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134.5

Accumulated
depletion and
amortization

(1,735.7
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(252.7
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96.4

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Net investment in
landfill land and
development costs

\$
3,376.7

\$
274.5

\$
(0.3
)

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\$
—

\$
33.8

\$
(252.7
)

\$
(0.6
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\$
(9.3
)

\$
3,422.1

	Balance as of December 31, 2012	Expected Future Investment	Total Expected Investment
Non-depletable landfill land	\$ 166.0		\$ 166.0
Landfill development costs	5,018.0	7,221.1	12,239.1
Construction-in-progress - landfill	134.5		134.5
Accumulated depletion and amortization	(1,896.4)		(1,896.4)
Net investment in landfill land and development costs	\$ 3,422.1	\$ 7,221.1	\$ 10,643.2

	Balance as of December 31, 2010	Capital Additions	Retirement	Acquisitions Net of Divestitures	Non-cash Additions for Asset Retirement Obligations	Additions Charged to Expense	Impairments Transfers and Other Adjustments	Adjustments for Asset Retirement Obligations	Balance as of December 31, 2011
Non-depletable landfill land	\$ 158.0	\$ 3.1	\$ —	\$ —	\$ —	\$ —	\$ 0.7	\$ —	\$ 161.8
Landfill development costs	4,575.2	2.8	—	8.7	33.9	—	173.7	(31.0)	4,763.3
Construction-in- progress -landfill	133.2	272.5	—	(0.4)	—	—	(218.0)	—	187.3
Accumulated depletion and amortization	(1,504.6)	—	—	0.5	—	(264.5)	23.0	9.9	(1,735.7)
	\$ 3,361.8	\$ 278.4	\$ —	\$ 8.8	\$ 33.9	\$ (264.5)	\$ (20.6)	\$ (21.1)	\$ 3,376.7

Net investment
in
landfill land
and
development
costs

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	Balance as of December 31, 2009	Capital Additions	Retirement	Acquisition Net of Divestitures	Non-cash Additions for Asset Retirement Obligations	Additions Charged to Expense	Impairments Transfers and Other Adjustments	Adjustments for Asset Retirement Obligations	Balance as of December 31, 2010
Non-depletable landfill land	\$ 142.7	\$ 1.3	\$ —	\$ (1.7)	\$ —	\$ —	\$ 15.7	\$ —	\$ 158.0
Landfill development costs	4,230.9	15.4	0.2	(13.9)	31.5	—	337.6	(26.5)	4,575.2
Construction-in- progress - landfill	245.1	250.7	(0.1)	0.1	—	—	(362.6)	—	133.2
Accumulated depletion and amortization	(1,275.4)	—	—	19.6	—	(258.9)	—	10.1	(1,504.6)
Net investment in landfill land and development costs	\$ 3,343.3	\$ 267.4	\$ 0.1	\$ 4.1	\$ 31.5	\$ (258.9)	\$ (9.3)	\$ (16.4)	\$ 3,361.8

The following table reflects our net investment in our landfills, excluding non-depletable land, and our depletion, amortization and accretion expense for the years ended December 31, 2012, 2011 and 2010:

	2012	2011	2010
Number of landfills owned or operated	191	191	193
Net investment, excluding non-depletable land (in millions)	\$3,256.1	\$3,214.9	\$3,203.8
Total estimated available disposal capacity (in millions of cubic yards)	4,822.9	4,788.3	4,744.6
Net investment per cubic yard	\$0.68	\$0.67	\$0.68
Landfill depletion and amortization expense (in millions)	\$257.6	\$255.5	\$250.6
Accretion expense (in millions)	78.4	78.0	80.5
Airspace consumed (in millions of cubic yards)	73.6	79.9	84.3
Depletion, amortization and accretion expense per cubic yard of airspace consumed	\$4.57	\$4.17	\$3.93

During 2012, our average compaction rate was approximately 2,000 pounds per cubic yard based on our three-year historical moving average as compared to 1,900 pounds per cubic yard for 2011. Our compaction rates may improve as a result of the settlement and decomposition of waste.

As of December 31, 2012, we expect to spend an estimated additional \$7.2 billion on existing landfills, primarily related to cell construction and environmental structures, over their expected remaining lives. Our total expected investment, excluding non-depletable land, estimated to be \$10.5 billion, or \$2.17 per cubic yard, is used in determining our depletion and amortization expense based on airspace consumed using the units-of-consumption method.

Property and Equipment

The following tables reflect the activity in our property and equipment accounts for the years ended December 31, 2012, 2011 and 2010 (in millions):

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Gross Property and Equipment								
	Balance as of December 31, 2011	Capital Additions	Retirements	Acquisitions Net of Divestitures	Non-Cash Adjustments Additions for Asset Retirement Obligations	Asset Retirement Obligations	Impairments, Transfers and Other Adjustments	Balance as of December 31, 2012
Other land	\$375.1	\$—	\$(1.9)	\$3.7	\$—	\$—	\$—	\$ 376.9
Non-depletable landfill land	161.8	3.3	(0.3)	—	—	—	1.2	166.0
Landfill development costs	4,763.3	8.0	—	(0.3)	33.8	(4.6)	217.8	5,018.0
Vehicles and equipment	4,515.1	478.1	(98.7)	12.5	—	—	39.4	4,946.4
Buildings and improvements	802.8	30.7	(14.3)	7.4	—	—	37.6	864.2
Construction-in-progress - landfill	187.3	263.2	—	—	—	—	(316.0)	134.5
Construction-in-progress - other	47.3	83.4	—	—	—	—	(77.4)	53.3
Total	\$10,852.7	\$866.7	\$(115.2)	\$23.3	\$33.8	\$(4.6)	\$(97.4)	\$11,559.3
Accumulated Depreciation, Amortization and Depletion								
	Balance as of December 31, 2011	Additions Charged to Expense	Retirements	Acquisitions Net of Divestitures	Adjustments for Asset Retirement Obligations	Impairments, Transfers and Other Adjustments	Balance as of December 31, 2012	
Landfill development costs	\$(1,735.7)	\$(252.7)	\$—	\$0.3	\$(4.7)	\$96.4	\$(1,896.4)	
Vehicles and equipment	(2,119.1)	(486.6)	91.6	1.5	—	0.3	(2,512.3)	
Buildings and improvements	(205.6)	(37.0)	2.2	0.3	—	(0.2)	(240.3)	
Total	\$(4,060.4)	\$(776.3)	\$93.8	\$2.1	\$(4.7)	\$96.5	\$(4,649.0)	

Gross Property and Equipment								
	Balance as of December 31, 2010	Capital Additions	Retirements	Acquisitions Net of Divestitures	Non-Cash Adjustments Additions for Asset Retirement Obligations	Asset Retirement Obligations	Impairments, Transfers and Other Adjustments	Balance as of December 31, 2011
Other land	\$391.9	\$0.8	\$(1.9)	\$(1.1)	\$—	\$—	\$(14.6)	\$ 375.1
Non-depletable landfill land	158.0	3.1	—	—	—	—	0.7	161.8
Landfill development costs	4,575.2	2.8	—	8.7	33.9	(31.0)	173.7	4,763.3
Vehicles and equipment	4,142.1	522.0	(178.8)	1.3	—	—	28.5	4,515.1
Buildings and improvements	768.5	19.6	(2.7)	1.3	—	—	16.1	802.8
Construction-in-progress - landfill	133.2	272.5	—	(0.4)	—	—	(218.0)	187.3

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Construction-in-progress								
- other	27.2	64.9	—	(0.1)	—	—	(44.7)	47.3
Total	\$10,196.1	\$885.7	\$(183.4)	\$9.7	\$33.9	\$(31.0)	\$(58.3)	\$10,852.7

Accumulated Depreciation, Amortization and Depletion

	Balance as of December 31 2010	Additions Charged to Expense	Retirements	Acquisitions, Net of Divestitures	Adjustments for Asset Retirement Obligations	Impairments, Transfers and Other Adjustments	Balance as of December 31, 2011
Landfill development costs	\$(1,504.6)	\$(264.5)	\$—	\$0.5	\$9.9	\$23.0	\$(1,735.7)
Vehicles and equipment	(1,820.6)	(478.8)	162.4	18.2	—	(0.3)	(2,119.1)
Buildings and improvements	(172.4)	(35.3)	1.4	0.4	—	0.3	(205.6)
Total	\$(3,497.6)	\$(778.6)	\$163.8	\$19.1	\$9.9	\$23.0	\$(4,060.4)

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Gross Property and Equipment								
	Balance as of December 2009	Capital Additions	Retirements	Acquisitions Net of Divestitures	Non-Cash Adjustments Additions for Retirement Obligation	Asset Retirement Obligations	Impairments, Transfers and Other Adjustments	Balance as of December 31, 2010
Other land	\$418.7	\$2.6	\$(9.4)	\$(21.0)	\$—	\$—	\$1.0	\$391.9
Non-depletable landfill land	142.7	1.3	—	(1.7)	—	—	15.7	158.0
Landfill development costs	4,230.9	15.4	0.2	(13.9)	31.5	(26.5)	337.6	4,575.2
Vehicles and equipment	3,792.4	522.6	(174.5)	(2.1)	—	—	3.7	4,142.1
Buildings and improvements	741.6	24.4	(10.8)	(2.4)	—	—	15.7	768.5
Construction-in-progress - landfill	245.1	250.7	(0.1)	0.1	—	—	(362.6)	133.2
Construction-in-progress - other	23.0	31.6	0.2	—	—	—	(27.6)	27.2
Total	\$9,594.4	\$848.6	\$(194.4)	\$(41.0)	\$31.5	\$(26.5)	\$(16.5)	\$10,196.1

Accumulated Depreciation, Amortization and Depletion

	Balance as of December 2009	Additions Charged to Expense	Retirements	Acquisitions Net of Divestitures	Adjustments for Asset Retirement Obligations	Impairments, Transfers and Other Adjustments	Balance as of December 31, 2010
Landfill development costs	\$(1,275.4)	\$(258.9)	\$—	\$19.6	\$10.1	\$—	\$(1,504.6)
Vehicles and equipment	(1,518.2)	(478.7)	162.2	14.1	—	—	(1,820.6)
Buildings and improvements	(143.1)	(35.2)	3.7	2.2	—	—	(172.4)
Total	\$(2,936.7)	\$(772.8)	\$165.9	\$35.9	\$10.1	\$—	\$(3,497.6)

Liquidity and Capital Resources

The major components of changes in cash flows for the years ended December 31, 2012, 2011 and 2010 are discussed in the following paragraphs. The following table summarizes our cash flow from operating activities, investing activities and financing activities for the years ended December 31, 2012, 2011 and 2010 (in millions):

	2012	2011	2010
Net cash provided by operating activities	\$1,513.8	\$1,766.7	\$1,433.7
Net cash used in investing activities	(937.6)	(950.2)	(690.5)
Net cash used in financing activities	(574.9)	(838.5)	(702.9)

Cash Flows Provided by Operating Activities

Certain of the more significant items affecting our operating cash flows for 2012 and 2011 are summarized below: Changes in assets and liabilities, net of effects from business acquisitions and divestitures. Changes in assets and liabilities decreased our cash flow from operations by \$377.0 million in 2012 versus a decrease of \$406.9 million in 2011, a decrease of \$29.9 million, primarily as a result of the following:

Our accounts receivable, exclusive of the change in allowance for doubtful accounts, increased \$37.2 million during 2012 due to timing of billings net of collections as compared to a \$16.0 million increase during the comparable 2011 period. As of December 31, 2012 and 2011, our day sales outstanding was 38 and 37 days, respectively.

Our accounts payable decreased \$89.1 million year over year due to timing of payments and a decrease in property and equipment received during the period but paid in the following period of \$36.8 million. In addition, net book credit balances in our primary disbursement accounts classified as accounts payable on our consolidated balance sheets decreased from \$85.6 million at December 31, 2011 to \$51.0 million at December 31, 2012.

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Income taxes paid, net of refunds received, were approximately \$185 million and \$173 million for the years ended December 31, 2012 and 2011, respectively.

- During the first quarter of 2012, we paid synergy incentive plan bonuses of approximately \$68 million. We also paid \$2.2 million in connection with the fourth quarter 2012 restructuring.

During 2012, we paid \$77.6 million to settle capping, closure and post-closure obligations, a decrease of \$28.1 million from the \$105.7 million paid in 2011. The decrease in cash paid for capping, closure, and post-closure activities is primarily due to the timing of obligations.

- During 2012, we paid \$73.1 million for environmental remediation obligations, an increase of \$28.1 million from the \$45.0 million paid in 2011 primarily related to remediation work performed at one of our closed landfill sites in our West region.

Cash paid for interest was \$55.2 million lower during the year ended December 31, 2012 than 2011 due to refinancing of our higher interest rate debt.

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

The most significant items affecting our operating cash flows for 2011 and 2010 are summarized below:

Changes in assets and liabilities, net of effects from business acquisitions and divestitures. Changes in assets and liabilities decreased our cash flow from operations by \$406.9 million in 2011 versus a decrease of \$378.8 million in 2010, an increase of \$28.1 million, primarily as a result of the following:

At December 31, 2011 and 2010, we recorded a tax receivable of \$68.4 million and \$69.8 million, respectively, primarily due to the effects of current deductions for property placed into service during the fourth quarter, referred to as bonus depreciation. During 2011, our cash paid for taxes, net of refunds for bonus depreciation, was approximately \$173 million. During 2010, we made income tax payments (net of refunds received) of approximately \$418 million, of which approximately \$111 million related to the settlement of certain tax liabilities regarding BFI risk management companies.

During 2011, we paid \$150.7 million to settle capping, closure, post-closure and remediation obligations, a decrease of \$11.1 million from the \$161.8 million paid in 2010. The decrease in cash paid for capping, closure, and post-closure and remediation activities is primarily due to the timing of obligations.

During 2011, we paid \$3.0 million for restructuring and synergy related costs incurred in connection with the restructuring plan related to the Allied acquisition, a decrease of \$17.0 million from the \$20.0 million paid in 2010. The decrease in cash expenditures is due to a decrease in restructuring and synergy plan activities in 2011.

Cash paid for interest was \$21.6 million lower during 2011 versus 2010 due to reductions in debt balances and the refinancing of our higher interest rate debt in the second half of 2009, throughout 2010 and 2011.

Cash Flows Used in Investing Activities

The most significant items affecting our investing cash flows for the periods presented are summarized below:

Capital expenditures. Capital expenditures during 2012 were \$903.5 million compared with \$936.5 million in 2011 and \$794.7 million in 2010. Property and equipment received during 2012 and 2011 were \$866.7 million and \$885.7 million, respectively.

Proceeds from sales of property and equipment. Proceeds from sales of property and equipment during 2012 were \$28.7 million compared with \$34.6 million in 2011 and \$37.4 million in 2010. Proceeds from sales of property and equipment in 2011 and 2010 were higher than 2012 due to the sale of our former headquarters building in Florida in 2010 and the sale of equipment used as part of our expired transportation and disposal contract with the City of Toronto in 2011.

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Cash used in acquisitions and development projects, net of cash acquired. During 2012 we paid \$95.3 million for acquisitions of collection, recycling and transfer station businesses in all three regions. During 2011 we paid \$42.6 million for acquisitions, including one landfill public-private partnership, one recycling business and a variety of collection businesses. During 2010, we

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paid \$58.9 million for acquisitions, including a landfill development project. In addition, during 2012, 2011 and 2010 we paid \$0.3 million, \$3.1 million and \$0.6 million, respectively, in relation to holdback liabilities resulting from acquisitions.

Proceeds from divestitures. During the year ended December 31, 2012, we divested of a collection business in our East region and certain assets associated with our rail logistics business for which we received \$9.6 million. Proceeds from divestitures (net of cash divested) and other sales of assets were \$14.2 million in 2011 and \$60.0 million in 2010. Proceeds received in 2011 were primarily related to certain hauling and transfer station assets sold in Southern California and New England markets as well as three markets in our East region. Proceeds received in 2010 primarily related to certain hauling and transfer station assets sold in our East region.

Change in restricted cash and marketable securities. Decreases (increases) in our restricted cash and marketable securities balances were \$23.2 million, \$(16.8) million and \$66.3 million during the years ended December 31, 2012, 2011 and 2010, respectively. Changes in restricted cash and marketable securities are primarily related to the issuance of tax-exempt bonds for our capital needs, collateral for certain of our obligations and amounts held in trust as a guarantee of performance. Funds received from issuances of tax-exempt bonds are deposited directly into trust accounts by the bonding authority at the time of issuance. As we do not have the ability to use these funds for general operating purposes, they are classified as restricted cash in our consolidated balance sheets and cash used in our investing activities. During 2012 we received \$24.7 million in connection with an issuance of tax-exempt bonds. Reimbursements from the trust for qualifying expenditures or for repayments of the related tax-exempt bonds are presented as cash provided by investing activities in our consolidated statements of cash flows. Such reimbursements amounted to \$22.4 million and \$17.3 million during the years ended December 31, 2012 and 2011, respectively. During the year ended December 31, 2012, we paid \$29.5 million to settle a legal matter that was funded through a restricted escrow account in 2011.

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

Cash Flows Used in Financing Activities

The most significant items affecting the comparison of our cash flows from financing activities for the periods presented are summarized below:

Net debt repayments or borrowings. Proceeds from notes payable and long-term debt and issuance of senior notes net of payments of notes payable and long-term debt were \$50.8 million in 2012 and \$36.8 million in 2011 versus net payments of \$397.4 million in 2010. For a more detailed discussion, see the “Financial Condition” section of this Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Premiums and fees paid to issue and retire senior notes. Cash premiums and fees paid in connection with the issuance of our debt and to settle certain hedging relationships were \$43.3 million, \$148.4 million and \$56.6 million during 2012, 2011 and 2010, respectively. For a more detailed discussion, see our “Financial Condition” section of this Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Purchase of common stock for treasury. We have had a share repurchase program since November 2010. From November 2010 to December 31, 2012, we used \$825.6 million to repurchase 29.0 million shares at a weighted average cost per share of \$28.49. During 2012, we repurchased 11.8 million shares for \$324.7 million at a weighted average cost per share of \$27.44. During 2011, we repurchased 15.7 million shares for \$459.7 million at a weighted average cost per share of \$29.28. During 2010 we repurchased 1.4 million shares for \$41.1 million at a weighted average cost per share of \$28.46.

Cash dividends paid. We initiated a quarterly cash dividend in July 2003. The dividend has been increased from time to time thereafter. In July 2012, the board of directors approved an increase in the quarterly dividend to \$0.235 per share. Dividends paid were \$329.1 million, \$309.4 million, and \$294.6 million for 2012, 2011 and 2010, respectively.

Financial Condition

Cash and Cash Equivalents

As of December 31, 2012, we had \$67.6 million of cash and cash equivalents, and \$164.2 million of restricted cash deposits and restricted marketable securities, including \$24.7 million of restricted cash and marketable securities held

for capital expenditures under certain debt facilities.

Credit Facilities

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In May 2012, we amended and restated our \$1.25 billion unsecured revolving credit facility due September 2013 (the Amended and Restated Credit Facility) to extend the maturity to May 2017. The Amended and Restated Credit Facility includes a feature that allows us to increase availability, at our option, by an aggregate amount up to \$500 million through increased commitments from existing lenders or the addition of new lenders. At our option, borrowings under the Amended and Restated Credit Facility bear interest at a Base Rate, or a Eurodollar Rate, plus an applicable margin based on our Debt Ratings (all as defined in the agreements).

Contemporaneous with the execution of the Amended and Restated Credit Facility, we entered into Amendment No. 1 to our existing \$1.25 billion unsecured credit facility (the Existing Credit Facility and, together with the Amended and Restated Credit Facility, the Credit Facilities) to reduce the commitments under the Existing Credit Facility to \$1.0 billion and conform certain terms of the Existing Credit Facility to those of the Amended and Restated Credit Facility. Amendment No. 1 does not extend the maturity date under the Existing Credit Facility, which matures in April 2016.

In connection with entering into the Credit Facilities, the guarantees by our subsidiary guarantors with respect to the Credit Facilities were released. As a result, the guarantees by our subsidiary guarantors with respect to all of Republic's outstanding senior notes were automatically released. In addition, the guarantees by all of our subsidiary guarantors (other than Allied Waste Industries, Inc. and Allied Waste North America, Inc.) with respect to the 9.250% debentures and the 7.400% debentures issued by our subsidiary Browning-Ferris Industries, LLC (successor to Browning-Ferris Industries, Inc.) also were automatically released.

As of December 31, 2012 and 2011, the interest rate for our borrowings under our Credit Facilities was 1.32% and 3.25%, respectively. Our Credit Facilities also are subject to facility fees based on applicable rates defined in the agreements and the aggregate commitments, regardless of usage. Availability under our Credit Facilities can be used for working capital, capital expenditures, letters of credit and other general corporate purposes. As of December 31, 2012 and 2011, we had \$25.0 million and \$34.4 million of Base Rate - Prime and Eurodollar Rate borrowings, respectively. We had \$909.4 million and \$950.2 million of letters of credit using availability under our Credit Facilities, leaving \$1,315.6 million and \$1,515.4 million of availability under our Credit Facilities at December 31, 2012 and December 31, 2011, respectively.

In March 2012, we entered into a new \$75.0 million uncommitted, unsecured credit facility agreement (the Uncommitted Credit Facility) bearing interest at LIBOR, plus an applicable margin. In July 2012, we amended the Uncommitted Credit Facility to increase the size to \$125.0 million, with all other terms remaining unchanged. As of December 31, 2012, the interest rate for our borrowings under our Uncommitted Credit Facility was 1.35%. Our Uncommitted Credit Facility also is subject to facility fees defined in the agreement, regardless of usage. We can use borrowings under the Uncommitted Credit Facility for working capital and other general corporate purposes. The agreements governing our Uncommitted Credit Facility require us to comply with certain covenants. The Uncommitted Credit Facility may be terminated by either party at any time.

As of December 31, 2012, we had \$13.9 million of LIBOR borrowings.

The agreements governing our Credit Facilities require us to comply with certain financial and other covenants. We may pay dividends and repurchase common stock if we are in compliance with these covenants. Compliance with these covenants is a condition for any incremental borrowings under our Credit Facilities and failure to meet these covenants would enable the lenders to require repayment of any outstanding loans (which would adversely affect our liquidity). As of December 31, 2012, our EBITDA to interest ratio was 5.87 compared to the 3.00 minimum required by the covenants, and our total debt to EBITDA ratio was 3.09 compared to the 3.50 maximum allowed by the covenants. As of December 31, 2012, we were in compliance with the covenants of the Credit Facilities, and we expect to be in compliance throughout 2013.

EBITDA, which is a non-GAAP measure, is calculated as defined in our Credit Facility agreements. In this context, EBITDA is used solely to provide information regarding the extent to which we are in compliance with debt covenants and is not comparable to EBITDA used by other companies or used by us for other purposes.

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

In the future we may choose to voluntarily retire certain portions of our outstanding debt before their maturity dates using cash from operations or additional borrowings. Early extinguishment of debt will result in an impairment charge in the period in which the debt is repaid. The loss on early extinguishment of debt relates to premiums paid to effectuate the repurchase and the relative portion of unamortized note discounts and debt issue costs.

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Senior Notes and Debentures

During 2012, 2011 and 2010, we completed financing transactions that resulted in cash paid for premiums and professional fees to repurchase debt as well as the non-cash write-off of unamortized debt discounts and deferred issuance costs. For a more detailed discussion, see our “Loss on Extinguishment of Debt” section of this Management’s Discussion and Analysis of Financial Condition and Results of Operations.

In June 2012, we issued \$850.0 million of 3.550% senior notes due 2022 (the 3.550% Notes). The 3.550% Notes are unsubordinated and unsecured obligations. We used the net proceeds from the 3.550% Notes to fund the redemption of our subsidiary's, Allied Waste North America, Inc., \$750.0 million 6.875% senior notes maturing in 2017 and for general corporate purposes.

In August 2011, our 6.750% senior notes matured. We used cash on hand and incremental borrowings under our Credit Facilities to repay \$387.0 million of principal due on these notes.

In May 2011, we issued \$700.0 million of 3.800% senior notes due 2018 (the 3.800% Notes), \$550.0 million of 4.750% senior notes due 2023 (the 4.750% Notes) and \$600.0 million of 5.700% senior notes due 2041 (the 5.700% Notes, together with the 3.800% Notes and the 4.750% Notes, the 2011 Notes). We used the net proceeds from the 2011 Notes as follows: (a) \$621.4 million to fund the redemption of our \$600.0 million 7.125% senior notes maturing in 2016; (b) \$81.6 million to purchase \$59.2 million of our subsidiary Browning-Ferris Industries, LLC’s 9.250% debentures maturing in 2021; (c) \$221.8 million to purchase \$180.7 million of our subsidiary Browning-Ferris Industries, LLC’s 7.400% debentures maturing in 2035; (d) \$619.0 million to repay borrowings under our Credit Facilities; and (e) the remainder for general corporate purposes. In May 2011, our 6.375% senior notes matured. We used cash on hand and incremental borrowings under our Credit Facilities to repay \$216.9 million of principal due on these notes.

In February 2011, our 5.750% senior notes matured. We used cash on hand and incremental borrowings under our Credit Facilities to repay \$262.9 million of principal due on these notes.

In November 2010, our 6.50% senior notes matured. We used cash on hand and incremental borrowings under our Credit Facilities to repay \$221.6 million of principal due on these notes.

In March 2010, we issued \$850.0 million of 5.00% senior notes due 2020 (the 2020 Notes), with an unamortized discount of \$0.1 million at December 31, 2010, and \$650.0 million of 6.20% senior notes due 2040 (the 2040 Notes, and, together with the 2020 Notes, the 2010 Notes). We used the net proceeds from the 2010 Notes as follows: (a) \$433.7 million to redeem the 6.125% senior notes due 2014 at a premium of 102.042% (\$425.0 million principal outstanding); (b) \$621.8 million to redeem the 7.250% senior notes due 2015 at a premium of 103.625% (\$600.0 million principal outstanding); and (c) the remainder to reduce amounts outstanding under our Credit Facilities and for general corporate purposes.

Tax-Exempt Financings

As of December 31, 2012 and 2011, we had \$1,097.5 million and \$1,126.4 million, respectively, of fixed and variable rate tax-exempt financings outstanding with maturities ranging from 2013 to 2037. Approximately 85% of our tax-exempt financings are remarketed quarterly, weekly or daily by a remarketing agent to effectively maintain a variable yield. Certain of these variable rate tax-exempt financings are credit enhanced with letters of credit having terms in excess of one year issued by banks with investment grade credit ratings. The holders of the bonds can put them back to the remarketing agent at the end of each interest period. To date, the remarketing agents have been able to remarket our variable rate unsecured tax-exempt bonds. These bonds have been classified as long term because of our ability and intent to refinance them using availability under our Credit Facilities, if necessary.

As of December 31, 2012, we had \$164.2 million of restricted cash and marketable securities, of which \$24.7 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 and marketable securities also include amounts held in trust as a financial guarantee of our performance.

Fuel Hedges

We use derivative instruments designated as cash flow hedges to manage our exposure to changes in diesel fuel prices. We have entered into multiple agreements related to forecasted diesel fuel purchases. The agreements qualified for, and were designated as, effective hedges of changes in the prices of forecasted diesel fuel purchases (fuel hedges). For

a detailed listing of our outstanding fuel hedges during 2012 and 2011, see Note 15, Financial Instruments, to our consolidated financial statements in Item 8 of this Form 10-K.

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The aggregated fair values of our outstanding fuel hedges at December 31, 2012 and 2011 were current assets of \$3.1 million and \$1.6 million, respectively, and current liabilities of \$0.4 million and \$4.7 million, respectively, and have been recorded in other current assets and other accrued liabilities in our consolidated balance sheets, respectively.

The effective portions of the changes in fair values as of December 31, 2012 and 2011, net of tax, of \$1.6 million and \$1.8 million, respectively, have been recorded in stockholders' equity as components of accumulated other comprehensive income.

During 2012, approximately 8% of our fuel volume purchases were hedged with swap agreements. Additionally, we were able to recover approximately 67% of our fuel costs with fuel recovery fees from certain of our customers.

Recycling Commodity Hedges

Revenue from sale of recycling commodities is primarily from sales of old corrugated cardboard (OCC) and old newspaper (ONP). We use derivative instruments such as swaps and costless collars designated as cash flow hedges to manage our exposure to changes in prices of these commodities. We have entered into multiple agreements related to 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 (recycling commodity hedges). For a detailed listing of our outstanding recycling commodity hedges during 2012 and 2011, see Note 15, Financial Instruments, to our consolidated financial statements in Item 8 of this Form 10-K.

The aggregated fair values of the outstanding recycling commodity hedges at December 31, 2012 and 2011 were current assets of \$1.0 million and \$1.4 million, respectively, and current liabilities of \$1.2 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 effective portions of the changes in fair values of our recycling commodity hedges as of December 31, 2012 and 2011, net of tax, of \$0.1 million and \$0.4 million have been recorded in stockholders' equity as a component of accumulated other comprehensive income.

Approximately 41% of our 2012 sales volume of commodities was subject to cash flow hedges.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2012 (in millions):

Year Ending December 31,	Operating Leases	Maturities of Notes Payable, Capital Leases and Other Long- Term Debt	Final Capping, Closure and Post-Closure	Remediation	Unconditional Purchase Commitments	Total
2013	\$26.1	\$15.1	\$110.4	\$85.1	\$182.6	\$419.3
2014	20.8	15.7	110.1	60.7	101.1	308.4
2015	17.4	10.1	109.4	38.4	47.2	222.5
2016	15.5	29.1	77.0	29.6	30.3	181.5
2017	14.8	9.6	76.4	29.3	28.9	159.0
Thereafter	81.2	7,070.6	4,829.6	356.4	230.9	12,568.7
Total	\$175.8	\$7,150.2	\$5,312.9	\$599.5	\$621.0	\$13,859.4

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

In the future, we may choose to voluntarily retire certain portions of our outstanding debt before their maturity dates using cash from operations or additional borrowings. We also may explore opportunities in the capital markets to fund redemptions should market conditions be favorable.

The present value of capital lease obligations is included in our consolidated balance sheets.

The estimated remaining final capping, closure and post-closure and remediation expenditures presented above are not inflated

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or discounted and reflect the estimated future payments for liabilities incurred and recorded as of December 31, 2012. Unconditional purchase commitments consist primarily of (1) disposal related agreements that include fixed or minimum royalty payments, host agreements and take-or-pay and put-or-pay agreements and (2) other obligations including committed capital expenditures and consulting service agreements.

Debt covenants

Our Credit Facilities contain financial covenants. We can pay dividends and repurchase common stock if we are in compliance with these covenants. At December 31, 2012, we were in compliance with all financial and other covenants under our Credit Facilities. We were also in compliance with the non-financial covenants in the indentures relating to our senior notes as of December 31, 2012. We expect to be in compliance with our covenants during 2013. Failure to comply with the financial and other covenants under our Credit Facilities, as well as the occurrence of certain material adverse events, would constitute defaults and would allow the lenders under our Credit Facilities to accelerate the maturity of all indebtedness under the related agreements. This could also have an adverse impact on the availability of financial assurances. In addition, maturity acceleration on our Credit Facilities constitutes an event of default under our other debt instruments, including our senior notes, and, therefore, our senior notes would also be subject to acceleration of maturity. If such acceleration were to occur, we would not have sufficient liquidity available to repay the indebtedness. We would likely have to seek an amendment under our Credit Facilities for relief from the financial covenants or repay the debt with proceeds from the issuance of new debt or equity, or asset sales, if necessary. We may be unable to amend our Credit Facilities or raise sufficient capital to repay such obligations in the event the maturities are accelerated.

Financial assurance

We must provide financial assurance to governmental agencies and a variety of other entities under applicable environmental regulations relating to our landfill operations for capping, closure and post-closure costs, and related to our performance under certain collection, landfill and transfer station contracts. We satisfy these financial assurance requirements by providing surety bonds, letters of credit, or insurance policies (the Financial Assurance Instruments), or trust deposits which are included in restricted cash and marketable securities and other assets in our consolidated balance sheets. The amount of the financial assurance requirements for capping, closure and post-closure costs is determined by applicable state environmental regulations. The financial assurance requirements for capping, closure and post-closure costs may be associated with a portion of the landfill or the entire landfill. Generally, states require a third-party engineering specialist to determine the estimated capping, closure and post-closure costs that are used to determine the required amount of financial assurance for a landfill. The amount of financial assurance required can, and generally will, differ from the obligation determined and recorded under U.S. GAAP. The amount of the financial assurance requirements related to contract performance varies by contract. Additionally, we must provide financial assurance for our insurance program and collateral for certain performance obligations. We do not expect a material increase in financial assurance requirements during 2013, although the mix of financial assurance instruments may change.

These financial instruments are issued in the normal course of business and are not considered company indebtedness. Because we currently have no liability for the Financial Assurance Instruments, they are not reflected in our consolidated balance sheets. However, we record capping, closure and post-closure liabilities and self-insurance liabilities as they are incurred. The underlying obligations of the financial assurance instruments, in excess of those already reflected in our consolidated balance sheets, would be recorded if it is probable that we would be unable to fulfill our related obligations. We do not expect this to occur.

Off-Balance Sheet Arrangements

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

Free Cash Flow

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

Our free cash flow for the years ended December 31, 2012, 2011 and 2010 is calculated as follows (in millions):

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	2012	2011	2010
Cash provided by operating activities	\$1,513.8	\$1,766.7	\$1,433.7
Purchases of property and equipment	(903.5) (936.5) (794.7
Proceeds from sales of property and equipment	28.7	34.6	37.4
Free cash flow	\$639.0	\$864.8	\$676.4

For a discussion of the changes in the components of free cash flow, you should read our discussion regarding Cash Flows Provided By Operating Activities and Cash Flows Used In Investing Activities contained elsewhere in this Form 10-K.

Purchases of property and equipment as reflected in our consolidated statements of cash flows and as presented in the free cash flow table above represent amounts paid during the period for such expenditures. A reconciliation of property and equipment reflected in the consolidated statements of cash flows to property and equipment received for the years ended December 31, 2012, 2011 and 2010 is as follows (in millions):

	2012	2011	2010
Purchases of property and equipment per the consolidated statements of cash flows	\$903.5	\$936.5	\$794.7
Adjustments for property and equipment received during the prior period but paid for in the following period, net	(36.8	) (50.8	) 53.9
Property and equipment received during the period	\$866.7	\$885.7	\$848.6

The adjustments noted above do not affect our net change in cash and cash equivalents as reflected in our consolidated statements of cash flows.

We believe that the presentation of free cash flow provides useful information regarding our recurring cash provided by operating activities after expenditures for property and equipment received, plus proceeds from sales of property and equipment. It also demonstrates our ability to execute our financial strategy, which includes reinvesting in existing capital assets to ensure a high level of customer service, investing in capital assets to facilitate growth in our customer base and services provided, maintaining our investment grade rating and minimizing debt, paying cash dividends and repurchasing common stock, and maintaining and improving our market position through business optimization. In addition, free cash flow is a key metric used to determine compensation. The presentation of free cash flow has material limitations. Free cash flow does not represent our cash flow available for discretionary expenditures because it excludes certain expenditures that are required or that we have committed to such as debt service requirements and dividend payments. Our definition of free cash flow may not be comparable to similarly titled measures presented by other companies.

Contingencies

For a description of our contingencies, see Note 10, Income Taxes, and Note 16, Commitments and Contingencies, to our consolidated financial statements in Item 8 of this Form 10-K.

Critical Accounting Judgments and Estimates

Our consolidated financial statements have been prepared in accordance with U.S. GAAP and necessarily include certain estimates and judgments made by management. The following is a list of accounting policies that we believe are the most critical in understanding our consolidated financial position, results of operations or cash flows and that may require management to make subjective or complex judgments about matters that are inherently uncertain. Such critical accounting policies, estimates and judgments are applicable to all of our operating segments.

We have noted examples of the residual accounting and business risks inherent in the accounting for these areas. Residual accounting and business risks are defined as the inherent risks that we face after the application of our policies and processes that are generally outside of our control or ability to forecast.

Landfill Accounting

Landfill operating costs are treated as period expenses and are not discussed further in this section.

Our landfill assets and liabilities fall into the following two categories, each of which requires accounting judgments and estimates:

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Landfill development costs that are capitalized as an asset.

Landfill retirement obligations relating to our capping, closure and post-closure liabilities which result in a corresponding landfill retirement asset.

New claims may be asserted that are not included in our loss contingencies.

Landfill Development Costs

We use life-cycle accounting and the units-of-consumption method to recognize landfill development costs over the life of the site. In life-cycle accounting, all costs to acquire and construct a site are capitalized, and charged to expense based on the consumption of cubic yards of available airspace. Obligations associated with final capping, closure and post-closure are also capitalized, and amortized on a units-of-consumption basis as airspace is consumed. Cost and airspace estimates are developed at least annually by engineers.

Site permits. To develop, construct and operate a landfill, we must obtain permits from various regulatory agencies at the local, state and federal levels. The permitting process requires an initial site study to determine whether the location is feasible for landfill operations. The initial studies are reviewed by our environmental management group and then submitted to the regulatory agencies for approval. During the development stage we capitalize certain costs that we incur after site selection but before the receipt of all required permits if we believe that it is probable that the site will be permitted.

Residual risks:

- Changes in legislative or regulatory requirements may cause changes to the landfill site permitting process. These changes could make it more difficult and costly to obtain and maintain a landfill permit.

Studies performed could be inaccurate, which could result in the denial or revocation of a permit and changes to accounting assumptions. Conditions could exist that were not identified in the study, which may make the location not feasible for a landfill and could result in the denial of a permit. Denial or revocation of a permit could impair the recorded value of the landfill asset.

Actions by neighboring parties, private citizen groups or others to oppose our efforts to obtain, maintain or expand permits could result in denial, revocation or suspension of a permit, which could adversely impact the economic viability of the landfill and could impair the recorded value of the landfill. As a result of opposition to our obtaining a permit, improved technical information as a project progresses, or changes in the anticipated economics associated with a project, we may decide to reduce the scope of or abandon a project, which could result in an asset impairment. Technical landfill design. Upon receipt of initial regulatory approval, technical landfill designs are prepared. The technical designs, which include the detailed specifications to develop and construct all components of the landfill including the types and quantities of materials that will be required, are reviewed by our environmental management group. The technical designs are submitted to the regulatory agencies for approval. Upon approval of the technical designs, the regulatory agencies issue permits to develop and operate the landfill.

Residual risks:

- Changes in legislative or regulatory requirements may require changes in the landfill technical designs. These changes could make it more difficult and costly to meet new design standards.

Technical design requirements, as approved, may need modifications at some future point in time.

Technical designs could be inaccurate and could result in increased construction costs, difficulty in obtaining a permit or the use of rates to recognize the amortization of landfill development costs and asset retirement obligations that are not appropriate.

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Permitted and probable landfill disposal capacity. Included in the technical designs are factors that determine the ultimate disposal capacity of the landfill. These factors include the area over which the landfill will be developed, such as the depth of excavation, the height of the landfill elevation and the angle of the side-slope construction. The disposal capacity of the landfill is calculated in cubic yards. This measurement of volume is then converted to a disposal capacity expressed in tons based on a site-specific expected density to be achieved over the remaining operating life of the landfill.

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Residual risks:

• Estimates of future disposal capacity may change as a result of changes in legislative or regulatory design requirements.

- The density of waste may vary due to variations in operating conditions, including waste compaction practices, site design, climate and the nature of the waste.

• Capacity is defined in cubic yards but waste received is measured in tons. The number of tons per cubic yard varies by type of waste and our rate of compaction.

Development costs. The types of costs that are detailed in the technical design specifications generally include excavation, natural and synthetic liners, construction of leachate collection systems, installation of methane gas collection systems and monitoring probes, installation of groundwater monitoring wells, construction of leachate management facilities and other costs associated with the development of the site. We review the adequacy of our cost estimates on an annual basis by comparing estimated costs with third-party bids or contractual arrangements, reviewing the changes in year over year cost estimates for reasonableness, and comparing our resulting development cost per acre with prior period costs. These development costs, together with any costs incurred to acquire, design and permit the landfill, including capitalized interest, are recorded to the landfill asset on the balance sheet as incurred.

Residual risk:

Actual future costs of construction materials and third-party labor could differ from the costs we have estimated because of the availability of the required materials and labor. Technical designs could be altered due to unexpected operating conditions, regulatory changes or legislative changes.

Landfill development asset amortization. To match the expense related to the landfill asset with the revenue generated by the landfill operations, we amortize the landfill development asset over its operating life on a per-ton basis as waste is accepted at the landfill. The landfill asset is fully amortized at the end of a landfill's operating life. The per-ton rate is calculated by dividing the sum of the landfill development asset net book value plus estimated future development costs (as described above) for the landfill by the landfill's estimated remaining disposal capacity. The expected future development costs are not inflated or discounted, but rather expressed in nominal dollars. This rate is applied to each ton accepted at the landfill to arrive at amortization expense for the period.

Amortization rates are influenced by the original cost basis of the landfill, including acquisition costs, which in turn is determined by geographic location and market values. We secure significant landfill assets through business acquisitions and value them at the time of acquisition based on fair value. Amortization rates are also influenced by site-specific engineering and cost factors.

Residual risk:

Changes in our future development cost estimates or our disposal capacity will normally result in a change in our amortization rates and will impact amortization expense prospectively. An unexpected significant increase in estimated costs or reduction in disposal capacity could affect the ongoing economic viability of the landfill and result in asset impairment.

On at least an annual basis, we update the estimates of future development costs and remaining disposal capacity for each landfill. These costs and disposal capacity estimates are reviewed and approved by senior operations management annually. Changes in cost estimates and disposal capacity are reflected prospectively in the landfill amortization rates that are updated annually.

Landfill Asset Retirement Obligations

We have two types of retirement obligations related to landfills: (1) capping and (2) closure and post-closure. Obligations associated with final capping activities that occur during the operating life of the landfill are recognized on a units-of-consumption basis as airspace is consumed within each discrete capping event. Obligations related to

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closure and post-closure activities that occur after the landfill has ceased operations are recognized on a units-of-consumption basis as airspace is consumed throughout the entire life of the landfill. Landfill retirement obligations are capitalized as the related liabilities are recognized and amortized using the units-of-consumption method over the airspace consumed within the capping event or the airspace consumed within the entire landfill, depending on the nature of the obligation. All obligations are initially measured at

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estimated fair value. Fair value is calculated on a present value basis using an inflation rate and our credit-adjusted, risk-free rate in effect at the time the liabilities were incurred. Future costs for final capping, closure and post-closure are developed at least annually by engineers, and are inflated to future value using estimated future payment dates and inflation rate projections.

Landfill capping. As individual areas within each landfill reach capacity, we must cap and close the areas in accordance with the landfill site permit. These requirements are detailed in the technical design of the landfill site process previously described.

Closure and post-closure. Closure costs are costs incurred after a landfill stops receiving waste, but prior to being certified as closed. After the entire landfill has reached capacity and is certified closed, we must continue to maintain and monitor the site for a post-closure period, which generally extends for 30 years. Costs associated with closure and post-closure requirements generally include maintenance of the site, the monitoring of methane gas collection systems and groundwater systems, and other activities that occur after the site has ceased accepting waste. Costs associated with post-closure monitoring generally include groundwater sampling, analysis and statistical reports, third-party labor associated with gas system operations and maintenance, transportation and disposal of leachate, and erosion control costs related to the final cap.

Landfill retirement obligation liabilities and assets. Estimates of the total future costs required to cap, close and monitor each landfill as specified by the landfill permit are updated annually. The estimates include inflation, the specific timing of future cash outflows, and the anticipated waste flow into the capping events. Our cost estimates are inflated to the period of performance using an estimate of inflation, which is updated annually and is based upon the ten year average consumer price index (2.5% in both 2012 and 2011).

The present value of the remaining capping costs for specific capping events and the remaining closure and post-closure costs for each landfill are recorded as incurred on a per-ton basis. These liabilities are incurred as disposal capacity is consumed at the landfill.

Capping, closure and post-closure liabilities are recorded in layers and discounted using our credit-adjusted risk-free rate in effect at the time the obligation is incurred (4.75% in 2012 and 6.0% in 2011).

Retirement obligations are increased each year to reflect the passage of time by accreting the balance at the weighted average credit-adjusted risk-free rate that was used to calculate each layer of the recorded liabilities. This accretion is charged to operating expenses. Actual cash expenditures reduce the asset retirement obligation liabilities as they are made.

Corresponding retirement obligation assets are recorded for the same value as the additions to the capping, closure and post-closure liabilities. The retirement obligation assets are amortized to expense on a per-ton basis as disposal capacity is consumed. The per-ton rate is calculated by dividing the sum of each of the recorded retirement obligation asset's net book value and expected future additions to the retirement obligation asset by the remaining disposal capacity. A per-ton rate is determined for each separate capping event based on the disposal capacity relating to that event. Closure and post-closure per-ton rates are based on the total disposal capacity of the landfill.

Residual risks:

Changes in legislative or regulatory requirements, including changes in capping, closure activities or post-closure monitoring activities, types and quantities of materials used, or term of post-closure care, could cause changes in our cost estimates.

Changes in the landfill retirement obligation due to changes in the anticipated waste flow, changes in airspace compaction estimates or changes in the timing of expenditures for closed landfills and fully incurred but unpaid capping events are recorded in results of operations prospectively. This could result in unanticipated increases or decreases in expense.

Actual timing of disposal capacity utilization could differ from projected timing, causing differences in timing of when amortization and accretion expense is recognized for capping, closure and post-closure liabilities.

Changes in inflation rates could impact our actual future costs and our total liabilities.

Changes in our capital structure or market conditions could result in changes to the credit-adjusted risk-free rate used to discount the liabilities, which could cause changes in future recorded liabilities, assets and expense.

Amortization rates could change in the future based on the evaluation of new facts and circumstances relating to landfill capping design, post-closure monitoring requirements, or the inflation or discount rate.

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On an annual basis, we update our estimates of future capping, closure and post-closure costs and of future disposal capacity for each landfill. Revisions in estimates of our costs or timing of expenditures are recognized immediately as increases or decreases to the capping, closure and post-closure liabilities and the corresponding retirement obligation assets. Changes in the assets result in changes to the amortization rates which are applied prospectively, except for fully incurred capping events and closed landfills, where the changes are recorded immediately in results of operations since the associated disposal capacity has already been consumed.

Permitted and probable disposal capacity. Disposal capacity is determined by the specifications detailed in the landfill permit. We classify this disposal capacity as permitted. We also include probable expansion disposal capacity in our remaining disposal capacity estimates, thus including additional disposal capacity being sought through means of a permit expansion. Probable expansion disposal capacity has not yet received final approval from the applicable regulatory agencies, but we have determined that certain critical criteria have been met and that the successful completion of the expansion is probable. We have developed six criteria that must be met before an expansion area is designated as probable expansion airspace. We believe that satisfying all of these criteria demonstrates a high likelihood that expansion airspace that is incorporated in our landfill costing will be permitted. However, because some of these criteria are judgmental, they may exclude expansion airspace that will eventually be permitted or include expansion airspace that will not be permitted. In either of these scenarios, our amortization, depletion and accretion expense could change significantly. Our internal criteria to classify disposal capacity as probable expansion airspace are as follows:

- We own the land associated with the expansion airspace or control it pursuant to an option agreement;
- We are committed to supporting the expansion project financially and with appropriate resources;
 - There are no identified fatal flaws or impediments associated with the project, including political impediments;
- Progress is being made on the project;
- The expansion is attainable within a reasonable time frame; and
- We believe it is likely we will receive the expansion permit.

After successfully meeting these criteria, the disposal capacity that will result from the planned expansion is included in our remaining disposal capacity estimates. Additionally, for purposes of calculating landfill amortization and capping, closure and post-closure rates, we include the incremental costs to develop, construct, close and monitor the related probable expansion disposal capacity.

Residual risk:

We may be unsuccessful in obtaining permits for probable expansion disposal capacity because of the failure to obtain the final local, state or federal permits or due to other unknown reasons. If we are unsuccessful in obtaining permits for probable expansion disposal capacity, or the disposal capacity for which we obtain approvals is less than what was estimated, both our estimated total costs and disposal capacity will be reduced, which generally increases the rates we charge for landfill amortization and capping, closure and post-closure accruals. An unexpected decrease in disposal capacity could also cause an asset impairment.

Environmental Liabilities

We are subject to an array of laws and regulations relating to the protection of the environment, and we remediate sites in the ordinary course of our business. Under current laws and regulations, we may be responsible for environmental remediation at sites that we either own or operate, including sites that we have acquired, or sites where we have (or a company that we have acquired has) delivered waste. Our environmental remediation liabilities primarily include costs associated with remediating groundwater, surface water and soil contamination, as well as

controlling and containing methane gas migration and the related legal costs. To estimate our ultimate liability at these sites, we evaluate several factors, including the nature and extent of contamination at each identified site, the required remediation methods, the apportionment of responsibility among the potentially responsible parties and the financial viability of those parties. We accrue for costs associated with environmental remediation obligations when such costs are probable and reasonably estimable in accordance with accounting for loss contingencies. We periodically review the status of all environmental matters and update our estimates of the likelihood of and future expenditures for remediation as necessary. Changes in the liabilities resulting from these reviews are recognized currently in earnings in the period in which the adjustment is known. Adjustments to estimates are reasonably possible in the near term and may result in changes to recorded amounts. With the exception of those obligations assumed in the acquisition of

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Allied that were recorded at estimated fair value, environmental obligations are recorded on an undiscounted basis. We have not reduced the liabilities we have recorded for recoveries from other potentially responsible parties or insurance companies.

Residual risks:

We cannot determine with precision the ultimate amounts of our environmental remediation liabilities. Our estimates of these liabilities require assumptions about uncertain future events. Thus, our estimates could change substantially as additional information becomes available regarding the nature or extent of contamination, the required remediation methods, the final apportionment of responsibility among the potentially responsible parties identified, the financial viability of those parties, and the actions of governmental agencies or private parties with interests in the matter.

Actual amounts could differ from the estimated liabilities as a result of changes in estimated future litigation costs to pursue the matter to ultimate resolution.

An unanticipated environmental liability that arises could result in a material charge to our consolidated statement of income.

Self-Insurance Reserves and Related Costs

Our insurance programs for workers' compensation, commercial general and auto liability, environmental and remediation liability, and employee-related health care benefits are either self-insured or subject to large deductible insurance policies. Accruals for self-insurance reserves are based on claims filed and estimates of claims incurred but not reported. We maintain high deductibles for commercial general liability, automobile liability and workers' compensation coverage, ranging from \$2.0 million to \$5.0 million.

Residual risks:

Incident rates, including frequency and severity, and other actuarial assumptions could change causing our current and future actuarially determined obligations to change, which would be reflected in our consolidated statement of income in the period in which such adjustment is known.

Recorded reserves may not be adequate to cover the future payment of claims. Adjustments, if any, to estimates recorded resulting from ultimate claim payments would be reflected in the consolidated statements of income in the periods in which such adjustments are known.

The settlement costs to discharge our obligations, including legal and health care costs, could increase or decrease causing current estimates of our self-insurance reserves to change.

Loss Contingencies

We are subject to various legal proceedings, claims and regulatory matters, the outcomes of which are subject to significant uncertainty. We determine whether to disclose material loss contingencies or accrue for loss contingencies based on an assessment of whether the risk of loss is remote, reasonably possible or probable, and whether it can be reasonably estimated. We analyze our litigation and regulatory matters based on available information to assess the potential liabilities. Management develops its assessment based on an analysis of possible outcomes under various strategies. We record and disclose loss contingencies pursuant to the applicable accounting guidance for such matter. We record losses related to contingencies in cost of operations or selling, general and administrative expenses, depending on the nature of the underlying transaction leading to the loss contingency.

Residual risks:

Actual costs may vary from our estimates for a variety of reasons, including differing interpretations of laws, opinions on culpability and assessments of the amount of damages.

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Loss contingency assumptions involve judgments that are inherently subjective and generally involve matters that are by their nature complex and unpredictable. If a loss contingency results in an adverse judgment or is settled for a significant amount, it could have a material adverse impact on our consolidated financial position, results of operations or cash flows in the period in which such judgment or settlement occurs.

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- New claims may be asserted that are not included in our loss contingencies.

Asset Impairment

Valuation methodology. We evaluate our long-lived assets (other than goodwill) for impairment whenever events or changes in circumstances indicate the carrying amount of the asset or asset group may not be recoverable based on projected cash flows anticipated to be generated from the ongoing operation of those assets or we intend to sell or otherwise dispose of the assets.

Residual risk:

If events or changes in circumstances occur, including reductions in anticipated cash flows generated by our operations or determinations to divest assets, certain assets could be impaired, which would result in a non-cash charge to earnings.

Evaluation criteria. We test long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. Examples of such events could include a significant adverse change in the extent or manner in which we use a long-lived asset, a change in its physical condition, or new circumstances that could cause an expectation that it is more likely than not that we would sell or otherwise dispose of a long-lived asset significantly before the end of its previously estimated useful life.

Residual risk:

Our most significant asset impairment exposure, other than goodwill (which is discussed below), relates to our landfills. A significant reduction in our estimated disposal capacity as a result of unanticipated events such as regulatory developments, revocation of an existing permit or denial of an expansion permit, or changes in our assumptions used to calculate disposal capacity, could trigger an impairment charge.

Recognition criteria. If such circumstances arise, we recognize impairment for the difference between the carrying amount and fair value of the asset if the net book value of the asset exceeds the sum of the estimated undiscounted cash flows expected to result from its use and eventual disposition. We generally use the present value of the expected cash flows from that asset to determine fair value.

Goodwill Recoverability

We annually test goodwill for impairment at December 31 or when an indicator of impairment exists. We test goodwill for impairment using the two-step process. The first step is a screen for potential impairment, while the second step measures the amount of the impairment, if any. The first step of the goodwill impairment test compares the fair value of a reporting unit with its carrying amount, including goodwill.

We have defined our reporting units to be consistent with our operating segments: East, Central and West. In determining fair value, we primarily use discounted future cash flows and operating results based on a comparative multiple of earnings or revenues.

Significant estimates used in our fair value calculation using discounted future cash flows include: (1) estimates of future revenue and expense growth by reporting unit, which we estimate to range from 2% to 3%; (2) future estimated effective tax rates, which we estimate to be 40%; (3) future estimated capital expenditures as well as future required investments in working capital; (4) estimated discount rates, which we estimate to range between 7% and 8%; and (5) the future terminal value of the reporting unit, which is based on its ability to exist into perpetuity. Significant estimates used in the fair value calculation using market value multiples include: (a) estimated future growth potential of the reporting unit; (b) estimated multiples of revenue or earnings a willing buyer is likely to pay; and (c) estimated control premium a willing buyer is likely to pay.

In addition, we evaluate a reporting unit for impairment if events or circumstances change between annual tests, indicating a possible impairment. Examples of such events or circumstances include: (1) a significant adverse change in legal factors or in the business climate; (2) an adverse action or assessment by a regulator; (3) a more likely than not expectation that a reporting unit or a significant portion thereof will be sold; (4) continued or sustained losses at a reporting unit; (5) a significant decline in our market capitalization as compared to our book value; or (6) the testing for recoverability of a significant asset group within the reporting unit.

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We assign assets and liabilities from our corporate operating segment to our three reporting units to the extent that such assets or liabilities relate to the cash flows of the reporting unit and would be included in determining the reporting unit's fair value.

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In preparing our annual test for impairment as of December 31, 2012, we determined that our indicated fair value of total invested capital exceeded our total market capitalization. We believe one of the primary reconciling differences between the indicated fair value of total invested capital and our total market capitalization is due to a control premium. We believe the control premium represents the value a market participant could extract as savings and/or synergies by obtaining control, and thereby eliminating duplicative overhead and operating costs resulting from the consolidation of routes and internalization of waste streams.

As of December 31, 2012, we determined that the indicated fair value of our reporting units exceeded their carrying value by a range of approximately 30% to 40% and, therefore, we noted no indicators of impairment at our reporting units.

We will continuously monitor market trends in our business, the related expected cash flows and our calculation of market capitalization for purposes of identifying possible indicators of impairment. If our book value per share exceeds our market price per share or if we have other indicators of impairment, we will be required to perform an interim step one impairment analysis, which may lead to a step two analysis and possible impairment of our goodwill. Additionally, we would then be required to review our remaining long-lived assets for impairment.

Our operating segments, which also represent our reporting units, are comprised of several vertically integrated businesses. When an individual business within an integrated operating segment is divested, goodwill is allocated to that business based on its fair value relative to the fair value of its operating segment.

Residual risks:

Future events could cause us to conclude that impairment indicators exist and that goodwill associated with acquired businesses is impaired.

The valuation of identifiable goodwill requires significant estimates and judgment about future performance, cash flows and fair value. Our future results could be affected if these current estimates of future performance and fair value change. For example, a reduction in long-term growth assumptions could reduce the estimated fair value of the operating segments to below their carrying values, which could trigger an impairment charge. Similarly, an increase in our discount rate could trigger an impairment charge. Any resulting impairment charge could have a material adverse impact on our financial condition and results of operations.

Income Taxes

Deferred tax assets and liabilities are determined based on differences between the financial reporting and income tax bases of assets (other than non-deductible goodwill) and liabilities. Deferred tax assets and liabilities are measured using the income tax rate in effect during the year in which the differences are expected to reverse.

We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making this determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In the event we determine that we would be able to realize our deferred income tax assets in the future in excess of their net recorded amount, we will make an adjustment to the valuation allowance which would reduce our provision for income taxes. Our income tax expense, deferred tax assets and liabilities and reserves for unrecognized tax benefits reflect management's best assessment of estimated future taxes to be paid. We are subject to U.S. federal income taxes and to the income taxes of numerous states. Significant judgments and estimates are required in determining the combined income tax expense.

Regarding the accounting for uncertainty in income taxes recognized in the financial statements, we record a tax benefit from an uncertain tax position when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. We recognize interest and penalties related to uncertain tax positions within the provision for income taxes in our consolidated statements of income. Accrued interest and penalties are included within other accrued liabilities and deferred income taxes and other long-term tax liabilities in our consolidated balance sheets.

Residual risks:

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Income tax assets and liabilities established in purchase accounting for acquisitions are based on assumptions that could differ from the ultimate outcome of the tax matters. Such adjustments would be charged or credited to earnings, unless they meet certain remeasurement criteria and are allowed to be adjusted to goodwill.

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Changes in the estimated realizability of deferred tax assets could result in adjustments to our provision for income taxes.

Valuation allowances for deferred tax assets and the realizability of net operating loss carryforwards for tax purposes are based on our judgment. If our judgments and estimates concerning valuation allowances and the realizability of net operating loss carryforwards are incorrect, our provision for income taxes would change.

We are currently under examination or administrative review by various state and federal taxing authorities for certain tax years. The Internal Revenue Code and income tax regulations are a complex set of rules that we must interpret and apply. Positions taken in tax years under examination or subsequent years are subject to challenge. Accordingly, we may have exposure for additional tax liabilities arising from these audits if any positions taken by us or by companies we have acquired are disallowed by the taxing authorities.

We adjust our liabilities for uncertain tax positions when our judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, their ultimate resolution may result in payments that are materially different from our current estimates of the tax liabilities. These differences will be reflected as increases or decreases to our provision for income taxes in the period in which they are determined.

Defined Benefit Pension Plans

We currently have one qualified defined benefit pension plan, the BFI Retirement Plan (the Plan). The Plan covers certain employees in the United States, including some employees subject to collective bargaining agreements. The Plan's benefit formula is based on a percentage of compensation as defined in the Plan document. The benefits of approximately 97% of the current plan participants were frozen upon Allied's acquisition of BFI in 1999. Our pension contributions are made in accordance with funding standards established by the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code, as amended by the Pension Protection Act of 2006. The Plan's assets are invested as determined by our Retirement Benefits Committee. At December 31, 2012, the plan assets were invested in fixed income bond funds, equity funds and cash. We annually review and adjust the plan's asset allocation as deemed necessary. Our unfunded benefit obligation for the Plan was \$6.1 million as of December 31, 2012 compared to \$39.9 million as of December 31, 2011.

Residual risk:

Changes in the plan's investment mix and performance of the equity and bond markets and fund managers could impact the amount of pension income or expense recorded, the funded status of the plan and the need for future cash contributions.

Assumptions. The benefit obligation and associated income or expense related to the Plan are determined based on assumptions concerning items such as discount rates, expected rates of return and average rates of compensation increases. Our assumptions are reviewed annually and adjusted as deemed necessary.

We determine the discount rate based on a model which matches the timing and amount of expected benefit payments to maturities of high quality bonds priced as of the Plan measurement date. Where that timing does not correspond to a published high-quality bond rate, our model uses an expected yield curve to determine an appropriate current discount rate. The yield on the bonds is used to derive a discount rate for the liability. If the discount rate were to increase by 1%, our benefit obligation would decrease by approximately \$26 million. If the discount rate were to decrease by 1%, our benefit obligation would increase by approximately \$31 million.

In developing our expected rate of return assumption, we evaluate long-term expected and historical returns on the Plan assets, giving consideration to our asset mix and the anticipated duration of the Plan obligations. The average rate of compensation increase reflects our expectations of average pay increases over the periods benefits are earned. Less than 3% of participants in the Plan continue to earn service benefits.

Residual risks:

Our assumed discount rate is sensitive to changes in market-based interest rates. A decrease in the discount rate will increase our related benefit plan obligation.

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Our annual pension expense would be impacted if the actual return on plan assets were to vary from the expected return.

New Accounting Standards

For a description of new accounting standards that may affect us, see Note 2, Summary of Significant Accounting Policies, to our consolidated financial statements in Item 8 of this Form 10-K.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our major market risk exposure of our financial instruments is changing interest rates in the United States and fluctuations in LIBOR. We intend to manage interest rate risk through the use of a combination of fixed and floating rate debt. The carrying value of our variable rate debt approximates fair value because interest rates are variable and, accordingly, approximates 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. The table below provides information about certain of our market-sensitive financial instruments and constitutes a “forward-looking statement.”

	Expected Maturity Date						Total	Fair Value as of December 31, 2012
	2013	2014	2015	2016	2017	Thereafter		
Fixed Rate Debt:								
Amount outstanding (in millions)	\$5.1	\$15.7	\$5.3	\$4.1	\$4.4	\$6,145.5	\$6,180.1	\$7,129.0
Average interest rates	6.8	% 6.0	% 7.8	% 7.4	% 7.4	% 5.1	% 5.1	%
Variable Rate Debt:								
Amount outstanding (in millions)	\$10.0	\$—	\$4.8	\$25.0	\$5.2	\$925.1	\$970.1	\$970.1
Average interest rates	0.2	% —	% 0.2	% 1.3	% 0.4	% 0.5	% 0.5	%

The fixed and variable rate debt amounts above exclude the remaining non-cash discounts, premiums and adjustments to fair value recorded in purchase accounting totaling \$79.7 million.

Fuel Price Risk

Fuel costs represent a significant operating expense. When economically practical, we may enter into new or renew contracts, or engage in other strategies, to mitigate market risk. Where appropriate, we have implemented a fuel recovery fee that is designed to recover our fuel costs. While we charge these fees to a majority of our customers, we are unable to charge such fees to all customers. Consequently, an increase in fuel costs results in (1) an increase in our cost of operations, (2) a smaller increase in our revenue (from the fuel recovery fee) and (3) a decrease in our operating margin percentage. Conversely, a decrease in fuel costs results in (1) a decrease in our cost of operations, (2) a smaller decrease in our revenue and (3) an increase in our operating margin percentage.

At current consumption levels, a twenty-cent per gallon change in the price of diesel fuel changes our fuel costs by approximately \$24 million on an annual basis. Offsetting these changes in fuel expense would be changes in our fuel recovery fee charged to our customers. At current participation rates, a twenty-cent change in the price of diesel fuel changes our fuel recovery fee by approximately \$19 million.

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

Commodities Prices

We market recycled products such as cardboard and newspaper from our recycling centers. Market demand for recyclable materials causes volatility in commodity prices. At current volumes and mix of materials, we believe a ten dollar per ton change in the price of recyclable materials will change annual revenue and operating income by approximately \$29 million and \$20 million, respectively, on an annual basis.

Revenue from sales of these products in 2012, 2011 and 2010 was approximately \$349.0 million, \$438.6 million and \$337.9 million, respectively.

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ITEM 8.	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	
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	<u>Consolidated Balance Sheets as of December 31, 2012 and 2011</u>	<u>68</u>
	<u>Consolidated Statements of Income for Each of the Three Years in the Period Ended December 31, 2012</u>	<u>69</u>
	<u>Consolidated Statements of Comprehensive Income for Each of the Three Years in the Period Ended December 31, 2012</u>	<u>70</u>
	<u>Consolidated Statements of Stockholders' Equity for Each of the Three Years in the Period Ended December 31, 2012</u>	<u>71</u>
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Republic Services, Inc.:

We have audited the accompanying consolidated balance sheets of Republic Services, Inc. as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Republic Services, Inc. at December 31, 2012 and 2011, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Republic Services, Inc.'s internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 15, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Phoenix, Arizona

February 15, 2013

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Stockholders of Republic Services, Inc.:

We have audited Republic Services, Inc.'s internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Republic Services, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Republic Services, Inc.'s Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Republic Services, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Republic Services, Inc. as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2012 of Republic Services, Inc. and our report dated February 15, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Phoenix, Arizona

February 15, 2013

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

	December 31, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$67.6	\$66.3
Accounts receivable, less allowance for doubtful accounts of \$45.3 and \$48.1, respectively	836.6	825.8
Prepaid expenses and other current assets	209.3	215.9
Deferred tax assets	117.8	157.7
Total current assets	1,231.3	1,265.7
Restricted cash and marketable securities	164.2	189.6
Property and equipment, net	6,910.3	6,792.3
Goodwill	10,690.0	10,647.0
Other intangible assets, net	358.7	409.6
Other assets	262.4	247.3
Total assets	\$19,616.9	\$19,551.5
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$474.5	\$563.6
Notes payable and current maturities of long-term debt	19.4	34.8
Deferred revenue	313.2	290.2
Accrued landfill and environmental costs, current portion	195.5	184.2
Accrued interest	68.8	72.2
Other accrued liabilities	623.6	752.5
Total current liabilities	1,695.0	1,897.5
Long-term debt, net of current maturities	7,051.1	6,887.0
Accrued landfill and environmental costs, net of current portion	1,420.6	1,396.5
Deferred income taxes and other long-term tax liabilities	1,232.7	1,161.1
Self-insurance reserves, net of current portion	290.9	303.9
Other long-term liabilities	220.9	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; 405.2 and 402.1 issued	4.1	4.0
including shares held in treasury, respectively		
Additional paid-in capital	6,588.9	6,495.6
Retained earnings	2,403.2	2,164.7
Treasury stock, at cost (44.1 and 32.2 shares, respectively)	(1,287.1	) (961.5
Accumulated other comprehensive loss, net of tax	(5.8	) (21.5
Total Republic Services, Inc. stockholders' equity	7,703.3	7,681.3
Noncontrolling interests	2.4	2.1
Total stockholders' equity	7,705.7	7,683.4
Total liabilities and stockholders' equity	\$19,616.9	\$19,551.5
The accompanying notes are an integral part of these financial statements.		

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REPUBLIC SERVICES, INC.
CONSOLIDATED STATEMENTS OF INCOME
(in millions, except per share data)

	Years Ended December 31,		
	2012	2011	2010
Revenue	\$8,118.3	\$8,192.9	\$8,106.6
Expenses:			
Cost of operations	5,005.7	4,865.1	4,764.8
Depreciation, amortization and depletion	848.5	843.6	833.7
Accretion	78.4	78.0	80.5
Selling, general and administrative	820.9	825.4	858.0
Negotiation and withdrawal costs - Central States Pension Fund	35.8	—	—
(Gain) loss on disposition of assets and impairments, net	(2.7)	) 28.1	19.1
Restructuring charges	11.1	—	11.4
Operating income	1,320.6	1,552.7	1,539.1
Interest expense	(388.5)	) (440.2)	) (507.4)
Loss on extinguishment of debt	(112.6)	) (210.8)	) (160.8)
Interest income	1.0	0.3	0.7
Other income, net	3.4	4.3	5.4
Income before income taxes	823.9	906.3	877.0
Provision for income taxes	251.8	317.4	369.5
Net income	572.1	588.9	507.5
Net (income) loss attributable to noncontrolling interests	(0.3)	) 0.3	(1.0)
Net income attributable to Republic Services, Inc.	\$571.8	\$589.2	\$506.5
Basic earnings per share attributable to Republic Services, Inc. stockholders:			
Basic earnings per share	\$1.56	\$1.57	\$1.32
Weighted average common shares outstanding	366.9	376.0	383.0
Diluted earnings per share attributable to Republic Services, Inc. stockholders:			
Diluted earnings per share	\$1.55	\$1.56	\$1.32
Weighted average common and common equivalent shares outstanding	368.0	377.6	385.1
Cash dividends per common share	\$0.91	\$0.84	\$0.78

The accompanying notes are an integral part of these financial statements.

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

	Years Ended December 31,		
	2012	2011	2010
Net income	\$572.1	\$588.9	\$507.5
Other comprehensive income, net of tax			
Hedging Activity:			
Settlements	0.9	(25.3	) (7.3
Realized (gains) losses reclassified into earnings	(2.3	) 4.9	3.9
Unrealized gains (losses)	2.8	1.3	(2.4
Pension Activity:			
Change in funded status of pension plan obligations	15.6	(20.7	) 8.7
Gains related to pension settlement reclassified to earnings	(1.3	) (3.6) —
Other comprehensive income (loss), net of tax	15.7	(43.4	) 2.9
Comprehensive income	587.8	545.5	510.4
Comprehensive (income) loss attributable to noncontrolling interests	(0.3	) 0.3	(1.0
Comprehensive income attributable to Republic Services, Inc.	\$587.5	\$545.8	\$509.4

The accompanying notes are an integral part of these financial statements.

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

	Republic Services, Inc. Stockholders' Equity							
	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income (Loss), Net of Tax	Noncontrolling Interests
	Shares	Amount			Shares	Amount		
Balance as of December 31, 2009	395.7	\$4.0	\$6,316.1	\$1,683.1	(14.9)	\$(457.7)	\$ 19.0	\$ 2.6
Net income	—	—	—	506.5	—	—	—	1.0
Change in the value of derivative instruments, net of tax of \$4.1	—	—	—	—	—	—	(5.8)	—
Employee benefit plan liability adjustments, net of tax of \$6.1	—	—	—	—	—	—	8.7	—
Cash dividends declared	—	—	—	(298.8)	—	—	—	—
Issuances of common stock	4.5	—	90.0	—	—	—	—	—
Stock-based compensation	—	—	25.0	(0.5)	—	—	—	—
Purchase of common stock for treasury	—	—	—	—	(1.6)	(43.1)	—	—
Distributions paid to noncontrolling interests	—	—	—	—	—	—	—	(1.2)
Balance as of December 31, 2010	400.2	4.0	6,431.1	1,890.3	(16.5)	(500.8)	21.9	2.4
Net income	—	—	—	589.2	—	—	—	(0.3)
Change in the value of derivative instruments, net of tax of \$13.4	—	—	—	—	—	—	(19.1)	—
Employee benefit plan liability adjustments, net of tax of \$17.1	—	—	—	—	—	—	(24.3)	—
Cash dividends declared	—	—	—	(314.1)	—	—	—	—
Issuances of common stock	1.9	—	43.2	—	—	—	—	—
Stock-based compensation	—	—	21.3	(0.7)	—	—	—	—
Purchase of common stock for treasury	—	—	—	—	(15.7)	(460.7)	—	—
	402.1	4.0	6,495.6	2,164.7	(32.2)	(961.5)	(21.5)	2.1

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Balance as of December 31, 2011									
Net income	—	—	—	571.8	—	—	—	—	0.3
Change in the value of derivative instruments, net of tax of \$1.0	—	—	—	—	—	—	1.4	—	—
Employee benefit plan liability adjustments, net of tax of \$12.2	—	—	—	—	—	—	14.3	—	—
Cash dividends declared	—	—	—	(332.5)	—	—	—	—
Issuances of common stock	3.1	0.1	72.3	—	—	—	—	—	—
Stock-based compensation	—	—	21.0	(0.8)	—	—	—	—
Purchase of common stock for treasury	—	—	—	—	(11.9	)	(325.6)	—
Balance as of December 31, 2012	405.2	\$4.1	\$6,588.9	\$2,403.2	(44.1	)	\$(1,287.1)	\$ (5.8	) \$ 2.4

The accompanying notes are an integral part of these financial statements.

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

	Years Ended December 31,		
	2012	2011	2010
Cash provided by operating activities:			
Net income	\$572.1	\$588.9	\$507.5
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation, amortization, depletion and accretion	926.9	921.6	914.2
Non-cash interest expense	58.4	75.4	100.5
Restructuring related charges	11.1	—	(2.0)
Stock-based compensation	21.2	20.6	24.5
Deferred tax provision	83.9	334.8	61.3
Provision for doubtful accounts, net of adjustments	29.7	21.0	23.6
Loss on extinguishment of debt	112.6	210.8	160.8
(Gain) loss on disposition of assets, net and asset impairments	(14.1)	) 6.1	3.9
Withdrawal liability - Central States Pension Fund	30.7	—	—
Environmental adjustments	62.4	3.6	17.9
Excess income tax benefit from stock option exercises and other non-cash items	(4.1)	) (9.2)	) 0.3
Change in assets and liabilities, net of effects from business acquisitions and divestitures:			
Accounts receivable	(37.2)	) (16.0)	) 8.8
Prepaid expenses and other assets	(13.9)	) (5.1)	) (76.6)
Accounts payable	(49.6)	) 11.9	(34.9)
Restructuring and synergy related expenditures	(70.3)	) (3.0)	) (20.0)
Capping, closure and post-closure expenditures	(77.6)	) (105.7)	) (111.3)
Remediation expenditures	(73.1)	) (45.0)	) (50.5)
Other liabilities	(55.3)	) (244.0)	) (94.3)
Cash provided by operating activities	1,513.8	1,766.7	1,433.7
Cash used in investing activities:			
Purchases of property and equipment	(903.5)	) (936.5)	) (794.7)
Proceeds from sales of property and equipment	28.7	34.6	37.4
Cash used in business acquisitions and development projects, net of cash acquired	(95.3)	) (42.6)	) (58.9)
Cash proceeds from divestitures, net of cash divested	9.6	14.2	60.0
Change in restricted cash and marketable securities	23.2	(16.8)	) 66.3
Other	(0.3)	) (3.1)	) (0.6)
Cash used in investing activities	(937.6)	) (950.2)	) (690.5)
Cash used in financing activities:			
Proceeds from notes payable and long-term debt	2,771.4	1,416.4	1,193.5
Proceeds from issuance of senior notes, net of discount	847.6	1,844.9	1,499.4
Payments of notes payable and long-term debt	(3,568.2)	) (3,224.5)	) (3,090.3)
Premiums paid on extinguishment of debt	(25.8)	) (89.6)	) (30.4)
Fees paid to issue and retire senior notes and certain hedging relationships	(17.5)	) (58.8)	) (26.2)
Issuances of common stock	70.4	40.7	86.5
Excess income tax benefit from stock option exercises	1.9	2.5	3.5
Purchases of common stock for treasury	(325.6)) (460.7)) (43.1)

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Cash dividends paid	(329.1) (309.4) (294.6)
Distributions paid to noncontrolling interests	—	—	(1.2)
Cash used in financing activities	(574.9	) (838.5	) (702.9)
Increase (decrease) in cash and cash equivalents	1.3	(22.0	) 40.3	
Cash and cash equivalents at beginning of period	66.3	88.3	48.0	
Cash and cash equivalents at end of period	\$67.6	\$66.3	\$88.3	

The accompanying notes are an integral part of these financial statements.

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REPUBLIC SERVICES, INC.

NOTES TO 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 in this report) is the second largest provider of non-hazardous solid waste collection, transfer station, recycling and disposal services in the United States, as measured by revenue. We manage and evaluate our operations through three geographic regions – East, Central, and West, which we have identified as our reportable segments.

The 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 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 elsewhere in these Notes to the Consolidated Financial Statements. Our actual results may differ significantly from our estimates.

Cash and Cash Equivalents

We consider liquid investments with an original maturity at the date of acquisition of three months or less to be cash equivalents.

We may have net book credit balances in our primary disbursement accounts at the end of a reporting period. We classify such credit balances as accounts payable in our consolidated balance sheets as checks presented for payment to these accounts are not payable by our banks under overdraft arrangements, and, therefore, do not represent short-term borrowings. As of December 31, 2012 and 2011, there were net book credit balances of \$51.0 million and \$85.6 million in our primary disbursement accounts which were classified as accounts payable on our consolidated balance sheets.

Concentration of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist of cash and cash equivalents, trade accounts receivable and derivative instruments. We place our cash and cash equivalents with high quality financial institutions. Such balances may be in excess of FDIC insured limits. To manage the related credit exposure, we continually monitor the credit worthiness of the financial institutions where we have deposits. Concentrations of credit risk with respect to trade accounts receivable are limited due to the wide variety of customers and markets in which we provide services, as well as the dispersion of our operations across many geographic areas. We provide services to commercial, industrial, municipal and residential customers in the United States and Puerto Rico. We perform ongoing credit evaluations of our customers, but do not require collateral to support customer receivables. We establish an allowance for doubtful accounts based on various factors including the credit risk of specific customers, age of receivables outstanding, historical trends, economic conditions and other information. No customer exceeded 5% of our outstanding accounts receivable balance at December 31, 2012 and 2011.

Accounts Receivable, Net of Allowance for Doubtful Accounts

Accounts receivable represent receivables from customers for collection, transfer, recycling, disposal and other services. Our receivables are recorded when billed or when the related revenue is earned, if earlier, and represent claims against third parties

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

that will be settled in cash. The carrying value of our receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. Provisions for doubtful accounts are evaluated on a monthly basis and are recorded based on our historical collection experience, the age of the receivables, specific customer information and economic conditions. We also review outstanding balances on an account-specific basis. In general, reserves are provided for accounts receivable in excess of ninety days old. Past due receivable balances are written-off when our collection efforts have been unsuccessful in collecting amounts due.

The following table reflects the activity in our allowance for doubtful accounts for the years ended December 31, 2012, 2011 and 2010:

	2012	2011	2010
Balance at beginning of year	\$48.1	\$50.9	\$55.2
Additions charged to expense	29.7	21.0	23.6
Accounts written-off	(32.5	) (23.8	) (27.9
Balance at end of year	\$45.3	\$48.1	\$50.9

Restricted Cash and Marketable Securities

As of December 31, 2012, we had \$164.2 million of restricted cash and marketable securities. We obtain funds through the issuance of tax-exempt bonds for the purpose of financing qualifying expenditures at our landfills, transfer stations, collection and recycling centers. The funds are deposited directly into trust accounts by the bonding authorities at the time of issuance. As the use of these funds is contractually restricted, and we do not have the ability to use these funds for general operating purposes, they are classified as restricted cash and marketable securities in our consolidated balance sheets.

In the normal course of business, we may be required to provide financial assurance to governmental agencies and a variety of other entities in connection with municipal residential collection contracts, closure or post- closure of landfills, environmental remediation, environmental permits, and business licenses and permits as a financial guarantee of our performance. At several of our landfills, we satisfy financial assurance requirements by depositing cash into restricted trust funds or escrow accounts.

Property and Equipment

We record property and equipment at cost. Expenditures for major additions and improvements to facilities are capitalized, while maintenance and repairs are charged to expense as incurred. When property is retired or otherwise disposed, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the consolidated statements of income.

We revise the estimated useful lives of property and equipment acquired through business acquisitions to conform with our policies. We depreciate assets over their estimated useful lives using the straight-line method. We assume no salvage value for our depreciable property and equipment. The estimated useful lives of our property and equipment are as follows:

	Estimated Useful Lives
Buildings and improvements	7 - 40 years
Vehicles	5 - 12 years
Landfill equipment	7 - 10 years
Other equipment	3 - 15 years
Furniture and fixtures	5 - 12 years

Landfill development costs are also included in property and equipment. Landfill development costs include direct costs incurred to obtain landfill permits and direct costs incurred to acquire, construct and develop sites as well as final capping, closure and post-closure assets. These costs are amortized or depleted based on consumed airspace. All indirect landfill development costs are expensed as incurred. For additional information, see Note 8, Landfill and Environmental Costs.

Capitalized Interest

We capitalize interest on landfill cell construction and other construction projects if they meet the following criteria:

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

¶ Total construction costs are \$50,000 or greater,

¶ The construction phase is one month or longer, and

• The assets have a useful life of one year or longer

Interest is capitalized on qualified assets while they undergo activities to ready them for their intended use.

Capitalization of interest ceases once an asset is placed into service or if construction activity is suspended for more than a brief period of time. Our interest capitalization rate is based on our weighted average cost of indebtedness.

Interest capitalized was \$8.4 million, \$8.1 million and \$6.3 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Fair Value of Financial Instruments

Our financial instruments include cash and cash equivalents, restricted cash and marketable securities, fuel, commodity and interest rate hedges, long-term debt and assets in our defined benefit plan. Accounting standards include disclosure requirements around fair values used for certain financial instruments and establish a fair value hierarchy. The hierarchy prioritizes valuation inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of three levels:

¶ Level 1 – inputs are based upon unadjusted quoted prices for identical instrument traded in active markets.

Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

See Note 9, Debt, Note 11, Employee Benefit Plans, and Note 15, Financial Instruments, for fair value disclosures related to our long-term debt, defined benefit pension plan investments, restricted cash and marketable securities and derivative instruments, respectively.

Investments Other Than Derivatives

Investments other than derivatives primarily include money market funds, common stock, mutual funds, real estate investment trusts, U.S. government and agency securities, municipal and corporate bonds, foreign government and corporate bonds. In general, and where applicable, we use quoted prices in active markets for identical assets or liabilities to determine fair value. This pricing methodology applies to our Level 1 investments, such as money market funds, common stock and certain mutual funds. If quoted prices in active markets for identical assets or liabilities are not available to determine fair value, then we use quoted prices for similar assets and liabilities or inputs other than the quoted prices that are observable either directly or indirectly. These investments are included in Level 2 and consist primarily of corporate bonds, foreign government bonds, real estate investment trusts and certain agency securities.

Derivative Financial Instruments

We use derivative financial instruments to manage our risk associated with changing interest rates and changing prices for commodities we frequently purchase or sell by creating offsetting market exposures. Historically, we used interest rate swap agreements to manage risk associated with fluctuations in interest rates. We have entered into multiple agreements designated as cash flow hedges to mitigate some of our exposure to changes in diesel fuel prices and

prices of certain recycling commodities.

All derivatives are measured at fair value and recognized in the balance sheet as assets or liabilities, as appropriate. For derivatives designated as cash flow hedges, changes in fair value of the effective portions of derivative instruments are reported in stockholders' equity as components of other comprehensive income until the forecasted transaction occurs or is not probable of occurring. When the forecasted transaction occurs or is not probable of occurring, the realized net gain or loss is then recognized in the consolidated statements of income. Changes in fair value of the ineffective portions of derivative instruments are recognized currently in earnings.

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The fair values of our diesel fuel and recycling commodity hedges are determined using standard valuation models with assumptions about prices and other relevant information based on those observed in the underlying markets (Level 2 in the fair value hierarchy). The estimated fair values of derivatives used to hedge risks fluctuate over time and should be viewed in relation to the underlying hedged transactions.

Landfill and Environmental Costs

Life Cycle Accounting

We use life-cycle accounting and the units-of-consumption method to recognize certain landfill costs over the life of the site. In life cycle accounting, all costs to acquire and construct a site are capitalized, and charged to expense based on the consumption of cubic yards of available airspace.

Costs and airspace estimates are developed at least annually by engineers. We use these estimates to adjust the rates we use to deplete capitalized costs. Changes in these estimates primarily relate to changes in available airspace, inflation and applicable regulations. Changes in available airspace include but are not limited to changes due to the addition of airspace lying in probable expansion areas, airspace consumed and changes in engineering estimates.

Probable Expansion Airspace

We classify landfill disposal capacity as either permitted (having received the final permit from the applicable regulatory agency) or as probable expansion airspace. Before airspace included in an expansion area is determined to be probable expansion airspace and, therefore, is included in our calculation of total available disposal capacity, all of the following criteria must be met:

- ❖ We own the land associated with the expansion airspace or control it pursuant to an option agreement,
- ❖ We are committed to supporting the expansion project financially and with appropriate resources,
- ❖ There are no identified fatal flaws or impediments associated with the project, including political impediments,
- ❖ Progress is being made on the project,
- ❖ The expansion is attainable within a reasonable time frame, and

❖ We believe it is likely will receive the expansion permit.

Upon meeting our expansion criteria, the rates used at each applicable landfill to expense costs to acquire, construct, cap, close and maintain a site during the post-closure period are adjusted to include both the probable expansion airspace and the additional costs to be capitalized or accrued associated with that expansion airspace.

We have identified three steps that landfills generally follow to obtain expansion permits. These steps are as follows:

1. Obtaining approval from local authorities,
2. Submitting a permit application to state authorities, and
3. Obtaining permit approval from state authorities.

We continually monitor our progress toward obtaining permits for each of our sites with probable airspace. If we determine that a landfill expansion area no longer meets our criteria, the probable expansion airspace is removed from the landfill's total available capacity and the rates used at the landfill to deplete costs to acquire, construct, cap, close and maintain a site during the post-closure period are adjusted accordingly. In addition, any amounts capitalized for the probable expansion airspace are charged to expense in the period in which it is determined that the criteria are no longer met.

Capitalized Landfill Costs

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Capitalized landfill costs include expenditures for land, permitting, cell construction and environmental structures. Capitalized permitting and cell construction costs are limited to direct costs relating to these activities, including legal, engineering and construction costs associated with excavation, natural and synthetic liners, construction of leachate collection systems, installation of methane gas collection and monitoring systems, installation of groundwater monitoring wells and other costs

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

associated with the development of the site. Interest is capitalized on landfill construction projects while the assets are undergoing activities to ready them for their intended use. Capitalized landfill costs also include final capping, closure and post-closure assets and are depleted as airspace is consumed using the units-of-consumption method.

Costs related to acquiring land, excluding the estimated residual value of unpermitted, non-buffer land, and costs related to permitting and cell construction are depleted as airspace is consumed using the units-of-consumption method.

Capitalized landfill costs also may include an allocation of purchase price paid for landfills. For landfills purchased as part of a group of assets, the purchase price assigned to the landfill is determined based on the estimated fair value of the landfill relative to the fair value of other assets within the acquired group. If the landfill meets our expansion criteria, the purchase price is further allocated between permitted airspace and expansion airspace based on the ratio of permitted versus probable expansion airspace to total available airspace. Landfill purchase price is amortized using the units-of-consumption method over the total available airspace including probable expansion airspace where appropriate.

Final Capping, Closure and Post-Closure Costs

Final capping

We have future obligations for final capping, closure and post-closure costs with respect to the landfills we own or operate as set forth in applicable landfill permits. The permit requirements are based on the Subtitle C and Subtitle D regulations of the Resource Conservation and Recovery Act (RCRA), as implemented and applied on a state-by-state basis. We define final capping as activities required to permanently cover a portion of a landfill that has been completely filled with waste. Final capping typically includes installing flexible membrane and geosynthetic clay liners, drainage and compact soil layers, and topsoil, and is constructed over an area of the landfill where total airspace capacity has been consumed and waste disposal operations have ceased. These final capping activities occur in phases as needed throughout the operating life of a landfill as specific areas are filled to capacity and the final elevation for that specific area is reached in accordance with the provisions of the operating permit. We consider final capping events to be discrete activities that are recognized as asset retirement obligations separately from other closure and post-closure obligations. As a result, we use a separate rate per ton for recognizing the principal amount of the liability and related asset associated with each capping event. We amortize the asset recorded pursuant to this approach as waste volume related to the capacity covered by the capping event is placed into the landfill based on the consumption of cubic yards of available airspace.

Closure and post-closure

Closure and post-closure activities occur after the entire landfill ceases to accept waste and closes. These activities involve methane gas control, leachate management and groundwater monitoring, surface water monitoring and control, and other operational and maintenance activities that occur after the site ceases to accept waste. Obligations associated with monitoring and controlling methane gas migration and emissions are set forth in applicable landfill permits and these requirements are based on the provisions of the Clean Air Act. The post-closure period generally runs for 30 years after final site closure for municipal solid waste landfills and a shorter period for construction and demolition landfills and inert landfills. We recognize asset retirement obligations and the related amortization expense for closure and post-closure (excluding obligations for final capping) using the units-of-consumption method over the total remaining capacity of the landfill. The total remaining capacity includes probable expansion airspace.

Estimated future expenditures

Estimates of future expenditures for final capping, closure and post-closure are developed at least annually by engineers. Management reviews these estimates and our operating and accounting personnel use them to adjust the rates used to capitalize and amortize these costs. These estimates involve projections of costs that will be incurred during the remaining life of the landfill for final capping activities, after the landfill ceases operations and during the legally required post-closure monitoring period. We currently retain post-closure responsibility for 128 closed

landfills.

Fair value measurements

In general, we engage third parties to perform most of our final capping, closure and post-closure activities.

Accordingly, the fair value of these activities is based on quoted and actual prices paid for similar work. We also perform some of our final capping, closure and post-closure activities using internal resources. Where we expect internal resources to be used to fulfill an asset retirement obligation, we add a profit margin to the estimated cost of such services to better reflect their fair value. If we perform these services internally, the added profit margin is recognized as a component of operating income in the period the obligation is settled.

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

An estimate of fair value should include the price that marketplace participants are able to receive for bearing the uncertainties in cash flows. However, when utilizing discounted cash flow techniques, reliable estimates of market premiums may not be obtainable. In this situation, it is not necessary to consider a market risk premium in the determination of expected cash flows. While the cost of asset retirement obligations associated with final capping, closure and post-closure can be quantified and estimated, there is not an active market that can be utilized to determine the fair value of these activities. In the waste industry, there generally is not a market for selling the responsibility for final capping, closure and post-closure independent of selling the landfill in its entirety. Accordingly, we believe that it is not possible to develop a methodology to reliably estimate a market risk premium and have excluded a market risk premium from our determination of expected cash flow for landfill asset retirement obligations. Absent quoted market prices, the estimate of fair value is based on the best available information, including the results of present value techniques.

Our estimates of costs to discharge asset retirement obligations for landfills are developed in today's dollars. These costs are inflated each year to reflect a normal escalation of prices up to the year they are expected to be paid. We use a 2.5% inflation rate, which is based on the ten-year historical moving average increase of the U.S. Consumer Price Index, and is the rate used by most waste industry participants.

These estimated costs are then discounted to their present value using a credit-adjusted, risk-free interest rate. In general, the credit-adjusted, risk-free interest rate we used for liability recognition was 4.75% and 6.0% for the years ended December 31, 2012 and 2011, respectively, which was based on the estimated all-in yield we would have needed to offer to sell thirty-year debt in the public market. However, as part of the initial application of purchase accounting, our capping, closure and post-closure obligations acquired from Allied Waste Industries, Inc. (Allied) were recorded at their fair values as of the acquisition date, and were discounted using a rate of 9.75% due to market conditions at the time of the acquisition.

Changes in assets retirement obligations

A liability for an asset retirement obligation is recognized in the period in which it is incurred and is initially measured at fair value. The offset to the liability is capitalized as part of the carrying amount of the related long-lived asset. Changes in the liabilities due to revisions to estimated future cash flows are recognized by increasing or decreasing the liabilities with the offsets adjusting the carrying amounts of the related long-lived assets, and may also require immediate adjustments to amortization expense in the consolidated statement of income. Upward revisions in the amount of undiscounted estimated cash flows used to record a liability are discounted using the credit-adjusted, risk-free interest rate in effect at the time of the change. Downward revisions in the amount of undiscounted estimated cash flows used to record a liability are discounted using the credit-adjusted, risk-free rate that existed when the original liability was recognized.

Changes in asset retirement obligations due to the passage of time are measured by recognizing accretion expense in a manner that results in a constant effective interest rate being applied to the average carrying amount of the liability. The effective interest rate used to calculate accretion expense is our credit-adjusted, risk-free interest rate in effect at the time the liabilities were recorded.

We review our calculations with respect to landfill asset retirement obligations at least annually. If there is a significant change in the facts and circumstances related to a landfill during the year, we will review our calculations for the landfill as soon as practical after the change has occurred.

Landfill operating expenses

Costs associated with daily maintenance activities and environmental compliance during the operating life of the landfill are expensed as incurred. 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.

Environmental Liabilities

We are subject to an array of laws and regulations relating to the protection of the environment, and we remediate sites in the ordinary course of our business. Under current laws and regulations, we may be responsible for environmental remediation at sites that we either own or operate, including sites that we have acquired, or sites where we have (or a company that we have acquired has) delivered waste. Our environmental remediation liabilities primarily include costs associated with remediating groundwater, surface water and soil contamination, as well as controlling and containing methane gas migration and the related legal costs. To estimate our ultimate liability at these sites, we evaluate several factors, including the nature and extent of contamination at each identified site, the required remediation methods, the apportionment of responsibility among the potentially responsible parties and the financial viability of those parties. We accrue for costs associated with environmental

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

remediation obligations when such costs are probable and reasonably estimable in accordance with accounting for loss contingencies. We periodically review the status of all environmental matters and update our estimates of the likelihood of and future expenditures for remediation as necessary. Changes in the liabilities resulting from these reviews are recognized currently in earnings in the period in which the adjustment is known. Adjustments to estimates are reasonably possible in the near term and may result in changes to recorded amounts. With the exception of those obligations assumed in the acquisition of Allied that were recorded at estimated fair values, environmental obligations are recorded on an undiscounted basis. We have not reduced the liabilities we have recorded for recoveries from other potentially responsible parties or insurance companies.

Business Combinations

We acquire businesses in the waste industry, including non-hazardous waste collection, transfer station, recycling and disposal operations, as part of our growth strategy. Businesses are included in the consolidated financial statements from the date of acquisition.

We recognize, separately from goodwill, the identifiable assets acquired and liabilities assumed at their estimated acquisition-date fair values. We measure and recognize goodwill as of the acquisition date as the excess of: (1) the aggregate of the fair value of consideration transferred, the fair value of any noncontrolling interest in the acquiree (if any) and the acquisition-date fair value of our previously held equity interest in the acquiree (if any), over (2) the fair value of assets acquired and liabilities assumed. If information about facts and circumstances existing as of the acquisition date is incomplete by the end of the reporting period in which a business combination occurs, we report provisional amounts for the items for which the accounting is incomplete. The measurement or allocation period ends once we receive the information we are seeking; however, this period will not exceed one year from the acquisition date. Any material adjustments recognized during the measurement period will be reflected retrospectively in the consolidated financial statements of the subsequent period. We will recognize third-party transaction related costs as expense currently in the period in which they are incurred.

Goodwill and Other Intangible Assets

We annually test goodwill for impairment at December 31 or when an indicator of impairment exists. We test goodwill for impairment using the two-step process. The first step is a screen for potential impairment, while the second step measures the amount of the impairment, if any. The first step of the goodwill impairment test compares the fair value of a reporting unit with its carrying amount, including goodwill.

We have defined our reporting units to be consistent with our operating segments: East, Central and West. In determining fair value, we primarily use discounted future cash flows and operating results based on a comparative multiple of earnings or revenues.

Significant estimates used in our fair value calculation using discounted future cash flows include: (1) estimates of future revenue and expense growth by reporting unit, which we estimate to range from 2% to 3% annually; (2) future estimated effective tax rates, which we estimate to be 40%; (3) future estimated capital expenditures and future required investments in working capital; (4) estimated discount rates, which we estimate to range between 7% and 8%; and (5) the future terminal value of the reporting unit, which is based on its ability to exist into perpetuity.

Significant estimates used in the fair value calculation utilizing market value multiples include: (a) estimated future growth potential of the reporting unit; (b) estimated multiples of revenue or earnings a willing buyer is likely to pay; and (c) estimated control premium a willing buyer is likely to pay.

In addition, we evaluate a reporting unit for impairment if events or circumstances change between annual tests, indicating a possible impairment. Examples of such events or circumstances include: (1) a significant adverse change in legal factors or in the business climate; (2) an adverse action or assessment by a regulator; (3) a more likely than not expectation that a reporting unit or a significant portion thereof will be sold; (4) continued or sustained losses at a reporting unit; (5) a significant decline in our market capitalization as compared to our book value; or (6) the testing for recoverability of a significant asset group within the reporting unit.

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We assign assets and liabilities from our corporate operating segment to our three reporting units to the extent that such assets or liabilities relate to the cash flows of the reporting unit and would be included in determining the reporting unit's fair value.

In preparing our annual test for impairment as of December 31, 2012, we determined that our indicated fair value of total invested capital exceeded our total market capitalization. We believe one of the primary reconciling differences between the indicated fair value of total invested capital and our total market capitalization is due to a control premium. We believe the control premium represents the value a market participant could extract as savings or synergies by obtaining control, and thereby eliminating duplicative overhead and operating costs resulting from consolidating routes and internalizing waste streams.

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of December 31, 2012, we determined that the indicated fair value of our reporting units exceeded their carrying value by a range of approximately 30% to 40% and, therefore, we noted no indicators of impairment at our reporting units.

We will continuously monitor market trends in our business, the related expected cash flows and our calculation of market capitalization for purposes of identifying possible indicators of impairment. If our book value per share exceeds our market price per share or if we have other indicators of impairment, we will be required to perform an interim step one impairment analysis, which may lead to a step two analysis and possible impairment of our goodwill. Additionally, we would then be required to review our remaining long-lived assets for impairment.

Our operating segments, which also represent our reporting units, are comprised of several vertically integrated businesses. When an individual business within an integrated operating segment is divested, goodwill is allocated to that business based on its fair value relative to the fair value of its operating segment.

Other intangible assets include values assigned to customer relationships, long-term contracts, covenants not to compete and trade names, and are amortized generally on a straight-line basis over periods ranging from 1 to 23 years.

Asset Impairments

We continually consider whether events or changes in circumstances have occurred that may warrant revision of the estimated useful lives of our long-lived assets (other than goodwill) or whether the remaining balances of those assets should be evaluated for possible impairment. Long-lived assets include, for example, capitalized landfill costs, other property and equipment, and identifiable intangible assets. Events or changes in circumstances that may indicate that an asset may be impaired include the following:

• A significant decrease in the market price of an asset or asset group,

• A significant adverse change in the extent or manner in which an asset or asset group is being used or in its physical condition,

• A significant adverse change in legal factors or in the business climate that could affect the value of an asset or asset group, including an adverse action or assessment by a regulator,

• An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset,

• A current period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or asset group,

• A current expectation that, more likely than not, a long-lived asset or asset group will be sold or otherwise disposed of significantly before the end of its previously estimated useful life, or

• An impairment of goodwill at a reporting unit.

There are certain indicators listed above that require significant judgment and understanding of the waste industry when applied to landfill development or expansion. For example, a regulator may initially deny a landfill expansion permit application though the expansion permit is ultimately granted. In addition, management may periodically divert waste from one landfill to another to conserve remaining permitted landfill airspace. Therefore, certain events could occur in the ordinary course of business and not necessarily be considered indicators of impairment due to the unique nature of the waste industry.

If indicators of impairment exist, the asset or asset group is reviewed to determine whether its recoverability is impaired. We assess the recoverability of the asset or asset group by comparing its carrying value to an estimate (or estimates) of its undiscounted future cash flows over its remaining life. If the estimated undiscounted cash flows are not sufficient to recover the carrying value of the asset or asset group, we measure an impairment loss as the amount by which the carrying amount of the asset exceeds its fair value. The loss is recorded in the consolidated statement of income in the period in which such impairment is identified. Estimating future cash flows requires significant judgment, and our projections of future cash flows and remaining useful lives may vary materially from actual results.

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Self-Insurance Reserves

Our insurance programs for workers' compensation, commercial general and auto liability, environmental and remediation liability, and employee-related health care benefits are either self-insured or subject to large deductible insurance policies. Accruals for self-insurance reserves are based on claims filed and estimates of claims incurred but not reported. We consider our past claims experience, including both frequency and settlement amount of claims, in determining these estimates. 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 the consolidated statements of income in the periods in which such adjustments are known. In general, our self-insurance reserves are recorded on an undiscounted basis. However, the self-insurance liabilities we acquired in the Allied acquisition have been recorded at estimated fair value, and, therefore, have been discounted to present value based on our estimate of the timing of the related cash flows.

As we are the primary obligor for payment of all claims, we report our insurance claim liabilities on a gross basis in other current and long-term liabilities and any associated recoveries from our insurers are recorded in other assets.

Discontinued Operations

We analyze our operations that have been divested or classified as held-for-sale to determine if they qualify for discontinued operations accounting. Only operations that qualify as a component of an entity under U.S. GAAP can be included in discontinued operations. In addition, only components where we do not have significant continuing involvement with the divested operations would qualify for discontinued operations accounting. For our purposes, continuing involvement would include continuing to receive waste at our landfill or recycling facility from a divested hauling operation or transfer station or continuing to dispose of waste at a divested landfill or transfer station.

Costs Associated with Exit Activities

We record costs associated with exit activities such as employee termination benefits that represent a one-time benefit when management approves and commits to a plan of termination, and communicates the termination arrangement to the employees, or over the future service period, if any. Other costs associated with exit activities may include contract termination costs, including costs related to leased facilities to be abandoned or subleased, and facility and employee relocation costs.

Contingent Liabilities

We are subject to various legal proceedings, claims and regulatory matters, the outcomes of which are subject to significant uncertainty. In general, we determine whether to disclose or accrue for loss contingencies based on an assessment of whether the risk of loss is remote, reasonably possible or probable and whether it can be reasonably estimated. We assess our potential liability relating to litigation and regulatory matters based on information available to us. Management develops its assessment based on an analysis of possible outcomes under various strategies. We accrue for loss contingencies when such amounts are probable and reasonably estimable. If a contingent liability is only reasonably possible, we disclose the potential range of the loss, if estimable. Contingent liabilities recorded in purchase accounting are recorded at their fair values. These fair values may be different from the values we would have otherwise recorded, had the contingent liability not been assumed as part of an acquisition of a business.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income is a component of stockholders' equity and includes the effective portion of the net changes in fair value of our cash flow hedges that consist of prices for diesel fuel and recyclable materials, net of tax, settlement and amortization of our interest rate locks and certain adjustments to liabilities associated with our employee benefit plan liabilities, net of tax.

Revenue Recognition

We generally provide services under contracts with municipalities or individual customers. Municipal and commercial contracts are generally long-term and often have renewal options. Advance billings are recorded as deferred revenue, and revenue is recognized over the period services are provided. No single customer has individually accounted for more than 3% of our consolidated revenue or of our reportable segment revenue in any of the past three years.

We recognize revenue when all four of the following criteria are met:

Persuasive evidence of an arrangement exists such as a service agreement with a municipality, a hauling customer

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

or a disposal customer,

Services have been performed such as the collection and hauling of waste or the disposal of waste at a disposal facility we own or operate,

The price of the services provided to the customer is fixed or determinable, and

Collectibility is reasonably assured.

Income Taxes

We are subject to income taxes in the United States and Puerto Rico. We record deferred income taxes to reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax bases using enacted tax rates that we expect to be in effect when the taxes are actually paid or recovered.

We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making these determinations, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, tax planning strategies, projected future taxable income and recent financial operating results. If we determine that we would be able to realize a deferred income tax asset in the future in excess of its net recorded amount, we would make an adjustment to the valuation allowance which would reduce the provision for income taxes. A tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized.

We recognize interest and penalties related to uncertain tax positions in the provision for income taxes in the accompanying consolidated statements of income. Accrued interest and penalties are included in other accrued liabilities, and deferred income taxes and other long-term tax liabilities, in the consolidated balance sheets.

Defined Benefit Pension Plan

We currently have one qualified defined pension plan, the BFI Retirement Plan (the Plan). The Plan covers certain current and former employees of Allied in the United States, including some employees subject to collective bargaining agreements. The Plan's benefit formula is based on a percentage of compensation as defined in the Plan document. However, the benefits of approximately 97% of the current plan participants were frozen upon Allied's acquisition of BFI in 1999.

Our pension contributions are made in accordance with funding standards established by the Employee Retirement Income Security Act of 1974 (ERISA) and the Internal Revenue Code (IRC), as amended by the Pension Protection Act of 2006. The Plan's assets have been invested as determined by our Retirement Benefits Committee. We annually review and adjust the Plan's asset allocation as deemed necessary.

The benefit obligation and associated income or expense related to the Plan are determined using annually established assumptions for discount rates, expected rates of return and average rates for compensation increases. We determine the discount rate based on a model that matches the timing and amount of expected benefit payments to maturities of high quality bonds priced as of the pension plan measurement date. When that timing does not correspond to a published high-quality bond rate, our model uses an expected yield curve to determine an appropriate current discount rate. The yields on the bonds are used to derive a discount rate for the liability. In developing our expected rate of return assumption, we evaluate long-term expected and historical actual returns on the plan assets, giving consideration to our asset mix and the anticipated duration of our plan obligations. The average rate of compensation increase reflects our expectations of average pay increases over the periods benefits are earned. Our assumptions are reviewed annually and adjusted as deemed necessary.

Equity-Based Compensation Plans

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We recognize equity-based compensation expense on the estimated grant-date fair value of stock options and similar equity instruments issued as compensation to employees over the requisite service periods.

Cash flows resulting from tax benefits related to tax deductions in excess of those recorded for compensation expense, resulting from the exercise of stock options, are classified as cash flows from financing activities. All other tax benefits related to stock options have been presented as a component of cash flows from operating activities.

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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.

The fair value of each option on the date of grant is estimated using a lattice binomial option-pricing model based on certain valuation assumptions. Expected volatilities are based on our historical stock prices over the contractual terms of the options and other factors. The risk-free interest rates are based on the published U.S. Treasury yield curve in effect at the time of the grant for instruments with a similar life. The dividend yield reflects our dividend yield at the date of grant. The expected life represents the period that the stock options are expected to be outstanding, taking into consideration the contractual terms of the options and our employees' historical exercise and post-vesting employment termination behavior, weighted to reflect the job level demographic profile of the employees receiving the option grants. The estimated forfeiture rate used to record compensation expense is based on historical forfeitures and is adjusted periodically based on actual results.

Leases

We lease property and equipment in the ordinary course of our business. Our most significant lease obligations are for property and equipment specific to our industry, including real property operated as a landfill or transfer station and operating equipment. Our leases have varying terms. Some may include renewal or purchase options, escalation clauses, restrictions, penalties or other obligations that we consider in determining minimum lease payments. The leases are classified as either operating leases or capital leases, as appropriate.

Operating Leases

Many of our leases are operating leases. This classification generally can be attributed to either (1) relatively low fixed minimum lease payments (including, for example, real property lease payments that are not fixed and vary based on the volume of waste we receive or process), or (2) minimum lease terms that are much shorter than the assets' economic useful lives. We expect that, in the normal course of business, our operating leases will be renewed, replaced by other leases, or replaced with fixed asset expenditures.

Capital Leases

We capitalize assets acquired under capital leases at the inception of each lease and amortize them to depreciation expense over the lesser of the useful life of the asset or the lease term on either a straight-line or a units-of-consumption basis, depending on the asset leased. We record the present value of the related lease payments as a debt obligation. Our capital lease liability relates primarily to certain long-term landfill operating agreements with minimum lease payments with offsetting capital lease assets recorded as part of the landfill development costs.

Related Party Transactions

It is our policy that transactions with related parties must be on terms that, on the whole, are no less favorable than those that would be available from unaffiliated parties.

3. BUSINESS ACQUISITIONS, DISPOSITION OF ASSETS, ASSET IMPAIRMENTS AND RESTRUCTURING CHARGES

Acquisitions

We acquired various solid waste businesses during the years ended December 31, 2012 and 2011. The aggregate cash used in these acquisitions, net of cash acquired, was \$95.3 million and \$42.6 million, respectively. The purchase price paid for these acquisitions during the year ended December 31 and the preliminary allocation of the purchase price as of December 31 are as follows (in millions):

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	2012	2011
Purchase price:		
Cash used in acquisitions, net of cash acquired	\$95.3	\$42.6
Fair value of operations surrendered	—	48.3
Holdbacks	0.2	1.7
Total	95.5	92.6
Allocated as follows:		
Working capital	4.0	7.1
Property and equipment	29.1	44.5
Other liabilities, net	(5.8	) (7.8
Value of assets acquired and liabilities assumed	27.3	43.8
Excess purchase price to be allocated	\$68.2	\$48.8
Excess purchase price to be allocated as follows:		
Other intangible assets	17.1	33.1
Goodwill	51.1	15.7
Total allocated	\$68.2	\$48.8

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

Disposition of Assets and Asset Impairments

During the year ended December 31, 2012, we recorded a net gain on disposition of assets and impairments of \$2.7 million, primarily related to a divestiture of a collection business in our East region and certain assets associated with our rail logistics business for which we received \$9.6 million.

During the year ended December 31, 2011, we disposed of businesses in various markets, resulting in a gain of \$21.0 million including transaction costs. In connection with the dispositions, we closed a landfill, resulting in an asset impairment charge of \$28.7 million for the remaining landfill assets and the acceleration of capping, closure and post-closure obligations. Additionally, we recorded asset impairments of \$20.4 million primarily related to certain long-lived assets that are held for sale and for losses on the divestiture of certain businesses and related goodwill. Proceeds from dispositions of solid waste assets were \$14.2 million for the year ended December 31, 2011.

We divested certain assets throughout 2010 resulting in a net loss on disposition of assets of \$4.0 million, including transaction costs. Additionally, we recorded an impairment loss of \$15.1 million related to certain long-lived assets that are held and used.

Restructuring Charges

During 2012, we restructured our field and corporate operations to create a more efficient and competitive company. These changes include consolidating our field regions from four to three, and our areas from 28 to 20, relocating office space, and reducing administrative staffing levels. During 2012, we incurred \$11.1 million of restructuring charges that consisted of severance and other employee termination benefits, relocation benefits, and the closure of offices with lease agreements with non-cancellable terms ranging from 2 to 5 years. As of December 31, 2012, \$9.0 million remains accrued for severance and other employee termination benefits and lease exit costs. We expect to incur approximately \$15 million of additional expense during 2013 related to such activities. Substantially all of these charges were or will be recorded in our corporate segment and we expect the remaining charges will be paid primarily during 2013.

During the year ended December 31, 2010, we incurred \$11.4 million, net of adjustments, of restructuring and integration charges related to the Allied acquisition. These charges consisted of severance and other employee termination and relocation benefits as well as consulting and professional fees. We completed our restructuring plan in 2010.

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4. PROPERTY AND EQUIPMENT, NET

A summary of property and equipment as of December 31 is as follows:

	2012	2011
Other land	\$376.9	\$375.1
Non-depletable landfill land	166.0	161.8
Landfill development costs	5,018.0	4,763.3
Vehicles and equipment	4,946.4	4,515.1
Buildings and improvements	864.2	802.8
Construction-in-progress-landfill	134.5	187.3
Construction-in-progress-other	53.3	47.3
	11,559.3	10,852.7
Less: Accumulated depreciation, depletion and amortization:		
Landfill development costs	(1,896.4	) (1,735.7)
Vehicles and equipment	(2,512.3	) (2,119.1)
Buildings and improvements	(240.3	) (205.6)
	(4,649.0	) (4,060.4)
Property and equipment, net	\$6,910.3	\$6,792.3

5. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill

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

	Balance at December 31, 2011	Acquisitions	Divestitures	Adjustments to Acquisitions	Balance at December 31, 2012
East	\$3,003.5	\$16.4	\$(3.9	) \$(1.1	) \$3,014.9
Central	3,234.6	9.7	—	(1.6	) 3,242.7
West	4,408.9	25.0	—	(1.5	) 4,432.4
Total	\$10,647.0	\$51.1	\$(3.9	) \$(4.2	) \$10,690.0
	Balance at December 31, 2010	Acquisitions	Divestitures	Adjustments to Acquisitions	Balance at December 31, 2011
East	\$3,015.4	\$8.6	\$(20.2	) \$(0.3	) \$3,003.5
Central	3,227.8	6.3	—	0.5	) 3,234.6
West	4,412.1	0.8	(3.6	) (0.4	) 4,408.9
Total	\$10,655.3	\$15.7	\$(23.8	) \$(0.2	) \$10,647.0

Adjustments to acquisitions for the year ended December 31, 2012 and 2011 primarily related to deferred tax asset adjustments resulting from the exercise of legacy Allied stock options, which were recorded to goodwill in purchase accounting.

Other Intangible Assets, Net

Other intangible assets, net, include values assigned to customer relationships, franchise agreements, other municipal agreements, non-compete agreements and trade names, and are amortized over periods ranging from 1 to 23 years. A summary of the activity and balances in other intangible assets accounts by intangible asset type is as follows:

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Gross Intangible Assets			Balance at December 31, 2012	Accumulated Amortization			Net Intangibles at December 31, 2012
	Balance at December 31, 2011	Acquisitions	Adjustments to Acquisitions/Divestitures		Balance at December 31, 2011	Additions Charged to Expense	Balance at December 31, 2012	
Customer relationships, franchise and other	\$566.2	\$12.9	\$ (0.1)	\$ 579.0	\$(194.4)	\$(58.0)	\$(252.4)	\$326.6
municipal agreements								
Trade names	30.0	—	—	30.0	(18.5)	(6.0)	(24.5)	5.5
Non-compete agreements	16.9	3.5	—	20.4	(9.3)	(2.7)	(12.0)	8.4
Other intangible assets	62.9	0.7	(0.1)	63.5	(44.2)	(1.1)	(45.3)	18.2
Total	\$676.0	\$17.1	\$ (0.2)	\$ 692.9	\$(266.4)	\$(67.8)	\$(334.2)	\$358.7

	Gross Intangible Assets			Balance at December 31, 2011	Accumulated Amortization			Net Intangibles at December 31, 2011
	Balance at December 31, 2010	Acquisitions	Adjustments to Acquisitions/Divestitures		Balance at December 31, 2010	Additions Charged to Expense	Balance at December 31, 2011	
Customer relationships, franchise and other	\$537.1	\$29.1	\$ —	\$ 566.2	\$(130.7)	\$(63.7)	\$(194.4)	\$371.8
municipal agreements								
Trade names	30.0	—	—	30.0	(12.5)	(6.0)	(18.5)	11.5
Non-compete agreements	12.9	4.0	—	16.9	(7.2)	(2.1)	(9.3)	7.6
Other intangibles assets	62.9	—	—	62.9	(41.2)	(3.0)	(44.2)	18.7
Total	\$642.9	\$33.1	\$ —	\$ 676.0	\$(191.6)	\$(74.8)	\$(266.4)	\$409.6

Based on the amortizable assets recorded in the balance sheet at December 31, 2012, amortization expense for each of the next five years is estimated to be as follows:

2013	\$65.4
2014	59.6
2015	59.1
2016	57.8
2017	56.4

6. OTHER ASSETS

Prepaid Expenses and Other Current Assets

A summary of prepaid expenses and other current assets as of December 31 is as follows:

2012 2011

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Inventories	\$34.5	\$35.2
Prepaid expenses	54.4	53.4
Other non-trade receivables	39.6	54.5
Income tax receivable	69.0	68.4
Commodity and fuel hedge asset	4.1	3.0
Other current assets	7.7	1.4
Total	\$209.3	\$215.9

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Other Assets

A summary of other assets as of December 31 is as follows:

	2012	2011
Deferred financing costs	\$58.8	\$54.6
Deferred compensation plan	49.9	34.5
Notes and other receivables	17.9	31.6
Reinsurance receivable	59.7	58.0
Other	76.1	68.6
Total	\$262.4	\$247.3

7. OTHER LIABILITIES

Other Accrued Liabilities

A summary of other accrued liabilities as of December 31 is as follows:

	2012	2011
Accrued payroll and benefits	\$157.1	\$168.9
Accrued fees and taxes	124.2	115.3
Self-insurance reserves, current portion	135.5	114.4
Accrued dividends	84.9	81.4
Synergy incentive plan	—	68.1
Current tax liabilities	2.1	29.4
Restructuring liabilities	9.0	0.3
Accrued professional fees and legal settlement reserves	34.6	81.3
Other	76.2	93.4
Total	\$623.6	\$752.5

Other accrued liabilities include the fair value of fuel and recycling commodity hedges of \$1.6 million and \$5.4 million at December 31, 2012 and 2011 respectively.

Other Long-Term Liabilities

A summary of other long-term liabilities as of December 31 is as follows:

	2012	2011
Deferred compensation plan liability	\$50.0	\$31.4
Pension and other post-retirement liabilities	12.7	46.8
Legal settlement reserves	36.4	59.3
Ceded insurance reserves	59.7	58.0
Withdrawal liability - Central States Pension Fund	30.7	—
Other	31.4	26.6
Total	\$220.9	\$222.1

Self-Insurance Reserves

In general, our self-insurance reserves are recorded on an undiscounted basis. However, our estimate of the self-insurance liabilities assumed in the Allied acquisition have been recorded at 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 that they are paid.

Our liabilities for unpaid and incurred but not reported claims at December 31, 2012 (which includes claims for workers'

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

compensation, general liability, vehicle liability, environmental liability and employee health care benefits) were \$426.4 million under our risk management program and are included in other accrued liabilities and self-insurance reserves, net of current portion in our consolidated balance sheets. While the ultimate amount of claims incurred 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. The following table summarizes the activity in our self-insurance reserves for the years ended December 31:

	2012	2011	2010
Balance at beginning of year	\$418.3	\$417.2	\$412.9
Additions charged to expense	385.5	367.3	364.9
Payments	(381.6)	(372.1)	(368.9)
Accretion expense	4.2	5.9	8.3
Balance at end of year	426.4	418.3	417.2
Less: current portion	(135.5)	(114.4)	(112.7)
Long-term portion	\$290.9	\$303.9	\$304.5

8. LANDFILL AND ENVIRONMENTAL COSTS

As of December 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 128 closed landfills.

Accrued Landfill and Environmental Costs

A summary of our landfill and environmental liabilities as of December 31 is as follows:

	2012	2011
Landfill final capping, closure and post-closure liabilities	\$1,052.4	\$1,037.0
Remediation	563.7	543.7
Total accrued landfill and environmental costs	1,616.1	1,580.7
Less: Current portion	(195.5)	(184.2)
Long-term portion	\$1,420.6	\$1,396.5

Final Capping, Closure and Post-Closure Costs

The following table summarizes the activity in our asset retirement obligation liabilities, which include liabilities for final capping, closure and post-closure, for the years ended December 31:

	2012	2011	2010
Asset retirement obligation liabilities, beginning of year	\$1,037.0	\$1,046.5	\$1,074.5
Non-cash additions	33.8	33.9	31.4
Acquisitions and other adjustments	(14.6)	15.8	(3.0)
Asset retirement obligation adjustments	(4.6)	(31.5)	(27.9)
Payments	(77.6)	(105.7)	(111.3)
Accretion expense	78.4	78.0	80.5
Adjustments to liabilities related to assets held for sale	—	—	2.3
Asset retirement obligation liabilities, end of period	1,052.4	1,037.0	1,046.5
Less: Current portion	(110.4)	(85.2)	(93.9)

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Long-term portion	\$942.0	\$951.8	\$952.6
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The initial liabilities recorded as part of the Allied acquisition were developed using provisional amounts based upon

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

information available at that time. During 2009, we gathered and assessed new information about the facts and circumstances surrounding our sites, and, as a result, increased the fair value of our closure and post-closure reserves by \$72.3 million. The amounts we have recorded for these obligations are not comparable to the amounts Allied recorded. As part of the initial application of purchase accounting, we have recorded these obligations at their estimated fair values, inflated them to the expected payment date and then discounted the obligations using our credit-adjusted, risk-free rate at the time of the acquisition of 9.75%. Any further adjustments to our final capping, closure and post-closure liabilities will be reflected prospectively in our consolidated statement of income in the periods in which such adjustments become known.

We review our landfill asset retirement obligations annually. As a result, we recorded a net increase in amortization expense of \$4.9 million for 2012 and a net decrease in amortization expense of \$9.6 million and \$10.2 million for 2011 and 2010, respectively, primarily related to changes in estimates and assumptions concerning the anticipated waste flow, cost and timing of future final capping, closure and post-closure activities.

The fair value of assets that are legally restricted for purposes of settling final capping, closure and post-closure obligations was approximately \$54.8 million at December 31, 2012 and is included in restricted cash and marketable securities in our consolidated balance sheet.

The expected future payments for final capping, closure and post-closure as of December 31, 2012 are as follows:

2013	\$110.4
2014	110.1
2015	109.4
2016	77.0
2017	76.4
Thereafter	4,829.6
	\$5,312.9

The estimated remaining final capping, closure and post-closure expenditures presented above are not inflated and not discounted and reflect the estimated future payments for liabilities incurred and recorded as of December 31, 2012.

Environmental Remediation Liabilities

We accrue for remediation costs when they become probable and can be reasonably estimated. There can sometimes be a range of reasonable estimates of the costs associated with remediation of a site. In these cases, we use the amount within the range that constitutes our best estimate. If no amount within the range appears to be a better estimate than any other, we use the amount that is at the low end of 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 December 31, 2012 would be approximately \$374 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 years ended December 31:

	2012	2011	2010
Remediation liabilities, beginning of year	\$543.7	\$552.1	\$554.1
Acquisitions and other adjustments	—	—	1.5
Additions charged to expense	62.4	3.6	17.9
Payments	(73.1) (45.0) (50.5

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Accretion expense (non-cash interest expense)	30.7	33.0	29.1	
Remediation liabilities, end of period	563.7	543.7	552.1	
Less: Current portion	(85.1) (99.0) (88.1)
Long-term portion	\$478.6	\$444.7	\$464.0	

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The expected undiscounted future payments for remediation costs as of December 31, 2012 are as follows:

2013	\$85.1
2014	60.7
2015	38.4
2016	29.6
2017	29.3
Thereafter	356.4
	\$599.5

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

Missouri Closed Landfill. During 2012, we encountered certain environmental issues at a closed landfill in Missouri. During 2012, we recorded a charge of \$74.1 million to manage the remediation area as well as future monitoring of the site. The remediation liability for this site is \$64.2 million as of December 31, 2012, of which \$14.5 million is expected to be paid during 2013. We believe the reasonably possible range of loss for remediation costs is \$50 million to \$240 million.

Countywide Landfill. In September 2009, Republic Services of Ohio II, LLC entered into Final Findings and Orders with the Ohio Environmental Protection Agency that require us to implement a comprehensive operation and maintenance program to manage the remediation area at the Countywide Recycling and Disposal Facility (Countywide). The remediation liability for Countywide recorded as of December 31, 2012 is \$52.4 million, of which \$4.4 million is expected to be paid during 2013. We believe the reasonably possible range of loss for remediation costs is \$50 million to \$71 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 December 31, 2012 is \$83.4 million, of which \$7.5 million is expected to be paid during 2013. We believe the reasonably possible range of loss for remediation costs is \$53 million to \$153 million.

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

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

9. DEBT

Our notes payable, capital leases and long-term debt at December 31, 2012 and 2011 are listed in the following table, and are presented net of adjustments to fair value related to hedging transactions.

Maturity	Interest Rate	2012			2011		
		Principal	Discount	Carry Value	Principal	Discount	Carry Value
Credit facilities:							
Uncommitted							
revolver	Variable	\$13.9	\$—	\$13.9	\$—	\$—	\$—
September 2013	Variable	—	—	—	17.2	—	17.2
April 2016	Variable	25.0	—	25.0	17.2	—	17.2
May 2017	Variable	—	—	—	—	—	—
Senior notes:							
June 2017	6.875	—	—	—	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	(3.4)	) 646.6	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
June 2022	3.550	850.0	(2.2)	) 847.8	—	—	—
May 2023	4.750	550.0	(1.3)	) 548.7	550.0	(1.4)	) 548.6
March 2035	6.086	275.7	(24.9)	) 250.8	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	(1.9)	) 33.4	35.3	(2.0)	) 33.3
September 2035	7.400	165.2	(41.4)	) 123.8	165.2	(41.9)	) 123.3
Tax-exempt:							
2013 - 2037	0.130 - 5.625	1,097.9	(0.4)	) 1,097.5	1,142.2	(15.8)	) 1,126.4
Other:							
2013 - 2046	5.000 - 11.900	87.2	—	87.2	89.4	—	89.4
Total Debt		\$7,150.2	\$(79.7)	) 7,070.5	\$7,092.2	\$(170.4)	) 6,921.8
Less: current portion				(19.4)	)		(34.8)
Long-term portion				\$7,051.1			\$6,887.0

Loss on Extinguishment of Debt

During 2012, 2011 and 2010, we completed financing transactions that resulted in cash paid for premiums and professional fees to repurchase debt as well as the non-cash write-off of unamortized debt discounts and deferred issuance costs. The following table summarizes the loss on extinguishment of debt for the years ended December 31, 2012, 2011, and 2010:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Principal Repaid	Cash Paid in Loss on Extinguishment of Debt	Non-cash Loss on Extinguishment of Debt	Total Loss on Extinguishment of Debt
2012				
Amendments to Credit Facilities	\$—	\$—	\$1.5	\$1.5
\$750.0 million 6.875% senior notes due June 2017	750.0	25.8	71.0	96.8
Tax-exempt financings	94.0	—	14.2	14.2
Ineffective portion of interest rate lock settlements	—	0.1	—	0.1
Loss on extinguishment of debt for the year ended December 31, 2012		\$25.9	\$86.7	\$112.6
2011				
\$600.0 million 7.125% senior notes due May 2016	\$600.0	\$21.4	\$61.3	\$82.7
\$99.5 million 9.250% debentures due May 2021	64.2	24.2	3.8	28.0
\$360.0 million 7.400% debentures due September 2035	194.8	44.7	49.9	94.6
Amendments to Credit Facilities	—	—	1.7	1.7
Ineffective portion of interest rate lock settlements	—	0.3	—	0.3
Tax-exempt financings	30.0	—	3.5	3.5
Loss on extinguishment of debt for the year ended December 31, 2011		\$90.6	\$120.2	\$210.8
2010				
\$425.0 million 6.125% senior notes due February 2014	\$425.0	\$8.7	\$44.1	\$52.8
\$600.0 million 7.250% senior notes due March 2015	600.0	21.8	57.5	79.3
Accounts receivable securitization program	300.0	—	0.2	0.2
Tax-exempt financings	480.3	—	28.5	28.5
Loss on extinguishment of debt for the year ended December 31, 2010		\$30.5	\$130.3	\$160.8
Credit Facilities				

In May 2012, we amended and restated our \$1.25 billion unsecured revolving credit facility due September 2013 (the Amended and Restated Credit Facility) to extend the maturity to May 2017. The Amended and Restated Credit Facility includes a feature that allows us to increase availability, at our option, by an aggregate amount up to \$500 million through increased commitments from existing lenders or the addition of new lenders. At our option, borrowings under the Amended and Restated Credit Facility bear interest at a Base Rate, or a Eurodollar Rate, plus an applicable margin based on our Debt Ratings (all as defined in the agreements).

Contemporaneous with the execution of the Amended and Restated Credit Facility, we entered into Amendment No. 1 to our existing \$1.25 billion unsecured credit facility (the Existing Credit Facility and, together with the Amended and Restated Credit Facility, the Credit Facilities) to reduce the commitments under the Existing Credit Facility to \$1.0 billion and conform certain terms of the Existing Credit Facility to those of the Amended and Restated Credit Facility. Amendment No. 1 does not extend the maturity date under the Existing Credit Facility, which matures in April 2016.

In connection with entering into the Credit Facilities, the guarantees by our subsidiary guarantors with respect to the Credit Facilities were released. As a result, the guarantees by our subsidiary guarantors with respect to all of

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Republic's outstanding senior notes were automatically released. In addition, the guarantees by all of our subsidiary guarantors (other than Allied Waste Industries, Inc. and Allied Waste North America, Inc.) with respect to the 9.250% debentures and the 7.400% debentures issued by our subsidiary Browning-Ferris Industries, LLC (successor to Browning-Ferris Industries, Inc.) also were automatically released.

As of December 31, 2012 and 2011, the interest rate for our borrowings under our Credit Facilities was 1.32% and 3.25%, respectively. Our Credit Facilities also are subject to facility fees based on applicable rates defined in the agreements and the aggregate commitments, regardless of usage. Availability under our Credit Facilities can be used for working capital, capital

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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, 2012 and 2011, we had \$25.0 million and \$34.4 million of Base Rate - Prime and Eurodollar Rate borrowings, respectively. We had \$909.4 million and \$950.2 million of letters of credit using availability under our Credit Facilities, leaving \$1,315.6 million and \$1,515.4 million of availability under our Credit Facilities at December 31, 2012 and 2011, respectively. We were in compliance with the covenants under our Credit Facilities as of December 31, 2012.

In March 2012, we entered into a new \$75.0 million uncommitted, unsecured credit facility agreement (the Uncommitted Credit Facility) bearing interest at LIBOR, plus an applicable margin. In July 2012, we amended the Uncommitted Credit Facility to increase the size to \$125.0 million, with all other terms remaining unchanged. As of December 31, 2012, the interest rate for our borrowings under our Uncommitted Credit Facility was 1.35%. Our Uncommitted Credit Facility also is subject to facility fees defined in the agreement, regardless of usage. We can use borrowings under the Uncommitted Credit Facility for working capital and other general corporate purposes. The agreements governing our Uncommitted Credit Facility require us to comply with certain covenants. The Uncommitted Credit Facility may be terminated by either party at any time. As of December 31, 2012, we had \$13.9 million of LIBOR borrowings.

Senior Notes and Debentures

In June 2012, we issued \$850.0 million of 3.550% senior notes due 2022 (the 3.550% Notes). The 3.550% Notes are unsubordinated and unsecured obligations. We used the net proceeds from the 3.550% Notes to fund the redemption of our subsidiary's, Allied Waste North America, Inc., \$750.0 million 6.875% senior notes maturing in 2017 and for general corporate purposes.

In August 2011, our 6.750% senior notes matured. We used cash on hand and incremental borrowings under our Credit Facilities to repay \$387.0 million of principal due on these notes.

In May 2011, we issued \$700.0 million of 3.800% senior notes due 2018 (the 3.800% Notes), \$550.0 million of 4.750% senior notes due 2023 (the 4.750% Notes) and \$600.0 million of 5.700% senior notes due 2041 (the 5.700% Notes, together with the 3.800% Notes and the 4.750% Notes, the 2011 Notes). We used the net proceeds from the 2011 Notes as follows: (a) \$621.4 million to fund the redemption of our \$600.0 million 7.125% senior notes maturing in 2016; (b) \$81.6 million to purchase \$59.2 million of our subsidiary Browning-Ferris Industries, LLC's 9.250% debentures maturing in 2021; (c) \$221.8 million to purchase \$180.7 million of our subsidiary Browning-Ferris Industries, LLC's 7.400% debentures maturing in 2035; (d) \$619.0 million to repay borrowings under our Credit Facilities; and (e) the remainder for general corporate purposes. In May 2011, our 6.375% senior notes matured. We used cash on hand and incremental borrowings under our Credit Facilities to repay \$216.9 million of principal due on these notes.

In February 2011, our 5.750% senior notes matured. We used cash on hand and incremental borrowings under our Credit Facilities to repay \$262.9 million of principal due on these notes.

In November 2010, our 6.50% senior notes matured. We used cash on hand and incremental borrowings under our Credit Facilities to repay \$221.6 million of principal due on these notes.

In March 2010, we issued \$850.0 million of 5.00% senior notes due 2020 (the 2020 Notes), with an unamortized discount of \$0.1 million at December 31, 2010, and \$650.0 million of 6.20% senior notes due 2040 (the 2040 Notes, and, together with the 2020 Notes, the 2010 Notes). We used the net proceeds from the 2010 Notes as follows: (a) \$433.7 million to redeem the 6.125% senior notes due 2014 at a premium of 102.042% (\$425.0 million principal outstanding); (b) \$621.8 million to redeem the 7.250% senior notes due 2015 at a premium of 103.625% (\$600.0 million principal outstanding); and (c) the remainder to reduce amounts outstanding under our Credit Facilities and for general corporate purposes.

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Our senior notes are general senior unsecured obligations. Interest is payable semi-annually. These senior notes have a make-whole call provision that is exercisable at any time prior to the respective maturity dates per the debt table above at a stated redemption price.

The 9.250% Debentures are not redeemable prior to maturity and are not subject to any sinking fund requirements. The 7.400% Debentures are not subject to any sinking fund requirements and may be redeemed in whole or in part, at our option at any time. The redemption price is equal to the greater of the principal amount of the debentures and the present value of the future principal and interest payments discounted at a rate specified under the terms of the indenture.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Tax-Exempt Financings

As of December 31, 2012 and 2011, we had \$1,097.5 million and \$1,126.4 million, respectively, of fixed and variable rate tax-exempt financings outstanding with maturities ranging from 2013 to 2037. As of December 31, 2012 and 2011, the total of the unamortized adjustment to fair value recorded in purchase accounting for the tax-exempt financings assumed from Allied was \$0.4 million and \$15.8 million, respectively, which is being amortized to interest expense over the remaining terms of the debt.

Approximately 85% of our tax-exempt financings are remarketed quarterly, weekly or daily by a remarketing agent to effectively maintain a variable yield. Certain of these variable rate tax-exempt financings are credit enhanced with letters of credit having terms in excess of one year issued by banks with investment grade credit ratings. The holders of the bonds can put them back to the remarketing agent at the end of each interest period. To date, the remarketing agents have been able to remarket our variable rate unsecured tax-exempt bonds. These bonds have been classified as long term because of our ability and intent to refinance them using availability under our Credit Facilities, if necessary.

As of December 31, 2012, we had \$164.2 million of restricted cash and marketable securities, of which \$24.7 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 and marketable securities also include amounts held in trust as a financial guarantee of our performance.

Other Debt

Other debt primarily includes capital lease liabilities of \$87.0 million and \$88.3 million as of December 31, 2012 and 2011, respectively, with maturities ranging from 2013 to 2046.

Future Maturities of Debt

Aggregate maturities of notes payable, capital leases and other long-term debt as of December 31, 2012, excluding non-cash discounts, premiums, and adjustments to fair value recorded in purchase accounting totaling \$79.7 million, are as follows:

2013	\$ 15.1
2014	15.7
2015	10.1
2016	29.1
2017	9.6
Thereafter	7,070.6
	\$7,150.2

Fair Value of Debt

The fair value of our fixed rate senior notes using observable market inputs is \$6.9 billion and \$6.3 billion at December 31, 2012 and 2011, respectively. The carrying value of these notes is \$5.8 billion and \$5.7 billion at December 31, 2012 and 2011, respectively. The carrying amounts of our remaining notes payable and tax-exempt financing approximate fair value because interest rates are variable and, accordingly, approximate current market rates for instruments with similar risk and maturities. The fair value of our debt, using significant observable market inputs (Level 2) is determined as of the balance sheet date and is subject to change.

Guarantees

We have guaranteed some of the tax-exempt 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 Paid

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Interest paid was \$341.0 million, \$396.2 million and \$417.8 million for the years ended December 31, 2012, 2011 and 2010, respectively. The components of interest expense are as follows:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	2012	2011	2010
Interest expense on debt and capital lease obligations	\$338.5	\$372.9	\$413.2
Accretion of debt discounts	12.2	25.6	52.4
Accretion of remediation and risk reserves	46.2	49.8	48.1
Less: capitalized interest	(8.4)	) (8.1	) (6.3
Total interest expense	\$388.5	\$440.2	\$507.4

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 \$5.4 million and \$8.5 million due to periodic settlements of active swap agreements during years ended December 31, 2011 and 2010. At December 31, 2012 and 2011 we had no interest rate swap agreements outstanding.

From time to time, we enter into treasury and interest rate locks to manage exposure to fluctuations in interest rates in anticipation of future debt issuances. These transactions are accounted for as a cash flow hedges. As of December 31, 2012 and 2011, no interest rate lock cash flow hedges were outstanding.

During the second quarter 2012, we entered into a number of interest rate lock agreements having an aggregate notional amount of \$200.0 million with fixed interest rates approximating 2.20% to manage exposure to fluctuations in interest rates in anticipation of the planned issuance of the 3.550% Notes. Upon issuance of the 3.550% Notes, we terminated the interest rate locks and paid \$4.8 million to the counterparties. The effective portion of the interest rate locks, recorded as a component of accumulated other comprehensive income, was \$4.7 million, or \$2.7 million net of tax.

During the first and second quarters of 2011, we entered into a number of interest rate lock agreements having an aggregate notional amount of \$725.0 million with fixed interest rates ranging from 3.10% to 4.61% to manage exposure to fluctuations in interest rates in anticipation of the planned issuance of the 2011 Notes. Upon issuance of the 2011 Notes, 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.

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

As of December 31, 2012 and December 31, 2011, the effective portion of the interest rate locks, recorded as a component of accumulated other comprehensive income, was \$24.6 million and \$23.2 million, respectively. The effective portion of the interest rate locks will be amortized as an adjustment to interest expense over the life of the issued debt using the effective interest rate method. We expect to amortize \$2.5 million over the next twelve months as a yield adjustment to our senior notes.

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The effective portion of the interest rate locks amortized as a net increase to interest expense during the years ended December 31, 2012, 2011 and 2010 was \$2.2 million, \$1.4 million and \$0.4 million, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

10. INCOME TAXES

The components of the provision for income taxes for the years ended December 31, are as follows:

	2012	2011	2010
Current:			
Federal	\$228.7	\$201.7	\$253.9
State	29.2	38.6	50.2
Federal and state deferred provision	83.9	334.8	61.4
Uncertain tax positions and interest, and other	(90.0	) (257.7	) 4.0
Provision for income taxes	\$251.8	\$317.4	\$369.5

The reconciliations of the statutory federal income tax rate to our effective tax rate for the years ended December 31, are as follows:

	2012	2011	2010
Federal statutory rate	35.0	% 35.0	% 35.0
State income taxes, net of federal benefit	2.5	3.2	5.4
Non-deductible expenses	1.1	1.6	2.1
Uncertain tax position taxes and interest	(4.7	) (2.5	) 0.3
Other, net	(3.3	) (2.3	) (0.7
Effective income tax rate	30.6	% 35.0	% 42.1

Our 2012 effective tax rate was favorably impacted by the settlement with the IRS appeals division of Allied's federal tax years 2004 - 2008. This settlement benefited our 2012 tax provision by approximately \$35 million due to the reversals of previously accrued tax and interest. In 2011, our effective tax rate was favorably impacted by the settlement with the IRS appeals division of Allied's federal tax years 2000 - 2003. This settlement favorably impacted our 2011 tax provision by approximately \$23 million due to reversals of previously accrued tax and interest.

In addition, our 2012 and 2011 tax provisions were favorably impacted by the realization of tax credits and lower state rates due to changes in estimates of approximately \$16 million and \$19 million, respectively.

During 2012, we did not dispose of any goodwill without corresponding tax basis. However, during 2011 and 2010, we incurred charges of \$7.1 million and \$13.1 million, respectively, for dispositions of goodwill that had no corresponding tax basis, and thus, were non-deductible for tax purposes.

The components of the net deferred income tax asset and liability at December 31, 2012 and 2011 are as follows:

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	2012		2011
Deferred tax liabilities relating to:			
Differences between book and tax basis of property	\$(955.6)	\$(913.7)
Difference between book and tax basis of intangible assets	(676.5	)	(692.1)
Basis difference due to redemption of partnership interests	(128.6	)	(128.2)
Total liabilities	\$(1,760.7	)	\$(1,734.0)
Deferred tax assets relating to:			
Environmental reserves	\$348.3		\$331.3
Accruals not currently deductible	232.2		310.3
Net operating loss carryforwards, state taxes	130.2		126.3
Difference between book and tax basis of other assets	92.4		93.3
Deferred taxes on uncertain tax positions	17.5		28.9
Other	5.8		2.0
Total assets	826.4		892.1
Valuation allowance	(124.8	)	(118.1)
Net deferred tax asset	701.6		774.0
Net deferred tax liabilities	\$(1,059.1	)	\$(960.0)

Changes in the deferred tax valuation allowance for the years ended December 31, 2012, 2011 and 2010 are as follows:

	2012		2011		2010
Valuation allowance, beginning of year	\$118.1		\$120.1		\$126.5
Additions charged to income	1.9		2.1		8.3
Usage	(3.2	)	(4.3	)	(10.4)
Expirations of state net operating losses	(0.3	)	(0.3	)	(0.3)
Other, net	8.3		0.5		(4.0)
Valuation allowance, end of year	\$124.8		\$118.1		\$120.1

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized after the initial recognition of the deferred tax asset. We also provide valuation allowances, as needed, to offset portions of deferred tax assets due to uncertainty surrounding the future realization of such deferred tax assets. We adjust the valuation allowance in the period management determines it is more likely than not that deferred tax assets will or will not be realized.

We have state net operating loss carryforwards with an estimated tax effect of \$130.2 million available at December 31, 2012. These state net operating loss carryforwards expire at various times between 2013 and 2032. We believe that it is more likely than not that the benefit from certain state net operating loss carryforwards will not be realized. In recognition of this risk, at December 31, 2012, we have provided a valuation allowance of \$113.5 million for certain state net operating loss carryforwards. At December 31, 2012, we also have provided a valuation allowance of \$11.3 million for certain other deferred tax assets.

Deferred income taxes have not been provided on the undistributed earnings of our Puerto Rican subsidiaries of approximately \$40 million and \$39 million as of December 31, 2012 and 2011, respectively, as such earnings are considered to be permanently invested in those subsidiaries. If such earnings were to be remitted to us as dividends, we would incur approximately \$14 million of federal income taxes.

We made income tax payments (net of refunds received) of approximately \$185 million, \$173 million and \$418 million for 2012, 2011 and 2010, respectively.

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Income taxes paid in 2012 and 2011 reflect the favorable tax depreciation provisions of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (Tax Relief Act) that was signed into law in December 2010. The Tax Relief Act included 100% bonus depreciation for property placed in service after September 8, 2010 and through December 31, 2011 (and for certain long-term construction projects to be placed in service in 2012) and 50% bonus depreciation for property

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placed in service in 2012 (and for certain long-term construction projects to be placed in service in 2013). Income taxes paid in 2010 includes \$111 million related to the settlement of certain tax liabilities regarding BFI risk management companies.

We and our subsidiaries are subject to income tax in the U.S. and Puerto Rico, as well as income tax in multiple state jurisdictions. Our compliance with income tax rules and regulations is periodically audited by tax authorities. These authorities may challenge the positions taken in our tax filings. Thus, to provide for certain potential tax exposures, we maintain liabilities for uncertain tax positions for our estimate of the final outcome of the examinations.

The following table summarizes the activity in our gross unrecognized tax benefits for the years ended December 31:

	2012	2011	2010
Balance at beginning of year	\$54.3	\$222.8	\$242.2
Additions based on tax positions related to current year	0.9	—	2.8
Additions for tax positions of prior years	64.0	0.6	7.5
Reductions for tax positions of prior years	—	(162.2	) (7.4
Reductions for tax positions resulting from lapse of statute of limitations	(7.3	) —	(10.4
Settlements	(27.2	) (6.9	) (11.9
Balance at end of year	\$84.7	\$54.3	\$222.8

During 2012, we settled with the IRS appeals division Allied's 2004 - 2008 tax years. The resolution of these tax periods reduced our gross unrecognized tax benefits by \$27.2 million. The majority of the 2012 increase for prior years' tax positions is attributable to the 2012 filings of amended state tax returns as a consequence of resolving Allied's legacy tax issues. As of December 31, 2012, \$28.9 million of the \$84.7 million of unrecognized tax benefits relates to tax positions taken by Allied prior to the 2008 acquisition.

During 2011, we settled with the IRS appeals division Allied's 2000 - 2003 tax years. This included Allied's 2002 partnership exchange issue (see - Exchange of Partnership Interests). The resolution of these tax periods reduced our gross unrecognized tax benefits by \$166.2 million. We also resolved various state matters during 2011 that, in the aggregate, reduced our gross unrecognized tax benefits by \$2.9 million.

During 2010, the IRS concluded its examination of our 2005 - 2007 tax years. The conclusion of this examination reduced our gross unrecognized tax benefits by \$1.9 million. We also resolved various state matters during 2010 that, in the aggregate, reduced our gross unrecognized tax benefits by \$10.0 million.

Included in the balance at December 31, 2012 and 2011 are \$59.9 million and \$42.9 million of unrecognized tax benefits (net of the federal benefit on state issues) that, if recognized, would affect our effective income tax rate in future periods.

We recognize interest and penalties as incurred within the provision for income taxes in our consolidated statements of income. Related to the unrecognized tax benefits previously noted, we recorded interest expense of approximately \$1 million during 2012 and, in total as of December 31, 2012, have recognized a liability for penalties of \$0.7 million and interest of \$18.9 million.

During 2011, we accrued interest of \$12.0 million and, in total as of December 31, 2011, had recognized a liability for penalties of \$0.7 million and interest of \$49.7 million. During 2010, we accrued interest of \$19.2 million and, in total at December 31, 2010, had recognized a liability for penalties of \$1.2 million and interest of \$99.9 million.

The decrease in accrued interest during 2011 was due to the December 2011 settlement of uncertain tax positions related to Allied's 2000 - 2003 tax periods. The decrease in accrued interest and penalties between 2010 and 2009 was driven mainly by the additional settlements discussed previously.

Gross unrecognized tax benefits that we expect to settle in the following twelve months are in the range of \$10-\$20 million. However, it is reasonably possible that the amount of unrecognized tax benefits will increase or decrease in

the next twelve months.

We are under federal income tax audit for calendar years 2009 and 2010. At the exam level, we have concluded and resolved all issues related to our 2009 - 2010 tax years and, at December 31, 2012, were awaiting the results of a final review before the

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Congressional Joint Committee on Taxation. In January 2013, we received notification that this review was completed. Consequently, we will reflect the final settlement of the 2009 - 2010 tax years in our 2013 tax provision. We are also under state examination in various jurisdictions for various tax years, including Allied's open tax periods which we acquired as a result of the 2008 merger. These state audits are ongoing.

We believe 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.

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. In December 2011, we reached an agreement with the IRS appeals division to settle this issue.

Methane Gas

As part of its examination of Allied's 2004 - 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 had 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 was that the methane gas produced by a landfill was a joint product resulting from the operation of the landfill and, therefore, these costs should not be expensed until the methane gas was sold or otherwise disposed. During 2012, we resolved all tax matters related to Allied's 2004 - 2008 tax years. The company's treatment of costs was sustained, and consequently, no adjustments were made to the consolidated financial statements.

11. EMPLOYEE BENEFIT PLANS

Stock-Based Compensation

In July 1998, we adopted the 1998 Stock Incentive Plan (1998 Plan) to provide for grants of options to purchase shares of common stock, restricted stock and other equity based compensation to our employees and non-employee directors who are eligible to participate in the 1998 Plan. The 1998 Plan expired on June 30, 2008. In February 2007, our board of directors approved the 2007 Stock Incentive Plan (2007 Plan) and in May 2007 our stockholders ratified the 2007 Plan. In March 2011, our board of directors approved the Amended and Restated Republic Services, Inc. 2007 Stock Incentive Plan (the Amended and Restated Plan) and in May 2011 our stockholders ratified the Amended and Restated Plan. We currently have 19.7 million shares of common stock reserved for future grants under our Amended and Restated Plan.

Options granted under the 1998 Plan, the 2007 Plan and the Amended and Restated Plan are non-qualified and are granted at a price equal to the fair market value of our common stock at the date of grant. Generally, options granted have a term of seven to ten years from the date of grant, and vest in increments of 25% per year over a period of four years beginning on the first anniversary date of the grant. Options granted to non-employee directors have a term of ten years and are fully vested at the grant date.

In December 2008, the board of directors amended and restated the Republic Services, Inc. 2006 Incentive Stock Plan (formerly known as the Allied Waste Industries, Inc. 2006 Incentive Stock Plan (the 2006 Plan)). Allied's stockholders approved the 2006 Plan in May 2006. The 2006 Plan was amended and restated in December 2008 to reflect that Republic Services, Inc. is the new sponsor of the Plan, that any references to shares of common stock is to shares of common stock of Republic Services, Inc., and to adjust outstanding awards and the number of shares available under the Plan to reflect the acquisition. The 2006 Plan, as amended and restated, provides for the grant of non-qualified stock options, incentive stock options, shares of restricted stock, shares of phantom stock, stock bonuses, restricted stock units, stock appreciation rights, performance awards, dividend equivalents, cash awards, or other stock-based awards. Awards granted under the 2006 Plan prior to December 5, 2008 became fully vested and nonforfeitable upon the closing of the acquisition. Awards may be granted under the 2006 Plan, as amended and restated, after

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December 5, 2008 only to employees and consultants of Allied Waste Industries, Inc. and its subsidiaries who were not employed by Republic Services, Inc. prior to such date. At December 31, 2012, there were approximately 15.5 million shares of common stock reserved for future grants under the 2006 Plan.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Stock Options

We use a binomial option-pricing model to 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 (at 3.0% for each of the period presented) and expected life of the options. When appropriate, separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The weighted-average estimated fair values of stock options granted during the years ended December 31, 2012, 2011 and 2010 were \$4.77, \$5.35 and \$5.28 per option, respectively, which were calculated using the following weighted-average assumptions:

	2012	2011	2010	
Expected volatility	27.8	% 27.3	% 28.6	%
Risk-free interest rate	0.8	% 1.7	% 2.4	%
Dividend yield	3.2	% 2.7	% 2.9	%
Expected life (in years)	4.5	4.4	4.3	
Contractual life (in years)	7.0	7.0	7.0	

The following table summarizes the stock option activity for the years ended December 31, 2010, 2011 and 2012:

	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2009	15.1	\$23.69		
Granted	3.1	27.48		
Exercised	(3.9)	) 21.73		\$34.3
Forfeited or expired	(0.7)	) 27.38		
Outstanding at December 31, 2010	13.6	24.97		
Granted	3.0	29.83		
Exercised	(1.7)	) 22.31		\$14.4
Forfeited or expired	(0.6)	) 28.63		
Outstanding at December 31, 2011	14.3	26.13		
Granted	3.1	29.63		
Exercised	(2.9)	) 29.32		\$18.8
Forfeited or expired	(0.8)	) 28.80		
Outstanding at December 31, 2012	13.7	\$27.51	4.1	\$29.5
Exercisable at December 31, 2012	7.6	\$26.22	3.1	\$25.6

During 2012, 2011 and 2010, compensation expense for stock options was \$13.2 million, \$13.1 million and \$12.8 million, respectively.

As of December 31, 2012, total unrecognized compensation expense related to outstanding stock options was \$9.1 million, which will be recognized over a weighted average period of 1.8 years. The total fair value of stock options that vested in 2012, 2011 and 2010 was \$10.9 million, \$8.7 million and \$4.0 million, respectively.

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We classified excess tax benefits of \$1.9 million, \$2.5 million and \$3.5 million as cash flows from financing activities for 2012, 2011 and 2010, respectively. All other tax benefits related to stock options have been presented as a component of cash flows from operating activities.

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Other Stock Awards

The following table summarizes the restricted stock unit and restricted stock activity for the years ended December 31, 2010, 2011 and 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, 2009	653.2	\$ 23.85		
Granted	367.9	29.14		
Vested and issued	(171.8	) 22.63		
Forfeited	—	—		
Unissued at December 31, 2010	849.3	26.39		
Granted	179.2	29.97		
Vested and issued	(250.5	) 26.61		
Forfeited	(8.0	) 24.97		
Unissued at December 31, 2011	770.0	27.17		
Granted	303.8	27.76		
Vested and issued	(167.2	) 26.35		
Forfeited	(1.3	) 29.79		
Unissued at December 31, 2012	905.3	\$ 27.51	0.5	\$26.6
Vested and unissued at December 31, 2012	535.0	\$ 26.72		

During 2012, we awarded our non-employee directors 75,000 restricted stock units, which vested immediately. During 2012, we awarded 179,201 restricted stock units to executives that vest in four equal annual installments beginning on the anniversary date of the original grant. In addition, 26,747 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. Also, we granted 22,805 shares of restricted stock to an executive that vested upon his retirement in January 2013.

During 2011, our non-employee directors were awarded 82,500 restricted stock units under our Amended and Restated Plan, which vested immediately. During 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, 20,039 restricted stock units were earned as dividend equivalents.

During 2010, we awarded 92,894 restricted stock units to our non-employee directors under our Amended and Restated Plan, of which 88,732 vested immediately. The remaining restricted stock units awarded during the year ended December 31, 2010 vest in three equal annual installments beginning on the anniversary date of the original grant. During 2010, we awarded 210,437 restricted stock units to executives and other officers that vest in four equal annual installments beginning on the anniversary date of the original grant.

The fair value of restricted stock and restricted stock units 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 2012, 2011 and 2010, compensation expense related to restricted stock units and restricted shares totaled \$8.0 million, \$7.5 million and \$11.7 million, respectively.

Defined Benefit Pension Plan

We currently have one qualified defined benefit pension plan, the BFI Retirement Plan (the Plan). The Plan covers certain employees in the United States, including some employees subject to collective bargaining agreements. The Plan benefits are frozen. Interest credits continue to be earned by participants in the Plan, and participants whose collective bargaining agreements provide for additional benefit accruals under the Plan continue to receive those credits in accordance with the terms of their bargaining agreements. The Plan was converted from a traditional defined benefit plan to a cash balance

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

plan in 1993.

Prior to the conversion of the cash balance design, benefits payable as a single life annuity under the Plan were based on the participant's highest five years of earnings out of the last ten years of service. Upon conversion to the cash balance plan, the existing accrued benefits were converted to a lump-sum value using the actuarial assumptions in effect at the time. Participants' cash balance accounts are increased until retirement by certain benefit and interest credits under the terms of their bargaining agreements. Participants may elect early retirement with the attainment of age 55 and completion of ten years of credited service at reduced benefits. Participants with 35 years of service may retire at age 62 without any reduction in benefits.

Effective January 1, 2011, the Plan was amended to solicit participants in the Plan to take a lump sum distribution of their eligible retirement benefits. During the year ended December 31, 2011, we made \$67.0 million of lump sum payments to participants. We recognized \$3.6 million, net of tax, of deferred actuarial gain within our selling, general and administrative expenses as a result of settlement accounting applied to these transactions.

Our pension contributions are made in accordance with funding standards established by Employee Retirement Income Security Act of 1974 and the Internal Revenue Code, as amended by the Pension Protection Act enacted in 2006 (the PPA). No contributions were made in either 2012 or 2011.

We must separately recognize the overfunded or underfunded status of our pension plan as an asset or liability. The funded status represents the difference between the projected benefit obligation (PBO) and the fair value of the plan assets. The PBO is the present value of benefits earned to date by plan participants, including the effect of assumed future salary increases, if any. The PBO is equal to the accumulated benefit obligation (ABO) as the present value of these liabilities is not affected by assumed future salary increases. We use a measurement date that coincides with our year end of December 31.

The following table presents the ABO and reconciliations of the changes in the PBO, the plan assets and the accounting funded status of our defined benefit pension plan for the years ended December 31, 2012 and 2011.

	Defined Benefit Pension Plan			
	2012	2011		
Accumulated Benefit Obligation	\$301.4	\$343.5		
Change in Projected Benefit Obligation:				
Projected benefit obligation at beginning of year	\$343.5	\$371.6		
Interest cost	13.1	17.0		
Actuarial (gain) loss	(6.9)	) 30.2		
Benefits paid	(48.3)	) (75.3))
Projected benefit obligation at end of year	\$301.4	\$343.5		
Change in Plan Assets:				
Fair value of plan assets at beginning of year	\$303.6	\$363.9		
Actual return on plan assets	43.0	18.0		
Estimated expenses	(3.0)	) (3.0))
Benefits paid	(48.3)	) (75.3))
Fair value of plan assets at end of year	\$295.3	\$303.6		
Unfunded status	\$6.1	\$39.9		
Amounts recognized in the statement of financial position consist of:				
Noncurrent liabilities	\$6.1	\$39.9		
Net amount recognized	\$6.1	\$39.9		
Weighted average assumptions used to determine benefit obligations:				
Discount rate	3.70	% 4.25		%

Rate of compensation increase

N/A

N/A

The amounts included in accumulated other comprehensive income on the consolidated statement of financial position that have not yet been recognized as components of net periodic benefit cost at December 31, 2012 and 2011 are as follows:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Pension Benefits	
	2012	2011
Accumulated other comprehensive loss (income)		
Net actuarial gain	\$27.1	\$1.7

The components of the net periodic benefit cost are summarized below:

	2012	2011	2010
Components of Net Periodic Benefit Cost:			
Service cost	\$3.0	\$3.0	\$0.2
Interest cost	13.1	17.0	20.5
Expected return on plan assets	(18.9)	(23.5)	(23.6)
Recognized net actuarial gain	—	(0.5)	—
Amortization of prior service cost	0.1	0.1	—
Settlement income	(2.2)	(5.9)	—
Net periodic benefit cost	\$(4.9)	\$(9.8)	\$(2.9)
Weighted average assumptions used to determine net periodic benefit cost:			
Discount rate	3.60	% 5.25	% 5.75
Expected return on plan assets	6.50	% 7.25	% 7.25
Rate of compensation increase	N/A	N/A	4.00

We determine the discount rate used in the measurement of our obligations based on a model that matches the timing and amount of expected benefit payments to maturities of high quality bonds priced as of the pension plan measurement date. Where that timing does not correspond to a published high-quality bond rate, our model uses an expected yield curve to determine an appropriate current discount rate. The yields on the bonds are used to derive a discount rate for the liability. The term of our obligation, based on the expected retirement dates of our workforce, is approximately ten years.

In developing our expected rate of return assumption, we have evaluated the actual historical performance and long-term return projections of the Plan assets, which give consideration to the asset mix and the anticipated timing of the pension plan outflows. We employ a total return investment approach whereby a mix of equity and fixed income investments are used to maximize the long-term return of plan assets for what we consider a prudent level of risk. The intent of this strategy is to minimize plan expenses by outperforming plan liabilities over the long run. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and our financial condition. The investment portfolio contains a diversified blend of equity and fixed income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks as well as growth, value, and small and large capitalizations. Derivatives may be used to gain market exposure in an efficient and timely manner. However, derivatives may not be used to leverage the portfolio beyond the market value of the underlying investments. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset and liability studies, and quarterly investment portfolio reviews.

The following table summarizes our target asset allocation for 2012 and actual asset allocation at December 31, 2012 and 2011 for our defined benefit pension plan:

Target	2012	2011
Asset	Actual	Actual
Allocation	Asset	Asset
	Allocation	Allocation

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Debt securities	70	% 70	% 66	%
Equity securities	30	30	33	
Cash or cash equivalents	—	—	1	
Total	100	% 100	% 100	%

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For 2013, the investment strategy for pension plan assets is to maintain a broadly diversified portfolio designed to achieve our target of an average long-term rate of return of 6.00%. While we believe we can achieve a long-term average return of 6.00%, we cannot be certain that the portfolio will perform to our expectations. Assets are strategically allocated among debt and equity portfolios to achieve a diversification level that dampens fluctuations in investment returns. Asset allocation target ranges and strategies are reviewed periodically with the assistance of an independent external consulting firm.

The pension assets are measured at fair value. The following table summarizes, by level, within the fair value hierarchy, the investments of the Plan at fair value as of December 31, 2012 and 2011:

	Total as of December 31, 2012	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market account	\$8.5	\$8.5	\$—	\$—
Common stock	14.4	14.4	—	—
Mutual funds and real estate investment trusts	184.1	140.6	43.5	—
Bonds	87.9	—	87.9	—
Limited partnerships	0.4	—	—	0.4
Total assets	\$295.3	\$163.5	\$131.4	\$0.4
	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)
Money market account	\$3.3	\$3.3	\$—	\$—
Common stock	13.7	13.7	—	—
Mutual funds and real estate investment trusts	206.1	162.4	43.7	—
Bonds	80.1	—	80.1	—
Limited partnerships	0.4	—	—	0.4
Total assets	\$303.6	\$179.4	\$123.8	\$0.4

Estimated future benefit payments for the next ten years under the Plan are as follows:

2013	\$24.7
2014	20.9
2015	19.9
2016	20.0
2017	20.6
2018 through 2022	99.5

Multiemployer Pension Plans

We contribute to 27 multiemployer pension plans under collective bargaining agreements covering union-represented employees. Approximately 20% of our total current employees are participants in such multiemployer plans. These plans generally provide retirement benefits to participants based on their service to contributing employers. We do not

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administer these multiemployer plans. In general, these plans are managed by a board of trustees with the unions appointing certain trustees and other contributing employers of the plan appointing certain members. We generally are not represented on the board of trustees.

Based on the information available to us, we believe that some of the multiemployer plans to which we contribute are either

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

“critical” or “endangered” as those terms are defined in the PPA. The PPA requires underfunded pension plans to improve their funding ratios within prescribed intervals based on the level of their underfunding. Until the plan trustees develop the funding improvement plans or rehabilitation plans as required by the PPA, we cannot determine the amount of assessments we may be subject to, if any. Accordingly, we cannot determine at this time the impact that the PPA may have on our consolidated financial position, results of operations or cash flows.

Furthermore, under current law regarding multiemployer benefit plans, a plan’s termination, our voluntary withdrawal (which we consider from time to time), or the mass withdrawal of all contributing employers from any under-funded multiemployer pension plan would require us to make payments to the plan for our proportionate share of the multiemployer plan’s unfunded vested liabilities. It is possible that there may be a mass withdrawal of employers contributing to these plans or plans may terminate in the near future. We could have adjustments to our estimates for these matters in the near term that could have a material effect on our consolidated financial condition, results of operations or cash flows.

Republic’s participation in individually significant multiemployer pension plans for the year ended December 31, 2012 is outlined in the table below. Only with respect to multiemployer pension plans, we considered contributions in excess of \$3.0 million in any period disclosed to be individually significant. The most recent PPA zone status available in 2012 and 2011 is for the plans’ year ended September 30 or December 31, 2011 and 2010, respectively. The status is based on information that Republic received from the plan and is certified by the plans’ actuary. Among other factors, plans in the “critical” red zone are generally less than 65% funded, plans in the “endangered” yellow zone are less than 80% funded, and plans in the “safe” green zone are at least 80% funded. The last column lists the expiration dates of the collective-bargaining agreements (CBA) to which the plans are subject. There have been no significant changes that affect the comparability of the 2012, 2011 and 2010 contributions.

Legal Plan Name	EIN	Pension Protection Act Zone Status		Funding Improvement or Rehabilitation Plan Status Pending / Implemented	Republic Contributions to Plan			Surcharge Imposed	Expiration of CBA
		2011	2010		2012	2011	2010		
Central States, Southeast and Southwest Areas Pension Fund Local 731 Private Scavengers and Garage Attendants Pension Trust Fund Western Conference of Teamsters Pension Plan Individually significant	36-6044243	Critical	Critical	Implemented	\$3.5	\$3.9	\$4.1	No	1/31/12 - 8/31/13
	36-6513567	Endangered	Endangered	Implemented	6.3	3.4	3.2	No	9/30/13 - 1/31/14
	91-6145047	Safe	Safe	No	26.7	31.6	32.6	No	12/31/09 - 6/30/17
					36.5	38.9	39.9		

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plans									
All other plans	N/A	N/A	N/A	N/A	9.0	9.8	10.5	N/A	
Total					\$45.5	\$48.7	\$50.4		

We are listed in the Form 5500 for Local 731 Private Scavengers and Garage Attendants Pension Trust Fund as providing more than 5 percent of the total contributions. At the date the financial statements were issued, Forms 5500 were not available for the plan years ending September 31, 2012 or December 31, 2012.

Central States, Southeast and Southwest Areas Pension Fund

We have collective bargaining agreements (CBAs) with local bargaining units of the Teamsters under which we have obligations to contribute to the Central States, Southeast and Southwest Areas Pension Fund (the Fund). All of these CBAs were, are or will be under negotiation in 2012 and 2013. As part of our negotiations, we have proposed or intend to propose to withdraw from the Fund. Withdrawal is only one of the issues in these negotiations, and we do not know what the ultimate outcome of the negotiations in any locale will be. With respect to each CBA, if we do withdraw, this will constitute a Withdrawal Event and will require us to make payments to the Fund for a proportionate share of its unfunded vested liabilities.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

\$31 million, which was charged to earnings in 2012.

If we do have an additional Withdrawal Event or Events with respect to one or more of the remaining bargaining units, the amount ultimately payable would depend upon a number of variable factors involving valuations and actuarial calculations. We do not presently know what the result of those calculations and valuations would be. However, we believe our additional liability upon a complete withdrawal from the Fund would be between \$113 million and \$146 million if it were to occur in 2013, based on current estimates. In the future, a loss may become probable, at which time or times we will incur an expense that will reduce earnings. Any such expense may be material to our results of operations in the period or periods incurred. The liability associated with any such expense or expenses ordinarily would be due in installments over a period of 20 years, and the payments are unlikely to be material to our cash flow in any particular period.

Based on information received from the 27 multiemployer pension plans to which we contribute, we believe that our potential liability in the event of a complete withdrawal from the Fund is (a) much greater than our potential liability in the event of a complete withdrawal from any of the 26 other multiemployer pension plans in which we participate and (b) greater than our potential aggregate liability in the event of complete withdrawal from all the 20 other multiemployer pension plans to which we contribute and that are either “critical” or “endangered” as those terms are defined in the Pension Protection Act.

Defined Contribution Plans

We maintain the Republic Services 401(k) Plan (401(k) Plan), which is a defined contribution plan covering all eligible employees. Under the provisions of the 401(k) Plan, participants may direct us to defer a portion of their compensation to the 401(k) Plan, subject to Internal Revenue Code limitations. We provide for an employer matching contribution equal to 100% of the first 3% of eligible compensation and 50% of the next 2% of eligible compensation contributed by each employee, which is funded in cash. All contributions vest immediately.

Total expense recorded for matching 401(k) contributions in 2012, 2011 and 2010 was \$28.7 million, \$28.9 million and \$32.8 million, respectively.

Deferred Compensation Plan

We provide eligible employees, officers and directors of Republic with the opportunity to voluntarily defer base salary, bonus payments, long-term incentive awards and other compensation, as applicable, on a pre-tax basis through Republic Services, Inc. Deferred Compensation Plan (the DCP). The DCP is a nonqualified deferred compensation plan that conforms to Section 409A of the Internal Revenue Code. Eligible participants can defer up to 80% of base salary and up to 100% of bonus, long term compensation and directors’ fees. Under the deferred compensation plan, some participants also are eligible for matching contributions. The matching contribution under the DCP is equal to the lesser of two percent of the participant’s compensation over established 401(k) limits or 50% of the amount the participant has deferred. DCP participants have no ownership or security interest in any of the amounts deferred or the measurement funds under the DCP. The right of each participant in the DCP is solely that of a general, unsecured creditor of Republic with respect to his or her own interest under the DCP.

Republic invested in corporate-owned life insurance policies to satisfy future obligations under the DCP. These corporate-owned life insurance policies are held in a Rabbi Trust and are recorded at the amount that can be realized under insurance contracts at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement. The aggregate cash surrender value of these life insurance policies was \$49.9 million and \$34.5 million at December 31, 2012 and 2011, respectively, and is classified in other assets in our consolidated balance sheets. The DCP liability was \$50.0 million and \$31.4 million at December 31, 2012 and 2011, respectively, and is classified in other long-term liabilities in our consolidated balance sheets.

Employee Stock Purchase Plan

Employees of Republic are eligible to participate in an employee stock purchase plan. The plan allows participants to purchase the Company’s common stock for 95% of its quoted market price on the last day of each calendar quarter. For the years ended December 31, 2012, 2011 and 2010, issuances under this plan totaled 169,624 shares, 136,621 shares

and 123,523 shares, respectively. At December 31, 2012, shares reserved for issuance to employees under this plan totaled 1.0 million and Republic held employee contributions of approximately \$1.0 million for the purchase of common stock.

Incentive Compensation Plans

Our compensation program includes a management incentive plan, which uses certain performance metrics such as free cash flow, earnings per share and return on invested capital to measure performance. In addition, in connection with the Allied

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

acquisition, our board of directors approved a synergy incentive plan that provides compensation that depends on our achieving targeted synergies of approximately \$150 million by the end of 2010. Incentive awards are payable in cash. We paid \$68.1 million during the first quarter of 2012 related to the synergy incentive plan.

12. STOCKHOLDERS' EQUITY

We have had a share repurchase program since November 2010. From November 2010 to December 31, 2012, we used \$825.6 million to repurchase 29.0 million shares at a weighted average cost per share of \$28.49.

We initiated a quarterly cash dividend in July 2003. The dividend has been increased from time to time thereafter. In July 2012, the board of directors approved an increase in the quarterly dividend to \$0.235 per share. Cash dividends declared were \$332.5 million, \$314.1 million and \$298.8 million for the years ended December 31, 2012, 2011 and 2010, respectively. As of December 31, 2012, we recorded a quarterly dividend payable of \$84.9 million to stockholders of record at the close of business on January 2, 2013.

13. EARNINGS PER SHARE

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

Earnings per share for the years ended December 31, 2012, 2011 and 2010 are calculated as follows (in thousands, except per share amounts):

	2012	2011	2010
Basic earnings per share:			
Net income attributable to Republic Services, Inc.	\$571,800	\$589,200	\$506,500
Weighted average common shares outstanding	366,883	375,961	382,985
Basic earnings per share	\$1.56	\$1.57	\$1.32
Diluted earnings per share:			
Net income attributable to Republic Services, Inc.	\$571,800	\$589,200	\$506,500
Weighted average common shares outstanding	366,883	375,961	382,985
Effect of dilutive securities:			
Options to purchase common stock	1,008	1,495	1,895
Unvested restricted stock awards	129	149	231
Weighted average common and common equivalent shares outstanding	368,020	377,605	385,111
Diluted earnings per share	\$1.55	\$1.56	\$1.32
Antidilutive securities not included in the diluted earnings per share calculations:			
Options to purchase common stock	7,876	4,546	2,825

14. SEGMENT REPORTING

Our operations are managed through three regions: East, Central, and West. These three regions and corporate entities are presented below as our reportable segments. The historical results, discussion and presentation of our reportable segments as set forth in our consolidated financial statements for all periods presented reflect the impact of the realignment of our operating structure in the fourth quarter of 2012. These reportable segments provide integrated waste management services consisting of collection, transfer station, recycling and disposal of domestic non-hazardous solid waste. Summarized financial information concerning our reportable segments for the years ended December 31, 2012, 2011 and 2010 is shown in the following table:

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REPUBLIC SERVICES, INC.

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	Gross Revenue	Intercompany Revenue	Net Revenue	Depreciation, Amortization, Depletion and Accretion	Operating Income (Loss)	Capital Expenditures	Total Assets
2012:							
East	\$2,838.7	\$(392.9)	) \$2,445.8	\$244.6	\$474.6	\$223.2	\$4,916.6
Central	2,969.3	(544.5)	) 2,424.8	285.0	474.5	296.8	5,668.4
West	3,819.8	(661.8)	) 3,158.0	332.7	685.9	357.4	8,226.1
Corporate entities	103.7	(14.0)	) 89.7	64.6	(314.4)	) 26.1	805.8
Total	\$9,731.5	\$(1,613.2)	) \$8,118.3	\$926.9	\$1,320.6	\$903.5	\$19,616.9
2011:							
East	\$2,930.8	\$(405.1)	) \$2,525.7	\$246.5	\$550.7	\$242.7	\$4,930.9
Central	2,951.4	(521.1)	) 2,430.3	277.1	529.3	322.2	5,629.8
West	3,762.7	(623.6)	) 3,139.1	335.8	735.9	369.7	8,137.3
Corporate entities	114.0	(16.2)	) 97.8	62.2	(263.2)	) 1.9	853.5
Total	\$9,758.9	\$(1,566.0)	) \$8,192.9	\$921.6	\$1,552.7	\$936.5	\$19,551.5
2010:							
East	\$2,932.0	\$(397.0)	) \$2,535.0	\$236.4	\$594.4	\$200.1	\$4,949.3
Central	2,881.3	(522.3)	) 2,359.0	279.5	547.3	284.7	5,488.2
West	3,757.0	(642.7)	) 3,114.3	332.9	745.8	314.0	8,105.8
Corporate entities	115.7	(17.4)	) 98.3	65.4	(348.4)	) (4.1)	) 918.6
Total	\$9,686.0	\$(1,579.4)	) \$8,106.6	\$914.2	\$1,539.1	\$794.7	\$19,461.9

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

The following items are included in the above segment information:

East Region. For 2011, operating income includes gain on disposition of business of \$17.3 million. In connection with the disposition of these businesses, we closed a landfill site resulting in an asset impairment charge of \$28.7 million. In 2011, we recorded asset impairments of \$12.3 million primarily related to certain long-lived assets that were held for sale.

Corporate Entities. Corporate functions include legal, tax, treasury, information technology, risk management, human resources, closed landfills, and other typical administrative functions. The operating loss for the year ended December 31, 2012 was unfavorably impacted by remediation adjustments of \$74.1 million recorded in connection with environmental conditions at a closed disposal facility in Missouri and adjustments to landfill amortization expense totaling \$13.3 million for asset retirement obligations at other closed landfills. During 2012, we recorded a charge to earnings of \$35.8 million primarily related to our partial withdrawal from Central States Pension Fund. In October 2012, we restructured our field and corporate operations, and we incurred \$11.1 million of restructuring charges.

For 2010, operating income includes \$33.3 million of incremental costs to achieve our synergy plan and \$11.4 million of restructuring and integration charges related to our acquisition of Allied and an impairment charge of \$14.4 million related to certain long-lived assets that were held and used for 2010.

The following table shows our total reported revenue by line of business for the respective years ended December 31. Intercompany revenue has been eliminated.

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	2012		2011		2010			
Collection:								
Residential	\$2,155.7	26.6	% \$2,135.7	26.1	% \$2,173.9	26.8		%
Commercial	2,523.2	31.1	2,487.5	30.4	2,486.8	30.7		
Industrial	1,544.2	19.0	1,515.4	18.5	1,482.9	18.3		
Other	33.4	0.4	32.9	0.4	29.6	0.4		
Total collection	6,256.5	77.1	6,171.5	75.4	6,173.2	76.2		
Transfer	964.5		994.2		1,030.3			
Less: Intercompany	(575.3	)	(572.8	)	(587.9)		
Transfer, net	389.2	4.8	421.4	5.1	442.4	5.4		
Landfill	1,863.3		1,867.6		1,865.8			
Less: Intercompany	(862.5	)	(846.9	)	(861.7)		
Landfill, net	1,000.8	12.3	1,020.7	12.5	1,004.1	12.4		
Sale of recyclable materials	349.0	4.3	438.6	5.4	337.9	4.2		
Other non-core	122.8	1.5	140.7	1.6	149.0	1.8		
Other	471.8	5.8	579.3	7.0	486.9	6.0		
Total revenue	\$8,118.3	100.0	% \$8,192.9	100.0	% \$8,106.6	100.0		%

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

15. 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 fuel hedges were outstanding as of December 31, 2012 and 2011:

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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	July 2, 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	January 7, 2013	December 30, 2013	500,000	3.82
August 9, 2011	July 1, 2012	December 31, 2012	250,000	3.80
August 9, 2011	January 1, 2013	December 31, 2013	250,000	3.83
August 9, 2011	January 1, 2014	December 31, 2014	250,000	3.82
August 9, 2011	January 6, 2014	December 29, 2014	500,000	3.83
September 30, 2011	January 6, 2014	December 29, 2014	250,000	3.69
September 30, 2011	January 7, 2013	December 30, 2013	250,000	3.70
October 3, 2011	January 5, 2015	December 28, 2015	250,000	3.68
November 2, 2012	January 1, 2013	December 31, 2013	250,000	3.83
November 2, 2012	January 1, 2014	December 31, 2014	250,000	3.78
November 2, 2012	January 1, 2015	December 31, 2015	250,000	3.73
November 2, 2012	January 1, 2016	December 31, 2016	250,000	3.70
December 7, 2012	July 1, 2013	December 31, 2013	250,000	3.83

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 December 31, 2012 and 2011 were current assets of \$3.1 million and 1.6 million, respectively, and current liabilities of \$0.4 million and \$4.7 million, respectively, and have been recorded in other current assets and other accrued liabilities in our consolidated balance sheets, respectively. The ineffective portions of the changes in fair values resulted in (losses) gains of less than \$0.1 million for the years ended December 31, 2012, 2011 and 2010, respectively, and have been recorded in other income (expense), net in our consolidated statements of income.

The following table summarizes the impact of our fuel hedges on our results of operations and comprehensive income for the years ended December 31, 2012, 2011 and 2010:

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)			Statement of Income Classification	Amount of Realized Gain or (Loss)		
	2012	2011	2010		2012	2011	2010

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Fuel hedges \$3.4 \$(1.7) \$0.8 Cost of operations \$2.8 \$0.9 \$(2.0)
The effective portions of the changes in fair values as of December 31, 2012 and 2011, net of tax, of \$1.6 million and \$1.8 million, respectively, have been recorded in stockholders' equity as components of accumulated other comprehensive income.

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Recycling Commodity Hedges

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

There were no outstanding commodity swaps at December 31, 2012. The following table summarizes our outstanding commodity swaps as of December 31, 2011:

Inception Date	Commencement Date	Termination Date	Transaction Hedged	Notional Amount (in Short Tons per Month)	Contract Price Per Short Ton
January 27, 2010	February 1, 2010	January 31, 2012	OCC	1,000	\$90.00
October 11, 2010	January 1, 2011	December 31, 2012	OCC	1,500	115.00

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

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

We entered into costless collar agreements on forecasted sales of OCC and ONP. The agreements involve combining a purchased put option giving us the right to sell OCC and ONP at an established floor strike price with a written call option obligating us to deliver OCC and ONP at an established cap strike price. The puts and calls have the same settlement dates, are net settled in cash on such dates and have the same terms to expiration. The contemporaneous combination of options resulted in no net premium for us and represent costless collars. Under the agreements, 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.

The following costless collar hedges were outstanding as of December 31, 2012 and 2011:

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Inception Date	Commencement Date	Termination Date	Transaction Hedged	Notional Amount (in Short Tons per Month)	Floor Strike Price Per Short Ton	Cap Strike Price Per Short Ton
December 8, 2010	January 1, 2011	December 31, 2012	OCC	2,000	\$80.00	\$180.00
December 8, 2010	January 1, 2011	December 31, 2012	OCC	2,000	86.00	210.00
December 8, 2010	January 1, 2011	December 31, 2012	OCC	2,000	81.00	190.00
December 8, 2010	January 1, 2011	December 31, 2012	OCC	2,000	85.00	195.00
December 8, 2010	January 1, 2011	December 31, 2012	OCC	2,000	87.00	195.00
January 19, 2011	February 1, 2011	December 31, 2012	OCC	2,500	90.00	155.00
January 19, 2011	February 1, 2011	December 31, 2012	OCC	2,500	90.00	155.00
April 15, 2011	July 1, 2011	December 31, 2012	OCC	2,000	90.00	155.00
April 15, 2011	July 1, 2011	December 31, 2012	OCC	2,000	90.00	155.00
April 26, 2011	July 1, 2011	December 31, 2012	ONP	1,000	90.00	165.00
April 26, 2011	July 1, 2011	December 31, 2012	ONP	1,000	90.00	165.00
August 1, 2011	January 1, 2012	December 31, 2012	ONP	2,000	85.00	135.00
August 1, 2011	January 1, 2012	December 31, 2012	ONP	2,000	85.00	135.00
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
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
June 7, 2012	January 1, 2013	December 31, 2013	OCC	2,000	90.00	138.00
June 7, 2012	January 1, 2013	December 31, 2013	OCC	2,000	95.00	140.00
June 7, 2012	January 1, 2013	December 31, 2013	OCC	2,000	95.00	148.00
August 21, 2012	January 1, 2013	December 31, 2013	OCC	2,500	80.00	128.00
August 21, 2012	January 1, 2013	December 31, 2013	OCC	2,500	80.00	128.00
August 21, 2012	January 1, 2013	December 31, 2013	OCC	2,500	75.00	123.00

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 December 31, 2012 and 2011 were current assets of \$1.0 million and \$1.4 million, respectively, and current liabilities of \$1.2 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 ineffective portions of the changes in fair values resulted in (losses) gains of less than \$0.1 million for the years ended December 31, 2012, 2011, and 2010, respectively, and have been recorded in other income (expense), net in our consolidated statements of income.

The following table summarizes the impact of our recycling commodity hedges on our results of operations and comprehensive income for the years ended December 31, 2012, 2011 and 2010:

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Derivatives in Cash Flow Hedging Relationships Recycling commodity hedges	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)			Statement of Income Classification	Amount of Realized Gain or (Loss)		
	2012	2011	2010		2012	2011	2010
				Revenue	\$3.3	\$(7.8)	\$(3.2)

The effective portions of the changes in fair values of our recycling commodity hedges as of December 31, 2012 and 2011, net of tax, of \$0.1 million and \$0.4 million have been recorded in stockholders' equity as a component of accumulated other comprehensive income.

Fair Value Measurements

In measuring fair values of assets and liabilities, we used quoted prices in active markets where available (Level 1), as well as valuation techniques that maximize the use of observable inputs (Level 2) and minimize the use of unobservable inputs (Level 3). Also, we use market data or assumptions that we believe market participants would use in pricing an asset or liability, including assumptions about risk when appropriate.

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

	Total as of December 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	\$62.8	\$62.8	\$—	\$—
Bonds	40.1	—	40.1	—
Fuel hedges - other current assets	3.1	—	3.1	—
Commodity hedges - other accrued assets	1.0	—	1.0	—
Total assets	\$107.0	\$62.8	\$44.2	\$—
Liabilities:				
Fuel hedges - other accrued liabilities	\$0.4	\$—	\$0.4	\$—
Commodity hedges - other accrued liabilities	1.2	—	1.2	—
Total liabilities	\$1.6	\$—	\$1.6	\$—

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	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 accrued 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	\$—

16. COMMITMENTS AND CONTINGENCIES

General Legal Proceedings

We are subject to extensive and evolving laws and regulations and have implemented safeguards to respond to regulatory requirements. In the normal course of our business, we become involved in legal proceedings. Some of these actions may result in fines, penalties or judgments against us, which may impact earnings and cash flows for a particular period. Although we cannot predict the ultimate outcome of any legal matter with certainty, except as described below we do not believe the outcome of our pending legal proceedings will have a material adverse impact on our consolidated financial position, results of operations or cash flows.

As used herein, the term legal proceedings refers to litigation and similar claims against us and our subsidiaries, excluding: (1) ordinary course accidents, general commercial liability and workers compensation claims, which are covered by insurance programs, subject to customary deductibles, and which, together with self-insured employee health care costs, are discussed in Note 7, Other Liabilities; (2) environmental remediation liabilities, which are discussed in Note 8, Landfill and Environmental Costs; and (3) tax-related matters, which are discussed in Note 10, Income Taxes.

We accrue for legal proceedings when losses become probable and reasonably estimable. We have recorded an aggregate accrual of approximately \$66 million relating to our outstanding legal proceedings as of December 31, 2012, including those described herein and others not specifically identified herein. As of the end of each applicable reporting period, we review each of our legal proceedings and, where it is probable that a liability has been incurred, we accrue for all probable and reasonably estimable losses. Where we are able to reasonably estimate a range of losses we may incur with respect to such a matter, we record an accrual for the amount within the range that constitutes our best estimate. If we are able to reasonably estimate a range but no amount within the range appears to be a better estimate than any other, we use the amount that is the low end of such range. If we used the high ends of such ranges, our aggregate potential liability would have been approximately \$79 million higher than the amount recorded as of December 31, 2012.

Countywide Matters

As is discussed in Note 8, Landfill and Environmental Costs, in September 2009, Republic Services of Ohio II, LLC (Republic-Ohio) entered into Final Findings and Orders with the Ohio Environmental Protection Agency that require us to implement a comprehensive operation and maintenance program to manage the remediation area at the Countywide Recycling and Disposal Facility. The remediation liability for Countywide recorded as of December 31, 2012 is \$52.4 million, of which \$4.4 million is expected to be paid during 2013. We believe the reasonably possible

range of loss for remediation costs is \$50 million to \$71 million.

In a suit filed on October 8, 2008 in the Tuscarawas County Ohio Court of Common Pleas, approximately 700 individuals and businesses located in the area around the Countywide Recycling and Disposal Facility sued Republic Services, Inc. (Republic), Republic-Ohio, Waste Management, Inc. (WMI) and Waste Management Ohio, Inc. (WMO) for alleged negligence and nuisance. Republic-Ohio has owned and operated the landfill since February 1, 1999. Plaintiffs allege that due to the acceptance of a specific waste stream and operational issues and conditions, the landfill has generated odors and other unsafe

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

emissions that have impaired the use and value of their property and may have adverse health effects. A second almost identical lawsuit was filed by approximately 82 plaintiffs on October 13, 2009 in the Tuscarawas County Ohio Court of Common Pleas against Republic, Republic-Ohio, WMI and WMO. The court has consolidated the two actions. We have assumed both the defense and the liability of WMI and WMO in the consolidated action. The relief requested on behalf of each plaintiff in the consolidated action is: (1) an award of compensatory damages according to proof in an amount in excess of \$25,000 for each of the three counts of the amended complaint; (2) an award of punitive damages in the amount of two times compensatory damages, pursuant to applicable statute, or in such amount as may be awarded at trial for each of the three counts of the amended complaint; (3) costs for medical screening and monitoring of each plaintiff; (4) interest on the damages according to law; (5) costs and disbursements of the lawsuit; (6) reasonable fees for attorneys and expert witnesses; and (7) any further relief the court deems just, proper and equitable. Plaintiffs filed an amended consolidated complaint on September 9, 2010, which no longer asserts a claim for medical monitoring. Plaintiffs also have abandoned any claims for adverse health effects. As a result of various dismissals of plaintiffs, this case presently consists of approximately 600 plaintiffs. Discovery is ongoing. In February 2011, the court granted our motion to dismiss plaintiffs' qualified statutory nuisance claims. Republic, WMI and WMO have been dismissed from the litigation. A trial for 10 of the plaintiffs has been scheduled for March 2013.

Luri Matter

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

Congress Development Landfill Matters

Congress Development Co. (CDC) is a general partnership that owns and operates the Congress Landfill. The general partners in CDC are our subsidiary, Allied Waste Transportation, Inc. (Allied Transportation), and an unaffiliated entity, John Sexton Sand & Gravel Corporation (Sexton). Sexton was the operator of the landfill through early 2007, when Allied Transportation took over as the operator. The general partners likely will be jointly and severally liable for the costs associated with the following matters relating to the Congress Landfill.

As is discussed in Note 8, Landfill and Environmental Costs, in August 2010, CDC agreed with the State of Illinois to have a Final Consent Order (Final Order) entered by the Circuit Court of Illinois, Cook County. Pursuant to the Final Order, we have agreed to continue to implement certain remedial activities at the landfill. The remediation liability for the landfill recorded as of December 31, 2012 is \$83.4 million, of which \$7.5 million is expected to be paid during the next twelve months. We believe the reasonably possible range of loss for remediation costs is \$53 million to \$153 million.

In a suit originally filed on December 23, 2009 in the Circuit Court of Cook County, Illinois and subsequently amended to add additional plaintiffs, approximately 2,950 plaintiffs sued our subsidiaries Allied Transportation and

Allied Waste Industries, Inc. (Allied), CDC and Sexton. The court entered an order dismissing Allied without prejudice on October 26, 2010. The plaintiffs allege bodily injury, property damage and inability to have normal use and enjoyment of property arising from, among other things, odors and other damages arising from landfill gas leaking, and they base their claims on negligence, trespass, and nuisance. On January 6, 2012, the court took plaintiffs' motion for leave to amend their complaint to seek punitive damages under advisement, to be considered on a plaintiff-by-plaintiff basis. The court also granted plaintiffs leave to serve discovery on the punitive damages issue. Following the court's order in our favor striking the plaintiffs' allegations requesting actual damages in excess of \$50 million and punitive damages in excess of \$50 million, the amount of damages being sought is unspecified. Discovery is ongoing.

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REPUBLIC SERVICES, INC.

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Lease Commitments

We and our subsidiaries lease real property, equipment and software under various operating leases with remaining terms from one month to 20 years. Rent expense during the years ended December 31, 2012, 2011 and 2010 was \$46.0 million, \$49.9 million and \$51.6 million, respectively.

Future minimum lease obligations under non-cancelable operating leases with initial terms in excess of one year at December 31, 2012 are as follows:

2013	\$26.1
2014	20.8
2015	17.4
2016	15.5
2017	14.8
Thereafter	81.2
	\$175.8

Unconditional Purchase Commitments

Royalties

We have entered into agreements to pay royalties to prior landowners, lessors or host communities, based on waste tonnage disposed at specified landfills. These royalties are generally payable quarterly and amounts incurred, but not paid, are accrued in our consolidated balance sheets. Royalties are accrued as tonnage is disposed of in the landfills.

Disposal Agreements

We have several agreements expiring at various dates through 2030 that require us to dispose of a minimum number of tons at third-party disposal facilities. Under these put-or-pay agreements, we must pay for agreed-upon minimum volumes regardless of the actual number of tons placed at the facilities.

Future minimum payments under unconditional purchase commitments, consisting primarily of (1) disposal related agreements, which include fixed or minimum royalty payments, host agreements, and take-or-pay and put-or-pay agreements, and (2) other obligations including committed capital expenditures and consulting service agreements at December 31, 2012 are as follows:

2013	\$182.6
2014	101.1
2015	47.2
2016	30.3
2017	28.9
Thereafter	230.9
	\$621.0

Restricted Cash and Other Financial Guarantees

We must provide financial assurance to governmental agencies and a variety of other entities under applicable environmental regulations relating to our landfill operations for capping, closure and post-closure costs, and our performance under certain collection, landfill and transfer station contracts. We satisfy our financial assurance requirements by providing surety bonds, letters of credit, insurance policies or trust deposits. The amount of the financial assurance requirements for capping, closure and post-closure costs is determined by applicable state environmental regulations, which vary by state. The financial assurance requirements for capping, closure and post-closure costs can either be for costs associated with a portion of the landfill or the entire landfill. Generally, states will require a third-party engineering specialist to determine the estimated capping, closure and post-closure costs that are used to determine the required amount of financial assurance for a landfill. The amount of financial assurance

required can, and generally will, differ from the obligation determined and recorded under U.S. GAAP. The amount of the financial assurance requirements related to contract performance varies by contract. Additionally, we are required to provide financial assurance for our self-insurance program and collateral for certain performance obligations.

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

We had the following financial instruments and collateral in place to secure our financial assurances at December 31:

	2012	2011
Letters of credit	\$972.0	\$987.8
Surety bonds	2,741.5	2,728.2

The letters of credit use \$909.4 million and \$950.2 million as of December 31, 2012 and 2011, respectively, of availability under our Credit Facilities. Surety bonds expire on various dates through 2026.

These financial instruments are issued in the normal course of business and are not debt. Because we currently have no liability for this financial assurance, it is not reflected in our consolidated balance sheets. However, we have recorded capping, closure and post-closure obligations and self-insurance reserves as they are incurred. The underlying financial assurance obligations, in excess of those already reflected in our consolidated balance sheets, would be recorded if it is probable that we would be unable to fulfill our related obligations. We do not expect this to occur.

Our restricted cash and marketable securities deposits include, among other things, restricted cash and marketable securities held for capital expenditures under certain debt facilities, and restricted cash and marketable securities pledged to regulatory agencies and governmental entities as financial guarantees of our performance related to our final capping, closure and post-closure obligations at our landfills. The following table summarizes our restricted cash and marketable securities as of December 31:

	2012	2011
Financing proceeds	\$24.7	\$22.5
Capping, closure and post-closure obligations	54.8	54.9
Self-insurance	81.3	75.2
Other	3.4	37.0
Total restricted cash and marketable securities	\$164.2	\$189.6

We own a 19.9% interest in a company that, among other activities, issues financial surety bonds to secure capping, closure and post-closure obligations for companies operating in the solid waste industry. We account for this investment under the cost method of accounting. There have been no identified events or changes in circumstances that may have a significant adverse effect on the recoverability of the investment. This investee company and the parent company of the investee had written surety bonds for us relating primarily to our landfill operations for capping, closure and post-closure, of which \$1,152.1 million was outstanding as of December 31, 2012. Our reimbursement obligations under these bonds are secured by an indemnity agreement with the investee and letters of credit totaling \$23.4 million and \$45.0 million as of December 31, 2012 and 2011.

Off-Balance Sheet Arrangements

We have no off-balance sheet debt or similar obligations, other than operating leases and the financial assurances discussed above, which are not classified as debt. We have no transactions or obligations with related parties that are not disclosed, consolidated into or reflected in our reported financial position or results of operations. We have not guaranteed any third-party debt.

Guarantees

We enter into contracts in the normal course of business that include indemnification clauses. Indemnifications relating to known liabilities are recorded in the consolidated financial statements based on our best estimate of required future payments. Certain of these indemnifications relate to contingent events or occurrences, such as the imposition of additional taxes due to a change in the tax law or adverse interpretation of the tax law, and indemnifications made in divestiture agreements where we indemnify the buyer for liabilities that relate to our activities prior to the divestiture and that may become known in the future. We do not believe that these contingent obligations will have a material effect on our consolidated financial position, results of operations or cash flows.

We have entered into agreements with property owners to guarantee the value of property that is adjacent to certain of our landfills. These agreements have varying terms. We do not believe that these contingent obligations will have a material effect on our consolidated financial position, results of operations or cash flows.

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REPUBLIC SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Other Matters

Our business activities are conducted in the context of a developing and changing statutory and regulatory framework. Governmental regulation of the waste management industry requires us to obtain and retain numerous governmental permits to conduct various aspects of our operations. These permits are subject to revocation, modification or denial. The costs and other capital expenditures that may be required to obtain or retain the applicable permits or comply with applicable regulations could be significant. Any revocation, modification or denial of permits could have a material adverse effect on us.

17. SELECTED QUARTERLY FINANCIAL DATA (unaudited)

The following tables summarize our unaudited consolidated quarterly results of operations as reported for 2012 and 2011:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2012:				
Revenue	\$1,982.4	\$2,060.6	\$2,046.9	\$2,028.3
Operating income	326.9	387.0	317.9	288.8
Net income	142.8	149.5	152.8	127.0
Net income attributable to Republic Services, Inc.	142.9	149.2	152.7	127.0
Diluted earnings per common share	0.38	0.40	0.42	0.35
2011:				
Revenue	\$1,964.9	\$2,086.6	\$2,116.2	\$2,025.2
Operating income	376.2	401.2	408.5	366.7
Net income	158.1	46.2	193.6	191.0
Net income attributable to Republic Services, Inc.	158.2	46.5	193.5	191.0
Diluted earnings per common share	0.41	0.12	0.52	0.51

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ITEM CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND
9. FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

REPORT OF MANAGEMENT ON REPUBLIC SERVICES, INC.'S INTERNAL CONTROL OVER FINANCIAL
REPORTING

We, as members of management of Republic Services, Inc., are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, our internal control systems and procedures may not prevent or detect misstatements. An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

We, under the supervision of and with the participation of our management, including the Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2012, based on criteria for effective internal control over financial reporting described in "Internal Control — Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, we concluded that we maintained effective internal control over financial reporting as of December 31, 2012, based on the specified criteria.

Our internal control over financial reporting has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their attestation report which is included herein.

Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e), and 15d-15(e)) as of the end of the period covered by this Annual Report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Annual Report.

Changes in Internal Control Over Financial Reporting

Based on an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, there has been no change in our internal control over financial reporting during our last fiscal quarter identified in connection with that evaluation, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this item is incorporated by reference to the material appearing under the headings "Election of Directors," "Biographical Information Regarding Directors/Nominees and Executive Officers," "Board of Directors and

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Corporate Governance Matters,” “Section 16(a) Beneficial Ownership Reporting Compliance” and “Executive Officers” in the Proxy Statement for the 2013 Annual Meeting of Stockholders.

ITEM 11. EXECUTIVE
COMPENSATION

Information required by this item is incorporated by reference to the material appearing under the headings “Executive Compensation” and “Director Compensation” in the Proxy Statement for the 2013 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item is incorporated by reference to the material appearing under the headings “Security Ownership of Five Percent Stockholders” and “Security Ownership of the Board of Directors and Management” in the Proxy Statement for the 2013 Annual Meeting of Stockholders.

The following table sets forth certain information regarding equity compensation plans as of December 31, 2012 (number of securities in millions):

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options and Rights (b)	Weighted Average Exercised Price of Outstanding Options and Rights (c)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in the first column) (d)
Equity compensation plans approved by security holders (a)	13.7	\$27.51	36.3
Equity compensation plans not approved by security holders	—	—	—
Total	13.7	\$27.51	36.3

(a) Includes our Amended and Restated 1998 Stock Incentive Plan, 2006 Incentive Stock Plan and Amended and Restated 2007 Stock Incentive Plan (the Plans). Also includes our 2009 Employee Stock Purchase Plan (ESPP).

(b) Includes 13,536,913 stock options, 905,279 shares of restricted stock and shares underlying restricted stock units, and 37,186 shares underlying purchase rights that accrue under the ESPP.

(c) Excludes restricted stock and restricted stock units as these awards do not have exercise prices.

(d) The shares remaining available for future issuances include 35,289,179 shares under our Plans and 1,011,431 shares under our ESPP.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE
Information required by this item is incorporated by reference to the material appearing under the heading “Board of Directors and Corporate Governance Matters” in the Proxy Statement for the 2013 Annual Meeting of Stockholders.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by this item is incorporated by reference to the material appearing under the heading “Audit and Related Fees” in the Proxy Statement for the 2013 Annual Meeting of Stockholders.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

1. Financial Statements

Our consolidated financial statements are set forth under Item 8 of this Form 10-K.

2. Financial Statement Schedules

All schedules are omitted as the required information is not applicable or the information is presented in the consolidated financial statements and notes thereto in Item 8.

3. Exhibits

The following exhibits are filed herewith or are incorporated by reference to exhibits previously filed with the Commission, as indicated in the description of each, File No. 1-14267 in the case of Republic and File No. 1-14705 and No. 0-19285 in the case of Allied.

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated as of June 22, 2008, by and among Republic Services, Inc., RS Merger Wedge, Inc. and Allied Waste Industries, Inc. (incorporated by reference to Exhibit 2.1 of the Company’s Current Report on Form 8-K dated June 23, 2008).
2.2	First Amendment to Agreement and Plan of Merger, dated as of July 31, 2008, by and among Republic Services, Inc., RS Merger Wedge, Inc. and Allied Waste Industries, Inc. (incorporated by reference to Exhibit 2.1 of the Company’s Current Report on Form 8-K dated August 6, 2008).
2.3	Second Amendment to Agreement and Plan of Merger, dated as of December 5, 2008, by and among Republic Services, Inc., RS Merger Wedge, Inc. and Allied Waste Industries, Inc. (incorporated by reference to Exhibit 2.1 of the Company’s Current Report on Form 8-K dated December 10, 2008).
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of the Company’s Quarterly Report on Form 10-Q for the period ended June 30, 1998).
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation of Republic Services, Inc. (incorporated by reference to Exhibit 4.2 of the Company’s Registration Statement on Form S-8, Registration No. 333-81801, filed with the Commission on June 29, 1999).
4.4	Third Supplemental Indenture, dated as of December 5, 2008, to the Indenture dated as of August 15, 2001, by and among Republic Services, Inc., Allied Waste Industries, Inc., the guarantors party thereto and The Bank of New York Mellon (f/k/a The Bank of New York), as trustee (incorporated by reference to Exhibit 4.8 of the Company’s Annual Report on Form 10-K for the year ended December 31, 2008).
4.5	Indenture, dated as of September 8, 2009, by and between Republic Services, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 of the Company’s Current Report on Form 8-K dated September 9, 2009).
4.6	First Supplemental Indenture, dated as of September 8, 2009, to the Indenture dated as of September 8, 2009, by and among Republic Services, Inc., the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee, including the form of 5.500% Notes due 2019 (incorporated by reference to Exhibit 4.2 of the Company’s Current Report on Form 8-K dated September 9, 2009).
4.7	Second Supplemental Indenture, dated as of May 9, 2011, to the Indenture dated as of September 8, 2009, by and among Republic Services, Inc., the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee, including the form of 3.800% Notes due 2018 (incorporated

by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated May 9, 2011).

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Exhibit Number	Description
4.8	Third Supplemental Indenture, dated as of May 9, 2011, to the Indenture dated as of September 8, 2009, by and among Republic Services, Inc., the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee, including the form of 4.750% Notes due 2023 (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K dated May 9, 2011).
4.9	Fourth Supplemental Indenture, dated as of May 9, 2011, to the Indenture dated as of September 8, 2009, by and among Republic Services, Inc., the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee, including the form of 5.700% Notes due 2041 (incorporated by reference to Exhibit 4.3 of the Company's Current Report on Form 8-K dated May 9, 2011).
4.10	Indenture, dated as of November 25, 2009, by and between Republic Services, Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated November 25, 2009).
4.11	First Supplemental Indenture, dated as of November 25, 2009, to the Indenture dated as of November 25, 2009, by and among Republic Services, Inc., the guarantors named therein and U.S. Bank National Association, as trustee, including the form of 5.25% Notes due 2021 (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K dated November 25, 2009).
4.12	Second Supplemental Indenture, dated as of March 4, 2010, to the Indenture dated as of November 25, 2009, by and among Republic Services, Inc., the guarantors named therein and U.S. Bank National Association, as trustee, including the form of 5.00% Notes due 2020 (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated March 4, 2010).
4.13	Third Supplemental Indenture, dated as of March 4, 2010, to the Indenture dated as of November 25, 2009, by and among Republic Services, Inc., the guarantors named therein and U.S. Bank National Association, as trustee, including the form of 6.20% Notes due 2040 (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K dated March 4, 2010).
4.14	Amended and Restated Credit Agreement, dated as of April 20, 2011, by and among Republic Services, Inc., as borrower, Bank of America N.A., as administrative agent, swing line lender and L/C issuer, the other lenders party thereto and the guarantors party thereto (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated April 21, 2011).
4.15	Credit Agreement, dated as of September 18, 2008, by and among Republic Services, Inc., Bank of America, N.A., as administrative agent, swing line lender and l/c issuer, JPMorgan Chase Bank, N.A., as syndication agent, Barclays Bank PLC, BNP Paribas and The Royal Bank of Scotland PLC, as co-documentation agents, and the other lenders party thereto (incorporated by reference to Exhibit 4.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010).
4.16	Amendment No. 1, dated as of April 27, 2010, to the Credit Agreement, dated as of September 18, 2008, by and among Republic Services, Inc., the guarantors named therein, Bank of America, N.A., as administrative agent, and the other lenders party thereto (incorporated by reference to Exhibit 4.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010).
4.17	Amendment No. 2, dated as of April 20, 2011, to the Credit Agreement, dated as of September 18, 2008, by and among Republic Services, Inc., the guarantors named therein, Bank of America, N.A., as administrative agent, and the other lenders party thereto (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K dated April 21, 2011).
4.18	Letter Agreement, dated as of December 2, 2008, by and among Republic Services, Inc., Blackstone Capital Partners III Merchant Banking Fund L.P., Blackstone Offshore Capital Partners III L.P. and Blackstone Family Investment Partnership III L.P. (incorporated by reference to Exhibit 4.12 of the Company's Annual Report on Form 10-K for the year ended December 31, 2008).
4.19	Restated Indenture, dated as of September 1, 1991, by and between Browning-Ferris Industries, Inc. and First City, Texas-Houston, National Association, as trustee (incorporated by reference to Exhibit 4.22 of Allied's Registration Statement on Form S-4 (No. 333-61744)).

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- 4.2 First Supplemental Indenture, dated as of July 30, 1999, to the Indenture dated as of September 1, 1991, by and among Allied Waste Industries, Inc., Allied Waste North America, Inc., Browning-Ferris Industries, Inc. and Chase Bank of Texas, National Association, as trustee (incorporated by reference to Exhibit 4.23 of Allied's Registration Statement on Form S-4 (No. 333-61744)).
- 4.21 First [sic] Supplemental Indenture, dated as of December 31, 2004, to the Indenture dated as of September 1, 1991, by and among Browning-Ferris Industries, Inc., BBCO, Inc. and JP Morgan Chase Bank, National Association as trustee (incorporated by reference to Exhibit 4.33 of Allied's Annual Report on Form 10-K for the year ended December 31, 2004).

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Exhibit Number	Description
4.22	Third Supplemental Indenture, dated as of December 5, 2008, to the Indenture dated as of September 1, 1991, by and among Allied Waste Industries, Inc., Allied Waste North America, Inc., Browning-Ferris Industries, LLC (successor to Browning-Ferris Industries, Inc.), BBCO, Inc., Republic Services, Inc., the guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated December 10, 2008).
4.23	The Company is a party to other agreements for unregistered long-term debt securities, which do not exceed 10% of the Company's total assets. The Company agrees to furnish a copy of such agreements to the Commission upon request.
10.1+	Republic Services, Inc. 1998 Stock Incentive Plan, as amended and restated March 6, 2002 (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2002).
10.2+	Form of Stock Option Agreement under the Republic Services, Inc. 1998 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 of the Company's Annual Report on Form 10-K for the year ended December 31, 2008).
10.3+	Form of Director Stock Option Agreement under the Republic Services, Inc. 1998 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 of the Company's Annual Report on Form 10-K for the year ended December 31, 2008).
10.4+	Form of Non-Employee Director Stock Unit Agreement under the Republic Services, Inc. 1998 Stock Incentive Plan (incorporated by reference to Exhibit 10.6 of the Company's Annual Report on Form 10-K for the year ended December 31, 2008).
10.5+	Republic Services, Inc. 2007 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2007).
10.6+	Amendment to the Republic Services, Inc. 2007 Stock Incentive Plan (incorporated by reference to Exhibit 10.8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2008).
10.7+	Republic Services, Inc. Amended and Restated 2007 Stock Incentive Plan (incorporated by reference to Appendix A of the Company's Proxy Statement on Schedule 14A filed on April 1, 2011).
10.8+	Form of Stock Option Agreement under the Republic Services, Inc. 2007 Stock Incentive Plan (for awards prior to October 28, 2011) (incorporated by reference to Exhibit 10.9 of the Company's Annual Report on Form 10-K for the year ended December 31, 2008).
10.9+	Form of Restricted Stock Agreement under the Republic Services, Inc. 2007 Stock Incentive Plan (for awards prior to October 28, 2011) (incorporated by reference to Exhibit 10.10 of the Company's Annual Report on Form 10-K for the year ended December 31, 2008).
10.10+	Form of Non-Employee Director Restricted Stock Units Agreement (3-year vesting) under the Republic Services, Inc. 2007 Stock Incentive Plan (for awards prior to December 27, 2011) (incorporated by reference to Exhibit 10.11 of the Company's Annual Report on Form 10-K for the year ended December 31, 2008).
10.11+	Form of Restricted Stock Unit Award Agreement under the Republic Services, Inc. 2007 Stock Incentive Plan (for awards prior to December 27, 2011) (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated January 4, 2010).
10.12+	Form of Non-NEO Stock Option Agreement under the Republic Services, Inc. Amended and Restated 2007 Stock Incentive Plan (for awards on or after October 28, 2011) (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011).
10.13+	Form of NEO Stock Option Agreement under the Republic Services, Inc. 2007 Amended and Restated Stock Incentive Plan (for awards on or after October 28, 2011) (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30,

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2011).

10.14+

Form of Non-NEO Restricted Stock Agreement under the Republic Services, Inc. Amended and Restated 2007 Stock Incentive Plan (for awards on or after October 28, 2011) (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011).

10.15+

Form of NEO Restricted Stock Agreement under the Republic Services, Inc. Amended and Restated 2007 Stock Incentive Plan (for awards on or after October 28, 2011) (incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011).

10.16+

Form of Employee Restricted Stock Unit Agreement under the Republic Services, Inc. Amended and Restated 2007 Stock Incentive Plan (for awards on or after December 27, 2011) (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated December 27, 2011).

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Exhibit Number	Description
10.17+	Form of Non-Employee Director Restricted Stock Unit Agreement (annual vesting) under the Republic Services, Inc. Amended and Restated 2007 Stock Incentive Plan (for awards on or after December 27, 2011) (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated December 27, 2011).
10.18+	Form of Non-Employee Director Restricted Stock Unit Agreement (3 year vesting) under the Republic Services, Inc. Amended and Restated 2007 Stock Incentive Plan (for awards on or after December 27, 2011) (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K dated December 27, 2011).
10.19+	Republic Services, Inc. Deferred Compensation Plan, as amended and restated effective January 1, 2010 (incorporated by reference to Exhibit 4.4 of the Company's Registration Statement on Form S-8, Registration No. 333-170174, filed with the Commission on October 27, 2010).
10.20+	Amendment No. 1 to Republic Services, Inc. Deferred Compensation Plan, effective January 6, 2011 (incorporated by reference to Exhibit 10.17 of the Company's Annual Report on Form 10-K for the year ended December 31, 2010).
10.21+	Republic Services, Inc. Executive Incentive Plan, effective May 14, 2009 (incorporated by reference to Appendix A of the Company's Proxy Statement on Schedule 14A filed on April 3, 2009).
10.22+	Amended and Restated Employment Agreement, dated as of February 21, 2007, by and between Tod C. Holmes and Republic Services, Inc. (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2007).
10.23+	Amended and Restated Employment Agreement, effective May 14, 2009, by and between Tod C. Holmes and Republic Services, Inc. (incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2009).
10.24+	Executive Employment Agreement, dated as of March 2, 2007, by and between Donald W. Slager and Allied Waste Industries, Inc. (incorporated by reference to Exhibit 10.3 of Allied's Quarterly Report on Form 10-Q for the period ended June 30, 2008).
10.25+	First Amendment, dated as of December 31, 2008, to Executive Employment Agreement dated as of March 2, 2007 by and between Donald W. Slager and Allied Waste Industries, Inc. (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated January 7, 2009).
10.26+	Employment Agreement, dated January 31, 2009, by and between Republic Services, Inc. and Donald W. Slager (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated February 5, 2009).
10.27+	Amended and Restated Employment Agreement, dated June 25, 2010, by and between Donald W. Slager and Republic Services, Inc. (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated June 28, 2010).
10.28+	Employment Agreement, dated December 5, 2008, between Michael Rissman and Republic Services, Inc. (now superseded) (incorporated by reference to Exhibit 10.1 of Republic's Current Report on Form 8-K filed on February 12, 2010).
10.29+	Memorandum dated February 9, 2010, terminating Employment Agreement, dated December 5, 2008, between Michael Rissman and Republic Services, Inc. (incorporated by reference to Exhibit 10.2 of Republic's Current Report on Form 8-K filed on February 12, 2010).
10.30+	Offer Letter dated August 17, 2009 to Michael Rissman from Republic Services, Inc. regarding general counsel position (incorporated by reference to Exhibit 10.3 of Republic's Current Report on Form 8-K filed on February 12, 2010).
10.31+	Non-Solicitation, Confidentiality and Arbitration Agreement, dated February 9, 2010, between Michael Rissman and Republic Services, Inc. (incorporated by reference to Exhibit 10.4 of Republic's Current Report on Form 8-K filed on February 12, 2010).
10.32+	

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Amended and Restated Allied Waste Industries, Inc. 1991 Incentive Stock Plan (incorporated by reference to Exhibit 3 of Allied's Definitive Proxy Statement in accordance with Schedule 14A dated April 18, 2001).

10.33+ First Amendment to the Allied Waste Industries, Inc. 1991 Incentive Stock Plan, dated as of August 8, 2001 (incorporated by reference to Exhibit 4.14 of Allied's Annual Report on Form 10-K for the year ended December 31, 2001).

10.34+ Second Amendment to the Allied Waste Industries, Inc. 1991 Incentive Stock Plan, dated as of December 12, 2002 (incorporated by reference to Exhibit 10.49 of Allied's Annual Report on Form 10-K for the year ended December 31, 2002).

10.35+ Third Amendment to the Allied Waste Industries, Inc. 1991 Incentive Stock Plan, effective February 5, 2004 (incorporated by reference to Exhibit 10.6 of Allied's Quarterly Report on Form 10-Q for the period ended March 31, 2004).

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Exhibit Number	Description
10.36+	Fourth Amendment to the Allied Waste Industries, Inc. 1991 Incentive Stock Plan, effective February 5, 2004 (incorporated by reference to Exhibit 10.7 of Allied's Quarterly Report on Form 10-Q for the period ended March 31, 2004).
10.37+	Amended and Restated Allied Waste Industries, Inc. 1991 Incentive Stock Plan, effective February 5, 2004 (incorporated by reference to Exhibit 10.8 of Allied's Quarterly Report on Form 10-Q for the period ended March 31, 2004).
10.38+	First Amendment to the Amended and Restated Allied Waste Industries, Inc. 1991 Incentive Stock Plan, as amended and restated effective February 5, 2004 (incorporated by reference to Exhibit 10.03 of Allied's Current Report on Form 8-K dated December 10, 2004).
10.39+	Form of Nonqualified Stock Option Agreement under the Amended and Restated Allied Waste Industries, Inc. 1991 Incentive Stock Plan (incorporated by reference to Exhibit 10.01 of Allied's Current Report on Form 8-K dated December 10, 2004).
10.40+	Form of Nonqualified Stock Option Agreement under the Amended and Restated Allied Waste Industries, Inc. 1991 Incentive Stock Plan (incorporated by reference to Exhibit 10.01 of Allied's Current Report on Form 8-K dated January 5, 2006).
10.41+	Amendment to Certain Allied Waste Industries, Inc. Equity Award Agreements (Global — Employees) under the Allied Waste Industries, Inc. 1991 Incentive Stock Plan and the Allied Waste Industries, Inc. 2006 Incentive Stock Plan (incorporated by reference to Exhibit 10.38 of the Company's Annual Report on Form 10-K for the year ended December 31, 2008).
10.42+	Allied Waste Industries, Inc. 2005 Non-Employee Director Equity Compensation Plan (incorporated by reference to Exhibit 10.7 of Allied's Quarterly Report on Form 10-Q for the period ended June 30, 2005).
10.43+	First Amendment to the Allied Waste Industries, Inc. 2005 Non-Employee Director Equity Compensation Plan (incorporated by reference to Exhibit 10.02 of Allied's Current Report on Form 8-K dated February 14, 2006).
10.44+	Amended and Restated Allied Waste Industries, Inc. 2005 Non-Employee Director Equity Compensation Plan, effective January 1, 2008 (incorporated by reference to Exhibit 10.123 of Allied's Annual Report on Form 10-K for the year ended December 31, 2007).
10.45+	Republic Services, Inc. 2005 Non-Employee Director Equity Compensation Plan (f/k/a Amended and Restated Allied Waste Industries, Inc. 2005 Non-Employee Director Equity Compensation Plan), as amended and restated effective December 5, 2008 (incorporated by reference to Exhibit 10.42 of the Company's Annual Report on Form 10-K for the year ended December 31, 2008).
10.46+	Form of Stock Option Agreement under the Allied Waste Industries, Inc. 2005 Non-Employee Director Equity Compensation Plan (incorporated by reference to Exhibit 10.4 of Allied's Quarterly Report on Form 10-Q for the period ended March 31, 2005).
10.47+	Amendment to Certain Allied Waste Industries, Inc. Equity Award Agreements (Global — Directors) under the Allied Waste Industries, Inc. 1994 Non-Employee Director Stock Option Plan and the Allied Waste Industries, Inc. 2005 Non-Employee Director Equity Compensation Plan (incorporated by reference to Exhibit 10.45 of the Company's Annual Report on Form 10-K for the year ended December 31, 2008).
10.48+	Allied Waste Industries, Inc. 2006 Incentive Stock Plan (incorporated by reference to Exhibit 10.2 of Allied's Quarterly Report on Form 10-Q for the period ended June 30, 2006).
10.49+	First Amendment to the Allied Waste Industries, Inc. 2006 Incentive Stock Plan, dated as of July 27, 2006 (incorporated by reference to Exhibit 10.1 of Allied's Quarterly Report on Form 10-Q for the period ended September 30, 2006).
10.50+	Amended and Restated Allied Waste Industries, Inc. 2006 Incentive Stock Plan, dated as of July 27, 2006 (incorporated by reference to Exhibit 10.2 of Allied's Quarterly Report on Form 10-Q for the

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period ended September 30, 2006).

- 10.51+ First Amendment, dated as of December 5, 2006, to the Amended and Restated Allied Waste Industries, Inc. 2006 Incentive Stock Plan, dated as of July 27, 2006 (incorporated by reference to Exhibit 10.47 of Allied's Annual Report on Form 10-K for the year ended December 31, 2006).
- 10.52+ Amended and Restated Allied Waste Industries, Inc. 2006 Incentive Stock Plan, effective October 24, 2007 (incorporated by reference to Exhibit 10.122 of Allied's Annual Report on Form 10-K for the year ended December 31, 2007).
- 10.53+ Republic Services, Inc. 2006 Incentive Stock Plan (f/k/a Amended and Restated Allied Waste Industries, Inc. 2006 Incentive Stock Plan), as amended and restated effective December 5, 2008 (incorporated by reference to Exhibit 10.51 of the Company's Annual Report on Form 10-K for the year ended December 31, 2008).

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Exhibit Number	Description
10.54+	Form of Nonqualified Stock Option Agreement under the Allied Waste Industries, Inc. 2006 Incentive Stock Plan (incorporated by reference to Exhibit 10.3 of Allied's Quarterly Report on Form 10-Q for the period ended September 30, 2006).
10.55+	Form of Indemnity Agreement between Allied Waste Industries, Inc. and legacy Allied directors (incorporated by reference to Exhibit 10.19 of Allied's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004).
10.56+	Republic Services, Inc. Executive Separation Policy (incorporated by reference to Exhibit 10.66 of the Company's Annual Report on Form 10-K for the year ended December 31, 2009).
10.57+	Standstill Agreement, dated November 3, 2010, by and among Republic Services, Inc., Cascade Investment, L.L.C., and the Bill & Melinda Gates Foundation Trust (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated November 5, 2010).
10.58+	Offer Letter, dated August 2, 2012, by and between Robert Boucher and Republic Services, Inc. (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated August 20, 2012).
10.59+	Offer Letter, dated December 12, 2012, by and between Glenn A. Culpepper and Republic Services, Inc. (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated December 18, 2012).
10.60* +	Retirement Agreement, dated June 22, 2012, by and between Tod C. Holmes and Republic Services, Inc.
10.61* +	Amended and Restated Employment Agreement, effective December 8, 2008, by and between Jeffrey A. Hughes and Republic Services, Inc.
21.1*	Subsidiaries of the Company.
23.1*	Consent of Ernst & Young LLP.
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32.1*	Section 1350 Certification of Chief Executive Officer.
32.2*	Section 1350 Certification of Chief Financial Officer
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB**	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document

* Filed herewith

** This exhibit is being furnished rather than filed, and shall not be deemed incorporated by reference into any filing, in accordance with Item 601 of Regulation S-K.

+ Indicates a management or compensatory plan or arrangement.

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Signatures

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant, has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 15, 2013

REPUBLIC SERVICES, INC.

By: /s/ DONALD W. SLAGER
 Donald W. Slager
 President and
 Chief Executive Officer
 (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ DONALD W. SLAGER Donald W. Slager	President, Chief Executive Officer and Director (Principal Executive Officer)	February 15, 2013
/s/ GLENN A. CULPEPPER Glenn A. Culpepper	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 15, 2013
/s/ CHARLES F. SERIANNI Charles F. Serianni	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 15, 2013
/s/ JAMES W. CROWNOVER James W. Crownover	Chairman of the Board of Directors	February 15, 2013
/s/ WILLIAM J. FLYNN William J. Flynn	Director	February 15, 2013
/s/ MICHAEL LARSON Michael Larson	Director	February 15, 2013
/s/ NOLAN LEHMANN Nolan Lehmann	Director	February 15, 2013

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/s/ W. LEE NUTTER W. Lee Nutter	Director	February 15, 2013
/s/ RAMON A. RODRIGUEZ Ramon A. Rodriguez	Director	February 15, 2013
/s/ ALLAN C. SORENSEN Allan C. Sorensen	Director	February 15, 2013
/s/ JOHN M. TRANI John M. Trani	Director	February 15, 2013
/s/ MICHAEL W. WICKHAM Michael W. Wickham	Director	February 15, 2013