REPUBLIC SERVICES, INC.
Form 10-Q
April 29, 2011

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**
For the quarterly period ended March 31, 2011

OR

o **OR TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**
For the transition period from__ to __

Commission File Number: 1-14267

REPUBLIC SERVICES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	**65-0716904**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
18500 NORTH ALLIED WAY PHOENIX, ARIZONA	**85054**
(Address of principal executive offices)	*(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 þ No o

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 þ No o

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 þ	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o
		(Do not check if a 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 o No þ

On April 15, 2011, the registrant had outstanding 379,249,776 shares of Common Stock, par value $.01 per share (excluding treasury shares of 21,476,817).

REPUBLIC SERVICES, INC.
INDEX

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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

	March 31, 2011 (Unaudited)	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 67.9	$ 88.3
Accounts receivable, less allowance for doubtful accounts of $45.4 and $50.9, respectively	839.5	828.9
Prepaid expenses and other current assets	187.1	207.4
Deferred tax assets	115.8	121.5
Total current assets	1,210.3	1,246.1
Restricted cash and marketable securities	164.9	172.8
Property and equipment, net	6,693.6	6,698.5
Goodwill	10,657.2	10,655.3
Other intangible assets, net	435.0	451.3
Other assets	235.7	237.9
Total assets	$ 19,396.7	$ 19,461.9
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 431.6	$ 606.5
Notes payable and current maturities of long-term debt	615.7	878.5
Deferred revenue	316.4	295.1
Accrued landfill and environmental costs, current portion	180.0	182.0
Accrued interest	78.2	93.1
Other accrued liabilities	748.9	621.3
Total current liabilities	2,370.8	2,676.5
Long-term debt, net of current maturities	6,192.3	5,865.1
Accrued landfill and environmental costs, net of current portion	1,433.6	1,416.6
Deferred income taxes and other long-term liabilities	1,051.8	1,044.8
Self-insurance reserves, net of current portion	312.0	304.5
Other long-term liabilities	238.6	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; 400.7 and 400.2 issued including shares held in treasury, respectively	4.0	4.0
Additional paid-in capital	6,449.9	6,431.1
Retained earnings	1,972.5	1,890.3

Treasury stock, at cost (21.5 and 16.5 shares, respectively)	(648.7)	(500.8)
Accumulated other comprehensive income, net of tax	17.6	21.9
Total Republic Services, Inc. stockholders equity	7,795.3	7,846.5
Noncontrolling interests	2.3	2.4
Total stockholders equity	7,797.6	7,848.9
Total liabilities and stockholders equity	$ 19,396.7	$ 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 March 31,	
	2011	2010
Revenue	$ 1,964.9	$ 1,957.7
Expenses:		
Cost of operations	1,159.7	1,136.8
Depreciation, amortization and depletion	205.8	203.0
Accretion	19.7	20.2
Selling, general and administrative	203.9	210.3
(Gain) loss on disposition of assets and impairments, net	(0.4)	0.5
Restructuring charges		5.6
Operating income	376.2	381.3
Interest expense	(115.7)	(134.5)
Loss on extinguishment of debt	(1.8)	(132.3)
Interest income	0.2	
Other income, net	1.1	1.7
Income before income taxes	260.0	116.2
Provision for income taxes	101.9	51.0
Net income	158.1	65.2
Net loss (income) attributable to noncontrolling interests	0.1	(0.2)
Net income attributable to Republic Services, Inc.	$ 158.2	$ 65.0
Basic earnings per share attributable to Republic Services, Inc. stockholders:		
Basic earnings per share	$ 0.41	$ 0.17
Weighted average common shares outstanding	382.2	381.4
Diluted earnings per share attributable to Republic Services, Inc. stockholders:		
Diluted earnings per share	$ 0.41	$ 0.17
Weighted average common and common equivalent shares outstanding	384.0	383.3
Cash dividends per common share	$ 0.20	$ 0.19

The accompanying notes are an integral part of these statements.

4

Table of Contents

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

		Republic Services, Inc. Stockholders Equity								
		Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive Income (Loss), Net of	Treasury Stock		Noncontrolling	
	Total	Shares	Amount	Capital	Earnings	Tax	Shares	Amount	Interests	
Balance as of December 31, 2010	$ 7,848.9	400.2	$ 4.0	$ 6,431.1	$ 1,890.3	$ 21.9	(16.5)	$ (500.8)	$ 2.4	
Net income	158.1				158.2				(0.1)	
Other comprehensive loss	(4.3)					(4.3)				
Cash dividends declared	(75.8)				(75.8)					
Issuances of common stock	11.0	0.5		11.0						
Stock-based compensation	7.6			7.8	(0.2)					
Purchase of common stock for treasury	(147.9)						(5.0)	(147.9)		
Balance as of March 31, 2011	$ 7,797.6	400.7	$ 4.0	$ 6,449.9	$ 1,972.5	$ 17.6	(21.5)	$ (648.7)	$ 2.3	

The accompanying notes are an integral part of these statements.

5

Table of Contents

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

	Three Months Ended March 31,	
	2011	2010
Cash provided by operating activities:		
Net income	$ 158.1	$ 65.2
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization of property and equipment	127.5	129.0
Landfill depletion and amortization	59.6	56.4
Amortization of intangible and other assets	18.7	17.6
Accretion	19.7	20.2
Non-cash interest expense debt	10.1	16.2
Non-cash interest expense other	12.1	12.2
Stock-based compensation	7.6	6.2
Deferred tax provision (benefit)	13.3	(50.8)
Provision for doubtful accounts, net of adjustments	0.4	2.5
Excess income tax benefit from stock option exercises	(0.7)	(0.8)
Asset impairments	0.4	0.1
Loss on extinguishment of debt	1.8	132.3
Gain on disposition of assets, net	(5.3)	(4.3)
Other non-cash items	(0.2)	1.3
Change in assets and liabilities, net of effects from business acquisitions and divestitures:		
Accounts receivable	(11.4)	11.9
Prepaid expenses and other assets	23.9	13.2
Accounts payable	(45.9)	(99.2)
Restructuring and synergy related expenditures	(2.0)	(8.2)
Capping, closure and post-closure expenditures	(13.2)	(10.5)
Remediation expenditures	(8.5)	(11.5)
Other liabilities	67.7	0.1
Cash provided by operating activities	433.7	299.1
Cash used in investing activities:		
Purchases of property and equipment	(297.2)	(208.4)
Proceeds from sales of property and equipment	6.9	5.9
Cash used in acquisitions, net of cash acquired	(16.5)	(0.8)
Cash proceeds from divestitures, net of cash divested	4.9	
Change in restricted cash and marketable securities	7.9	18.6
Other	(0.3)	0.6
Cash used in investing activities	(294.3)	(184.1)
Cash used in financing activities:		

Proceeds from notes payable and long-term debt	486.5	731.5
Proceeds from issuance of senior notes, net of discount		1,499.4
Payments of notes payable and long-term debt	(431.1)	(2,198.4)
Premiums paid on extinguishment of debt	(1.5)	(30.4)
Fees paid to issue and retire senior notes and certain hedging relationships	(0.1)	(20.8)
Issuances of common stock	10.3	9.4
Excess income tax benefit from stock option exercises	0.7	0.8
Purchases of common stock for treasury	(147.9)	
Cash dividends paid	(76.7)	(72.4)
Distributions paid to noncontrolling interests		(0.7)
Cash used in financing activities	(159.8)	(81.6)
(Decrease) increase in cash and cash equivalents	(20.4)	33.4
Cash and cash equivalents at beginning of period	88.3	48.0
Cash and cash equivalents at end of period	$ 67.9	$ 81.4

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, goodwill, 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; 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 FASB issued authoritative guidance which modifies the requirements of Step 1 of the 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.

Table of Contents

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

2. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill

During the three months ended March 31, 2011, we acquired various solid waste businesses to realize certain operational efficiencies and synergies. Cash paid for these acquisitions during the three months ended March 31, 2011 was $16.5 million and resulted in goodwill of $4.3 million and intangible assets of $1.8 million. The businesses acquired have aggregate annual revenues of approximately $16 million. Substantially all of the goodwill and intangible assets recorded for these acquisitions are deductible for tax purposes.

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 March 31, 2011
Eastern	$ 2,791.9	$ (0.1)	$	$ (0.1)	$ 2,791.7
Midwestern	2,129.6	4.4			2,134.0
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

	Balance at December 31, 2009	Acquisitions	Divestitures	Adjustments to Acquisitions	Balance at March 31, 2010
Eastern	$ 2,818.5	$	$	$ (0.4)	$ 2,818.1
Midwestern	2,118.2			(0.3)	2,117.9
Southern	2,724.7			(0.5)	2,724.2
Western	3,005.7			(0.5)	3,005.2
Total	$ 10,667.1	$	$	$ (1.7)	$ 10,665.4

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 March 31, 2011	Balance at December 31, 2010	Additions Charged to Expense	Balance at March 31, 2011	Intangibles at March 31, 2011
Customer relationships, franchise and other	$ 537.1	$ 0.7	$ 537.8	$ (130.7)	$ (15.4)	$ (146.1)	$ 391.7

municipal agreements							
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 intangible 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

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

	Gross Intangible Assets			Accumulated Amortization			Net
	Balance at December 31, 2009	Adjustments to Acquisitions	Balance at March 31, 2010	Balance at December 31, 2009	Additions Charged to Expense	Balance at March 31, 2010	Intangibles at March 31, 2010
Customer relationships, franchise and other municipal agreements	$ 521.1	$ 0.5	$ 521.6	$ (70.5)	$ (14.9)	$ (85.4)	$ 436.2
Trade names	30.0		30.0	(6.5)	(1.5)	(8.0)	22.0
Non-compete agreements	7.4	0.1	7.5	(6.5)	(0.1)	(6.6)	0.9
Other intangibles assets	62.9		62.9	(37.9)	(0.9)	(38.8)	24.1
Total	$ 621.4	$ 0.6	$ 622.0	$ (121.4)	$ (17.4)	$ (138.8)	$ 483.2

3. OTHER ASSETS

Prepaid Expenses and Other Current Assets

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

	March 31, 2011	December 31, 2010
Inventories	$ 36.3	$ 31.3
Prepaid expenses	59.7	55.9
Other non-trade receivables	77.4	45.4
Income tax receivable		69.8
Other current assets	13.7	5.0
Total	$ 187.1	$ 207.4

Other current assets include the fair value of fuel and commodity hedges of $6.9 million and $3.5 million as of March 31, 2011 and December 31, 2010, respectively. Other non-trade receivables include the fair value of our interest rate swaps and interest rate locks of $3.4 million and $5.2 million as of March 31, 2011 and December 31, 2010, respectively.

Other Assets

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

	March 31, 2011	December 31, 2010
Deferred financing costs	$ 39.8	$ 41.1
Deferred compensation plan	30.2	27.4
Notes and other receivables	34.8	34.0

Reinsurance receivable	52.2	54.5
Other	78.7	80.9
Total	$ 235.7	$ 237.9

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

4. OTHER LIABILITIES

Other Accrued Liabilities

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

	March 31, 2011	December 31, 2010
Accrued payroll and benefits	$ 143.2	$ 158.4
Accrued fees and taxes	113.1	111.8
Self-insurance reserves, current portion	114.3	112.7
Accrued dividends	75.8	76.7
Synergy incentive plan	68.1	
Current tax liabilities	65.0	
Restructuring liabilities	1.7	3.9
Accrued professional fees and legal settlement reserves	54.3	53.1
Other	113.4	104.7
Total	$ 748.9	$ 621.3

Other accrued liabilities include the fair value of fuel and commodity hedges of $6.3 million and $8.4 million as of March 31, 2011 and December 31, 2010, respectively. In addition, other accrued liabilities include the fair value of interest rate locks of $13.1 million as of March 31, 2011.

We expect to pay incentives earned under the synergy plan during the first quarter of 2012.

Other Long-Term Liabilities

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

	March 31, 2011	December 31, 2010
Deferred compensation liability	$ 35.6	$ 27.7
Pension and other postretirement liabilities	13.6	14.4
Contingent legal liabilities	102.7	105.8
Ceded insurance reserves	52.2	54.5
Other	34.5	103.1
Total	$ 238.6	$ 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 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 interest expense through the period that they are paid.

Our liabilities for unpaid and incurred but not reported claims at March 31, 2011 (which includes claims for workers compensation, general liability, vehicle liability and employee health care benefits) were $426.3 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 is dependent 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.

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

Table of Contents

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

tables reflect activity during the three months ended March 31, 2011 and 2010 associated with unfavorable contracts and lease exit liabilities (in millions):

	Balance at December 31, 2010	Payments / Amortization	Balance at March 31, 2011
Unfavorable contracts	$ 37.6	$ (2.3)	$ 35.3
Lease exit costs	5.0	(0.9)	4.1
Total	$ 42.6	$ (3.2)	$ 39.4

	Balance at December 31, 2009	Payments / Amortization	Balance at March 31, 2010
Unfavorable contracts	$ 49.0	$ (2.5)	$ 46.5
Lease exit costs	6.4	(0.5)	5.9
Total	$ 55.4	$ (3.0)	$ 52.4

5. LANDFILL AND ENVIRONMENTAL COSTS

As of March 31, 2011, we owned or operated 195 active solid waste landfills with total available disposal capacity of approximately 4.7 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 March 31, 2011 and December 31, 2010 is as follows (in millions):

	March 31, 2011	December 31, 2010
Landfill final capping, closure and post-closure liabilities	$ 1,061.7	$ 1,046.5
Remediation	551.9	552.1
	1,613.6	1,598.6
Less: Current portion	(180.0)	(182.0)
Long-term portion	$ 1,433.6	$ 1,416.6

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, 2011 (in millions):

	2011	2010

Asset retirement obligation liabilities, beginning of year	$ 1,046.5	$ 1,074.5
Non-cash additions	7.6	7.2
Acquisitions and other adjustments	2.7	0.5
Asset retirement obligation adjustments	(1.6)	(5.4)
Payments	(13.2)	(10.5)
Accretion expense	19.7	20.2
Asset retirement obligation liabilities, end of period	1,061.7	1,086.5
Less: Current portion	(92.9)	(135.7)
Long-term portion	$ 968.8	$ 950.8

Annually, in the fourth quarter, we review our calculations for asset retirement obligation liabilities. 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.

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

The fair value of assets that are legally restricted for purposes of collateralizing certain of our final capping, closure and post-closure obligations was $59.5 million and $59.1 million as of March 31, 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. There can sometimes be a range of reasonable estimates of the costs associated with remediation of a site. In these cases, we use the amount within the range that constitutes our best estimate. If no amount within the range appears to be a better estimate than any other, we use the amount that is at the low end of 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, 2011 would be approximately $147 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 or cash flows.

The following table summarizes the activity in our environmental remediation liabilities for the three months ended March 31 (in millions):

	2011	2010
Remediation liabilities, beginning of year	$ 552.1	$ 554.1
Acquisitions and other adjustments		1.5
Additions charged to expense		2.3
Payments	(8.5)	(11.5)
Accretion expense	8.3	7.3
Remediation liabilities, end of period	551.9	553.7
Less: Current portion	(87.1)	(105.3)
Long-term portion	$ 464.8	$ 448.4

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 March 31, 2011 is $65.5 million, of which $4.2 million is expected to be paid during 2011. We believe the reasonably possible range of loss for remediation costs is $56 million to $78 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 at which time we agreed to undertake certain remedial actions. The remediation liability for West County recorded as of March 31, 2011 is $46.2 million, of which $2.3 million is expected to be paid during 2011. We believe the reasonably possible range of loss for remediation costs is $36 million to $63 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 March 31, 2011 is $37.0 million, of which $14.1 million is expected to be paid during 2011. We believe the reasonably possible range of loss for remediation costs is $28 million to $43 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 recorded as of March 31, 2011 is $82.9 million, of which $4.2 million is expected to be paid during 2011. We believe the reasonably possible range of loss for remediation costs is $45 million to $145 million.

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

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.

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.

6. DEBT

Our notes payable, capital leases and long-term debt as of March 31, 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. The debt assumed as part of our acquisition of Allied was recorded at fair value as of the acquisition date.

	March 31, 2011	December 31, 2010
$1.0 billion Revolver due 2012, Eurodollar and Base Rate borrowings	$ 192.0	$ 50.0
$1.75 billion Revolver due 2013, Eurodollar and Base Rate borrowings	210.0	25.0
Senior notes, fixed interest rate of 5.750%, due February 2011		261.7
Senior notes, fixed interest rate of 6.375%, due April 2011	216.6	215.1
Senior notes, fixed interest rate of 6.750%, due August 2011	390.0	392.0
Senior notes, fixed interest rate of 7.125%, due May 2016	537.9	535.5
Senior notes, fixed interest rate of 6.875%, due June 2017	666.5	663.9
Senior notes, fixed interest rate of 5.500%, due September 2019	645.9	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	88.8	93.4
Senior notes, fixed interest rate of 6.086%, due March 2035	249.9	249.8
Debentures, fixed interest rate of 7.400%, due September 2035	267.8	267.6
Senior notes, fixed interest rate of 6.200%, due March 2040	649.5	649.5
Tax-exempt bonds and other tax-exempt financings; fixed and floating interest rates ranging from 0.22% to 8.25%; maturities ranging from 2012 to 2035	1,151.3	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	91.9	92.6
Total debt	6,808.0	6,743.6
Less: Current portion	(615.7)	(878.5)
Long-term portion	$ 6,192.3	$ 5,865.1

Credit Facilities

The $1.0 billion revolving credit facility due April 2012 and the $1.75 billion revolving credit facility due September 2013 (collectively, Credit Facilities) 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). As of March 31, 2011 and December 31, 2010, the interest rate for our borrowings under our Credit Facilities was 1.58% and 1.56%, respectively. Our Credit Facilities are also 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 maintain certain financial and other covenants. We may pay dividends and repurchase common stock provided that we are in compliance with these covenants. We had $402.0 million and $75.0 million of Eurodollar Rate borrowings as of March 31, 2011 and December 31, 2010, respectively. We had $990.6 million and $1,037.5 million of letters of credit utilizing availability under our Credit Facilities, leaving $1,357.4 million and $1,637.5 million of availability under our Credit Facilities at March 31, 2011 and December 31, 2010, respectively. We were in compliance with the covenants under our Credit Facilities at March 31, 2011.

Table of Contents

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

Receivables Secured Loans

In March 2010, we repaid all borrowings and terminated our accounts receivable securitization program with two financial institutions that allowed us to borrow up to $300.0 million on a revolving basis under loan agreements secured by receivables. During the first quarter of 2010, we recorded a loss on extinguishment of debt of $0.2 million to write-off unamortized deferred issuance costs associated with this program.

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.

In March 2010, we issued $850.0 million of 5.00% senior notes due 2020 (the 2020 Notes) and $650.0 million of 6.20% senior notes due 2040 (the 2040 Notes, and, together with the 2020 Notes, the Notes). The Notes are general senior unsecured obligations and are guaranteed by each of our subsidiaries that also guarantees our Credit Facilities. These guarantees are general senior unsecured obligations of our subsidiary guarantors. We used the net proceeds from the Notes to retire certain outstanding debt and to reduce amounts outstanding under our Credit Facilities and for general corporate purposes. During the first quarter of 2010, we incurred a loss of $132.1 million for premiums paid to repurchase debt, to write-off unamortized debt discounts and for professional fees paid to effectuate the repurchase of the senior notes.

As of March 31, 2011 and December 31, 2010, our senior notes and debentures totaled $5,162.8 million and $5,424.2 million, net of unamortized discounts and adjustments to fair value recorded in purchase accounting for the debt assumed from Allied of $274.3 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 $3.1 million and $5.2 million, respectively.

Tax-Exempt Financings

As of March 31, 2011 and December 31, 2010, we had $1,151.3 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 March 31, 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 $21.2 million and $21.9 million, respectively, which is being amortized to interest expense over the remaining terms of the debt.

Approximately two-thirds 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 credit ratings of AA or better. 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 March 31, 2011, we had $162.1 million of restricted cash, of which $29.4 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 $91.3 million and $91.8 million as of March 31, 2011 and December 31, 2010, respectively, with maturities ranging from 2011 to 2042.

Fair Value of Debt

The fair value of our fixed rate senior notes using quoted market rates was $5.7 billion and $6.0 billion at March 31, 2011 and December 31, 2010, respectively. The carrying value of our fixed rate senior notes was $5.2 billion and

$5.4 billion at March 31, 2011 and December 31, 2010, respectively. The carrying amounts of our remaining notes payable and tax-exempt financings approximate

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

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.

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 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 have a total notional value of $210.0 million and mature in August 2011. This maturity is identical to our unsecured notes that also mature in 2011. Under the swap agreements, we pay interest at floating rates based on changes in LIBOR and receive interest at a fixed rate of 6.75%. We have designated these agreements as hedges of changes in the fair value of our fixed-rate debt. We have determined that these agreements qualify for the short-cut method and, therefore, changes in the fair value of the agreements are assumed to be perfectly effective in hedging changes in the fair value of our fixed rate debt due to changes in interest rates.

As of March 31, 2011 and December 31, 2010, interest rate swap agreements are reflected at their fair value of $3.1 million and $5.2 million in other non-trade receivables and as an adjustment to notes payable and current maturities of long term debt in our consolidated balance sheets.

The following table summarizes the reduction to interest expense due to periodic settlements of active swap agreements on our results of operations for the three months ended March 31 (in millions):

	Reduction to Interest Expense Due to Periodic Settlements of Active Swap Agreements Three Months Ended March 31,	
Consolidated Statement of Income Classification	2011	2010
Interest expense	$ 2.2	$ 2.2

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 three months ended March 31, 2011 we entered into a number of interest rate lock agreements maturing May 31, 2011, 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 a planned issuance of senior notes in the second quarter 2011. Upon expected issuance of the notes, we will terminate the interest rate locks and settle with our counterparties. This transaction is accounted for as a cash flow hedge.

The fair values of our interest rate locks as of March 31, 2011 are obtained from third-party counter parties and are determined using standard valuation models with assumptions about interest rates being based on those observed in underlying markets (Level 2 in the

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

fair value hierarchy). The aggregated fair values of the outstanding interest rate locks at March 31, 2011 were current assets of $0.3 million and current liabilities of $13.1 million and have been recorded in other non-trade receivables and other accrued liabilities in our consolidated balance sheets, respectively. As of March 31, 2011, the effective portion of the interest rate locks recorded as a component of accumulated other comprehensive income was $7.4 million, net of $5.4 million of tax.

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 our $850.0 million senior notes at a fixed interest rate of 5.00% and our $650.0 million senior notes at a fixed interest rate of 6.20%. Upon issuance of the notes, we terminated the interest rate lock agreements and paid $7.0 million to the counter parties. The interest rate lock transaction was accounted for as a cash flow hedge. For the quarter ended March 31, 2011, we increased interest expense by $0.1 million with an offset to other accumulated income as part of the amortization of the interest rate locks.

The following table summarizes the impact of our interest rate locks on our comprehensive income for the three months ended March 31 (in millions):

	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)	
	2011	2010
Interest rate locks	$ (7.4)	$ (3.7)

7. INCOME TAXES

Our effective tax rate, exclusive of noncontrolling interests loss (income), for the three months ended March 31, 2011 and 2010 was 39.2% and 44.0%, respectively. We record income tax expense based upon our anticipated full year effective income tax rate. Income taxes were a net refund of $49.8 million and a net payment of $61.4 million for the three months ended March 31, 2011 and 2010, respectively. We received a refund of $50 million in February 2011, due to the December 2010 tax law change 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 have acquired Allied Waste 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 2008.

We recognize interest and penalties as incurred within the provision for income taxes in the consolidated statements of income. As of March 31, 2011, we have accrued a liability for penalties of $0.8 million and interest (including interest on penalties) of $101.8 million related to our uncertain tax positions.

We believe that the liabilities for uncertain tax positions recorded are appropriate. 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 or 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 March 31, 2011 of approximately $75 million. In addition, the IRS has asserted a penalty of 20% of the additional income tax due. At March 31, 2011,

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

the amount of the asserted penalty and penalty-related interest was approximately $49 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 an adverse impact on our consolidated 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.

We are contesting this issue at the Appeals Office 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.

8. EQUITY BASED COMPENSATION

Available Shares

We currently have 0.9 million and 15.3 million shares of common stock reserved for future grants under our 2007 Stock Incentive Plan (the 2007 Plan) and our 2006 Incentive Stock Plan (the 2006 Plan), respectively.

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 three months ended March 31, 2011 and 2010, the weighted-average estimated fair values of stock options granted were $5.35 and $5.24 per option, respectively, which were calculated using the following weighted-average assumptions:

	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%

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

The following table summarizes the stock option activity for the three months ended March 31, 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	2.8	29.87		
Exercised	(0.4)	22.67		$ 3.3
Forfeited or expired	(0.1)	29.29		
Outstanding at March 31, 2011	15.9	$ 25.87	4.8	$ 67.8
Exercisable at March 31, 2011	9.3	$ 24.73	3.9	$ 50.4

During the three months ended March 31, 2011 and 2010, compensation expense for stock options was $3.8 million and $2.1 million, respectively.

As of March 31, 2011, total unrecognized compensation expense related to outstanding stock options was $21.2 million, which will be recognized over a weighted average period of 2.1 years.

Other Stock Awards

The following table summarizes the restricted stock unit and restricted stock activity for the three months ended March 31, 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	164.2	30.03		
Vested and Issued	(79.1)	24.19		
Forfeited				
Unissued at March 31, 2011	934.4	$ 27.22	0.7	$ 28.1
Vested and unissued at March 31, 2011	513.8	$ 27.15		

During the three months ended March 31, 2011, our non-employee directors were awarded 82,500 restricted stock units under our 2007 Plan, which vested immediately. During the three months ended March 31, 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, 5,049 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, 2011 and 2010, compensation expense related to restricted stock units and restricted stock totaled $3.8 million and $4.1 million, respectively.

9. STOCKHOLDERS EQUITY AND EARNINGS PER SHARE

In November 2010, our board of directors approved a share repurchase program pursuant to which we may repurchase up to $400.0 million of our outstanding shares of common stock. Through March 31, 2011, we used $188.5 million under the program to repurchase 6.4 million shares at an average cost per share of $29.25. We expect to use the remaining funds in this program to repurchase shares during 2011.

Table of Contents

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

We initiated a quarterly cash dividend in July 2003. The dividend has been increased from time to time thereafter. In July 2010, the board of directors approved an increase in the quarterly dividend to $0.20 per share. Cash dividends declared were $75.8 million and $72.5 million for the three months ended March 31, 2011 and 2010, respectively. As of March 31, 2011, we recorded a quarterly dividend payable of $75.8 million to stockholders of record at the close of business on April 1, 2011.

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.

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

	2011	2010
Basic earnings per share:		
Net income attributable to Republic Services, Inc.	$ 158,200	$ 65,000
Weighted average common shares outstanding	382,172	381,428
Basic earnings per share	$ 0.41	$ 0.17
Diluted earnings per share:		
Net income attributable to Republic Services, Inc.	$ 158,200	$ 65,000
Weighted average common shares outstanding	382,172	381,428
Effect of dilutive securities:		
Options to purchase common stock	1,706	1,723
Unvested restricted stock awards	102	130
Weighted average common and common equivalent shares outstanding	383,980	383,281
Diluted earnings per share	$ 0.41	$ 0.17

Antidilutive securities not included in the diluted earnings per s