 | \$ 25.74 | 3.6 | \$ 42.5 |

During the three months ended March 31, 2012 and 2011, compensation expense for stock options was \$4.6 million and \$3.8 million, respectively.

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As of March 31, 2012, total unrecognized compensation expense related to outstanding stock options was \$18.9 million, which will be recognized over a weighted average period of 2.0 years.

Table of Contents**Other Stock Awards**

The following table summarizes the restricted stock unit and restricted stock activity for the three months ended March 31, 2012:

| | 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, 2011 | 770.0 | \$ 27.17 | | |
| Granted | 251.8 | 28.57 | | |
| Vested and issued | (69.9) | 26.06 | | |
| Forfeited | | | | |
| Unissued at March 31, 2012 | 951.9 | \$ 27.62 | 0.7 | \$ 29.0 |
| Vested and unissued at March 31, 2012 | 575.6 | \$ 26.86 | | |

During the three months ended March 31, 2012, our non-employee directors were awarded 75,000 restricted stock units, which vested immediately. During the three months ended March 31, 2012, we awarded 169,914 restricted stock units to executives that vest in four equal annual installments beginning on the anniversary date of the original grant. In addition, 6,905 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 three months ended March 31, 2012 and 2011, compensation expense related to restricted stock units and restricted stock totaled \$3.4 million and \$3.8 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 \$400.0 million repurchase program authorized in November 2010. From November 2010 to March 31, 2012, we repurchased 17.4 million shares of our stock for \$509.3 million at a weighted average cost per share of \$29.22. During the three months ended March 31, 2012, we repurchased 0.3 million shares of our stock for \$9.0 million at a weighted average cost per share of \$29.89. As of March 31, 2012, 0.7 million repurchased shares were pending settlement and \$22.3 million was unpaid and included within other accrued liabilities.

We initiated a quarterly cash dividend in July 2003 and have increased it 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 \$81.5 million and \$75.8 million for the three months ended March 31, 2012 and 2011, respectively. As of March 31, 2012, we recorded a quarterly dividend payable of \$81.5 million to stockholders of record at the close of business on April 2, 2012.

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

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Earnings per share for the three months ended March 31 are calculated as follows (in thousands, except per share amounts):

| | Three Months Ended March 31, | |
|---|---------------------------------|----------------|
| | 2012 | 2011 |
| Basic earnings per share: | | |
| Net income attributable to Republic Services, Inc. | \$ 142,900 | \$ 158,200 |
| Weighted average common shares outstanding | 370,997 | 382,172 |
| Basic earnings per share | \$ 0.39 | \$ 0.41 |
| Diluted earnings per share: | | |
| Net income attributable to Republic Services, Inc. | \$ 142,900 | \$ 158,200 |
| Weighted average common shares outstanding | 370,997 | 382,172 |
| Effect of dilutive securities: | | |
| Options to purchase common stock | 1,415 | 1,706 |
| Unvested restricted stock awards | 78 | 102 |
| Weighted average common and common equivalent shares outstanding | 372,490 | 383,980 |
| Diluted earnings per share | \$ 0.38 | \$ 0.41 |
| Antidilutive securities not included in the diluted earnings per share calculations: | | |
| Options to purchase common stock | 5,673 | 3,238 |

11. FINANCIAL INSTRUMENTS**Fuel Hedges**

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

The following table summarizes our outstanding fuel hedges as of March 31, 2012:

| 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 |
| 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 |

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| | | | | |
|--------------------|-----------------|-------------------|---------|------|
| 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 |
| October 3, 2011 | January 5, 2015 | December 28, 2015 | 250,000 | 3.68 |

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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 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 March 31, 2012 and December 31, 2011 were current assets of \$10.1 million and \$1.6 million, respectively, and current liabilities of \$4.7 million at December 31, 2011, 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 months ended March 31:

| Derivatives in Cash Flow Hedging Relationships | Amount of Gain Recognized in OCI on Derivatives (Effective Portion) | | Statement of Income Classification | Amount of Realized Gain or (Loss) | | Location of Gain Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) | Amount of Gain Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) | |
|---|---|--------|--|---|----------|--|---|--------|
| | 2012 | 2011 | | 2012 | 2011 | | 2012 | 2011 |
| Fuel hedges | \$ 7.7 | \$ 2.5 | Cost of operations | \$ 0.4 | \$ (0.1) | Other income, net | \$ 0.1 | \$ 0.1 |

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 swap as of March 31, 2012:

| Inception Date | Commencement Date | Termination Date | Transaction Hedged | Notional Amount (in Short Tons per Month) | Contract Price Per Short Ton |
|------------------|-------------------|-------------------|-----------------------|---|--|
| 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 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).

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We entered into costless collar agreements on forecasted sales of up to 40,000 short tons of OCC and ONP a month. The agreements involve combining a purchased put option giving us the right to sell up to 40,000 short tons of OCC and ONP monthly at an established floor strike price with a written call option obligating us to deliver up to 40,000 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.

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The following costless collar hedges were outstanding as of March 31, 2012:

| 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 |
| January 11, 2012 | February 1, 2012 | December 31, 2012 | OCC | 1,000 | 85.00 | 135.00 |
| January 11, 2012 | February 1, 2012 | December 31, 2012 | OCC | 1,000 | 85.00 | 135.00 |
| January 11, 2012 | February 1, 2012 | December 31, 2012 | OCC | 1,000 | 80.00 | 125.00 |
| January 31, 2012 | April 1, 2012 | March 31, 2013 | OCC | 2,000 | 85.00 | 136.00 |
| January 31, 2012 | April 1, 2012 | March 31, 2013 | OCC | 2,000 | 85.00 | 165.00 |
| January 31, 2012 | April 1, 2012 | March 31, 2013 | OCC | 2,000 | 85.00 | 156.00 |
| 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 |
| January 31, 2012 | April 1, 2012 | March 31, 2013 | ONP | 2,000 | 80.00 | 106.00 |
| January 31, 2012 | April 1, 2012 | March 31, 2013 | ONP | 2,000 | 80.00 | 110.00 |
| January 31, 2012 | April 1, 2012 | March 31, 2013 | ONP | 2,000 | 80.00 | 110.00 |

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

The aggregated fair values of the outstanding recycling commodity hedges at March 31, 2012 and December 31, 2011 were current assets of \$1.2 million and \$1.4 million, respectively, and current liabilities of \$0.9 million and \$0.7 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 recycling commodity hedges on our results of operations and comprehensive income for the three months ended March 31:

| Derivatives in | Amount of Gain or (Loss) | | Statement of Income Classification | Amount of Realized Gain or (Loss) | | Location of Gain (Loss) Recognized in Income on Derivative and Amount Excluded from Effectiveness Testing) | Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) | |
|---------------------------------|--|--|------------------------------------|-----------------------------------|----------|--|--|------|
| | Recognized in OCI on Derivatives (Effective Portion) | Recognized in OCI on Derivatives (Ineffective Portion) | | 2012 | 2011 | | 2012 | 2011 |
| Cash Flow Hedging Relationships | 2012 | 2011 | | 2012 | 2011 | | 2012 | 2011 |
| Recycling commodity hedges | \$ (0.3) | \$ 0.6 | Revenue | \$ 0.1 | \$ (1.9) | Other income, net | \$ | \$ |

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

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As of March 31, 2012 and December 31, 2011, our assets and liabilities that are measured at fair value on a recurring basis include the following:

| | Total as of March 31, 2012 | Fair Value Measurements Using | | |
|--|-------------------------------|---|---|--|
| | | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Money market mutual funds | \$ 60.9 | \$ 60.9 | \$ | \$ |
| Bonds | 36.3 | | 36.3 | |
| Fuel hedges - other current assets | 10.1 | | 10.1 | |
| Commodity hedges - other current assets | 1.2 | | 1.2 | |
| Total assets | \$ 108.5 | \$ 60.9 | \$ 47.6 | \$ |
| Liabilities: | | | | |
| Commodity hedges - other accrued liabilities | \$ 0.9 | \$ | \$ 0.9 | \$ |

| | Total as of December 31, 2011 | Fair Value Measurements Using | | |
|--|----------------------------------|---|---|--|
| | | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Money market mutual funds | \$ 100.8 | \$ 100.8 | \$ | \$ |
| Bonds | 34.6 | | 34.6 | |
| Fuel hedges - other current assets | 1.6 | | 1.6 | |
| Commodity hedges - other current assets | 1.4 | | 1.4 | |
| Total assets | \$ 138.4 | \$ 100.8 | \$ 37.6 | \$ |
| Liabilities: | | | | |
| Fuel hedges - other accrued liabilities | \$ 4.7 | \$ | \$ 4.7 | \$ |
| Commodity hedges - other accrued liabilities | 0.7 | | 0.7 | |
| Total liabilities | \$ 5.4 | \$ | \$ 5.4 | \$ |

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 station, recycling and disposal of domestic non-hazardous solid waste.

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Summarized financial information concerning our reportable segments for the three months ended March 31, 2012 and 2011 is shown in the following tables:

| | Gross Revenue | Intercompany Revenue | Net Revenue | Depreciation, Amortization, Depletion and Accretion | Operating Income (Loss) | Capital Expenditures | Total Assets |
|---|-------------------|----------------------|-------------------|---|-------------------------|----------------------|--------------------|
| Three Months Ended March 31, 2012: | | | | | | | |
| Eastern | \$ 591.7 | \$ (85.7) | \$ 506.0 | \$ 51.1 | \$ 110.5 | \$ 44.4 | \$ 4,447.3 |
| Midwestern | 519.6 | (93.8) | 425.8 | 52.0 | 74.5 | 34.5 | 3,771.4 |
| Southern | 591.3 | (82.3) | 509.0 | 57.3 | 104.7 | 47.2 | 4,893.9 |
| Western | 631.4 | (115.0) | 516.4 | 53.8 | 100.8 | 78.7 | 5,545.3 |
| Corporate entities | 28.6 | (3.4) | 25.2 | 19.2 | (63.6) | 69.4 | 798.0 |
| Total | \$ 2,362.6 | \$ (380.2) | \$ 1,982.4 | \$ 233.4 | \$ 326.9 | \$ 274.2 | \$ 19,455.9 |

| | | | | | | | |
|---|-------------------|-------------------|-------------------|-----------------|-----------------|-----------------|--------------------|
| Three Months Ended March 31, 2011: | | | | | | | |
| Eastern | \$ 584.0 | \$ (82.6) | \$ 501.4 | \$ 51.4 | \$ 117.7 | \$ 48.5 | \$ 4,423.9 |
| Midwestern | 505.3 | (86.4) | 418.9 | 51.5 | 80.4 | 37.9 | 3,708.6 |
| Southern | 570.8 | (76.1) | 494.7 | 54.8 | 119.4 | 55.4 | 4,869.8 |
| Western | 642.0 | (113.2) | 528.8 | 55.3 | 123.0 | 57.3 | 5,494.9 |
| Corporate entities | 25.1 | (4.0) | 21.1 | 12.5 | (64.3) | 98.1 | 899.5 |
| Total | \$ 2,327.2 | \$ (362.3) | \$ 1,964.9 | \$ 225.5 | \$ 376.2 | \$ 297.2 | \$ 19,396.7 |

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

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

The following table shows our total reported revenue by service line for the three months ended March 31 (in millions of dollars or as a percentage of revenue):

| Collection: | Three Months Ended March 31, | | | |
|-------------|------------------------------|-------|----------|-------|
| | 2012 | | 2011 | |
| Residential | \$ 530.9 | 26.8% | \$ 525.7 | 26.7% |
| Commercial | 621.1 | 31.3 | 618.1 | 31.5 |
| Industrial | 367.7 | 18.5 | 353.6 | |