

REPUBLIC SERVICES, INC.
Form 10-Q
October 30, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2015
or

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

For the transition period from _____ to _____
Commission File Number: 1-14267

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

DELAWARE (State or other jurisdiction of incorporation or organization)	65-0716904 (I.R.S. Employer Identification No.)
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18500 NORTH ALLIED WAY PHOENIX, ARIZONA (Address of principal executive offices)	85054 (Zip Code)
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Registrant's telephone number, including area code: (480) 627-2700

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

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

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

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

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

As of October 22, 2015, the registrant had outstanding 347,238,344 shares of Common Stock, par value \$0.01 per share (excluding treasury shares of 69,656,896).

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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

	September 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$102.5	\$75.2
Accounts receivable, less allowance for doubtful accounts and other of \$50.2 and \$38.9, respectively	988.8	930.4
Prepaid expenses and other current assets	236.8	263.4
Deferred tax assets	116.2	122.0
Total current assets	1,444.3	1,391.0
Restricted cash and marketable securities	107.2	115.6
Property and equipment, net	7,553.2	7,165.3
Goodwill	11,128.3	10,830.9
Other intangible assets, net	258.6	298.9
Other assets	300.2	292.3
Total assets	\$20,791.8	\$20,094.0
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$560.8	\$527.3
Notes payable and current maturities of long-term debt	5.4	10.4
Deferred revenue	316.5	306.3
Accrued landfill and environmental costs, current portion	179.2	164.3
Accrued interest	69.4	67.0
Other accrued liabilities	769.2	750.7
Total current liabilities	1,900.5	1,826.0
Long-term debt, net of current maturities	7,555.6	7,050.8
Accrued landfill and environmental costs, net of current portion	1,676.9	1,677.5
Deferred income taxes	1,133.4	1,149.0
Insurance reserves, net of current portion	281.5	298.0
Other long-term liabilities	441.7	344.9
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; 416.7 and 414.4 issued	4.2	4.1
including shares held in treasury, respectively		
Additional paid-in capital	6,952.3	6,876.9
Retained earnings	3,070.3	2,795.0
Treasury stock, at cost (69.0 and 61.7 shares, respectively)	(2,200.4	) (1,901.8
Accumulated other comprehensive loss, net of tax	(26.6) (28.9
Total Republic Services, Inc. stockholders' equity	7,799.8	7,745.3

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Noncontrolling interests	2.4	2.5
Total stockholders' equity	7,802.2	7,747.8
Total liabilities and stockholders' equity	\$20,791.8	\$20,094.0

The accompanying notes are an integral part of these statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenue	\$2,344.0	\$2,267.9	\$6,824.8	\$6,574.2
Expenses:				
Cost of operations	1,390.2	1,401.1	4,114.9	4,102.7
Depreciation, amortization and depletion	247.1	235.6	726.3	679.0
Accretion	19.7	19.5	59.2	58.4
Selling, general and administrative	244.1	229.0	719.5	663.8
Negotiation and withdrawal costs - Central States Pension and Other Funds	—	0.3	—	1.8
Restructuring charges	—	—	—	1.8
Operating income	442.9	382.4	1,204.9	1,066.7
Interest expense	(91.8)	(87.0)	(272.0)	(260.8)
Loss on extinguishment of debt	—	—	—	(1.4)
Interest income	0.1	0.1	0.6	0.6
Other (expense) income, net	(0.4)	(0.1)	0.5	1.2
Income before income taxes	350.8	295.4	934.0	806.3
Provision for income taxes	135.6	109.6	356.0	308.9
Net income	215.2	185.8	578.0	497.4
Net income attributable to noncontrolling interests	(0.2)	—	(0.3)	(0.1)
Net income attributable to Republic Services, Inc.	\$215.0	\$185.8	\$577.7	\$497.3
Basic earnings per share attributable to Republic Services, Inc. stockholders:				
Basic earnings per share	\$0.62	\$0.52	\$1.65	\$1.39
Weighted average common shares outstanding	348.9	356.3	351.0	357.4
Diluted earnings per share attributable to Republic Services, Inc. stockholders:				
Diluted earnings per share	\$0.61	\$0.52	\$1.64	\$1.39
Weighted average common and common equivalent shares outstanding	350.3	357.7	352.4	358.8
Cash dividends per common share	\$0.30	\$0.28	\$0.86	\$0.80

The accompanying notes are an integral part of these statements.

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REPUBLIC SERVICES, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	\$215.2	\$185.8	\$578.0	\$497.4
Other comprehensive (loss) income, net of tax				
Hedging activity:				
Settlements	(4.6	) 0.2	(11.0	) 1.3
Realized loss (gain) reclassified into earnings	5.0	0.3	12.9	(0.1
Unrealized (loss) gain	(5.3	) (7.2	) 0.5	(6.4
Pension activity:				
Change in funded status of pension plan obligations	—	—	(0.1) —
Other comprehensive (loss) income, net of tax	(4.9	) (6.7	) 2.3	(5.2
Comprehensive income	210.3	179.1	580.3	492.2
Comprehensive income attributable to noncontrolling interests	(0.2	) —	(0.3	) (0.1
Comprehensive income attributable to Republic Services, Inc.	\$210.1	\$179.1	\$580.0	\$492.1

The accompanying notes are an integral part of these statements.

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REPUBLIC SERVICES, INC.

UNAUDITED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(in millions)

	Common Stock		Additional Retained		Treasury Stock		Accumulated Other Comprehensive Loss, Net of Tax	Noncontrolling Interests	Total
	Shares	Amount	Paid-In Capital	Earnings	Shares	Amount			
Balance as of December 31, 2014	414.4	\$4.1	\$6,876.9	\$2,795.0	(61.7)	\$(1,901.8)	\$(28.9)	\$ 2.5	\$7,747.8
Net income	—	—	—	577.7	—	—	—	0.3	578.0
Other comprehensive income	—	—	—	—	—	—	2.3	—	2.3
Cash dividends declared	—	—	—	(300.6)	—	—	—	—	(300.6)
Issuances of common stock	2.3	0.1	58.5	—	—	—	—	—	58.6
Stock-based compensation	—	—	16.9	(1.8)	—	—	—	—	15.1
Purchase of common stock for treasury	—	—	—	—	(7.3)	(298.6)	—	—	(298.6)
Distributions paid to noncontrolling interests	—	—	—	—	—	—	—	(0.4)	(0.4)
Balance as of September 30, 2015	416.7	\$4.2	\$6,952.3	\$3,070.3	(69.0)	\$(2,200.4)	\$(26.6)	\$ 2.4	\$7,802.2

The accompanying notes are an integral part of these statements.

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

	Nine Months Ended September	
	30,	
	2015	2014
Cash provided by operating activities:		
Net income	\$578.0	\$497.4
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation, amortization, depletion and accretion	785.5	737.4
Non-cash interest expense	35.2	33.6
Restructuring related charges	—	1.8
Stock-based compensation	15.1	14.2
Deferred tax benefit	(12.3)	(4.7)
Provision for doubtful accounts, net of adjustments	17.3	16.3
Loss on extinguishment of debt	—	1.4
Gain on disposition of assets, net and asset impairments	(1.6)	(4.7)
Environmental adjustments	(1.3)	36.2
Excess income tax benefit from stock-based compensation activity and other non-cash items	(7.0)	(3.3)
Change in assets and liabilities, net of effects from business acquisitions and divestitures:		
Accounts receivable	(39.8)	(77.8)
Prepaid expenses and other assets	(64.2)	(28.0)
Accounts payable	11.7	(2.3)
Restructuring expenditures	—	(1.0)
Capping, closure and post-closure expenditures	(50.4)	(36.5)
Remediation expenditures	(50.1)	(75.0)
Other liabilities	108.4	(3.4)
Cash provided by operating activities	1,324.5	1,101.6
Cash used in investing activities:		
Purchases of property and equipment	(732.0)	(683.1)
Proceeds from sales of property and equipment	17.1	13.9
Cash used in business acquisitions, net of cash acquired	(535.9)	(73.5)
Change in restricted cash and marketable securities	8.4	36.2
Other	(0.8)	(4.5)
Cash used in investing activities	(1,243.2)	(711.0)
Cash used in financing activities:		
Proceeds from notes payable and long-term debt	895.4	939.8
Proceeds from issuance of senior notes, net of discount	497.9	—
Payments of notes payable and long-term debt	(908.9)	(951.0)
Fees paid to issue senior notes and retire certain hedging relationships	(3.2)	(4.0)
Issuances of common stock	52.3	79.5
Excess income tax benefit from stock-based compensation activity	6.2	3.6
Purchases of common stock for treasury	(293.3)	(277.5)
Cash dividends paid	(295.0)	(279.1)
Distributions paid to noncontrolling interests	(0.4)	(0.4)
Other	(5.0)	(1.8)

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Cash used in financing activities	(54.0) (490.9)
Increase (decrease) in cash and cash equivalents	27.3	(100.3)
Cash and cash equivalents at beginning of year	75.2	213.3	
Cash and cash equivalents at end of period	\$102.5	\$113.0	

The accompanying notes are an integral part of these statements.

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REPUBLIC SERVICES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

Republic Services, Inc., a Delaware corporation, and its consolidated subsidiaries (referred to collectively as Republic, the Company, we, us, or our), is the second largest provider of non-hazardous solid waste collection, transfer, recycling, disposal and oilfield exploration and production (E&P) waste services in the United States, as measured by revenue. We manage and evaluate our operations through three geographic regions - East, Central and West - which we have identified as our reportable segments.

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

We have prepared these unaudited consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information related to our organization, significant accounting policies and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP has been condensed or omitted. In the opinion of management, these financial statements include all adjustments that, unless otherwise disclosed, are of a normal recurring nature and necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented. Operating results for interim periods are not necessarily indicative of the results you can expect for a full year. You should read these financial statements in conjunction with our audited consolidated financial statements and notes thereto appearing in our Annual Report on Form 10-K for the year ended December 31, 2014.

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

Management's Estimates and Assumptions

In preparing our financial statements, we make numerous estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. We must make these estimates and assumptions because certain information we use is dependent on future events, cannot be calculated with a high degree of precision from data available or simply cannot be readily calculated based on generally accepted methodologies. In preparing our financial statements, the more critical and subjective areas that deal with the greatest amount of uncertainty relate to our accounting for our long-lived assets, including recoverability, landfill development costs, and final capping, closure and post-closure costs; our valuation allowances for accounts receivable and deferred tax assets; our liabilities for potential litigation, claims and assessments; our liabilities for environmental remediation, multiemployer pension plans, employee benefit plans, deferred taxes, uncertain tax positions, and insurance reserves; and our estimates of the fair values of assets acquired and liabilities assumed in any acquisition. Each of these items is discussed in more detail in our description of our significant accounting policies in Note 2, Summary of Significant Accounting Policies, of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2014. Our actual results may differ significantly from our estimates.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) amended the Accounting Standards Codification and created Topic 606, Revenue from Contracts with Customers, to clarify the principles for recognizing revenue. This guidance requires that an entity recognize revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In July 2015, the FASB voted to amend the guidance by approving a one-year deferral of the effective date and providing the option to early adopt the standard on the original effective date of 2017. Republic will adopt the standard beginning January 1, 2018. The new standard must be adopted using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach. We are currently assessing the

method of adoption and the potential impact this guidance may have on our consolidated financial statements. In April 2015, the FASB issued Accounting Standards Update 2015-03, Interest - Imputation of Interest (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs, which simplifies the presentation of debt issuance costs. This guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with the presentation of debt discounts. The standard is effective for fiscal years beginning after December 15, 2015 and interim periods within those fiscal years. Early adoption is permitted for

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financial statements that have not been previously issued. The balance sheet presentation of Republic's debt issuance costs and related debt liabilities will be affected beginning January 1, 2016.

2. BUSINESS ACQUISITIONS

We acquired various waste businesses during the nine months ended September 30, 2015 and 2014. The purchase price paid for these acquisitions and the allocations of the purchase price follow:

	2015	2014
Purchase price:		
Cash used in acquisitions, net of cash acquired	\$535.9	\$73.5
Contingent consideration	75.8	—
Holdbacks	2.6	8.2
Fair value, future minimum lease payments	1.5	—
Fair value, future guaranteed payments	—	6.8
Total	\$615.8	\$88.5
Allocated as follows:		
Accounts receivable	36.1	3.2
Landfill airspace	159.7	26.6
Property and equipment	144.9	21.0
Other assets	1.8	4.7
Accounts payable	(7.1) —
Future service obligations	—	(11.0
Environmental remediation liabilities	(2.8) —
Closure and post-closure liabilities	(11.3	) (3.2
Other liabilities	(9.5	) (2.6
Fair value of tangible assets acquired and liabilities assumed	311.8	38.7
Excess purchase price to be allocated	\$304.0	\$49.8
Excess purchase price allocated as follows:		
Other intangible assets	\$10.1	\$11.2
Goodwill	293.9	38.6
Total allocated	\$304.0	\$49.8

The purchase price allocations are preliminary and are based on information existing at the acquisition dates. Accordingly, the purchase price allocations are subject to change. Substantially all of the goodwill and intangible assets recorded for these acquisitions are deductible for tax purposes. These acquisitions are not material to the Company's results of operations, individually or in the aggregate. As a result, no pro forma financial information is provided.

In April 2015, we entered into a waste management contract with the County of Sonoma, California (Sonoma). Under the agreement, Sonoma grants us the exclusive right to use and operate the county's waste management facilities. We will operate and manage the Sonoma County Landfill for the remaining life of the site, which we estimate to be approximately 30 years. We also have assumed all closure and post-closure obligations for the site. In addition to the landfill, we will operate five transfer stations and a gas-to-energy plant. By entering this agreement, we have effectively obtained control of the business through contract. In exchange, we have agreed to pay a contingent concession fee per ton of waste disposed at the landfill. The potential undiscounted amount of all future contingent payments that we could be required to make under the agreement is estimated to be between approximately \$100 million and \$214 million. The fair value of contingent consideration was estimated by applying the income approach and was recorded as a \$75.3 million liability as of the acquisition date. That measure is based on significant inputs that are not observable in the market. Key assumptions include volume of annual tons disposed at the landfill and discount rates that represent the best estimates of management and are subject to remeasurement at each reporting date. The contingent consideration and purchase price allocation are preliminary and are subject to revision. We expect these final valuations and assessments will be substantially completed in 2015.

In February 2015, we acquired all of the equity interests of Tervita, LLC (Tervita) in exchange for a cash payment of \$479.6 million. Tervita is an environmental solutions provider serving oil and natural gas producers in the United States. Tervita provides E&P waste services to its diverse customer base and operates three types of waste management and disposal facilities: treatment, recovery and disposal facilities, engineered landfills and salt water disposal injection wells. Additionally, Tervita

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REPUBLIC SERVICES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

provides closed loop solids control systems and transportation services. Tervita's assets complement Republic's existing E&P waste services business, core competencies and expertise in waste handling, recovery and disposal. We retained an independent third-party appraiser to assist us in our valuations. Based on valuation work performed through September 30, 2015, the carrying value of property and equipment decreased \$12.8 million from the amount recorded as of March 31, 2015. The purchase price allocation is still preliminary and remains subject to revision. Adjustments may be made to the carrying value of the assets acquired and liabilities assumed as additional information is obtained about the facts and circumstances that existed at the valuation date. The preliminary allocation of the purchase price is based on the best estimates of management and is subject to revision based on the final valuations. We expect these final valuations and assessments will be substantially completed in 2015.

In August 2014, we entered into a life-of-site operating agreement for the City of San Angelo Landfill located in Texas, which we have recorded as the acquisition of a business. Previously, we operated the site on behalf of the City of San Angelo under an agreement that expired in July 2014. Consideration transferred included cash of \$10.3 million and future guaranteed payments of \$6.8 million. We assumed future service obligations of \$11.0 million and closure and post-closure obligations of \$3.2 million. We allocated \$26.6 million of purchase price to landfill airspace and no purchase price was allocated to goodwill.

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

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

	Balance as of December 31, 2014	Acquisitions	Adjustments to Acquisitions	Balance as of September 30, 2015
East	\$3,046.0	\$8.1	\$(0.4)	\$3,053.7
Central	3,279.0	14.7	(0.4)	3,293.3
West	4,505.9	271.1	4.3	4,781.3
Total	\$10,830.9	\$293.9	\$3.5	\$11,128.3

Adjustments to acquisitions during the nine months ended September 30, 2015 primarily related to working capital and deferred taxes, both of 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 21 years. A summary of the activity and balances by intangible asset type follows:

	Gross Intangible Assets		Accumulated Amortization			Other Intangible Assets, Net as of September 30, 2015	
	Balance as of December 31, 2014	Acquisitions and Other Additions	Balance as of December 31, 2014	Additions Charged to Expense	Balance as of September 30, 2015		
Customer relationships, franchise and other municipal agreements	\$641.2	\$7.4	\$648.6	\$(369.1)	\$(46.4)	\$(415.5)	\$233.1
Non-compete agreements	26.8	2.3	29.1	(18.2)	(2.9)	(21.1)	8.0
Other intangible assets	65.2	0.4	65.6	(47.0)	(1.1)	(48.1)	17.5
Total	\$733.2	\$10.1	\$743.3	\$(434.3)	\$(50.4)	\$(484.7)	\$258.6

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REPUBLIC SERVICES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

4. OTHER ASSETS

Prepaid Expenses and Other Current Assets

A summary of prepaid expenses and other current assets as of September 30, 2015 and December 31, 2014 follows:

	2015	2014
Inventories	\$37.7	\$35.9
Prepaid expenses	76.6	55.0
Other non-trade receivables	88.9	57.0
Reinsurance receivable	12.9	12.4
Income tax receivable	14.9	101.6
Other current assets	5.8	1.5
Total	\$236.8	\$263.4

Other Assets

A summary of other assets as of September 30, 2015 and December 31, 2014 follows:

	2015	2014
Deferred financing costs	\$46.4	\$47.2
Deferred compensation plan	80.0	77.1
Amounts recoverable for capping, closure and post-closure obligations	26.2	24.3
Reinsurance receivable	45.7	48.4
Interest rate swaps	21.5	14.1
Other	80.4	81.2
Total	\$300.2	\$292.3

5. OTHER LIABILITIES

Other Accrued Liabilities

A summary of other accrued liabilities as of September 30, 2015 and December 31, 2014 follows:

	2015	2014
Accrued payroll and benefits	\$193.1	\$180.2
Accrued fees and taxes	131.4	125.6
Insurance reserves, current portion	133.1	118.6
Ceded insurance reserves, current portion	12.9	12.4
Accrued dividends	104.3	98.7
Current tax liabilities	30.7	16.3
Fuel hedge liabilities	36.3	35.3
Accrued professional fees and legal settlement reserves	31.0	61.2
Withdrawal liability - Central States Pension and Other Funds	15.9	15.9
Other	80.5	86.5
Total	\$769.2	\$750.7

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REPUBLIC SERVICES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Other Long-Term Liabilities

A summary of other long-term liabilities as of September 30, 2015 and December 31, 2014 follows:

	2015	2014
Deferred compensation plan	\$81.6	\$76.3
Pension and other post-retirement liabilities	9.8	11.0
Legal settlement reserves	35.9	10.8
Ceded insurance reserves	45.7	48.4
Withdrawal liability - Central States Pension and Other Funds	127.7	139.6
Contingent consideration and acquisition holdbacks	83.3	—
Other	57.7	58.8
Total	\$441.7	\$344.9

Insurance Reserves

Our liabilities for unpaid and incurred but not reported claims as of September 30, 2015 and December 31, 2014 (which include claims for workers' compensation, commercial general and auto liability, and employee-related health care benefits) were \$414.6 million and \$416.6 million, respectively, under our risk management program and are included in other accrued liabilities and insurance reserves, net of current portion, in our consolidated balance sheets. While the ultimate amount of claims incurred depends on future developments, we believe the recorded reserves are adequate to cover the future payment of claims; however, it is possible that these recorded reserves may not be adequate to cover the future payment of claims. Adjustments, if any, to estimates recorded resulting from ultimate claim payments will be reflected in our consolidated statements of income in the periods in which such adjustments are known.

6. LANDFILL AND ENVIRONMENTAL COSTS

As of September 30, 2015, we owned or operated 193 active landfills with total available disposal capacity of approximately 4.8 billion in-place cubic yards. We also have post-closure responsibility for 125 closed landfills.

Accrued Landfill and Environmental Costs

A summary of accrued landfill and environmental liabilities as of September 30, 2015 and December 31, 2014 follows:

	2015	2014
Landfill final capping, closure and post-closure liabilities	\$1,188.5	\$1,144.3
Environmental remediation liabilities	667.6	697.5
Total accrued landfill and environmental costs	1,856.1	1,841.8
Less: current portion	(179.2)	(164.3)
Long-term portion	\$1,676.9	\$1,677.5

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REPUBLIC SERVICES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Final Capping, Closure and Post-Closure Costs

The following table summarizes the activity in our asset retirement obligation liabilities, which include liabilities for landfill final capping, closure and post-closure, for the nine months ended September 30, 2015 and 2014:

	2015	2014
Asset retirement obligation liabilities, beginning of year	\$1,144.3	\$1,091.3
Non-cash additions	29.9	29.1
Acquisitions and other adjustments	11.4	3.7
Asset retirement obligation adjustments	(5.9	) (17.7
Payments	(50.4	) (36.5
Accretion expense	59.2	58.4
Asset retirement obligation liabilities, end of period	1,188.5	1,128.3
Less: current portion	(103.1	) (90.1
Long-term portion	\$1,085.4	\$1,038.2

We review annually, in the fourth quarter, and update as necessary, our estimates of asset retirement obligation liabilities. However, if there are significant changes in the facts and circumstances related to a site during the year, we will update our assumptions prospectively in the period that we know all the relevant facts and circumstances and make adjustments as appropriate.

The fair value of assets that are legally restricted for purposes of settling final capping, closure and post-closure liabilities was \$27.2 million and \$26.7 million as of September 30, 2015 and December 31, 2014, respectively, and is included in restricted cash and marketable securities in our consolidated balance sheets.

Landfill Operating Expenses

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

Environmental Remediation Liabilities

We accrue for remediation costs when they become probable and can be reasonably estimated. There can sometimes be a range of reasonable estimates of the costs associated with remediation of a site. In these cases, we use the amount within the range that constitutes our best estimate. If no amount within the range appears to be a better estimate than any other, we use the amount that is at the low end of the range. It is reasonably possible that we will need to adjust the liabilities recorded for remediation to reflect the effects of new or additional information, to the extent such information impacts the costs, timing or duration of the required actions. If we used the reasonably possible high ends of our ranges, our aggregate potential remediation liability as of September 30, 2015 would be approximately \$360 million higher than the amount 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.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

The following table summarizes the activity in our environmental remediation liabilities for the nine months ended September 30, 2015 and 2014:

	2015	2014
Environmental remediation liabilities, beginning of year	\$697.5	\$551.7
Net additions (credited) charged to expense	(1.3	) 36.2
Payments	(50.1	) (75.0
Accretion expense (non-cash interest expense)	18.7	19.0
Acquisitions	2.8	—
Environmental remediation liabilities, end of period	667.6	531.9
Less: current portion	(76.1	) (74.8
Long-term portion	\$591.5	\$457.1

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

Bridgeton Landfill. During the nine months ended September 30, 2015, we paid \$22.5 million related to management and monitoring of the remediation area for our closed Bridgeton Landfill in Missouri. We continue to work with state and federal regulatory agencies on our remediation efforts. From time to time, this may require us to modify our future operating timeline and procedures, which could result in changes to our expected liability. As of September 30, 2015, the remediation liability recorded for this site is \$217.8 million, of which \$7.5 million is expected to be paid during the remainder of 2015. We believe the remaining reasonably possible high end of our range would be approximately \$160 million higher than the amount recorded as of September 30, 2015.

In September 2015, we entered into an agreement with respect to an insurance recovery of \$50.0 million related to our Bridgeton Landfill. As such, we recorded a reduction of remediation expenses included in our cost of operations for the three and nine months ended September 30, 2015. In October 2015, we collected the proceeds from the insurance recovery.

Congress Landfill. In August 2010, Congress Development Co. agreed with the State of Illinois to have a Final Consent Order (Final Order) entered by the Circuit Court of Illinois, Cook County. Pursuant to the Final Order, we have agreed to continue to implement remedial activities at the Congress Landfill. The remediation liability recorded as of September 30, 2015 is \$86.5 million, of which \$2.4 million is expected to be paid during the remainder of 2015. We believe the remaining reasonably possible high end of our range would be approximately \$70 million higher than the amount recorded as of September 30, 2015.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

7. DEBT

The carrying value of our notes payable, capital leases and long-term debt as of September 30, 2015 and December 31, 2014 is listed in the following table, and is adjusted for the fair value of interest rate swaps, unamortized discounts and the unamortized portion of adjustments to fair value recorded in purchase accounting. Original issue discounts and adjustments to fair value recorded in purchase accounting are amortized to interest expense over the term of the applicable instrument using the effective interest method.

Maturity	Interest Rate	September 30, 2015			December 31, 2014		
		Principal	Adjustments	Carrying Value	Principal	Adjustments	Carrying Value
Credit facilities:							
Uncommitted Credit Facility	Variable	\$—	\$—	\$—	\$—	\$—	\$—
Puerto Rico Uncommitted Facility	Variable	—	—	—	—	—	—
May 2017	Variable	—	—	—	—	—	—
June 2019	Variable	—	—	—	—	—	—
Senior notes:							
May 2018	3.800	700.0	(0.1)	699.9	700.0	(0.1)	699.9
September 2019	5.500	650.0	(2.1)	647.9	650.0	(2.5)	647.5
March 2020	5.000	850.0	(0.1)	849.9	850.0	(0.1)	849.9
November 2021	5.250	600.0	—	600.0	600.0	—	600.0
June 2022	3.550	850.0	(1.6)	848.4	850.0	(1.8)	848.2
May 2023	4.750	550.0	17.9	567.9	550.0	11.5	561.5
March 2025	3.200	500.0	(2.0)	498.0	—	—	—
March 2035	6.086	275.7	(23.5)	252.2	275.7	(23.9)	251.8
March 2040	6.200	650.0	(0.5)	649.5	650.0	(0.5)	649.5
May 2041	5.700	600.0	(3.2)	596.8	600.0	(3.2)	596.8
Debentures:							
May 2021	9.250	35.3	(1.4)	33.9	35.3	(1.6)	33.7
September 2035	7.400	165.2	(40.0)	125.2	165.3	(40.5)	124.8
Tax-exempt:							
2019 - 2044	0.430 - 5.625	1,079.1	—	1,079.1	1,083.8	—	1,083.8
Other:							
2015 - 2046	4.000 - 12.203	112.3	—	112.3	113.8	—	113.8
Total Debt		\$7,617.6	\$(56.6)	7,561.0	\$7,123.9	\$(62.7)	7,061.2
Less: current portion				(5.4)			(10.4)
Long-term portion				\$7,555.6			\$7,050.8

Loss on Extinguishment of Debt

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

Credit Facilities

In June 2014, we entered into a \$1.25 billion unsecured revolving credit facility (the Replacement Credit Facility), which replaced our \$1.0 billion credit facility maturing in April 2016. The Replacement Credit Facility matures in June 2019 and includes a feature that allows us to increase availability, at our option, by an aggregate amount up to \$500.0 million through increased commitments from existing lenders or the addition of new lenders. At our option, borrowings under the Replacement

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REPUBLIC SERVICES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Credit Facility bear interest at a Base Rate, or a Eurodollar Rate, plus an applicable margin based on our Debt Ratings (all as defined in the agreements).

Contemporaneous with the execution of the Replacement Credit Facility, we entered into Amendment No. 3 to our existing \$1.25 billion unsecured credit facility (the Existing Credit Facility and, together with the Replacement Credit Facility, the Credit Facilities), to reduce the commitments under the Existing Credit Facility to \$1.0 billion and conform certain terms of the Existing Credit Facility with those of the Replacement Credit Facility. Amendment No. 3 does not extend the maturity date of the Existing Credit Facility, which matures in May 2017. The Existing Credit Facility also maintains the feature that allows us to increase availability, at our option, by an aggregate amount of up to \$500.0 million, through increased commitments from existing lenders or the addition of new lenders.

Our Credit Facilities are subject to facility fees based on applicable rates defined in the agreements and the aggregate commitments, regardless of usage. Availability under our Credit Facilities totaled \$1,726.4 million and \$1,615.4 million as of September 30, 2015 and December 31, 2014, respectively, and can be used for working capital, capital expenditures, acquisitions, letters of credit and other general corporate purposes. The credit agreements require us to comply with financial and other covenants. We may pay dividends and repurchase common stock if we are in compliance with these covenants. As of September 30, 2015 and December 31, 2014, we had no borrowings under our Credit Facilities. We had \$504.6 million and \$615.1 million of letters of credit outstanding under our Credit Facilities as of September 30, 2015 and December 31, 2014, respectively.

We have a \$125.0 million unsecured credit facility agreement (the Uncommitted Credit Facility) bearing interest at LIBOR, plus an applicable margin. Our Uncommitted Credit Facility is subject to facility fees defined in the agreement, regardless of usage. We can use borrowings under the Uncommitted Credit Facility for working capital and other general corporate purposes. The agreements governing our Uncommitted Credit Facility require us to comply with covenants. The Uncommitted Credit Facility may be terminated by either party at any time. As of September 30, 2015 and December 31, 2014, we had no borrowings under our Uncommitted Credit Facility.

In January 2015, we entered into a \$20.0 million uncommitted credit facility agreement (the Puerto Rico Uncommitted Facility) that matures in 2016 and bears interest at LIBOR plus an applicable margin. We can use borrowings under the Puerto Rico Uncommitted Facility for working capital and other general corporate purposes. The agreements governing our Puerto Rico Uncommitted Facility require us to comply with covenants. The Puerto Rico Uncommitted Facility may be terminated by either party at any time. As of September 30, 2015, we had no borrowings under our Puerto Rico Uncommitted Facility.

Senior Notes and Debentures

During the nine months ended September 30, 2015, we issued \$500.0 million of 3.20% notes due 2025 (the 3.20% Notes). The 3.20% Notes are unsubordinated and unsecured obligations. We used the net proceeds from the 3.20% Notes to refinance debt incurred in connection with our acquisition of all of the equity interests of Tervita during the nine months ended September 30, 2015.

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

Tax-Exempt Financings

As of September 30, 2015, approximately 90% of our tax-exempt financings are remarketed quarterly by remarketing agents to effectively maintain a variable yield. The holders of the bonds can put them back to the remarketing agents at the end of each interest period. To date, the remarketing agents have been able to remarket our variable rate unsecured tax-exempt bonds. These bonds have been classified as long-term because of our ability and intent to refinance them using availability under our revolving Credit Facilities, if necessary.

Other Debt

Other debt includes capital lease liabilities of \$112.3 million and \$113.8 million as of September 30, 2015 and December 31, 2014, respectively, with maturities ranging from 2015 to 2046.

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REPUBLIC SERVICES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Interest Rate Swap and Lock Agreements

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

Fair Value Hedges

During the second half of 2013, we entered into various interest rate swap agreements relative to our 4.750% fixed rate senior notes due in May 2023. The goal was to reduce overall borrowing costs and rebalance our debt portfolio's ratio of fixed to floating interest rates. As of September 30, 2015, these swap agreements have a total notional value of \$300.0 million and mature in May 2023, which is identical to the maturity of the hedged senior notes. We pay interest at floating rates based on changes in LIBOR and receive interest at a fixed rate of 4.750%. These transactions were designated as fair value hedges because the swaps hedge against the changes in fair value of the fixed rate senior notes resulting from changes in interest rates.

As of September 30, 2015 and December 31, 2014, the interest rate swap agreements are reflected at their fair value of \$21.5 million and \$14.1 million, respectively, and are included in other assets. To the extent they are effective, these interest rate swap agreements are included as an adjustment to long-term debt in our consolidated balance sheets. We recognized net interest income of \$1.9 million and \$5.7 million during the three and nine months ended September 30, 2015, respectively, and \$1.9 million and \$5.8 million during the three and nine months ended September 30, 2014, related to net swap settlements for these interest rate swap agreements, which is included as an offset to interest expense in our unaudited consolidated statements of income.

For the three months ended September 30, 2015 and 2014, we recognized a loss of \$9.2 million and a gain of \$1.5 million, respectively, on the change in fair value of the hedged senior notes attributable to changes in the benchmark interest rate, with an offsetting gain of \$9.6 million and loss of \$1.2 million, respectively, on the related interest rate swaps. For the nine months ended September 30, 2015 and 2014, we recognized a loss of \$6.3 million and \$10.0 million, respectively, on the change in fair value of the hedged senior notes attributable to changes in the benchmark interest rate, with an offsetting gain of \$7.3 million and \$11.0 million, respectively, on the related interest rate swaps. The difference of these fair value changes represents hedge ineffectiveness, which is recorded directly in earnings as other (expense) income, net.

Cash Flow Hedges

During the nine months ended September 30, 2015, we entered into a number of interest rate lock agreements having an aggregate notional amount of \$200.0 million with fixed interest rates ranging from 2.155% to 2.270% to manage exposure to fluctuations in interest rates in anticipation of the planned issuance of the 3.20% Notes. Upon issuance of the 3.20% Notes, we terminated the interest rate locks and received \$1.2 million from the counterparties. This transaction was accounted for as a cash flow hedge.

As of September 30, 2015 and 2014, no interest rate lock cash flow hedges were outstanding. As of September 30, 2015 and December 31, 2014, the effective portion of the interest rate locks, recorded as a component of accumulated other comprehensive loss, net of tax, was \$19.7 million and \$21.6 million, respectively. The effective portion of the interest rate locks is amortized as an adjustment to interest expense over the life of the issued debt using the effective interest method. We expect to amortize \$2.7 million of net expense over the next twelve months as a yield adjustment of our senior notes.

The effective portion of the interest rate locks amortized as a net increase to interest expense was \$0.7 million during each of the three months ended September 30, 2015 and 2014 and \$2.0 million during each of the nine months ended September 30, 2015 and 2014.

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REPUBLIC SERVICES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

8. INCOME TAXES

Our effective tax rate, exclusive of noncontrolling interests, for the three and nine months ended September 30, 2015 was 38.7% and 38.1%, respectively. The effective tax rate for the nine months ended September 30, 2015 was favorably affected by the second quarter resolution of a Puerto Rican tax matter in addition to tax refunds received during the year as a result of filing various state amended tax returns.

Our effective tax rate, exclusive of noncontrolling interests, for the three and nine months ended September 30, 2014 was 37.1% and 38.3%, respectively. The effective tax rate for the three and nine months ended September 30, 2014 was favorably affected by the realization of additional federal and state benefits on our 2013 tax returns, lower state rates due to changes in estimates and adjustments to deferred taxes.

Income taxes paid, net of refunds received, were \$256.8 million and \$280.3 million for the nine months ended September 30, 2015 and 2014, respectively.

We are subject to income tax in the United States and Puerto Rico, as well as in multiple state jurisdictions. We are currently under examination or administrative review by state and local taxing authorities for various tax years. We recognize interest and penalties as incurred within the provision for income taxes in the consolidated statements of income. As of September 30, 2015, we have accrued a liability for penalties of \$0.5 million and a liability for interest (including interest on penalties) of \$10.2 million related to our uncertain tax positions.

We believe that our recorded liabilities for uncertain tax positions are adequate. However, a significant assessment against us in excess of the liabilities recorded could have a material adverse effect on our consolidated financial position, results of operations or cash flows. During the next twelve months, it is reasonably possible that the amount of unrecognized tax benefits will increase or decrease. Gross unrecognized benefits we expect to settle in the next twelve months are in the range of zero to \$10 million.

We have deferred tax assets related to state net operating loss carryforwards. We provide a partial valuation allowance due to uncertainty surrounding the future utilization of these carryforwards in the taxing jurisdictions where the loss carryforwards exist. When determining the need for a valuation allowance, we consider all positive and negative evidence, including recent financial results, scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategies. The weight given to the positive and negative evidence is commensurate with the extent such evidence can be objectively verified.

The realization of our deferred tax asset for state loss carryforwards ultimately depends upon the existence of sufficient taxable income in the appropriate state taxing jurisdictions in future periods. We continue to regularly monitor both positive and negative evidence in determining the ongoing need for a valuation allowance. As of September 30, 2015, the valuation allowance associated with our state loss carryforwards was approximately \$61 million.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

9. STOCK-BASED COMPENSATION

Available Shares

In March 2013, our board of directors approved the Republic Services, Inc. Amended and Restated 2007 Stock Incentive Plan (the Plan), and in May 2013 our shareholders ratified the Plan. We currently have approximately 15.5 million shares of common stock reserved for future grants under the Plan.

Stock Options

The following table summarizes stock option activity for the nine months ended September 30, 2015:

	Number of Shares (in millions)	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in millions)
Outstanding as of December 31, 2014	7.6	\$29.49		
Granted	—	—		
Exercised	(1.8	) 28.49		\$23.2
Forfeited or expired	(0.1	) 30.51		
Outstanding as of September 30, 2015	5.7	\$29.80	3.3	\$63.0
Exercisable as of September 30, 2015	3.6	\$29.06	2.7	\$43.2

During the nine months ended September 30, 2015 and 2014, compensation expense for stock options was \$2.1 million and \$5.2 million, respectively.

As of September 30, 2015, total unrecognized compensation expense related to outstanding stock options was \$1.9 million, which will be recognized over a weighted average period of 1.2 years. The total fair value of stock options that vested during the nine months ended September 30, 2015 was \$8.9 million.

Restricted Stock Units

The following table summarizes restricted stock unit (RSU) activity for the nine months ended September 30, 2015:

	Number of RSUs (in thousands)	Weighted Average Grant Date Fair Value per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in millions)
Outstanding as of December 31, 2014	1,456.2	\$24.07		
Granted	707.0	38.61		
Vested and issued	(364.3	) 30.04		
Forfeited	(33.0	) 36.40		
Outstanding as of September 30, 2015	1,765.9	\$25.51	1.2	\$72.8
Vested and unissued as of September 30, 2015	557.6	\$29.79		

During the nine months ended September 30, 2015, we awarded our non-employee directors 75,000 RSUs, which vested immediately. During the nine months ended September 30, 2015, we awarded 596,210 RSUs to executives and employees that vest in four equal annual installments beginning on the anniversary date of the original grant or cliff vest after four years. In addition, 35,811 RSUs were earned as dividend equivalents. The RSUs do not carry any voting or dividend rights, except the right to receive additional RSUs in lieu of dividends.

The fair value of RSUs is based on the closing market price on the date of the grant. The compensation expense related to RSUs is amortized ratably over the vesting period, or to the employee's retirement eligible date, if earlier. During the nine months ended September 30, 2015 and 2014, compensation expense related to RSUs totaled \$12.4 million and \$9.0 million, respectively. As of September 30, 2015, total unrecognized compensation expense related to outstanding RSUs was \$32.3 million, which will be recognized over a weighted average period of 2.9 years.

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REPUBLIC SERVICES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Performance Shares

During the nine months ended September 30, 2015, we awarded 140,443 performance shares (PSUs) to our named executive officers. These awards are performance-based as the number of shares ultimately earned depends on performance against pre-determined targets for return on invested capital (ROIC), cash flow value creation (CFVC), and total shareholder return relative to the S&P 500 index (RTSR). The PSUs are payable 50% in shares of common stock and 50% in cash after the end of a three-year performance period, when the Company's financial performance for the entire performance period is reported, typically in mid-to late February of the succeeding year. At the end of the performance period, the number of PSUs awarded can range from 0% to 150% of the targeted amount, depending on the performance against the pre-determined targets.

The following table summarizes PSU activity for the nine months ended September 30, 2015:

	Number of PSUs (in thousands)	Weighted Average Grant Date Fair Value per Share
Outstanding as of December 31, 2014	—	\$—
Granted	142.4	38.69
Vested and issued	—	—
Forfeited	—	—
Outstanding as of September 30, 2015	142.4	\$38.69

During the nine months ended September 30, 2015, 1,952 PSUs were earned as dividend equivalents. The PSUs do not carry any voting or dividend rights, except the right to receive additional PSUs in lieu of dividends.

Compensation expense associated with our PSUs that vest based on future ROIC and CFVC performance is measured using the fair value of our common stock at the grant date for the stock-settled, equity classified awards, and the fair value of our common stock at the end of each reporting period for the cash-settled, liability classified awards.

Compensation expense is recognized ratably over the performance period based on our estimated achievement of the established performance criteria. Compensation expense is only recognized for those awards that we expect to vest, which we estimate based on an assessment of the probability that the performance criteria will be achieved.

The grant date fair value of our RTSR PSUs is based on a Monte Carlo valuation and compensation expense is recognized on a straight-line basis over the vesting period for the stock-settled, equity classified awards. For our cash-settled, liability classified awards, compensation expense also incorporates the fair value of our PSUs at the end of each reporting period. Compensation expense is recognized for these awards whether or not the market conditions are achieved.

During the nine months ended September 30, 2015, compensation expense related to PSUs totaled \$1.2 million. As of September 30, 2015, total unrecognized compensation expense related to outstanding PSUs was \$4.3 million, which will be recognized over a weighted average period of 2.4 years.

10. STOCK REPURCHASES, DIVIDENDS AND EARNINGS PER SHARE

Stock Repurchases

During the three months ended September 30, 2015, we repurchased 2.3 million shares of our stock for \$93.8 million at a weighted average cost per share of \$40.89. During the nine months ended September 30, 2015, we repurchased 7.3 million shares of our stock for \$293.3 million at a weighted average cost per share of \$40.66. In addition, as of September 30, 2015, 0.1 million repurchased shares were pending settlement and \$5.3 million were unpaid and included within other accrued liabilities.

In October 2015, our board of directors added \$900.0 million to the existing share repurchase authorization. Before this, \$67.0 million remained under the prior authorization. The total authorization is now \$967.0 million through December 31, 2017. Share repurchases under the program may be made through open market purchases or privately negotiated transactions in accordance with applicable federal securities laws. While the board of directors has approved the share repurchase program, the timing of any purchases, the prices and the number of shares of common

stock to be purchased will be determined by our management, at its discretion, and will depend upon market conditions and other factors. The program may be extended, suspended or discontinued at any time.

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REPUBLIC SERVICES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Dividends

In July 2015, our board of directors approved a quarterly dividend of \$0.30 per share. Cash dividends declared were \$300.6 million for the nine months ended September 30, 2015. As of September 30, 2015, we recorded a quarterly dividend payable of \$104.3 million to shareholders of record at the close of business on October 1, 2015.

Earnings per Share

Basic earnings per share is computed by dividing net income attributable to Republic Services, Inc. by the weighted average number of common shares (including vested but unissued RSUs) 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 RSUs, and unvested PSUs at the expected attainment levels. We use the treasury stock method in computing diluted earnings per share.

Earnings per share for the three and nine months ended September 30, 2015 and 2014 are calculated as follows (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Basic earnings per share:				
Net income attributable to Republic Services, Inc.	\$215,000	\$185,800	\$577,700	\$497,300
Weighted average common shares outstanding	348,935	356,252	350,966	357,432
Basic earnings per share	\$0.62	\$0.52	\$1.65	\$1.39
Diluted earnings per share:				
Net income attributable to Republic Services, Inc.	\$215,000	\$185,800	\$577,700	\$497,300
Weighted average common shares outstanding	348,935	356,252	350,966	357,432
Effect of dilutive securities:				
Options to purchase common stock	1,196	1,377	1,271	1,313
Unvested RSU awards	136	111	127	72
Unvested PSU awards	14	—	8	—
Weighted average common and common equivalent shares outstanding	350,281	357,740	352,372	358,817
Diluted earnings per share	\$0.61	\$0.52	\$1.64	\$1.39
Antidilutive securities not included in the diluted earnings per share calculations:				
Options to purchase common stock	9	28	14	369

11. CHANGES IN ACCUMULATED OTHER COMPREHENSIVE LOSS (INCOME) BY COMPONENT

A summary of changes in accumulated other comprehensive loss (income), net of tax, by component, for the nine months ended September 30, 2015 follows:

	Gain (Loss) on Cash Flow Hedges	Defined Benefit Pension Items	Total
Balance as of December 31, 2014	\$41.9	\$(13.0)	) \$28.9
Other comprehensive loss before reclassifications	10.5	0.1	10.6
Amounts reclassified from accumulated other comprehensive income	(12.9)	) —	(12.9)
Net current period other comprehensive (income) loss	(2.4)) 0.1	(2.3)
Balance as of September 30, 2015	\$39.5	\$(12.9)) \$26.6

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

A summary of reclassifications out of accumulated other comprehensive loss (income) for the three and nine months ended September 30, 2015 and 2014 follows:

Details about Accumulated Other Comprehensive Loss (Income) Components	Three Months Ended September 30, 2015		September 30, 2014		Nine Months Ended September 30, 2015		September 30, 2014		Affected Line Item in the Statement where Net Income is Presented
	Amount Reclassified from Accumulated Other Comprehensive Loss (Income)				Amount Reclassified from Accumulated Other Comprehensive Loss (Income)				
Gain (loss) on cash flow hedges:									
Fuel hedges	\$(7.5	)	\$0.2		\$(19.4	)	\$2.2		Cost of operations
Interest rate contracts	(0.7	)	(0.7	)	(2.0	)	(2.0	)	Interest expense
	(8.2	)	(0.5	)	(21.4	)	0.2		Total before tax
	3.2		0.2		8.5		(0.1	)	Tax benefit (expense)
Total (loss) gain reclassified into earnings	\$(5.0	)	\$(0.3	)	\$(12.9	)	\$0.1		Net of tax

12. FINANCIAL INSTRUMENTS

Fuel Hedges

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

The following table summarizes our outstanding fuel hedges as of September 30, 2015:

Year	Gallons Hedged	Weighted Average Contract Price per Gallon
2015	6,750,000	\$3.76
2016	27,000,000	3.57
2017	12,000,000	2.92

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

The fair values of our fuel hedges are determined using standard option valuation models with assumptions about commodity prices based on those observed in underlying markets (Level 2 in the fair value hierarchy). The aggregate fair values of our outstanding fuel hedges as of September 30, 2015 and December 31, 2014 were current liabilities of \$33.5 million and \$34.4 million, respectively, and have been recorded in other accrued liabilities in our consolidated balance sheets. The ineffective portions of the changes in fair values resulted in a loss of \$0.2 million and \$0.3 million for the three and nine months ended September 30, 2015, respectively, and a loss of \$0.1 million for each of the three and nine months ended September 30, 2014, and have been recorded in other (expense) income, net in our consolidated statements of income.

Total (loss) gain recognized in other comprehensive (loss) income for fuel hedges (the effective portion) was \$(5.3) million and \$(7.1) million for the three months ended September 30, 2015 and 2014, respectively, and \$0.5 million and \$(6.6) million for the nine months ended September 30, 2015 and 2014, respectively. We classify cash inflows and outflows from our fuel hedges within operating activities in the Consolidated Statements of Cash Flows.

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REPUBLIC SERVICES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Recycling Commodity Hedges

Revenue from the sale of recycled commodities is primarily from sales of old corrugated cardboard and old newspaper. From time to time 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 had no outstanding recycling commodity hedges as of September 30, 2015 and December 31, 2014. No amounts were recognized in other income, net in our consolidated statements of income for the ineffective portion of the changes in fair values during the three and nine months ended September 30, 2015 and 2014. Total (loss) gain recognized in other comprehensive income for recycling commodity hedges (the effective portion) was less than \$(0.1) million and \$0.2 million for the three and nine months ended September 30, 2014, respectively.

Fair Value Measurements

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

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

As of September 30, 2015 and December 31, 2014, our assets and liabilities that are measured at fair value on a recurring basis include the following:

	Carrying Amount	Fair Value Measurements Using			
		Total as of September 30, 2015	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:					
Money market mutual funds	\$49.3	\$49.3	\$49.3	\$—	\$—
Bonds - restricted cash and marketable securities and other assets	58.9	58.9	—	58.9	—
Interest rate swaps - other assets	21.5	21.5	—	21.5	—
Total assets	\$129.7	\$129.7	\$49.3	\$80.4	\$—
Liabilities:					
Fuel hedges - other accrued liabilities	\$33.5	\$33.5	\$—	\$33.5	\$—
Total debt	7,561.0	8,240.5	—	8,240.5	—
Contingent consideration - other long-term liabilities	75.3	75.3	—	—	75.3
Total liabilities	\$7,669.8	\$8,349.3	\$—	\$8,274.0	\$75.3

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REPUBLIC SERVICES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

	Carrying Amount	Fair Value Measurements Using			
		Total as of December 31, 2014	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:					
Money market mutual funds	\$59.7	\$59.7	\$59.7	\$—	\$—
Bonds - restricted cash and marketable securities and other assets	56.8	56.8	—	56.8	—
Interest rate swaps - other assets	14.1	14.1	—	14.1	—
Total assets	\$130.6	\$130.6	\$59.7	\$70.9	\$—
Liabilities:					
Fuel hedges - other accrued liabilities	\$34.4	\$34.4	\$—	\$34.4	\$—
Total debt	7,061.2	7,977.9	—	7,977.9	—
Total liabilities	\$7,095.6	\$8,012.3	\$—	\$8,012.3	\$—
Total Debt					

The fair value of our fixed rate senior notes and debentures was \$7.0 billion and \$6.8 billion as of September 30, 2015 and December 31, 2014, respectively, and is based on quoted market prices. The carrying value of these notes and debentures was \$6.4 billion and \$5.9 billion as of September 30, 2015 and December 31, 2014, respectively. The carrying amounts of our remaining notes payable and tax-exempt financings approximate fair value because interest rates are variable and, accordingly, approximate current market rates for instruments with similar risk and maturities. See Note 7, Debt, for further information related to our debt.

Contingent Consideration

In April 2015, we entered into a waste management contract with Sonoma to operate the county's waste management facilities. See Note 2, Business Acquisitions, for further information related to our acquisition. The fair value of contingent consideration was estimated by applying the income approach and was recorded as a \$75.3 million liability as of the acquisition date. That measure is based on significant inputs that are not observable in the market. Key assumptions include volume of annual tons disposed at the landfill and discount rates that represent the best estimates of management, which are subject to remeasurement at each reporting date.

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REPUBLIC SERVICES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

13. SEGMENT REPORTING

We manage and evaluate our operations through three regions: East, Central and West. These three regions are presented below as our reportable segments, which provide integrated waste management services consisting of collection, transfer, recycling, E&P waste services and disposal of non-hazardous solid waste.

Summarized financial information concerning our reportable segments for the three and nine months ended September 30, 2015 and 2014 follows:

	Gross Revenue	Intercompany Revenue	Net Revenue	Depreciation, Amortization, Depletion and Accretion	Operating Income (Loss)	Capital Expenditures	Total Assets
Three Months Ended September 30, 2015							
East	\$752.0	\$(105.4)	) \$646.6	\$68.3	\$116.4	\$53.2	\$4,477.6
Central	864.7	(166.2)	) 698.5	86.8	137.4	73.6	5,780.4
West	1,171.7	(214.9)	) 956.8	101.9	209.8	87.4	8,997.8
Corporate entities	45.5	(3.4)	) 42.1	9.8	(20.7)	) 18.5	1,536.0
Total	\$2,833.9	\$(489.9)	) \$2,344.0	\$266.8	\$442.9	\$232.7	\$20,791.8
Three Months Ended September 30, 2014							
East	\$748.1	\$(105.2)	) \$642.9	\$69.1	\$109.7	\$78.5	\$4,550.4
Central	852.2	(164.5)	) 687.7	83.8	135.1	85.4	5,852.3
West	1,092.8	(199.7)	) 893.1	91.3	207.3	85.7	8,280.6
Corporate entities	47.9	(3.7)	) 44.2	10.9	(69.7)	) (39.4)	) 1,303.7
Total	\$2,741.0	\$(473.1)	) \$2,267.9	\$255.1	\$382.4	\$210.2	\$19,987.0
	Gross Revenue	Intercompany Revenue	Net Revenue	Depreciation, Amortization, Depletion and Accretion	Operating Income (Loss)	Capital Expenditures	Total Assets
Nine Months Ended September 30, 2015							
East	\$2,196.6	\$(303.4)	) \$1,893.2	\$202.8	\$361.9	\$135.9	\$4,477.6
Central	2,484.8	(472.1)	) 2,012.7	250.0	400.2	177.4	5,780.4
West	3,430.7	(633.8)	) 2,796.9	301.4	623.4	272.1	8,997.8
Corporate entities	131.9	(9.9)	) 122.0	31.3	(180.6)	) 146.6	1,536.0
Total	\$8,244.0	\$(1,419.2)	) \$6,824.8	\$785.5	\$1,204.9	\$732.0	\$20,791.8
Nine Months Ended September 30, 2014							
East	\$2,177.4	\$(305.8)	) \$1,871.6	\$201.4	\$323.1	\$177.4	\$4,550.4
Central	2,431.5	(463.1)	) 1,968.4	241.5	364.0	225.4	5,852.3
West	3,186.1	(584.9)	) 2,601.2	262.3	612.3	227.5	8,280.6
Corporate entities	143.7	(10.7)	) 133.0	32.2	(232.7)	) 52.8	1,303.7
Total	\$7,938.7	\$(1,364.5)	) \$6,574.2	\$737.4	\$1,066.7	\$683.1	\$19,987.0

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

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REPUBLIC SERVICES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

The following table shows our total reported revenue by service line for the three and nine months ended September 30, 2015 and 2014 (in millions of dollars and as a percentage of revenue):

	Three Months Ended September 30,				Nine Months Ended September 30,				
	2015		2014		2015		2014		
Collection:									
Residential	\$564.9	24.1	% \$551.9	24.4	% \$1,682.4	24.7	% \$1,639.4	25.0	%
Commercial	704.2	30.0	685.8	30.2	2,098.1	30.7	2,027.1	30.8	
Industrial	497.5	21.2	471.5	20.8	1,413.0	20.7	1,329.0	20.2	
Other	10.7	0.5	9.3	0.4	29.3	0.4	27.7	0.4	
Total collection	1,777.3	75.8	1,718.5	75.8	5,222.8	76.5	5,023.2	76.4	
Transfer	289.2		279.1		831.7		793.0		
Less: intercompany	(174.9	)	(169.6	)	(510.2	)	(486.9)	
Transfer, net	114.3	4.9	109.5	4.8	321.5	4.7	306.1	4.7	
Landfill	536.6		529.4		1,524.5		1,484.7		
Less: intercompany	(246.4	)	(243.4	)	(714.3	)	(698.9)	
Landfill, net	290.2	12.4	286.0	12.6	810.2	11.9	785.8	12.0	
E&P waste services	22.0	0.9	10.4	0.5	72.8	1.1	29.3	0.4	
Other:									
Sale of recycled commodities	99.4	4.2	101.6	4.5	277.7	4.1	307.7	4.7	
Other non-core	40.8	1.8	41.9	1.8	119.8	1.7	122.1	1.8	
Total other	140.2	6.0	143.5	6.3	397.5	5.8	429.8	6.5	
Total revenue	\$2,344.0	100.0	% \$2,267.9	100.0	% \$6,824.8	100.0	% \$6,574.2	100.0	%

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

14. COMMITMENTS AND CONTINGENCIES

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 may result in fines, penalties or judgments against us, which may impact earnings and cash flows for a particular period. Although we cannot predict the ultimate outcome of any legal matter with certainty, we do not believe the outcome of any 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 insured employee health care costs, are discussed in Note 5, Other Liabilities; and (2) environmental remediation liabilities, which are discussed in Note 6, Landfill and Environmental Costs.

We accrue for legal proceedings when losses become probable and reasonably estimable. We have recorded an aggregate accrual of approximately \$61.3 million relating to our outstanding legal proceedings as of September 30, 2015. 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 can reasonably estimate a range of losses we may incur regarding such a matter, we record an accrual for the amount within the range that constitutes our best estimate. If we can reasonably estimate a range but no amount within the range appears to be a better estimate than any other, we use the

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REPUBLIC SERVICES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

amount that is the low end of such range. If we had used the high ends of such ranges, our aggregate potential liability would be approximately \$63 million higher than the amount recorded as of September 30, 2015.

Multiemployer Pension Plans

We contribute to 27 multiemployer pension plans under collective bargaining agreements (CBAs) covering union-represented employees. These plans generally provide retirement benefits to participants based on their service to contributing employers. We do not administer these plans.

Under current law regarding multiemployer pension plans, a plan's termination, and any termination of an employer's obligation to make contributions, including our voluntary withdrawal (which we consider from time to time) or the mass withdrawal of all contributing employers from any under-funded multiemployer pension plan (each, a Withdrawal Event) would require us to make payments to the plan for our proportionate share of the plan's unfunded vested liabilities. During the course of operating our business, we incur Withdrawal Events regarding certain of our multiemployer pension plans. We accrue for such events when losses become probable and reasonably estimable.

Central States, Southeast and Southwest Areas Pension Fund

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

As of September 30, 2015, our estimated liability recorded for our withdrawal from the Fund was \$141.6 million. We anticipate this liability will be due in installments over a period of 20 years. Our estimated withdrawal liability is based on information provided to us by the Fund, our actuarial calculations and a number of other variable factors, including the number of 2013 contribution based units. As we obtain updated information from the Fund, the factors used in deriving our estimated withdrawal liability are subject to change. Future changes in our estimated withdrawal liability or timing of payments could have a material adverse effect on our consolidated financial position, results of operations and cash flows.

In April 2014, we submitted to the Fund a request for review and an information request for supporting documentation surrounding the Fund's calculation and assessment of withdrawal liability. In September 2014, we submitted a formal demand for arbitration. The dispute is in arbitration with a hearing not expected until 2016. We cannot predict the outcome of arbitration or any additional future proceedings. Should the Fund's assessment of withdrawal liability be upheld, we could owe an additional \$67 million in cash payments over the 20-year payment period. The pendency of arbitration does not relieve us of our obligation to make progress payments while we dispute the amounts. We make progress payments associated with the Fund's assessed withdrawal liability totaling approximately \$4 million each quarter. To date, we have made progress payments totaling \$27.8 million.

For additional discussion and detail regarding multiemployer pension plans, see Note 11, Employee Benefit Plans, to our consolidated financial statements in Item 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

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REPUBLIC SERVICES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Restricted Cash and Marketable Securities

Our restricted cash and marketable securities include, among other things, restricted cash and marketable securities held for capital expenditures under certain debt facilities, restricted cash pursuant to a holdback arrangement, restricted cash and marketable securities pledged to regulatory agencies and governmental entities as financial guarantees of our performance related to our final capping, closure and post-closure obligations at our landfills, and restricted cash and marketable securities related to our insurance obligations. The following table summarizes our restricted cash and marketable securities as of September 30, 2015 and December 31, 2014:

	2015	2014
Financing proceeds	\$8.9	\$20.9
Holdback escrow	16.8	16.8
Capping, closure and post-closure obligations	27.2	26.7
Insurance	53.4	50.4
Other	0.9	0.8
Total restricted cash and marketable securities	\$107.2	\$115.6

Off-Balance Sheet Arrangements

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

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ITEM MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

You should read the following discussion in conjunction with the unaudited consolidated financial statements and notes thereto included under Item 1. In addition, you should refer to our audited consolidated financial statements and notes thereto and related Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Overview

We are the second largest provider of non-hazardous solid waste collection, transfer, recycling, disposal and oilfield exploration and production (E&P) waste services in the United States, as measured by revenue. As of September 30, 2015, we operate facilities in 41 states and Puerto Rico. We provide non-hazardous solid waste collection services for commercial, industrial, municipal and residential customers through 340 collection operations. We own or operate 201 transfer stations, 193 active landfills, 67 recycling centers, 4 treatment, recovery and disposal facilities, and 12 salt water disposal wells. We also operate 69 landfill gas and renewable energy projects and have post-closure responsibility for 125 closed landfills.

Revenue for the nine months ended September 30, 2015 increased by 3.8% to \$6,824.8 million compared to \$6,574.2 million for the same period in 2014. This change in revenue is due to increases in average yield of 2.4%, volume of 1.2%, and acquisitions, net of divestitures of 2.3%, partially offset by decreases in fuel recovery fees of 1.3% and recycled commodities of 0.8%.

The following table summarizes our revenue, costs and expenses for the three and nine months ended September 30, 2015 and 2014 (in millions of dollars and as a percentage of revenue):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2015	2014	%	2015	2014	%
Revenue	\$2,344.0	\$2,267.9	100.0 %	\$6,824.8	\$6,574.2	100.0 %
Expenses:						
Cost of operations	1,390.2	1,401.1	59.3 %	4,114.9	4,102.7	60.3 %
Depreciation, amortization and depletion of property and equipment	229.2	218.6	9.8 %	672.4	628.5	9.9 %
Amortization of other intangible assets and other assets	17.9	17.0	0.8 %	53.9	50.5	0.8 %
Accretion	19.7	19.5	0.8 %	59.2	58.4	0.9 %
Selling, general and administrative	244.1	229.0	10.4 %	719.5	663.8	10.5 %
Negotiation and withdrawal costs - Central States	—	0.3	— %	—	1.8	— %
Pension and Other Funds	—	—	— %	—	—	— %
Restructuring charges	—	—	— %	—	1.8	— %
Operating income	\$442.9	\$382.4	18.9 %	\$1,204.9	\$1,066.7	17.6 %

Our pre-tax income was \$350.8 million and \$934.0 million for the three and nine months ended September 30, 2015, respectively, compared to \$295.4 million and \$806.3 million for the same periods in 2014, respectively. Our net income attributable to Republic Services, Inc. was \$215.0 million and \$577.7 million for the three and nine months

ended September 30, 2015, or \$0.61 and \$1.64 per diluted share, respectively, compared to \$185.8 million and \$497.3 million, or \$0.52 and \$1.39 per diluted share for the same periods in 2014, respectively.

During each of the three and nine months ended September 30, we recorded a number of charges, other expenses and benefits that impacted our pre-tax income, net income attributable to Republic Services, Inc. (net income – Republic) and diluted earnings per share as noted in the following table (in millions, except per share data). Additionally, see our “Cost of

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Operations,” “Selling, General and Administrative Expenses” and “Income Taxes” discussions contained in the Results of Operations section of this Management's Discussion and Analysis of Financial Condition and Results of Operations for a discussion of other items that impacted our earnings during the three and nine months ended September 30, 2015 and 2014.

	Three Months Ended September 30, 2015			Three Months Ended September 30, 2014		
	Pre-tax Income	Net Income - Republic	Diluted Earnings per Share	Pre-tax Income	Net Income - Republic	Diluted Earnings per Share
As reported	\$350.8	\$215.0	\$0.61	\$295.4	\$185.8	\$0.52
Bridgeton insurance recovery	(50.0)	(30.3)	(0.08)	—	—	—
Negotiation and withdrawal costs - Central States Pension and Other Funds	—	—	—	0.3	0.2	0.00
Total adjustments	(50.0)	(30.3)	(0.08)	0.3	0.2	0.00
As adjusted	\$300.8	\$184.7	\$0.53	\$295.7	\$186.0	\$0.52
	Nine Months Ended September 30, 2015			Nine Months Ended September 30, 2014		
	Pre-tax Income	Net Income - Republic	Diluted Earnings per Share ⁽²⁾	Pre-tax Income	Net Income - Republic	Diluted Earnings per Share
As reported	\$934.0	\$577.7	\$1.64	\$806.3	\$497.3	\$1.39
Bridgeton (insurance recovery) / remediation charge	(50.0)	(30.3)	(0.08)	36.1	21.8	0.06
Negotiation and withdrawal costs - Central States Pension and Other Funds ⁽¹⁾	—	—	—	1.8	1.1	0.00
Restructuring charges ⁽¹⁾	—	—	—	1.8	1.0	0.00
Loss on extinguishment of debt ⁽¹⁾	—	—	—	1.4	0.9	0.00
Total adjustments	(50.0)	(30.3)	(0.08)	41.1	24.8	0.07
As adjusted	\$884.0	\$547.4	\$1.55	\$847.4	\$522.1	\$1.46

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

(2) Line items in this column do not total to \$1.55 per share due to rounding.

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

Bridgeton (insurance recovery) / remediation charge. In September 2015, we entered into an agreement with respect to an insurance recovery of \$50.0 million related to our closed Bridgeton Landfill in Missouri. As such, we recorded a

reduction of remediation expenses included in our cost of operations for the three and nine months ended September 30, 2015. During the first quarter of 2014, we recorded a charge to earnings of \$36.1 million, primarily related to the design and construction of a leachate management facility at our Bridgeton Landfill.

Negotiation and withdrawal costs - Central States Pension and Other Funds. During the three and nine months ended September 30, 2014, we recorded charges to earnings of \$0.3 million and \$1.8 million, respectively, primarily related to costs associated with our 2013 withdrawal from the Central States, Southeast and Southwest Areas Pension Fund (the Fund).

Restructuring charges. During the fourth quarter of 2012, we announced a restructuring of our field and corporate operations to create a more efficient and competitive company. These changes included consolidating our field regions from four to three

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and our areas from 28 to 20, relocating office space, and reducing administrative staffing levels. During the nine months ended September 30, 2014, we incurred costs of \$1.8 million due to a change in the estimate of amounts recoverable from sublet income associated with abandoned office space with non-cancellable lease terms.

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

Recent Developments

Updated 2015 Financial Guidance and Fiscal Year 2016 Preliminary Outlook

We are not changing our 2015 adjusted diluted earnings per share guidance. Our 2015 presentation has been updated to exclude the favorable impact of an insurance recovery related to our closed Bridgeton Landfill in Missouri. The following is a summary of anticipated adjusted diluted earnings per share for the year ending December 31, 2015, which is not a measure determined in accordance with U.S. GAAP:

	(Anticipated)
	Year Ending
	December 31, 2015
Diluted earnings per share	\$2.10 - \$2.13
Bridgeton insurance recovery	(0.08)
Adjusted diluted earnings per share	\$2.02 - \$2.05

We believe that presenting adjusted diluted earnings per share, which excludes Bridgeton remediation recoveries, provides an understanding of operational activities before the financial impact of certain items. We use this measure, and believe investors will find it helpful, in understanding the ongoing performance of our operations separate from items that have a disproportionate impact on our results for a particular period. We have incurred comparable benefits in prior periods, and similar types of adjustments can reasonably be expected to be recorded in future periods. Our definition of adjusted diluted earnings per share may not be comparable to similarly titled measures presented by other companies.

We are also providing our preliminary outlook for 2016. This does not represent full detailed guidance, but rather a point-in-time estimate based on current projections of 2015 performance, early reviews of the 2016 budget process and current economic conditions. Consistent with prior practice, we will provide formal guidance in February 2016 once the budget process is complete and full year 2015 results are reported. Diluted earnings per share is expected to be in a range of \$2.13 to \$2.17, which incorporates a \$0.03 tax impact from an expected increase in our effective tax rate to 39.5%.

Share Repurchase Authorization

In October 2015, our board of directors added \$900.0 million to the existing share repurchase authorization. Before this, \$67.0 million remained under the prior authorization. The total authorization is now \$967.0 million through December 31, 2017. Share repurchases under the program may be made through open market purchases or privately negotiated transactions in accordance with applicable federal securities laws. While the board of directors has approved the share repurchase program, the timing of any purchases, the prices and the number of shares of common stock to be purchased will be determined by our management, at its discretion, and will depend upon market conditions and other factors. The program may be extended, suspended or discontinued at any time.

Results of Operations

Revenue

We generate revenue primarily from our solid waste collection operations. Our remaining revenue is from other services, including transfer station services, landfill disposal, recycling, and E&P waste services. Our residential and commercial collection operations in some markets are based on long-term contracts with municipalities. Certain of our municipal contracts have annual price escalation clauses that are tied to changes in an underlying base index such as the consumer price index. We generally provide commercial and industrial collection services to customers under contracts with terms up to three years. Our transfer stations, landfills and, to a lesser extent, our recycling facilities generate revenue from disposal or tipping fees charged to third parties. In general, we integrate our recycling operations with our collection operations and obtain revenue from the sale of recycled commodities. Our revenue from

E&P waste services consists mainly of fees we charge for the treatment of liquid and solid waste derived from the production of oil and natural gas. Other non-core revenue consists primarily of revenue from National Accounts, which represents the portion of revenue generated from nationwide contracts in markets outside our

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operating areas where the associated waste handling services are subcontracted to local operators. Consequently, substantially all of this revenue is offset with related subcontract costs, which are recorded in cost of operations. The following table reflects our revenue by service line for the three and nine months ended September 30, 2015 and 2014 (in millions of dollars and as a percentage of revenue):

	Three Months Ended September 30,				Nine Months Ended September 30,							
	2015		2014		2015		2014					
Collection:												
Residential	\$564.9	24.1	%	\$551.9	24.4	%	\$1,682.4	24.7	%	\$1,639.4	25.0	%
Commercial	704.2	30.0		685.8	30.2		2,098.1	30.7		2,027.1	30.8	
Industrial	497.5	21.2		471.5	20.8		1,413.0	20.7		1,329.0	20.2	
Other	10.7	0.5		9.3	0.4		29.3	0.4		27.7	0.4	
Total collection	1,777.3	75.8		1,718.5	75.8		5,222.8	76.5		5,023.2	76.4	
Transfer	289.2			279.1			831.7			793.0		
Less: intercompany	(174.9	)		(169.6	)		(510.2	)		(486.9)	
Transfer, net	114.3	4.9		109.5	4.8		321.5	4.7		306.1	4.7	
Landfill	536.6			529.4			1,524.5			1,484.7		
Less: intercompany	(246.4	)		(243.4	)		(714.3	)		(698.9)	
Landfill, net	290.2	12.4		286.0	12.6		810.2	11.9		785.8	12.0	
E&P waste services	22.0	0.9		10.4	0.5		72.8	1.1		29.3	0.4	
Other:												
Sale of recycled commodities	99.4	4.2		101.6	4.5		277.7	4.1		307.7	4.7	
Other non-core	40.8	1.8		41.9	1.8		119.8	1.7		122.1	1.8	
Total other	140.2	6.0		143.5	6.3		397.5	5.8		429.8	6.5	
Total revenue	\$2,344.0	100.0	%	\$2,267.9	100.0	%	\$6,824.8	100.0	%	\$6,574.2	100.0	%

The following table reflects changes in components of our revenue, as a percentage of total revenue, for the three and nine months ended September 30, 2015 and 2014:

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2015	2014	2015	2014	
Average yield	2.5	% 1.4	% 2.4	% 1.3	%
Fuel recovery fees	(1.5	) 0.2	(1.3	) 0.2	
Total price	1.0	1.6	1.1	1.5	
Volume	0.6	2.1	1.2	2.1	
Recycled commodities	(0.6	) 0.2	(0.8	) 0.4	
Total internal growth	1.0	3.9	1.5	4.0	
Acquisitions / divestitures, net	2.4	0.7	2.3	0.6	
Total	3.4	% 4.6	% 3.8	% 4.6	%
Core price	3.6	% 3.0	% 3.6	% 3.1	%

Average yield is defined as revenue growth from the change in average price per unit of service, expressed as a percentage. Core price is defined as price increases to our customers and fees, excluding fuel recovery, net of price decreases to retain customers. We measure changes in average yield and core price as a percentage of related-business revenue, defined as total revenue excluding recycled commodities and fuel recovery fees, to determine the effectiveness of our pricing strategies. Average yield as a percentage of related-business revenue was 2.8% and 2.6% for the three and nine months ended September 30, 2015, respectively, and 1.5% and 1.4% for the same periods in

2014, respectively. Core price as a percentage of related-business revenue was 4.0% for each of the three and nine months ended September 30, 2015, and 3.2% and 3.4% for the same periods in 2014, respectively.

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During the three and nine months ended September 30, 2015, we experienced the following changes in our revenue as compared to the same periods in 2014:

- Average yield increased revenue by 2.5% and 2.4% during the three and nine months ended September 30, 2015, respectively, due to positive pricing in all lines of business.

- The fuel recovery fee program, which mitigates our exposure to increases in fuel prices, decreased revenue by 1.5% and 1.3% during the three and nine months ended September 30, 2015, respectively. These fees fluctuate with the price of fuel and, consequently, any decrease in fuel prices results in a decrease in our revenue. Lower fuel recovery fees for the three and nine months ended September 30, 2015 resulted primarily from the decrease in fuel prices. During the three and nine months ended September 30, 2015, we were able to recover approximately 71% and 75%, respectively, of our direct fuel expenses with fuel recovery fees, compared to approximately 78% and 75% for the same periods in 2014, respectively.

- Volume increased revenue by 0.6% during the three months ended September 30, 2015, due to volume growth in our industrial and residential collection lines of business, partially offset by a decline in volume in our transfer station and landfill lines of business due to lower E&P and special waste volumes. During the nine months ended September 30, 2015, volume increased revenue by 1.2% due to volume growth in all lines of business. The volume increase in our landfill line of business is primarily attributable to increased municipal solid waste and construction and demolition volumes, partially offset by a decline in E&P waste volume.

Recycled commodities decreased revenue by 0.6% and 0.8% during the three and nine months ended September 30, 2015, respectively, primarily due to lower commodity prices, partially offset by an increase in production volumes. The average price for old corrugated cardboard for the three and nine months ended September 30, 2015 was \$111 and \$102 per ton, respectively, compared to \$112 and \$119 per ton for the same periods in 2014, respectively. The average price of old newspaper for the three and nine months ended September 30, 2015 was \$84 and \$81 per ton, respectively, compared to \$89 per ton for each of the same periods in 2014. Our processed recycled commodity volume for the three and nine months ended September 30, 2015 of 0.7 million tons sold and 1.9 million tons sold, respectively, was approximately 20% and 10% higher than the volume in the same periods in 2014, respectively, primarily due to acquisitions of recycling facilities.

Changing market demand for recycled commodities causes volatility in commodity prices. At current volumes and mix of materials, we believe a \$10 per ton change in the price of recycled commodities will change annual revenue and operating income by approximately \$28 million and \$16 million, respectively.

- Acquisitions increased revenue by 2.4% and 2.3% during the three and nine months ended September 30, 2015, respectively, primarily due to the acquisitions of Rainbow Disposal Co., Inc. in October 2014, Tervita, LLC (Tervita) in February 2015, and our waste management contract with the County of Sonoma, California that was executed in April 2015.

Cost of Operations

Cost of operations includes labor and related benefits, which consist of salaries and wages, health and welfare benefits, incentive compensation and payroll taxes. It also includes transfer and disposal costs representing tipping fees paid to third-party disposal facilities and transfer stations; maintenance and repairs relating to our vehicles, equipment and containers, including related labor and benefit costs; transportation and subcontractor costs, which include costs for independent haulers that transport our waste to disposal facilities and costs for local operators who provide waste handling services associated with our National Accounts in markets outside our standard operating areas; fuel, which includes the direct cost of fuel used by our vehicles, net of fuel tax credits; disposal franchise fees and taxes, consisting of landfill taxes, municipal franchise fees, host community fees and royalties; landfill operating costs, which include financial assurance, leachate disposal, remediation charges and other landfill maintenance costs; risk management, which includes casualty insurance premiums and claims; cost of goods sold, which includes material costs paid to suppliers associated with recycled commodities; and other, which includes expenses such as facility operating costs, equipment rent and gains or losses on sale of assets used in our operations.

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The following table summarizes the major components of our cost of operations for the three and nine months ended September 30, 2015 and 2014 (in millions of dollars and as a percentage of revenue):

	Three Months Ended September 30,			Nine Months Ended September 30,	
	2015		2014	2015	2014
Labor and related benefits	\$475.5	20.3 %	\$437.7	19.3	