

CLEAN HARBORS INC  
Form 10-Q  
August 09, 2010  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

---

**FORM 10-Q**

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

**FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2010**

**OR**

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

**FOR THE TRANSTION PERIOD FROM        TO**

**Commission File Number 001-34223**

---

**CLEAN HARBORS, INC.**

(Exact name of registrant as specified in its charter)

Edgar Filing: CLEAN HARBORS INC - Form 10-Q

**Massachusetts**  
(State of Incorporation)

**04-2997780**  
(IRS Employer Identification No.)

**42 Longwater Drive, Norwell, MA**  
(Address of Principal Executive Offices)

**02061-9149**  
(Zip Code)

**(781) 792-5000**

(Registrant's Telephone Number, Including area code)

---

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 twelve months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

**Common Stock, \$.01 par value**  
(Class)

**26,317,521**  
(Outstanding at August 4, 2010)

---

Table of Contents

CLEAN HARBORS, INC.

QUARTERLY REPORT ON FORM 10-Q

TABLE OF CONTENTS

|   | Page No. |
|---|----------|
| <b>PART I: FINANCIAL INFORMATION</b>  |          |
| <b>ITEM 1: Unaudited Financial Statements</b>   |          |
| <u>Consolidated Balance Sheets</u>  | 1        |
| <u>Unaudited Consolidated Statements of Income</u>  | 3        |
| <u>Unaudited Consolidated Statements of Cash Flows</u>  | 4        |
| <u>Unaudited Consolidated Statements of Stockholders' Equity</u>  | 5        |
| <u>Notes to Unaudited Consolidated Financial Statements</u>   | 6        |
| <b><u>ITEM 2: Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b> | 22       |
| <b><u>ITEM 3: Quantitative and Qualitative Disclosures About Market Risk</u></b>                            | 32       |
| <b><u>ITEM 4: Controls and Procedures</u></b>   | 33       |
| <b><u>PART II: OTHER INFORMATION</u></b>  |          |
| <b><u>Items No. 1 through 6</u></b>   | 34       |
| <b><u>Signatures</u></b>  | 35       |

---

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

## ASSETS

(in thousands)

|   | June 30,<br>2010<br>(unaudited) | December 31,<br>2009 |
|---|---------------------------------|----------------------|
| Current assets:   |                                 |                      |
| Cash and cash equivalents   | \$ 295,300                      | \$ 233,546           |
| Marketable securities   | 1,331                           | 2,072                |
| Accounts receivable, net of allowances aggregating \$17,194 and \$8,255, respectively                 | 337,636                         | 274,918              |
| Unbilled accounts receivable  | 31,951                          | 12,331               |
| Deferred costs  | 6,844                           | 5,192                |
| Prepaid expenses and other current assets   | 18,708                          | 18,348               |
| Supplies inventories  | 40,962                          | 41,417               |
| Deferred tax assets   | 18,748                          | 18,865               |
| Assets held for sale  |                                 | 13,561               |
| Total current assets  | 751,480                         | 620,250              |
| Property, plant and equipment:  |                                 |                      |
| Land  | 29,255                          | 29,294               |
| Asset retirement costs (non-landfill)   | 2,229                           | 1,853                |
| Landfill assets   | 48,849                          | 48,646               |
| Buildings and improvements  | 141,874                         | 141,685              |
| Camp equipment  | 56,775                          | 52,753               |
| Vehicles  | 136,761                         | 120,587              |
| Equipment   | 495,484                         | 492,831              |
| Furniture and fixtures  | 1,705                           | 1,695                |
| Construction in progress  | 20,186                          | 14,413               |
|   | 933,118                         | 903,757              |
| Less accumulated depreciation and amortization  | 333,898                         | 313,813              |
| Total property, plant and equipment, net  | 599,220                         | 589,944              |
| Other assets:   |                                 |                      |
| Long-term investments   | 5,315                           | 6,503                |
| Deferred financing costs  | 9,175                           | 10,156               |
| Goodwill  | 56,997                          | 56,085               |
| Permits and other intangibles, net of accumulated amortization of \$54,009 and \$48,981, respectively | 113,737                         | 114,188              |
| Other   | 8,304                           | 3,942                |
| Total other assets  | 193,528                         | 190,874              |
| Total assets  | \$ 1,544,228                    | \$ 1,401,068         |

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



Table of Contents**CLEAN HARBORS, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS (Continued)****LIABILITIES AND STOCKHOLDERS' EQUITY**

(in thousands)

|   | June 30,<br>2010<br>(unaudited) | December 31,<br>2009 |
|---|---------------------------------|----------------------|
| <b>Current liabilities:</b>   |                                 |                      |
| Current portion of capital lease obligations  | \$ 5,136                        | \$ 1,923             |
| Accounts payable  | 145,672                         | 97,923               |
| Deferred revenue  | 28,090                          | 21,156               |
| Accrued expenses  | 120,644                         | 90,707               |
| Current portion of closure, post-closure and remedial liabilities                                   | 21,308                          | 18,412               |
| Liabilities held for sale   |                                 | 3,199                |
| Total current liabilities   | 320,850                         | 233,320              |
| <b>Other liabilities:</b>   |                                 |                      |
| Closure and post-closure liabilities, less current portion of \$9,069 and \$7,305, respectively     | 27,923                          | 28,505               |
| Remedial liabilities, less current portion of \$12,239 and \$11,107, respectively                   | 128,893                         | 134,379              |
| Long-term obligations   | 292,874                         | 292,433              |
| Capital lease obligations, less current portion   | 11,274                          | 6,915                |
| Unrecognized tax benefits and other long-term liabilities   | 82,250                          | 91,691               |
| Total other liabilities   | 543,214                         | 553,923              |
| <b>Stockholders' equity:</b>  |                                 |                      |
| <b>Common stock, \$.01 par value:</b>   |                                 |                      |
| Authorized 40,000,000 shares; issued and outstanding 26,306,089 and 26,230,803 shares, respectively | 263                             | 262                  |
| Treasury stock  | (2,181)                         | (2,068)              |
| Shares held under employee participation plan   | (1,150)                         | (1,150)              |
| Additional paid-in capital  | 482,377                         | 476,067              |
| Accumulated other comprehensive income  | 18,611                          | 26,829               |
| Accumulated earnings  | 182,244                         | 113,885              |
| Total stockholders' equity  | 680,164                         | 613,825              |
| Total liabilities and stockholders' equity  | \$ 1,544,228                    | \$ 1,401,068         |

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

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(in thousands except per share amounts)

|   | Three Months Ended<br>June 30, |            | Six Months Ended<br>June 30, |            |
|---|--------------------------------|------------|------------------------------|------------|
|   | 2010                           | 2009       | 2010                         | 2009       |
| Revenues  | \$ 471,639                     | \$ 215,337 | \$ 826,535                   | \$ 421,643 |
| Cost of revenues (exclusive of items shown separately below)  | 324,280                        | 146,254    | 584,697                      | 289,767    |
| Selling, general and administrative expenses  | 50,729                         | 37,778     | 96,213                       | 75,147     |
| Accretion of environmental liabilities  | 2,602                          | 2,634      | 5,304                        | 5,284      |
| Depreciation and amortization   | 22,105                         | 12,241     | 44,779                       | 24,302     |
| Income from operations  | 71,923                         | 16,430     | 95,542                       | 27,143     |
| Other income  | 2,708                          | 11         | 3,154                        | 44         |
| Interest expense, net of interest income of \$165 and \$267 for the quarter and year-to-date ending 2010 and \$233 and \$623 for the quarter and year-to-date ending 2009, respectively | (7,646)                        | (1,609)    | (14,574)                     | (2,989)    |
| Income from continuing operations, before provision for income taxes  | 66,985                         | 14,832     | 84,122                       | 24,198     |
| Provision for income taxes  | 11,468                         | 6,208      | 18,557                       | 10,619     |
| Income from continuing operations   | 55,517                         | 8,624      | 65,565                       | 13,579     |
| Income from discontinued operations, net of tax   | 2,412                          |            | 2,794                        |            |
| Net income  | \$ 57,929                      | \$ 8,624   | \$ 68,359                    | \$ 13,579  |
| Earnings per share:   |                                |            |                              |            |
| Basic   | \$ 2.20                        | \$ 0.36    | \$ 2.60                      | \$ 0.57    |
| Diluted   | \$ 2.19                        | \$ 0.36    | \$ 2.59                      | \$ 0.57    |
| Weighted average common shares outstanding  | 26,291                         | 23,777     | 26,271                       | 23,763     |
| Weighted average common shares outstanding plus potentially dilutive common shares  | 26,425                         | 23,889     | 26,398                       | 23,876     |

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

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

|  | Six Months<br>Ended June 30, |           |
|--|------------------------------|-----------|
|  | 2010                         | 2009      |
| Cash flows from operating activities:                                      |                              |           |
| Net income   | \$ 68,359                    | \$ 13,579 |
| Adjustments to reconcile net income to net cash from operating activities: |                              |           |
| Depreciation and amortization  | 44,779                       | 24,302    |
| Allowance for doubtful accounts  | 833                          | 669       |
| Amortization of deferred financing costs and debt discount                 | 1,475                        | 790       |
| Accretion of environmental liabilities                                     | 5,304                        | 5,284     |
| Changes in environmental liability estimates                               | (3,893)                      | (635)     |
| Deferred income taxes  | 388                          | (390)     |
| Stock-based compensation   | 3,107                        | (376)     |
| Excess tax benefit of stock-based compensation                             | (782)                        | (65)      |
| Income tax benefit related to stock option exercises                       | 777                          | 59        |
| Gains on sales of businesses   | (2,678)                      |           |
| Other income   | (3,154)                      | (44)      |
| Environmental expenditures   | (4,717)                      | (4,077)   |
| Changes in assets and liabilities, net of acquisitions                     |                              |           |
| Accounts receivable  | (61,294)                     | 28,109    |
| Other current assets   | (20,868)                     | 4,487     |
| Accounts payable   | 48,411                       | (8,635)   |
| Other current liabilities  | 21,270                       | (14,000)  |
| Net cash from operating activities   | 97,317                       | 49,057    |
| Cash flows from investing activities:                                      |                              |           |
| Additions to property, plant and equipment                                 | (35,490)                     | (33,910)  |
| Acquisitions, net of cash acquired   | (13,751)                     | (6,501)   |
| Costs to obtain or renew permits   | (2,192)                      | (741)     |
| Proceeds from sale of marketable securities                                | 2,575                        |           |
| Proceeds from sales of fixed assets and assets held for sale               | 15,594                       | 138       |
| Proceeds from insurance settlement   | 1,336                        |           |
| Proceeds from sale of long-term investments                                | 1,300                        |           |
| Net cash used in investing activities                                      | (30,628)                     | (41,014)  |
| Cash flows from financing activities:                                      |                              |           |
| Change in uncashed checks  | (3,600)                      | (2,761)   |
| Proceeds from exercise of stock options                                    | 318                          | 137       |
| Remittance of shares, net  | (113)                        | (240)     |
| Proceeds from employee stock purchase plan                                 | 1,187                        | 1,257     |
| Deferred financing costs paid  | (53)                         | (35)      |
| Payments on capital leases   | (1,752)                      | (329)     |
| Payment on acquired debt   |                              | (2,499)   |
| Distribution of cash earned on employee participation plan                 | (148)                        |           |
| Excess tax benefit of stock-based compensation                             | 782                          | 65        |



Edgar Filing: CLEAN HARBORS INC - Form 10-Q

|  |            |            |
|--|------------|------------|
| Net cash used in financing activities          | (3,379)    | (4,405)    |
| Effect of exchange rate change on cash         | (1,556)    | 2,245      |
| Increase in cash and cash equivalents          | 61,754     | 5,883      |
| Cash and cash equivalents, beginning of period | 233,546    | 249,524    |
| Cash and cash equivalents, end of period       | \$ 295,300 | \$ 255,407 |

Supplemental information:

Cash payments for interest and income taxes:

|  |           |          |
|--|-----------|----------|
| Interest paid                                | \$ 13,572 | \$ 2,973 |
| Income taxes paid                            | 10,845    | 4,909    |
| Non-cash investing and financing activities: |           |          |
| Property, plant and equipment accrued        | \$ 4,738  | 4,762    |
| New capital lease additions                  | 9,418     |          |
| Issuance of common stock, net                | 1,015     |          |

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

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(in thousands)

|   | Common Stock<br>Number<br>of<br>Shares | \$ 0.01<br>Par<br>Value | Treasury<br>Stock | Shares Held<br>Under<br>Employee<br>Participation<br>Plan | Additional<br>Paid-in<br>Capital | Comprehensive<br>Income | Accumulated<br>Other<br>Comprehensive<br>Income | Accumulated<br>Earnings | Total<br>Stockholders<br>Equity |
|---|--|-------------------------|-------------------|---|----------------------------------|-------------------------|---|-------------------------|---------------------------------|
| Balance at January 1,<br>2010   | 26,231                                 | \$ 262                  | \$ (2,068)        | \$ (1,150)  | \$ 476,067                       |                         | \$ 26,829                                       | \$ 113,885              | \$ 613,825                      |
| Net income  |  |                         |                   |   |                                  | \$ 68,359               |   | 68,359                  | 68,359                          |
| Change in fair value of<br>available for sale<br>securities, net of taxes |  |                         |                   |   |                                  | (273)                   | (273)   |                         | (273)                           |
| Foreign currency<br>translation   |  |                         |                   |   |                                  | (7,945)                 | (7,945)   |                         | (7,945)                         |
| Comprehensive income  |  |                         |                   |   |                                  | \$ 60,141               |   |                         |                                 |
| Stock-based compensation  | 8                                      |                         |                   |   | 3,014                            |                         |   |                         | 3,014                           |
| Issuance of restricted<br>shares, net of shares<br>remitted               | (2)                                    |                         | (113)             |   |                                  |                         |   |                         | (113)                           |
| Exercise of stock options   | 28                                     | 1                       |                   |   | 317                              |                         |   |                         | 318                             |
| Issuance of common<br>stock, net of issuance<br>costs                     | 16                                     |                         |                   |   | 1,015                            |                         |   |                         | 1,015                           |
| Net tax benefit on exercise<br>of stock options                           |  |                         |                   |   | 777                              |                         |   |                         | 777                             |
| Employee stock purchase<br>plan   | 25                                     |                         |                   |   | 1,187                            |                         |   |                         | 1,187                           |
| Balance at June 30, 2010  | 26,306                                 | \$ 263                  | \$ (2,181)        | \$ (1,150)  | \$ 482,377                       |                         | \$ 18,611                                       | \$ 182,244              | \$ 680,164                      |

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

Table of Contents

**CLEAN HARBORS, INC. AND SUBSIDIARIES**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**(1) BASIS OF PRESENTATION**

The accompanying consolidated interim financial statements include the accounts of Clean Harbors, Inc. and its subsidiaries (collectively, "Clean Harbors" or the "Company") and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") and, in the opinion of management, include all adjustments which, except as described elsewhere herein, are of a normal recurring nature, necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. The results for interim periods are not necessarily indicative of results for the entire year. The financial statements presented herein should be read in connection with the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

In connection with the July 2009 acquisition of Eveready Inc. ("Eveready"), the Company re-aligned and expanded its reportable operating segments. Under the new structure, the Company's operations are managed in four segments: Technical Services, Field Services, Industrial Services and Exploration Services. During the quarter ended March 31, 2010, the Company made further changes to the composition of its reportable segments. These changes consisted primarily of re-assigning certain departments from the Field Services segment to the Industrial Services segment to align with management reporting changes. The Company has recast the segment information for the three- and six-month periods ended June 30, 2009 to conform to the current year presentation. See Note 15, "Segment Reporting."

In preparing the accompanying unaudited consolidated financial statements, the Company has reviewed, as determined necessary by the Company's management, events that have occurred after June 30, 2010, until the issuance of the financial statements.

**(2) SIGNIFICANT ACCOUNTING POLICIES**

*Concentration of Credit Risk*

As a result of the work performed in responding to the Gulf oil spill, as of June 30, 2010, one customer represented greater than 10% of accounts receivable, net of allowances at 13%. At December 31, 2009, no customer represented more than 10% of accounts receivable, net. One customer individually accounted for greater than 10% of net revenues for the three months ended June 30, 2010, at 14%. No single customer accounted for greater than 10% of net revenues for the six months ended June 30, 2010. For the three-and-six month periods ended June 30, 2009, no customers accounted for greater than 10% of net revenues.

*Recent Accounting Pronouncements*

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board and are adopted by the Company as of the specified effective dates. Unless otherwise discussed, management believes that the impact of recently issued accounting pronouncements will not have a material impact on the Company's financial position, results of operations and cash flows, or do not apply to the Company's operations.

### (3) BUSINESS COMBINATIONS

#### *Eveready*

On July 31, 2009, the Company acquired 100% of the outstanding common shares of Eveready, an Alberta corporation headquartered in Edmonton, Alberta. Eveready provides industrial maintenance and production, lodging, and exploration services to the oil and gas, chemical, pulp and paper, manufacturing and power generation industries.

During the three months ended June 30, 2010, the Company finalized the purchase accounting for the acquisition of Eveready. The following table summarizes the recognized amounts of identifiable assets acquired and liabilities assumed at July 31, 2009 (in thousands).

|                                     | <b>July 31, 2009</b><br><b>(As reported at</b><br><b>December 31,</b><br><b>2009)</b> | <b>Measurement</b><br><b>Period</b><br><b>Adjustments</b> | <b>July 31, 2009</b><br><b>(As adjusted)</b> |
|-------------------------------------|---|---|--|
| Current assets(i)(ii)               | \$ 118,034  | \$ 2,417  | \$ 120,451                                   |
| Property, plant and equipment       | 271,752   |   | 271,752                                      |
| Identifiable intangible assets(iii) | 43,200  |   | 43,200                                       |
| Other assets                        | 1,459   |   | 1,459  |
| Current liabilities(ii)             | (40,131)  | 724   | (39,407)                                     |
| Asset retirement obligations        | (70)  |   | (70)   |
| Other liabilities                   | (6,195)   | (576)   | (6,771)                                      |
| Noncontrolling interests(iv)        | (5,484)   |   | (5,484)                                      |
| Total identifiable net assets       | \$ 382,565  | \$ 2,565  | \$ 385,130                                   |
| Goodwill(v)                         | 27,126  | (2,565)   | 24,561                                       |
|                                     | \$ 409,691  | \$  | \$ 409,691                                   |

Table of Contents

---

- (i) The final fair value of the financial assets acquired includes customer receivables with a fair value of \$80.0 million. The gross amount due is \$88.3 million.
  
- (ii) Includes assets and liabilities held for sale of \$12.1 million and \$3.0 million, respectively.
  
- (iii) The intangible assets are being amortized over a weighted average useful life of 8.2 years.
  
- (iv) The fair value of the noncontrolling interests approximate the maximum redemption prices on the date of the acquisition.
  
- (v) Goodwill, which is attributable to assembled workforce and expected operating and cross-selling synergies, is not expected to be deductible for tax purposes. Goodwill of \$12.2 million, \$8.4 million, \$1.4 million and \$2.6 million has been recorded in the Industrial Services, Exploration Services, Field Services and Technical Services segments, respectively.

Revenues attributable to Eveready for the three- and six-month periods ended June 30, 2010 were \$131.6 million and \$273.5 million, respectively.

***Sturgeon***

On April 30, 2010, the Company acquired privately-held Sturgeon & Son Transportation, Inc. ( *Sturgeon* ), a wholly-owned subsidiary of Sturgeon Services International, Inc., for a preliminary purchase price of \$14.8 million which included \$12.5 million in cash, \$1.0 million related to the issuance of 16,000 shares of the Company's common stock, \$0.9 million related to the buyout of operating leases and \$0.4 million of preliminary post-closing adjustments. Headquartered in Bakersfield, California, Sturgeon specializes in hazardous waste removal and transportation, as well as on-site refinery industrial services. The Company anticipates that this acquisition will enhance its growing West Coast presence in a number of vertical markets including oilfield and refinery services. In addition, Sturgeon operates an extensive fleet of specialized equipment that has been added to the Company's existing network of assets in the Western U.S.

The preliminary purchase price is subject to post-closing adjustments based upon the amount by which Sturgeon's net working capital, as of the closing date, was greater or less than \$1.0 million. The Company has recorded \$3.7 million of intangible assets that are being amortized over a weighted average useful life of 10 years and \$3.9 million of goodwill to the Technical Services segment, based on preliminary fair value estimates. The goodwill is expected to be deductible for tax purposes. Acquisition-related costs of \$0.1 million were included in selling, general, and administrative expenses for both the three- and six-month periods ended June 30, 2010, respectively.

**(4) FAIR VALUE MEASUREMENTS**

The Company's financial instruments consist of cash and cash equivalents, marketable securities, receivables, trade payables, auction rate securities and long-term debt. The estimated fair value of cash and cash equivalents, receivables, and trade payables approximate their carrying value due to the short maturity of these instruments. As of June 30, 2010, the Company held certain marketable securities and auction rate securities that are required to be measured at fair value on a recurring basis. The fair value of marketable securities is recorded based on quoted market prices. The auction rate securities are classified as available for sale and the fair value of these securities as of June 30, 2010 was estimated utilizing a discounted cash flow analysis. The discounted cash flow analysis considered, among other items, the collateralization underlying the security investments, the creditworthiness of the counterparty, the timing of expected future cash flows, and the expectation of the next time the security is expected to have a successful auction. The auction rate securities were also compared, when possible, to other observable market data with similar characteristics to the securities held by the Company.

As of June 30, 2010, all of the Company's auction rate securities continue to have AAA underlying ratings. The underlying assets of the Company's auction rate securities are student loans, which are substantially insured by the Federal Family Education Loan Program. In the three-month period ended June 30, 2010, the Company liquidated \$1.3 million in auction rate securities at par. The Company attributes the remaining \$0.4 million decline in the fair value of the securities from the original cost basis to external liquidity issues rather than credit issues. The Company assessed the decline in value to be temporary because the Company does not intend to sell the securities at an amount below the original purchase price value and it is more likely than not that it will not have to sell the securities before their maturity or recovery.

Table of Contents

During the six months ended June 30, 2010, the Company recorded an unrealized pre-tax gain on auction rate securities of \$0.1 million. As of June 30, 2010, the Company continued to earn interest on its auction rate securities according to their stated terms with interest rates resetting generally every 28 days.

The Company's assets measured at fair value on a recurring basis subject to the disclosure requirements at June 30, 2010 and December 31, 2009 were as follows (in thousands):

|                         | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets<br>(Level 1) | Significant Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Balance at<br>June 30,<br>2010 |
|-------------------------|--|--|--|--------------------------------|
| Auction rate securities | \$   | \$   | \$ 5,315   | \$ 5,315                       |
| Marketable securities   | \$ 1,331   | \$   | \$   | \$ 1,331                       |

|                         | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets<br>(Level 1) | Significant Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Balance at<br>December 31,<br>2009 |
|-------------------------|--|--|--|------------------------------------|
| Auction rate securities | \$   | \$   | \$ 6,503   | \$ 6,503                           |
| Marketable securities   | \$ 2,072   | \$   | \$   | \$ 2,072                           |

The following tables present the changes in the Company's auction rate securities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three and six months ended June 30, 2010 and 2009 (in thousands):

|   | Three Months Ended<br>June 30, |          |
|---|--------------------------------|----------|
|   | 2010                           | 2009     |
| Balance at April 1,   | \$ 6,503                       | \$ 6,312 |
| Sale of auction rate securities                               | (1,300)                        |          |
| Total unrealized gains included in other comprehensive income | 112                            | 171      |
| Balance at June 30,   | \$ 5,315                       | \$ 6,483 |

|   | Six Months Ended<br>June 30, |          |
|---|------------------------------|----------|
|   | 2010                         | 2009     |
| Balance at January 1,   | \$ 6,503                     | \$ 6,237 |
| Sale of auction rate securities                               | (1,300)                      |          |
| Total unrealized gains included in other comprehensive income | 112                          | 246      |
| Balance at June 30,   | \$ 5,315                     | \$ 6,483 |

**(5) GOODWILL AND OTHER INTANGIBLE ASSETS**

Edgar Filing: CLEAN HARBORS INC - Form 10-Q

The changes to goodwill for the six months ended June 30, 2010 were as follows (in thousands):

|   | <b>2010</b> |
|---|-------------|
| Balance at January 1, 2010                                    | \$ 56,085   |
| Acquired from the Sturgeon acquisition                        | 3,878       |
| Decrease from adjustments related to the Eveready acquisition | (2,454)     |
| Foreign currency translation                                  | (512)       |
| Balance at June 30, 2010                                      | \$ 56,997   |

The increase in goodwill during the six months ended June 30, 2010 was attributable to the acquisition of Sturgeon offset by final fair value adjustments related to the acquisition of Eveready. The goodwill related to Sturgeon includes estimates that are subject to change based upon final fair value determinations. Below is a summary of amortizable other intangible assets (in thousands):

|                            | <b>June 30, 2010</b> |                                     |            |  | <b>December 31, 2009</b> |                                     |            |  |
|----------------------------|----------------------|-------------------------------------|------------|--|--------------------------|-------------------------------------|------------|--|
|                            | <b>Cost</b>          | <b>Accumulated<br/>Amortization</b> | <b>Net</b> | <b>Weighted<br/>Average<br/>Amortization<br/>Period<br/>(in years)</b> | <b>Cost</b>              | <b>Accumulated<br/>Amortization</b> | <b>Net</b> | <b>Weighted<br/>Average<br/>Amortization<br/>Period<br/>(in years)</b> |
| Permits                    | \$ 100,836           | \$ 40,029                           | \$ 60,807  | 16.3   | \$ 100,236               | \$ 38,246                           | \$ 61,990  | 13.8   |
| Customer lists             | 55,435               | 6,980                               | 48,455     | 8.5  | 52,327                   | 4,220                               | 48,107     | 8.9  |
| Other intangible<br>assets | 11,475               | 7,000                               | 4,475      | 3.8  | 10,606                   | 6,515                               | 4,091      | 4.3  |
|                            | \$ 167,746           | \$ 54,009                           | \$ 113,737 | 10.4   | \$ 163,169               | \$ 48,981                           | \$ 114,188 | 15.7   |

The aggregate amortization expense for the six months ended June 30, 2010 was \$5.2 million.



Table of Contents

Below is the expected amortization for the net carrying amount of finite lived intangible assets at June 30, 2010 (in thousands):

| Years Ending December 31, | Expected<br>Amortization |
|---------------------------|--------------------------|
| 2010 (six months)         | \$ 6,506                 |
| 2011                      | 10,694                   |
| 2012                      | 10,390                   |
| 2013                      | 10,117                   |
| 2014                      | 8,439                    |
| Thereafter                | 67,591                   |
|                           | \$ 113,737               |

**(6) ACCRUED EXPENSES**

Accrued expenses consisted of the following (in thousands):

|  | June 30,<br>2010 | December 31,<br>2009 |
|--|------------------|----------------------|
| Insurance                                  | \$ 18,367        | \$ 20,319            |
| Interest                                   | 8,871            | 8,860                |
| Accrued disposal costs                     | 1,953            | 2,108                |
| Accrued compensation and benefits          | 26,663           | 20,023               |
| Income, real estate, sales and other taxes | 31,712           | 7,201                |
| Other items                                | 33,078           | 32,196               |
|  | \$ 120,644       | \$ 90,707            |

**(7) CLOSURE AND POST-CLOSURE LIABILITIES**

The changes to closure and post-closure liabilities (also referred to as asset retirement obligations ) for the six months ended June 30, 2010 were as follows (in thousands):

|   | Landfill<br>Retirement<br>Liability | Non-Landfill<br>Retirement<br>Liability | Total     |
|---|-------------------------------------|---|-----------|
| Balance at January 1, 2010                          | \$ 28,070                           | \$ 7,740                                | \$ 35,810 |
| New asset retirement obligations                    | 778                                 |   | 778       |
| Accretion   | 1,524                               | 505                                     | 2,029     |
| Changes in estimate recorded to statement of income | (122)                               | 6                                       | (116)     |
| Changes in estimates recorded to balance sheet      | (718)                               | 378                                     | (340)     |
| Settlement of obligations                           | (933)                               | (172)                                   | (1,105)   |
| Currency translation and other                      | (56)                                | (8)                                     | (64)      |
| Balance at June 30, 2010                            | \$ 28,543                           | \$ 8,449                                | \$ 36,992 |

## Edgar Filing: CLEAN HARBORS INC - Form 10-Q

All of the landfill facilities included in the above were active as of June 30, 2010.

New asset retirement obligations incurred in 2010 are being discounted at the credit-adjusted risk-free rate of 9.74% and inflated at a rate of 1.02%.

### (8) REMEDIAL LIABILITIES

The changes to remedial liabilities for the six months ended June 30, 2010 were as follows (in thousands):

|  | <b>Remedial<br/>Liabilities for<br/>Landfill Sites</b> | <b>Remedial<br/>Liabilities for<br/>Inactive Sites</b> | <b>Remedial<br/>Liabilities<br/>(Including<br/>Superfund) for<br/>Non-Landfill<br/>Operations</b> | <b>Total</b> |
|--|--|--|---|--------------|
| Balance at January 1, 2010                             | \$ 5,337   | \$ 86,761  | \$ 53,388   | \$ 145,486   |
| Accretion  | 128  | 1,990  | 1,157   | 3,275        |
| Changes in estimate recorded to<br>statement of income | (8)  | (3,040)  | (729)   | (3,777)      |
| Settlement of obligations                              | (55)   | (2,164)  | (1,393)   | (3,612)      |
| Currency translation and other                         | (40)   | (8)  | (192)   | (240)        |
| Balance at June 30, 2010                               | \$ 5,362   | \$ 83,539  | \$ 52,231   | \$ 141,132   |

Table of Contents

The benefit resulting from the changes in estimate for remedial liabilities for inactive sites was based primarily on revisions to certain liability estimates due to new site information. The benefit resulting from changes in estimate for non-landfill liabilities was primarily due to (i) the discounting effect of delays in certain remedial projects and (ii) the completion of remedial projects at lower than anticipated cost, offset by (iii) new regulatory compliance obligations.

**(9) FINANCING ARRANGEMENTS**

The following table is a summary of the Company's financing arrangements (in thousands):

|  | <b>June 30,<br/>2010</b> | <b>December 31,<br/>2009</b> |
|--|--------------------------|------------------------------|
| Senior secured notes, at 7.625%, due August 15, 2016 | \$ 300,000               | \$ 300,000                   |
| Revolving credit facility, due July 31, 2013         |                          |                              |
| Less unamortized issue discount                      | (7,126)                  | (7,567)                      |
| Long-term obligations                                | \$ 292,874               | \$ 292,433                   |

At June 30, 2010, the revolving credit facility had no outstanding loans, \$33.9 million available to borrow and \$86.1 million of letters of credit outstanding. The fair value of the Company's outstanding long-term debt is based on quoted market price and was \$297.4 million and \$294.9 million at June 30, 2010 and December 31, 2009, respectively. The financing arrangements and principal terms of the senior secured notes and the revolving credit facility are discussed further in the Company's 2009 Annual Report on Form 10-K. There have not been any material changes in such terms during the first six months of 2010.

**(10) HELD FOR SALE**

In connection with the Company's acquisition of Eveready, the Company agreed with the Canadian Commissioner of Competition to divest the Pembina Area Landfill, located near Drayton Valley, Alberta, due to its proximity to the Company's existing landfill in the region. At the end of April 2010, the Company completed the sale of the Pembina Area Landfill for \$11.7 million. In connection with this sale, the Company recognized a pre-tax gain of \$1.3 million which has been recorded in income from discontinued operations on the Company's consolidated statement of income. Prior to the sale, the Pembina Area Landfill met the held for sale criteria and the fair value of its assets and liabilities less estimated costs to sell were classified as held for sale in the Company's consolidated balance sheet. During the period from January 1, 2010 to April 30, 2010, the Pembina Area Landfill recorded \$2.2 million of revenues and \$2.5 million of pre-tax income (including the pre-tax gain on sale) which are included in the calculation of income from discontinued operations.

In April 2010 the Company disposed of its mobile industrial health business for \$2.4 million and recognized a pre-tax gain of \$1.4 million in relation to this sale. The gain was recorded in income from discontinued operations in the Company's consolidated statement of income. At March 31, 2010, the mobile industrial health business met the held for sale criteria and the fair value of its assets and liabilities less estimated costs to sell were classified as held for sale in the Company's consolidated balance sheet. Revenues and pre-tax income related to the mobile industrial health business were not material for the period from January 1, 2010 to April 2010.

**(11) INCOME TAXES**

The Company's effective tax rate (including taxes on income from discontinued operations) for the three and six months ended June 30, 2010 was 17.7 percent and 22.4 percent compared to 41.8 percent and 43.9 percent for the same periods in 2009. The decrease in the effective tax rate is primarily attributable to the decrease in unrecognized tax benefits recorded as a discrete item in the second quarter of 2010.

Table of Contents

Total unrecognized tax benefits, other than adjustments for additional accruals for interest and penalties and foreign currency translation, decreased by approximately \$13.7 million in the second quarter. The \$13.7 million (which included interest and penalties of \$5.7 million) was recorded in earnings and therefore impacted the effective income tax rate. Approximately \$13.1 million was due to expiring statute of limitation periods related to a historical Canadian business combination and the remaining \$0.6 million is related to the conclusion of examinations with state taxing authorities and the expiration of various state statute of limitation periods.

As of June 30, 2010, the Company's unrecognized tax benefits were \$65.0 million, which included \$18.2 million of interest and \$6.4 million of penalties. As of December 31, 2009, the Company's unrecognized tax benefits were \$76.2 million, which included \$21.9 million of interest and \$6.1 million of penalties.

Due to expiring statute of limitation periods, the Company anticipates that total unrecognized tax benefits, other than adjustments for additional accruals for interest and penalties and foreign currency translation, will decrease by approximately \$1.2 million within the next twelve months. The \$1.2 million (which includes interest and penalties of \$0.4 million) is related to various state and local jurisdictional tax laws and will be recorded in earnings and therefore will impact the effective income tax rate.

A valuation allowance is required to be established when, based on an evaluation of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Accordingly, as of June 30, 2010 and December 31, 2009, the Company had a remaining valuation allowance of \$10.1 million and \$11.2 million, respectively. The allowance as of June 30, 2010 consisted of \$9.2 million of foreign tax credits, \$0.9 million of state net operating loss carryforwards and less than \$0.1 million of foreign net operating loss carryforwards. The allowance as of December 31, 2009 consisted of \$9.2 million of foreign tax credits, \$0.9 million of state net operating loss carryforwards and \$1.1 million of foreign net operating loss carryforwards. The reduction in the valuation allowance was due to the release of foreign net operating loss carryforwards for a dissolved entity.

**(12) EARNINGS PER SHARE**

The following table sets forth the calculation of the numerator and denominator used in the computation of basic and diluted net income per common share attributable to the Company's common stockholders for the three- and six-month periods ended June 30, 2010 and 2009 (in thousands except for per share amounts):

|   | Three Months Ended<br>June 30, |          | Six Months Ended<br>June 30, |           |
|---|--------------------------------|----------|------------------------------|-----------|
|   | 2010                           | 2009     | 2010                         | 2009      |
| Numerator for basic and diluted earnings per share: |                                |          |                              |           |
| Income from continuing operations                   | \$ 55,517                      | \$ 8,624 | \$ 65,565                    | \$ 13,579 |
| Income from discontinued operations                 | 2,412                          |          | 2,794                        |           |
| Net income  | \$ 57,929                      | \$ 8,624 | \$ 68,359                    | \$ 13,579 |
| Denominator:  |                                |          |                              |           |
| Basic shares outstanding                            | 26,291                         | 23,777   | 26,271                       | 23,763    |
| Dilutive effect of equity-based compensation awards | 134                            | 112      | 127                          | 113       |

Edgar Filing: CLEAN HARBORS INC - Form 10-Q

|   |    |        |    |        |    |        |    |        |
|---|----|--------|----|--------|----|--------|----|--------|
| Dilutive shares outstanding                     |    | 26,425 |    | 23,889 |    | 26,398 |    | 23,876 |
| Basic earnings per share:                       |    |        |    |        |    |        |    |        |
| Income from continuing operations               | \$ | 2.11   | \$ | 0.36   | \$ | 2.49   | \$ | 0.57   |
| Income from discontinued operations, net of tax |    | 0.09   |    |        |    | 0.11   |    |        |
| Net income                                      | \$ | 2.20   | \$ | 0.36   | \$ | 2.60   | \$ | 0.57   |
| Diluted earnings per share:                     |    |        |    |        |    |        |    |        |
| Income from continuing operations.              | \$ | 2.10   | \$ | 0.36   | \$ | 2.48   | \$ | 0.57   |
| Income from discontinued operations, net of tax |    | 0.09   |    |        |    | 0.11   |    |        |
| Net income                                      | \$ | 2.19   | \$ | 0.36   | \$ | 2.59   | \$ | 0.57   |

The dilutive effect of all outstanding stock options and restricted stock is included in the above calculations. For the three- and six-month periods ended June 30, 2010, the above calculation excluded the dilutive effects of 147 thousand outstanding performance stock awards for which the performance criteria were not attained and 18 thousand stock options that were not then in-the-money. For the three- and six-month periods ended June 30, 2009, the above calculation excluded the dilutive effects of 137 thousand outstanding performance stock awards as the performance criteria were not attained and 21 thousand options that were not then in-the-money.

Table of Contents**(13) STOCK-BASED COMPENSATION**

The following table summarizes the total number and type of awards granted during the three- and six-month periods ended June 30, 2010, as well as the related weighted-average grant-date fair values:

|                          | Three Months Ended<br>June 30, 2010 |  | Six Months Ended<br>June 30, 2010 |  |
|--------------------------|-------------------------------------|--|-----------------------------------|--|
|                          | Shares                              | Weighted-<br>Average<br>Grant-Date<br>Fair Value | Shares                            | Weighted-<br>Average<br>Grant-Date<br>Fair Value |
| Restricted stock awards  | 19,859                              | \$ 57.90   | 34,159                            | \$ 57.53   |
| Performance stock awards | 87,906                              | \$ 55.17   | 87,906                            | \$ 55.17   |
| Total awards             | 107,765                             |  | 122,065                           |  |

Certain performance stock awards granted in 2010 are subject to both achieving predetermined revenue and EBITDA targets for a specified period of time and service conditions. As of June 30, 2010, based on the year-to-date results of operations, management believed that it was probable that the performance targets will be achieved by December 31, 2010 and as a result, \$0.7 million of expense was recognized during the three- and six-month periods ended June 30, 2010 related to the 2010 performance stock awards through sales, general and administrative expenses.

In regards to the performance awards granted in 2009, management previously believed that the performance targets would not be achieved and therefore recorded no compensation expense during fiscal 2009 and during the first quarter of 2010. As of June 30, 2010, based on the year-to-date results of operations, management believed that it was probable that the performance targets for the 2009 performance awards will be achieved. Cumulative expense of \$1.3 million was recognized during the three- and six-month periods ended June 30, 2010 through sales, general and administrative expenses.

**(14) COMMITMENTS AND CONTINGENCIES***Legal and Administrative Proceedings*

The Company's waste management services are regulated by federal, state, provincial and local laws enacted to regulate discharge of materials into the environment, remediation of contaminated soil and groundwater or otherwise protect the environment. This ongoing regulation results in the Company frequently becoming a party to legal or administrative proceedings involving all levels of governmental authorities and other interested parties. The issues involved in such proceedings generally relate to applications for permits and licenses by the Company and conformity with legal requirements, alleged violations of existing permits and licenses, or alleged responsibility arising under federal or state Superfund laws to remediate contamination at properties owned either by the Company or by other parties (third party sites) to which either the Company or prior owners of certain of the Company's facilities shipped wastes.

## Edgar Filing: CLEAN HARBORS INC - Form 10-Q

At June 30, 2010, the Company had recorded \$28.4 million of reserves in the Company's financial statements for actual or potential liabilities related to the legal and administrative proceedings in which the Company was then involved, the principal of which are described below, and the Company believes that it is reasonably possible that the amount of these potential liabilities could be as much as \$4.7 million more. The Company periodically adjusts the aggregate amount of these reserves when these actual or potential liabilities are paid or otherwise discharged, new claims arise, or additional relevant information about existing or potential claims becomes available.

As of June 30, 2010, the principal legal and administrative proceedings in which the Company was involved, or which had been terminated during 2010, were as follows:

*Ville Mercier.* In September 2002, the Company acquired the stock of a subsidiary (the Mercier Subsidiary) which owns a hazardous waste incinerator in Ville Mercier, Quebec (the Mercier Facility). The property adjacent to the Mercier Facility, which is also owned by the Mercier Subsidiary, is now contaminated as a result of actions dating back to 1968, when the Government of Quebec issued to a company unrelated to the Mercier Subsidiary two permits to dump organic liquids into lagoons on the property. By 1972, groundwater contamination had been identified, and the Quebec government provided an alternate water supply to the municipality of Ville Mercier.

In 1999, Ville Mercier and three neighboring municipalities filed separate legal proceedings against the Mercier Subsidiary and the Government of Quebec. The lawsuits assert that the defendants are jointly and severally responsible for the contamination of groundwater in the region, which they claim caused each municipality to incur additional costs to supply drinking water for their citizens since the 1970's and early 1980's. The four municipalities claim a total of \$1.6 million (CDN) as damages for additional costs to obtain drinking water supplies and seek an injunctive order to obligate the defendants to remediate the groundwater in the region.



Table of Contents

The Quebec Government also sued the Mercier Subsidiary to recover approximately \$17.4 million (CDN) of alleged past costs for constructing and operating a treatment system and providing alternative drinking water supplies.

On September 26, 2007, the Quebec Minister of Sustainable Development, Environment and Parks issued a Notice pursuant to Section 115.1 of the Environment Quality Act, superseding Notices issued in 1992, which are the subject of the pending litigation. The more recent Notice notifies the Mercier Subsidiary that, if the Mercier Subsidiary does not take certain remedial measures at the site, the Minister intends to undertake those measures at the site and claim direct and indirect costs related to such measures. The Mercier Subsidiary continues to assert that it has no responsibility for the groundwater contamination in the region and will contest any action by the Ministry to impose costs for remedial measures on the Mercier Subsidiary. The Company also continues to pursue settlement options. At June 30, 2010 and December 31, 2009, the Company had accrued \$12.4 million and \$12.8 million, respectively, for remedial liabilities relating to the Ville Mercier legal proceedings.

*CH El Dorado.* In August 2006, the Company purchased all of the outstanding membership interests in Teris LLC ( Teris ) and changed the name of Teris to Clean Harbors El Dorado, LLC ( CH El Dorado ). At the time of the acquisition, Teris was, and CH El Dorado now is, involved in certain legal proceedings arising from a fire on January 2, 2005, at the incineration facility owned and operated by Teris in El Dorado, Arkansas.

CH El Dorado is defending vigorously the claims asserted against Teris in those proceedings, and the Company believes that the resolution of those proceedings will not have a material adverse effect on the Company's financial position, results of operations or cash flows. In addition to CH El Dorado's defenses to the lawsuits, the Company will be entitled to rely upon an indemnification from the seller of the membership interests in Teris which is contained in the purchase agreement for those interests. Under that agreement, the seller agreed to indemnify (without any deductible amount) the Company against any damages which the Company might suffer as a result of the lawsuits to the extent that such damages are not fully covered by insurance or the reserves which Teris had established on its books prior to the acquisition. The seller's parent also guaranteed the indemnification obligation of the seller to the Company.

*Deer Trail, Colorado Facility.* Since April 5, 2006, the Company has been involved in various legal proceedings which have arisen as a result of the issuance by the Colorado Department of Public Health and Environment ( CDPHE ) of a radioactive materials license ( RAD License ) to a Company subsidiary, Clean Harbors Deer Trail, LLC ( CHDT ) to accept certain low level radioactive materials known as NORM/TENORM wastes for disposal. Adams County, the county where the CHDT facility is located, filed two suits against the CDPHE in Colorado effectively seeking to invalidate the license. The two suits filed in 2006 were both dismissed and those dismissals were upheld by the Colorado Court of Appeals. Adams County appealed those rulings to the Colorado Supreme Court which ruled on October 13, 2009 on the procedural issue that the County did have standing to challenge the license in district court and remanded the case back to that court for further proceedings. Adams County filed a third suit directly against CHDT in 2007 again attempting to invalidate the license. That suit was dismissed on November 14, 2008, and Adams County has now appealed that dismissal to the Colorado Court of Appeals. The Company continues to believe that the grounds asserted by the County are factually and legally baseless and has contested the appeal vigorously. The Company has not recorded any liability for this matter on the basis that such liability is currently neither probable nor estimable.

***Superfund Proceedings***

The Company has been notified that either the Company or the prior owners of certain of the Company's facilities for which the Company may have certain indemnification obligations have been identified as potentially responsible parties ( PRPs ) or potential PRPs in connection with 61 sites which are subject to or are proposed to become subject to proceedings under federal or state Superfund laws. Of the 61 sites, two involve facilities that are now owned by the Company and 59 involve third party sites to which either the Company or the prior owners shipped wastes.

## Edgar Filing: CLEAN HARBORS INC - Form 10-Q

In connection with each site, the Company has estimated the extent, if any, to which it may be subject, either directly or as a result of any such indemnification provisions, for cleanup and remediation costs, related legal and consulting costs associated with PRP investigations, settlements, and related legal and administrative proceedings. The amount of such actual and potential liability is inherently difficult to estimate because of, among other relevant factors, uncertainties as to the legal liability (if any) of the Company or the prior owners of certain of the Company's facilities to contribute a portion of the cleanup costs, the assumptions that must be made in calculating the estimated cost and timing of remediation, the identification of other PRPs and their respective capability and obligation to contribute to remediation efforts, and the existence and legal standing of indemnification agreements (if any) with prior owners, which may either benefit the Company or subject the Company to potential indemnification obligations.

The Company's potential liability for cleanup costs at the two facilities now owned by the Company and at 35 (the Listed Third Party Sites) of the 59 third party sites arose out of the Company's 2002 acquisition of substantially all of the assets (the CSD assets) of the Chemical Services Division of Safety-Kleen Corp. As part of the purchase price for the CSD assets, the Company became liable as the owner of these two facilities and also agreed to indemnify the prior owners of the CSD assets against their share of certain cleanup costs for the Listed Third Party Sites payable to governmental entities under federal or state Superfund laws. Of the

Table of Contents

35 Listed Third Party Sites, 17 are currently requiring expenditures on remediation including one site that the Company is contesting the extent of the prior owner's liability with the PRP group, ten are now settled, and eight are not currently requiring expenditures on remediation. The status of the two facilities owned by the Company (the Wichita Property and the BR Facility) and two of the Listed Third Party Sites (the Breslube-Penn and Casmalia sites) are further described below. There are also three third party sites at which the Company has been named a PRP as a result of its acquisition of the CSD assets but disputes that it has any cleanup or related liabilities: one such site (the Marine Shale site) is described below. The Company views any liabilities associated with the Marine Shale site and the other two sites as excluded liabilities under the terms of the CSD asset acquisition, but the Company is working with the EPA on a potential settlement. In addition to the CSD related Superfund sites, there are certain of the other third party sites which are not related to the Company's acquisition of the CSD assets, and certain notifications which the Company has received about other third party sites.

*Wichita Property.* The Company acquired in 2002 as part of the CSD assets a service center located in Wichita, Kansas (the Wichita Property). The Wichita Property is one of several properties located within the boundaries of a 1,400 acre state-designated Superfund site in an old industrial section of Wichita known as the North Industrial Corridor Site. Along with numerous other PRPs, the former owner executed a consent decree relating to such site with the EPA, and the Company is continuing its ongoing remediation program for the Wichita Property in accordance with that consent decree. The Company also acquired rights under an indemnification agreement between the former owner and an earlier owner of the Wichita Property, which the Company anticipates but cannot guarantee will be available to reimburse certain such cleanup costs.

*BR Facility.* The Company acquired in 2002 as part of the CSD assets a former hazardous waste incinerator and landfill in Baton Rouge (the BR Facility), for which operations had been previously discontinued by the prior owner. In September 2007, the United States Environmental Protection Agency (the EPA) issued a special notice letter to the Company related to the Devil's Swamp Lake Site (Devil's Swamp) in East Baton Rouge Parish, Louisiana. Devil's Swamp includes a lake located downstream of an outfall ditch where wastewater and stormwater have been discharged, and Devil's Swamp is proposed to be included on the National Priorities List due to the presence of Contaminants of Concern (COC) cited by the EPA. These COCs include substances of the kind found in wastewater and stormwater discharged from the BR Facility in past operations. The EPA originally requested COC generators to submit a good faith offer to conduct a remedial investigation feasibility study directed towards the eventual remediation of the site. The Company is currently performing corrective actions at the BR Facility under an order issued by the Louisiana Department of Environmental Quality (the LDEQ), and has begun conducting the remedial investigation and feasibility study under an order issued by the EPA. The Company cannot presently estimate the potential additional liability for the Devil's Swamp cleanup until a final remedy is selected by the EPA.

*Breslube-Penn Site.* At one of the 35 Listed Third Party Sites, the Breslube-Penn site, the EPA brought suit in 1997 in the U.S. District Court for the Western District of Pennsylvania against a large number of PRPs for recovery of the EPA's response costs in connection with that site. The named defendants are alleged to be jointly and severally liable for the remediation of the site and all response costs associated with the site. One of the prior owners, GSX Chemical Services of Ohio (GSX), was a named defendant in the original complaint. In 2006, the EPA filed an amended complaint naming the Company as defendant, alleging that the Company was the successor in interest to the liability of GSX. The Company has reached an agreement in principle with the EPA and the PRP group that will be cleaning up the site, and expects to execute the final settlement documents in the next quarter of this year.

*Casmalia Site.* At one of the 35 Listed Third Party Sites, the Casmalia Resources Hazardous Waste Management Facility (the Casmalia site) in Santa Barbara County, California, the Company received from the EPA a request for information in May 2007. In that request, the EPA is seeking information about the extent to which, if at all, the prior owner transported or arranged for disposal of waste at the Casmalia site. The Company has not recorded any liability for this 2007 notice on the basis that such transporter or arranger liability is currently neither probable nor estimable.

## Edgar Filing: CLEAN HARBORS INC - Form 10-Q

*Marine Shale Site.* Prior to 1996, Marine Shale Processors, Inc. ( Marine Shale ) operated a kiln in Amelia, Louisiana which incinerated waste producing a vitrified aggregate as a by-product. Marine Shale contended that its operation recycled waste into a useful product, i.e., vitrified aggregate, and therefore was exempt from regulation under the RCRA and permitting requirements as a hazardous waste incinerator under applicable federal and state environmental laws. The EPA contended that Marine Shale was a sham-recycler subject to the regulation and permitting requirements as a hazardous waste incinerator under RCRA, that its vitrified aggregate by-product was a hazardous waste, and that Marine Shale's continued operation without required permits was illegal. Litigation between the EPA and Marine Shale began in 1990 and continued until July 1996, when the U.S. Fifth Circuit Court of Appeals ordered Marine Shale to shut down its operations.

On May 11, 2007, the EPA and the LDEQ issued a special notice to the Company and other PRPs, seeking a good faith offer to address site remediation at the former Marine Shale facility. Certain of the former owners of the CSD assets were major customers of Marine Shale, but the Marine Shale site was not included as a Listed Third Party Site in connection with the Company's acquisition of the CSD assets and the Company was never a customer of Marine Shale. Although the Company believes that it is not liable (either

Table of Contents

directly or under any indemnification obligation) for cleanup costs at the Marine Shale site, the Company elected to join with other parties which had been notified that are potentially PRPs in connection with Marine Shale site to form a group (the Site Group ) to retain common counsel and participate in further negotiations with the EPA and the LDEQ regarding a remedial investigation feasibility study directed towards the eventual remediation of the Marine Shale site.

The Site Group made a good faith settlement offer to the EPA on November 29, 2007, and negotiations among the EPA, the LDEQ and the Site Group with respect to the Marine Shale site are ongoing. At June 30, 2010 and December 31, 2009, the amount of the Company's remaining reserves relating to the Marine Shale site was \$3.8 million and \$3.7 million, respectively.

*Certain Other Third Party Sites.* At 14 of the 59 third party sites, the Company has an indemnification agreement with ChemWaste, a former subsidiary of Waste Management, Inc. and the prior owner. The agreement indemnifies the Company with respect to any liability at the 14 sites for waste disposed prior to the Company's acquisition of the sites. Accordingly, Waste Management is paying all costs of defending those subsidiaries in those 14 cases, including legal fees and settlement costs. However, there can be no guarantee that the Company's ultimate liabilities for these sites will not exceed the amount recorded or that indemnities applicable to any of these sites will be available to pay all or a portion of related costs. The Company does not have an indemnity agreement with respect to any of the other remaining 59 third party sites not discussed above. However, the Company believes that its additional potential liability, if any, to contribute to the cleanup of such remaining sites will not, in the aggregate, exceed \$100,000.

*Other Notifications.* Between September 2004 and May 2006, the Company also received notices from certain of the prior owners of the CSD assets seeking indemnification from the Company at five third party sites which are not included in the third party sites described above that have been designated as Superfund sites or potential Superfund sites and for which those prior owners have been identified as PRPs or potential PRPs. The Company has responded to such letters asserting that the Company has no obligation to indemnify those prior owners for any cleanup and related costs (if any) which they may incur in connection with these five sites. The Company intends to assist those prior owners by providing information that is now in the Company's possession with respect to those five sites and, if appropriate to participate in negotiations with the government agencies and PRP groups involved. The Company has also investigated the sites to determine the existence of potential liabilities independent from the liability of those former owners, and concluded that at this time the Company is not liable for any portion of the potential cleanup of the five sites and therefore has not established a reserve.

***Federal and State Enforcement Actions***

From time to time, the Company pays fines or penalties in regulatory proceedings relating primarily to waste treatment, storage or disposal facilities. As of June 30, 2010, there were two proceedings for which the Company reasonably believes that the sanctions could equal or exceed \$100,000. During the second quarter, the Company settled one matter involving one of its operating subsidiaries with no material impact to the Company's financial results of operations. The Company does not believe that the fines or other penalties in these or any of the other regulatory proceedings will, individually or in the aggregate, have a material adverse effect on its financial condition or results of operations.

***Guarantees***

## Edgar Filing: CLEAN HARBORS INC - Form 10-Q

Each Participant in the Eveready Employee Participation Plan (the Plan ) described in Note 16, Stock-Based Compensation and Employee Participation Plan, in the Company s Annual Report on Form 10-K for the year ended December 31, 2009, had the option to finance the acquisition of Purchased Units either through the employee s own funds or a Bank of Montreal ( BMO ) loan to the Participant secured by both the Purchased and Matching Units. Because of the decline in the market value of the predecessor s units and of Eveready shares subsequent to the purchase by the Participants of the Purchased Units, Eveready subsequently provided to BMO a guarantee of the BMO loans in the maximum amount at June 30, 2010 of CDN \$5.0 million (plus interest and collection costs). At June 30, 2010, the aggregate amount of such guarantee, after giving effect to the market value on that date of the Company s shares derived from the Purchased and Matching Units which secure the BMO loans, was CDN \$0.4 million. At June 30, 2010, the Company had accrued CDN \$0.5 million related to such guarantee. As described in Note 16, Stock-Based Compensation and Employee Participation Plan, in the Company s Annual Report on Form 10-K for the year ended December 31, 2009, the Company has agreed with certain of its employees who were Participants in the Plan to pay on December 31, 2011 to those employees a cash bonus (a Shortfall Bonus ) under certain circumstances; the maximum amount of the potential Shortfall Bonus as of June 30, 2010 was \$2.9 million. To the extent, if any, that the Company becomes obligated to pay on December 31, 2011 a Shortfall Bonus to any employees who then have outstanding balances in their respective BMO loans, the amount of such Shortfall Bonus (net of withholding taxes) shall first be applied against such outstanding BMO loan balances, thereby decreasing the amount, if any, which the Company might be obligated to pay directly to BMO under the guarantee which Eveready provided to BMO on the BMO loans.

Table of Contents

The Company has provided a guarantee to a certain financial institution for financing obtained by a contractor to purchase specific service and automotive equipment in supplying services to the Company. As of June 30, 2010, the total balance of all outstanding third party payments guaranteed by the Company was CDN \$0.7 million. The financing is collateralized by the specific equipment purchased and is due to mature between 2010 and 2011. The Company would be required to settle the guarantee if the contractor were to default on the obligation and the collateral held by the financial institution was not sufficient to repay the balance due.

**(15) SEGMENT REPORTING**

In the third quarter of 2009, in connection with the acquisition of Eveready, the Company re-aligned and expanded its reportable segments to include four reportable segments rather than two. Prior to the acquisition, the Company's two reportable segments were Technical Services and Site Services. The new reportable segments include Technical Services, Field Services, Industrial Services and Exploration Services. Performance of the segments is evaluated on several factors, of which the primary financial measure is Adjusted EBITDA, which consists of net income plus accretion of environmental liabilities, depreciation and amortization, net interest expense, and provision for income taxes. Also excluded are other income and income from discontinued operations, net of tax as these amounts are not considered part of usual business operations. Transactions between the segments are accounted for at the Company's estimate of fair value based on similar transactions with outside customers. The Company has reflected the impact of the change in its segment reporting in all periods presented to provide financial information that consistently reflects the Company's current approach to managing the operations.

The operations not managed through the Company's four operating segments are recorded as Corporate Items. Corporate Items revenues consist of two different operations for which the revenues are insignificant. Corporate Items cost of revenues represents certain central services that are not allocated to the four operating segments for internal reporting purposes. Corporate Items selling, general and administrative expenses include typical corporate items such as legal, accounting and other items of a general corporate nature that are not allocated to the Company's four operating segments.

The following table reconciles third party revenues to direct revenues for the three- and six-month periods ended June 30, 2010 and 2009 (in thousands). Third party revenue is revenue billed to outside customers by a particular segment. Direct revenue is the revenue allocated to the segment performing the provided service. The Company analyzes results of operations based on direct revenues because the Company believes that these revenues and related expenses best reflect the manner in which operations are managed.

|                            | For the Three Months Ended June 30, 2010 |                |                     |                      |                 |            |
|----------------------------|--|----------------|---------------------|----------------------|-----------------|------------|
|                            | Technical Services                       | Field Services | Industrial Services | Exploration Services | Corporate Items | Totals     |
| Third party revenues       | \$ 168,179                               | \$ 166,509     | \$ 129,652          | \$ 7,259             | \$ 40           | \$ 471,639 |
| Intersegment revenues, net | 7,181                                    | (9,899)        | 2,467               | 612                  | (361)           |            |
| Direct revenues            | \$ 175,360                               | \$ 156,610     | \$ 132,119          | \$ 7,871             | \$ (321)        | \$ 471,639 |

|                            | For the Three Months Ended June 30, 2009 |                |                     |                      |                 |            |
|----------------------------|--|----------------|---------------------|----------------------|-----------------|------------|
|                            | Technical Services                       | Field Services | Industrial Services | Exploration Services | Corporate Items | Totals     |
| Third party revenues       | \$ 158,452                               | \$ 46,388      | \$ 10,422           | \$                   | \$ 75           | \$ 215,337 |
| Intersegment revenues, net | 5,320                                    | (3,850)        | (917)               |                      | (553)           |            |
| Direct revenues            | \$ 163,772                               | \$ 42,538      | \$ 9,505            | \$                   | \$ (478)        | \$ 215,337 |

Edgar Filing: CLEAN HARBORS INC - Form 10-Q

|                            | For the Six Months Ended June 30, 2010 |                   |                        |                         |                    |        |            |
|----------------------------|--|-------------------|------------------------|-------------------------|--------------------|--------|------------|
|                            | Technical<br>Services                  | Field<br>Services | Industrial<br>Services | Exploration<br>Services | Corporate<br>Items | Totals |            |
| Third party revenues       | \$ 321,770                             | \$ 218,054        | \$ 264,257             | \$ 22,518               | \$ (64)            | \$     | \$ 826,535 |
| Intersegment revenues, net | 12,125                                 | (14,085)          | 1,762                  | 1,002                   | (804)              |        |            |
| Direct revenues            | \$ 333,895                             | \$ 203,969        | \$ 266,019             | \$ 23,520               | \$ (868)           | \$     | \$ 826,535 |

|                            | For the Six Months Ended June 30, 2009 |                   |                        |                         |                    |        |            |
|----------------------------|--|-------------------|------------------------|-------------------------|--------------------|--------|------------|
|                            | Technical<br>Services                  | Field<br>Services | Industrial<br>Services | Exploration<br>Services | Corporate<br>Items | Totals |            |
| Third party revenues       | \$ 309,084                             | \$ 89,926         | \$ 22,476              | \$                      | \$ 157             | \$     | \$ 421,643 |
| Intersegment revenues, net | 10,807                                 | (6,685)           | (2,976)                |                         | (1,146)            |        |            |
| Direct revenues            | \$ 319,891                             | \$ 83,241         | \$ 19,500              | \$                      | \$ (989)           | \$     | \$ 421,643 |



Edgar Filing: CLEAN HARBORS INC - Form 10-Q

Table of Contents

The following table presents information used by management by reported segment (in thousands). The Company does not allocate interest expense, income taxes, depreciation, amortization, accretion of environmental liabilities, and other income to segments.

|   | For the Three Months<br>Ended June 30, |                  | For the Six Months<br>Ended June 30, |                  |
|---|--|------------------|--------------------------------------|------------------|
|   | 2010                                   | 2009             | 2010                                 | 2009             |
| <b>Adjusted EBITDA:</b>   |  |                  |                                      |                  |
| Technical Services  | \$ 46,244                              | \$ 42,905        | \$ 78,841                            | \$ 80,300        |
| Field Services  | 43,022                                 | 3,819            | 48,083                               | 5,863            |
| Industrial Services   | 25,835                                 | 1,877            | 53,509                               | 3,600            |
| Exploration Services  | 975                                    |                  | 5,210                                |                  |
| Corporate Items   | (19,446)                               | (17,296)         | (40,018)                             | (33,034)         |
| <b>Total</b>  | <b>\$ 96,630</b>                       | <b>\$ 31,305</b> | <b>\$ 145,625</b>                    | <b>\$ 56,729</b> |
| <b>Reconciliation to Consolidated Statements of Income:</b>         |  |                  |                                      |                  |
| Accretion of environmental liabilities                              | \$ 2,602                               | \$ 2,634         | \$ 5,304                             | \$ 5,284         |
| Depreciation and amortization                                       | 22,105                                 | 12,241           | 44,779                               | 24,302           |
| Income from operations  | 71,923                                 | 16,430           | 95,542                               | 27,143           |
| Other income  | (2,708)                                | (11)             | (3,154)                              | (44)             |
| Interest expense, net of interest income                            | 7,646                                  | 1,609            | 14,574                               | 2,989            |
| Income from continuing operations before provision for income taxes | \$ 66,985                              | \$ 14,832        | \$ 84,122                            | \$ 24,198        |

The following table presents assets by reported segment and in the aggregate (in thousands):

|   | June 30,<br>2010  | December 31,<br>2009 |
|---|-------------------|----------------------|
| <b>Property, plant and equipment, net</b>       |                   |                      |
| Technical Services                              | \$ 262,412        | \$ 259,873           |
| Field Services                                  | 28,851            | 24,273               |
| Industrial Services                             | 233,720           | 232,981              |
| Exploration Services                            | 45,715            | 47,224               |
| Corporate or other assets                       | 28,522            | 25,593               |
| <b>Total property, plant and equipment, net</b> | <b>\$ 599,220</b> | <b>\$ 589,944</b>    |
| <b>Intangible assets:</b>                       |                   |                      |
| <b>Technical Services</b>                       |                   |                      |
| Goodwill  | \$ 32,363         | \$ 25,856            |
| Permits and other intangibles, net              | 67,225            | 65,162               |
| <b>Total Technical Services</b>                 | <b>99,588</b>     | <b>91,018</b>        |
| <b>Field Services</b>                           |                   |                      |
| Goodwill  | 3,088             | 3,372                |
| Permits and other intangibles, net              | 3,835             | 4,240                |
| <b>Total Field Services</b>                     | <b>6,923</b>      | <b>7,612</b>         |
| <b>Industrial Services</b>                      |                   |                      |
| Goodwill  | 13,072            | 16,229               |
| Permits and other intangibles, net              | 28,007            | 29,972               |
| <b>Total Industrial Services</b>                | <b>41,079</b>     | <b>46,201</b>        |
| <b>Exploration Services</b>                     |                   |                      |
| Goodwill  | 8,474             | 10,628               |

Edgar Filing: CLEAN HARBORS INC - Form 10-Q

|                                    |            |            |
|------------------------------------|------------|------------|
| Permits and other intangibles, net | 14,670     | 14,814     |
| Total Exploration Services         | 23,144     | 25,442     |
| Total                              | \$ 170,734 | \$ 170,273 |

The following table presents the total assets by reported segment (in thousands):

|                      | <b>June 30,<br/>2010</b> | <b>December 31,<br/>2009</b> |
|----------------------|--------------------------|------------------------------|
| Technical Services   | \$ 512,008               | \$ 514,084                   |
| Field Services       | 26,667                   | 44,279                       |
| Industrial Services  | 302,586                  | 302,392                      |
| Exploration Services | 80,541                   | 83,471                       |
| Corporate Items      | 622,426                  | 456,842                      |
| Total                | \$ 1,544,228             | \$ 1,401,068                 |

Table of Contents

The following table presents the total assets by geographical area (in thousands):

|               | June 30,<br>2010 | December 31,<br>2009 |
|---------------|------------------|----------------------|
| United States | \$ 921,897       | \$ 796,671           |
| Canada        | 620,154          | 602,480              |
| Other foreign | 2,177            | 1,917                |
| Total         | \$ 1,544,228     | \$ 1,401,068         |

**(16) GUARANTOR AND NON-GUARANTOR SUBSIDIARIES**

On August 14, 2009, \$300.0 million of senior secured notes were issued by the parent company, Clean Harbors, Inc., and guaranteed by substantially all of the parent's subsidiaries organized in the United States. Each guarantor is a wholly-owned subsidiary of the Company and its guarantee is both full and unconditional and joint and several. As of June 30, 2010, the principal balance of the outstanding senior secured notes was \$300.0 million. The notes are not guaranteed by the Company's Canadian or other foreign subsidiaries. The following presents condensed consolidating financial statements for the parent company, the guarantor subsidiaries and the non-guarantor subsidiaries, respectively.

Following is the condensed consolidating balance sheet at June 30, 2010 (in thousands):

|  | Clean<br>Harbors, Inc. | U.S. Guarantor<br>Subsidiaries | Foreign<br>Non-Guarantor<br>Subsidiaries | Consolidating<br>Adjustments | Total        |
|--|------------------------|--------------------------------|--|------------------------------|--------------|
| <b>Assets:</b>   |                        |                                |  |                              |              |
| Cash and cash equivalents                              | \$ 143,304             | \$ 93,759                      | \$ 58,237                                | \$                           | \$ 295,300   |
| Intercompany receivables                               | 269,070                |                                |  | (269,070)                    |              |
| Other current assets                                   | 10,679                 | 277,302                        | 168,199                                  |                              | 456,180      |
| Property, plant and equipment,<br>net                  |                        | 289,105                        | 310,115                                  |                              | 599,220      |
| Investments in subsidiaries                            | 625,805                | 245,607                        | 91,654                                   | (963,066)                    |              |
| Intercompany note receivable                           |                        | 346,112                        | 3,701                                    | (349,813)                    |              |
| Other long-term assets                                 | 11,362                 | 88,914                         | 93,252                                   |                              | 193,528      |
| Total assets   | \$ 1,060,220           | \$ 1,340,799                   | \$ 725,158                               | \$ (1,581,949)               | \$ 1,544,228 |
| <b>Liabilities and Stockholders<br/>Equity:</b>        |                        |                                |  |                              |              |
| Current liabilities                                    | \$ 24,765              | \$ 213,166                     | \$ 82,919                                | \$                           | \$ 320,850   |
| Intercompany payables                                  |                        | 247,594                        | 21,476                                   | (269,070)                    |              |
| Closure, post-closure and<br>remedial liabilities, net |                        | 138,445                        | 18,371                                   |                              | 156,816      |
| Long-term obligations                                  | 292,874                |                                |  |                              | 292,874      |
| Capital lease obligations, net                         |                        | 172                            | 11,102                                   |                              | 11,274       |
| Intercompany debt payable                              | 3,701                  |                                | 346,112                                  | (349,813)                    |              |
| Other long-term liabilities                            | 58,716                 | 2,449                          | 21,085                                   |                              | 82,250       |
| Total liabilities                                      | 380,056                | 601,826                        | 501,065                                  | (618,883)                    | 864,064      |
| Stockholders' equity                                   | 680,164                | 738,973                        | 224,093                                  | (963,066)                    | 680,164      |
| Total liabilities and<br>stockholders' equity          | \$ 1,060,220           | \$ 1,340,799                   | \$ 725,158                               | \$ (1,581,949)               | \$ 1,544,228 |

Edgar Filing: CLEAN HARBORS INC - Form 10-Q

Following is the condensed consolidating balance sheet at December 31, 2009 (in thousands):

|  | Clean<br>Harbors, Inc. | U.S. Guarantor<br>Subsidiaries | Foreign<br>Non-Guarantor<br>Subsidiaries | Consolidating<br>Adjustments | Total        |
|--|------------------------|--------------------------------|--|------------------------------|--------------|
| <b>Assets:</b>   |                        |                                |  |                              |              |
| Cash and cash equivalents                              | \$ 141,339             | \$ 50,407                      | \$ 41,800                                | \$                           | \$ 233,546   |
| Intercompany receivables                               | 286,585                |                                |  | (286,585)                    |              |
| Other current assets                                   | 13,629                 | 206,443                        | 166,632                                  |                              | 386,704      |
| Property, plant and equipment,<br>net                  |                        | 282,583                        | 307,361                                  |                              | 589,944      |
| Investments in subsidiaries                            | 519,933                | 201,592                        | 91,654                                   | (813,179)                    |              |
| Intercompany note receivable                           | 236,699                | 114,603                        | 3,701                                    | (355,003)                    |              |
| Other long-term assets                                 | 16,643                 | 75,564                         | 98,667                                   |                              | 190,874      |
| Total assets   | \$ 1,214,828           | \$ 931,192                     | \$ 709,815                               | \$ (1,454,767)               | \$ 1,401,068 |
| <b>Liabilities and Stockholders</b>                    |                        |                                |  |                              |              |
| <b>Equity:</b>   |                        |                                |  |                              |              |
| Current liabilities                                    | \$ 12,333              | \$ 139,725                     | \$ 81,262                                | \$                           | \$ 233,320   |
| Intercompany payables                                  |                        | 254,136                        | 32,449                                   | (286,585)                    |              |
| Closure, post-closure and<br>remedial liabilities, net |                        | 144,302                        | 18,582                                   |                              | 162,884      |
| Long-term obligations                                  | 292,433                |                                |  |                              | 292,433      |
| Capital lease obligations, net                         |                        | 140                            | 6,775                                    |                              | 6,915        |
| Intercompany debt payable                              | 3,701                  |                                | 351,302                                  | (355,003)                    |              |
| Other long-term liabilities                            | 55,870                 | 2,929                          | 32,892                                   |                              |              |