CLEAN HARBORS INC
Form 10-Q
August 09, 2011
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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 SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2011

OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission File Number 001-34223

CLEAN HARBORS, INC.

(Exact name of registrant as specified in its charter)

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 x No o

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

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

Large accelerated filer x

Accelerated filer o

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

Smaller reporting company o

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

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	**53,013,677**
(Class)	(Outstanding at August 3, 2011)

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CLEAN HARBORS, INC.

QUARTERLY REPORT ON FORM 10-Q

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CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

(in thousands)

	June 30, 2011 (unaudited)	December 31, 2010
Current assets:		
Cash and cash equivalents	$ 377,576	$ 302,210
Marketable securities	128	3,174
Accounts receivable, net of allowances aggregating $15,729 and $23,704, respectively	352,809	332,678
Unbilled accounts receivable	30,588	19,117
Deferred costs	6,289	6,891
Prepaid expenses and other current assets	32,828	28,939
Supplies inventories	47,270	44,546
Deferred tax assets	18,884	14,982
Total current assets	866,372	752,537
Property, plant and equipment:		
Land	32,782	31,654
Asset retirement costs (non-landfill)	2,371	2,242
Landfill assets	52,514	54,519
Buildings and improvements	158,705	147,285
Camp equipment	99,611	62,717
Vehicles	206,388	162,397
Equipment	675,494	537,937
Furniture and fixtures	3,700	2,293
Construction in progress	43,150	33,005
	1,274,715	1,034,049
Less accumulated depreciation and amortization	426,439	378,655
Total property, plant and equipment, net	848,276	655,394
Other assets:		
Long-term investments	5,311	5,437
Deferred financing costs	15,061	7,768
Goodwill	88,511	60,252
Permits and other intangibles, net of accumulated amortization of $67,035 and $60,633, respectively	127,068	114,400
Other	14,481	6,687
Total other assets	250,432	194,544
Total assets	$ 1,965,080	$ 1,602,475

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

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CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Continued)

LIABILITIES AND STOCKHOLDERS EQUITY

(in thousands)

	June 30, 2011 (unaudited)	December 31, 2010
Current liabilities:		
Current portion of capital lease obligations	$ 6,520	$ 7,954
Accounts payable	156,106	136,978
Deferred revenue	28,462	30,745
Accrued expenses	118,716	116,089
Current portion of closure, post-closure and remedial liabilities	15,626	14,518
Total current liabilities	325,430	306,284
Other liabilities:		
Closure and post-closure liabilities, less current portion of $6,313 and $5,849, respectively	28,595	32,830
Remedial liabilities, less current portion of $9,313 and $8,669, respectively	127,859	128,944
Long-term obligations	524,994	264,007
Capital lease obligations, less current portion	9,109	6,839
Unrecognized tax benefits and other long-term liabilities	91,725	82,744
Total other liabilities	782,282	515,364
Stockholders equity:		
Common stock, $.01 par value:		
Authorized 80,000,000; shares issued and outstanding 52,986,122 and 52,772,392 shares, respectively	530	528
Treasury stock	(4,274)	(2,467)
Shares held under employee participation plan	(777)	(777)
Additional paid-in capital	495,237	488,384
Accumulated other comprehensive income	70,366	50,759
Accumulated earnings	296,286	244,400
Total stockholders equity	857,368	780,827
Total liabilities and stockholders equity	$ 1,965,080	$ 1,602,475

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

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CLEAN HARBORS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(in thousands except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	**2010**	**2011**	**2010**
Revenues	$ 447,235	$ 471,639	$ 882,197	$ 826,535
Cost of revenues (exclusive of items shown separately below)	307,754	324,280	620,331	584,697
Selling, general and administrative expenses	58,254	50,729	113,048	96,213
Accretion of environmental liabilities	2,407	2,602	4,796	5,304
Depreciation and amortization	26,936	22,105	52,396	44,779
Income from operations	51,884	71,923	91,626	95,542
Other income	2,868	2,708	5,767	3,154
Interest expense, net of interest income of $302 and $546 for the quarter and year-to-date ended 2011 and $165 and $267 for the quarter and year-to-date ended 2010, respectively	(10,642)	(7,646)	(17,120)	(14,574)
Income from continuing operations, before provision for income taxes	44,110	66,985	80,273	84,122
Provision for income taxes	14,954	11,468	28,387	18,557
Income from continuing operations	29,156	55,517	51,886	65,565
Income from discontinued operations, net of tax		2,412		2,794
Net income	$ 29,156	$ 57,929	$ 51,886	$ 68,359
Earnings per share:				
Basic	$ 0.55	$ 1.10	$ 0.98	$ 1.30
Diluted	$ 0.55	$ 1.10	$ 0.97	$ 1.29
Weighted average common shares outstanding	52,939	52,581	52,869	52,542
Weighted average common shares outstanding plus potentially dilutive common shares	53,362	52,849	53,261	52,796

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

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CLEAN HARBORS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Cash flows from operating activities:		
Net income	$ 51,886	$ 68,359
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	52,396	44,779
Allowance for doubtful accounts	402	833
Amortization of deferred financing costs and debt discount	898	1,475
Accretion of environmental liabilities	4,796	5,304
Changes in environmental liability estimates	(773)	(3,893)
Deferred income taxes	819	388
Stock-based compensation	2,880	3,107
Excess tax benefit of stock-based compensation	(1,617)	(782)
Income tax benefit related to stock option exercises	1,617	777
Gains on sales of businesses		(2,678)
Other income	(2,413)	(3,154)
Environmental expenditures	(5,564)	(4,717)
Changes in assets and liabilities, net of acquisitions		
Accounts receivable	18,063	(61,294)
Other current assets	(5,252)	(20,868)
Accounts payable	(33,024)	48,411
Other current liabilities	(9,485)	21,270
Net cash from operating activities	75,629	97,317
Cash flows from investing activities:		
Additions to property, plant and equipment	(65,460)	(35,490)
Acquisitions, net of cash acquired	(205,922)	(13,751)
Additions to intangible assets, including costs to obtain or renew permits	(1,066)	(2,192)
Proceeds from sales of marketable securities	388	2,575
Proceeds from sales of fixed assets and assets held for sale	4,891	15,594
Proceeds from insurance settlement		1,336
Proceeds from sale of long-term investments		1,300
Net cash used in investing activities	(267,169)	(30,628)
Cash flows from financing activities:		
Change in uncashed checks	13,746	(3,600)
Proceeds from exercise of stock options	783	318
Remittance of shares, net	(1,807)	(113)
Proceeds from employee stock purchase plan	1,556	1,187
Deferred financing costs paid	(8,099)	(53)
Payments on capital leases	(3,316)	(1,752)
Distribution of cash earned on employee participation plan	(189)	(148)
Excess tax benefit of stock-based compensation	1,617	782
Issuance of senior secured notes, including premium	261,250	

Net cash from financing activities		265,541		(3,379)
Effect of exchange rate change on cash		1,365		(1,556)
Increase in cash and cash equivalents		75,366		61,754
Cash and cash equivalents, beginning of period		302,210		233,546
Cash and cash equivalents, end of period	$	377,576	$	295,300
Supplemental information:				
Cash payments for interest and income taxes:				
Interest paid	$	11,551	$	13,572
Income taxes paid		26,545		10,845
Non-cash investing and financing activities:				
Property, plant and equipment accrued	$	24,586	$	4,738
Assets acquired through capital lease				9,418
Issuance of acquisition-related common stock, net				1,015

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

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CLEAN HARBORS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(in thousands)

	Common Stock			Shares Held			Accumulated		
	Number of Shares	$ 0.01 Par Value	Treasury Stock	Under Employee Participation Plan	Additional Paid-in Capital	Comprehensive Income	Other Comprehensive Income	Accumulated Earnings	Total Stockholders Equity
Balance at January 1, 2011	52,772	$ 528	$ (2,467)	$ (777)	$ 488,384		$ 50,759	$ 244,400	$ 780,827
Net income						$ 51,886		51,886	51,886
Change in fair value of available for sale securities, net of taxes						(791)	(791)		(791)
Foreign currency translation						20,398	20,398		20,398
Total comprehensive income						$ 71,493			
Stock-based compensation	168				2,899				2,899
Issuance of restricted shares, net of shares remitted	(42)		(1,807)						(1,807)
Exercise of stock options	40	2			781				783
Net tax benefit on exercise of stock options					1,617				1,617
Employee stock purchase plan	48				1,556				1,556
Balance at June 30, 2011	52,986	$ 530	$ (4,274)	$ (777)	$ 495,237		$ 70,366	$ 296,286	$ 857,368

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

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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 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 or any other interim periods. The financial statements presented herein should be read in connection with the financial statements included in the Company s Current Report on Form 8-K filed on July 15, 2011.

On June 8, 2011, the Company s Board of Directors authorized a two-for-one stock split of the Company s common stock in the form of a stock dividend of one share for each outstanding share. The stock dividend was payable on July 26, 2011 to holders of record at the close of business on July 6, 2011. The stock split followed the approval, at the Company s 2011 annual meeting of stockholders, of a proposal to increase the Company s authorized shares of common stock from 40 million to 80 million. The stock split did not change the proportionate interest that a stockholder maintained in the Company. All share and per share information, including options, restricted and performance stock awards, stock option exercises, employee stock purchase plan purchases, common stock and additional paid-in capital accounts on the consolidated balance sheets and consolidated statements of income and stockholders equity, have been retroactively adjusted to reflect the two-for-one stock split. In addition, awards granted and weighted average fair value of awards granted in Note 12, Stock-Based Compensation, have also been retroactively adjusted.

During the quarter ended March 31, 2011, the Company re-aligned its management reporting structure. Under the new structure, the Company s operations are managed in four segments: Technical Services, Field Services, Industrial Services and Oil and Gas Field Services. The new segment, Oil and Gas Field Services, consists of the previous Exploration Services segment, as well as certain departments that were re-assigned from the Industrial Services segment. In addition, certain departments from the Field Services segment were re-assigned to the Industrial Services segment. Accordingly, the Company re-aligned and re-allocated departmental costs being allocated among the segments to support these management reporting changes. The Company has recast the segment information to conform to the current year presentation. See Note 14, Segment Reporting.

The four operating segments consist of:

- Technical Services provides a broad range of hazardous material management services including the packaging, collection, transportation, treatment and disposal of hazardous and non-hazardous waste at Company owned incineration, landfill, wastewater, and other treatment facilities.

- Field Services provides a wide variety of environmental cleanup services on customer sites or other locations on a scheduled or emergency response basis including tank cleaning, decontamination, remediation, and spill cleanup.

- Industrial Services provides industrial and specialty services, such as high-pressure and chemical cleaning, catalyst handling, decoking, material processing, surface rentals and industrial lodging services to refineries, chemical plants, oil sands facilities, pulp and paper mills, and other industrial facilities.

- Oil and Gas Field Services provides fluid handling, fluid hauling, down hole servicing, surface rentals, exploration, mapping and directional boring services to the energy sector serving oil and gas exploration, production, and power generation.

Technical Services and Field Services are included as part of Clean Harbors Environmental Services, and Industrial Services and Oil and Gas Field Services are included as part of Clean Harbors Energy and Industrial Services.

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(2) SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements of the Company reflect the application of certain new or updated significant accounting policies as described below:

Property, Plant and Equipment (excluding landfill assets)

Property, plant and equipment are stated at cost and include amounts capitalized under capital lease obligations. Expenditures for major renewals and improvements which extend the life of the asset are capitalized. Items of an ordinary repair or maintenance nature are charged directly to operating expense as incurred. During the construction and development period of an asset, the costs incurred, including applicable interest costs, are classified as construction-in-progress. Interest in the amount of $0.4 million and $0.2 million was capitalized to fixed assets during the six months ended June 30, 2011, and 2010, respectively. Depreciation and amortization expense was $42.0 million and $35.9 million for the six months ended June 30, 2011, and 2010, respectively.

The Company depreciates and amortizes the cost of these assets, using the straight-line method as follows:

Asset Classification	Estimated Useful Life
Buildings and building improvements	
Buildings	30 40 years
Land, leasehold and building improvements	5 40 years
Camp equipment	12 15 years
Vehicles	3 12 years
Equipment	
Capitalized software and computer equipment	3 years
Solar equipment	20 years
Containers and railcars	15 20 years
All other equipment	3 10 years
Furniture and fixtures	5 8 years

Land, leasehold and building improvements have a weighted average life of 9.3 years.

Camp equipment consists of industrial lodging facilities that are utilized in the Company s Industrial Services segment to provide lodging services to companies in the refinery and petrochemical industries.

Solar equipment consists of a solar array that is used to provide electric power for a continuously operating groundwater decontamination pump and treatment system at a closed and capped landfill located in New Jersey. The solar array was installed and became operable during the second quarter of 2011.

The Company recognizes an impairment in the carrying value of long-lived assets when the expected future undiscounted cash flows derived from the assets are less than their carrying value. For the three and six months ended June 30, 2011, and 2010, the Company has not recorded impairment charges related to long-lived assets.

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (FASB) and are adopted by the Company as of the specified effective dates. Unless otherwise discussed below, 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.

In 2009, the FASB issued Accounting Standards Update (ASU) 2009-13, *Revenue Recognition (Topic 605) Multiple-Deliverable Revenue Arrangements,* or ASU 2009-13 which provides additional guidance on the recognition of revenue from multiple element arrangements. ASU 2009-13 states that if vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined, companies are required to develop a best estimate of the selling price for separate deliverables and allocate arrangement consideration using the relative selling price method. This guidance is effective for fiscal years beginning after June 15, 2010 and may be applied prospectively to new or materially modified arrangements after the effective date or retrospectively. The Company adopted ASU 2009-13 prospectively as of January 1, 2011 and although the adoption did not materially impact its financial condition, results of operations, or cash flow, this guidance may impact the Company s determination of the separation of deliverables for future arrangements.

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In June 2011, the FASB issued ASU 2011-5 *Comprehensive Income (Topic 220) Presentation of Comprehensive Income*. The new guidance revises the manner in which entities present comprehensive income in their financial statements. ASU 2011-5 requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The ASU does not change the items that must be reported in other comprehensive income. This guidance will require a change in the presentation of the financial statements and will require retrospective application. The Company will adopt this guidance as of January 2012 and has not determined which approach it will adopt.

(3) BUSINESS COMBINATIONS

Peak

On June 10, 2011, the Company acquired 100% of the outstanding common shares of Peak Energy Services Ltd. (Peak) (other than the 3.15% of Peak s outstanding common shares which the Company already owned) in exchange for approximately CDN $158.7 million in cash (CDN $0.95 for each Peak share) and the assumption and payment of Peak net debt of approximately CDN $37.5 million. The total acquisition price, which includes the previous investment in Peak shares referred to above, was approximately CDN $200.2 million, or U.S. $205.1 million based on an exchange rate of 0.976057 CDN $ to one U.S. $ on June 10, 2011.

Peak is a diversified energy services corporation headquartered in Calgary, Alberta, operating in western Canada and the U.S. Through its various operating divisions, Peak provides drilling and production equipment and services to its customers in the conventional and unconventional oil and natural gas industries as well as the oil sands region of western Canada. Peak also provides water technology solutions to a variety of customers throughout North America. Peak employs approximately 900 people. Peak shares previously traded on the Toronto Stock Exchange under the symbol PES. The Company anticipates that this acquisition will expand its presence in the energy services marketplace, particularly in the area of oil and natural gas drilling and production support. The Peak business has been integrated within the Oil and Gas Field Services and Industrial Services segments of the Company s operations and reporting structure.

The following table summarizes the preliminary purchase price for Peak at the acquisition date (in thousands of U.S. dollars).

Cash paid for Peak common shares	$	162,585
Fair value of previously owned common shares (1)		4,117
Peak net debt assumed (2)		38,431
Total estimated purchase price	$	205,133

(1) The Company previously owned a 3.15% interest in Peak which was recorded in marketable securities. On June 10, 2011, the Company acquired the remaining outstanding shares of Peak and as a result, the Company remeasured the fair value of its previously held common shares and recognized the resulting gain of $1.9 million in other income. The unrealized gain on the Peak investment was previously recorded in accumulated other comprehensive income. For this purpose, the fair value of the Company s previous investment in Peak was deemed to be $4.1 million, calculated based on the closing price of Peak s shares on the Toronto Stock Exchange on the date before the acquisition was publicly announced.

(2) The outstanding Peak debt, net of $15.7 million of cash assumed, which consisted of three term loan facilities, was paid off on June 10, 2011.

Acquisition related costs of $0.6 million and $0.7 million were included in selling, general and administrative expenses in the Company s consolidated statements of income for the three and six months ended June 30, 2011, respectively.

The following table summarizes the recognized amounts of identifiable assets acquired and liabilities assumed (in thousands). The fair value of all the acquired identifiable assets and liabilities summarized below is provisional pending finalization of the Company s acquisition accounting. Final determination of the fair value may result in further adjustments to the values presented below.

		Asset (Liability)
Current assets (i)	$	45,797
Property, plant and equipment		149,344
Identifiable intangible assets		14,107
Other assets		8,800
Current liabilities		(27,717)
Other liabilities		(8,344)
Total identifiable net assets	$	181,987
Goodwill (ii)		23,146
Total	$	205,133

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(i) The preliminary fair value of the financial assets acquired includes customer receivables with a preliminary fair value of $33.4 million. The gross amount due was $35.3 million.

(ii) Goodwill, which is attributable to expected operating and cross-selling synergies, is not expected to be deductible for tax purposes. Goodwill of $9.3 million and $13.8 million has been recorded in the Oil and Gas Field Services and Industrial Services segments, respectively; however, the amount and the allocation are subject to change pending the finalization of the Company s valuation.

The Company has determined that the separate disclosure of Peak s earnings is impracticable for the three and six months ended June 30, 2011 due to the integration of Peak operations into the Company upon acquisition. Revenues attributable to Peak included in the Company s consolidated statements of income for the three and six months ended June 30, 2011 were $9.6 million.

The following unaudited pro forma combined summary data presents information as if Peak had been acquired at the beginning of 2010 and assumes that there was nothing that is considered a material, non-recurring pro forma adjustment directly attributable to the acquisition. The pro forma information does not necessarily reflect the actual results that would have occurred had the Company and Peak been combined during the periods presented, nor is it necessarily indicative of the future results of operations of the combined companies (in thousands).

	Three months ended June 30, 2010	Six months ended June 30, 2010
Pro forma combined revenues	$ 494,359	$ 881,916
Pro forma combined net income	$ 56,488	$ 69,148

Status of Proposed Acquisition of Badger

The Company entered on January 25, 2011 into a definitive agreement to acquire Badger Daylighting Ltd. (Badger), an Alberta corporation headquartered in Calgary, Alberta. Under the terms of the acquisition agreement, a condition to the respective obligations of each of the Company and Badger to complete the transaction was approval of the transaction by a required affirmative vote of at least 66 2/3 % of Badger s shareholders and option holders voting on the matter. At a meeting held on April 26, 2011, the Badger shareholders and option holders failed to approve the transaction by the required vote. In accordance with the terms of the acquisition agreement, the Company terminated the agreement on April 26, 2011. The acquisition agreement provided that if the Company terminated the agreement because of a failure by the Badger shareholders and option holders to approve the transaction by the required vote, Badger was obligated to reimburse the Company s out of pocket expenses incurred in connection with the proposed transaction including the financing thereof, up to a maximum of CDN $1.5 million. Based on a demand letter sent to Badger in May 2011, the Company received U.S. $1.1 million from Badger in June for reimbursement in accordance with this provision of the agreement.

(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, 2011, 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, 2011 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 these securities are 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, 2011, 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. The Company attributes the $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 it does not intend to sell and it is more likely than not that the Company will not have to sell the securities before their maturity.

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During the six months ended June 30, 2011 and 2010, the Company recorded an unrealized pre-tax loss of $0.1 million and a pre-tax gain of $0.1 million, respectively, on its auction rate securities, which was included in accumulated other comprehensive income. As of June 30, 2011, 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, 2011 and December 31, 2010 were as follows (in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2011
Auction rate securities	$	$	$ 5,311	$ 5,311
Marketable securities	$ 128	$	$	$ 128

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2010
Auction rate securities	$	$	$ 5,437	$ 5,437
Marketable securities	$ 3,174	$	$	$ 3,174

The decrease in marketable securities since December 31, 2010 was primarily due to the Peak acquisition on June 10, 2011. The Company previously owned a 3.15% interest in Peak which was recorded in marketable securities.

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, 2011 and 2010 (in thousands):

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010
Balance at April 1,	$ 5,379	$ 6,503
Sale of auction rate securities		(1,300)
Unrealized (losses) gains included in other comprehensive income	(68)	112
Balance at June 30,	$ 5,311	$ 5,315

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Balance at January 1,	$ 5,437	$ 6,503
Sale of auction rate securities		(1,300)
Unrealized (losses) gains included in other comprehensive income	(126)	112

Balance at June 30,	$	5,311	$	5,315

(5) GOODWILL AND OTHER INTANGIBLE ASSETS

The changes to goodwill for the six months ended June 30, 2011 were as follows (in thousands):

		2011
Balance at January 1, 2011	$	60,252
Acquired from acquisitions		27,062
Foreign currency translation		1,197
Balance at June 30, 2011	$	88,511

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The increase in goodwill during the six months ended June 30, 2011 was primarily attributed to the acquisition of Peak. The goodwill related to Peak includes estimates that are subject to change based upon final fair value determinations. Below is a summary of amortizable other intangible assets (in thousands):

	June 30, 2011				December 31, 2010			
	Cost	**Accumulated Amortization**	**Net**	**Weighted Average Amortization Period (in years)**	**Cost**	**Accumulated Amortization**	**Net**	**Weighted Average Amortization Period (in years)**
Permits	$ 105,748	$ 44,464	$ 61,284	17.7	$ 103,493	$ 42,430	$ 61,063	15.9
Customer relationships	69,781	14,008	55,773	7.0	58,322	10,418	47,904	8.0
Other intangible assets	18,574	8,563	10,011	4.1	13,218	7,785	5,433	3.5
	$ 194,103	$ 67,035	$ 127,068	9.4	$ 175,033	$ 60,633	$ 114,400	9.7

The aggregate amortization expense for the three and six months ended June 30, 2011 was $2.9 million and $5.8 million, respectively.

The increase in customer relationships and other intangible assets was primarily attributed to the acquisition of Peak. Amounts are provisional and subject to change upon completion of final valuations. The total amounts assigned and the weighted average amortization period by major intangible asset classes as it relates to the Peak acquisition are as follows:

	Total Amount Assigned	**Weighted Average Amortization Period (in years)**
Customer relationships	$ 10,020	5.3
Other intangibles	4,258	6.0
	$ 14,278	5.0

Below is the expected future amortization for the net carrying amount of finite lived intangible assets at June 30, 2011 (in thousands):

Years Ending December 31,	**Expected Amortization**
2011 (six months)	$ 8,607
2012	14,076
2013	13,246
2014	12,597
2015	12,047
Thereafter	66,495

	$	127,068

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(6) ACCRUED EXPENSES

Accrued expenses consisted of the following (in thousands):

	June 30, 2011	December 31, 2010
Insurance	$ 20,852	$ 19,736
Interest	15,149	7,826
Accrued disposal costs	2,123	2,173
Accrued compensation and benefits	39,115	44,545
Income, real estate, sales and other taxes	16,776	19,529
Other	24,701	22,280
	$ 118,716	$ 116,089

(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, 2011 were as follows (in thousands):

	Landfill Retirement Liability	Non-Landfill Retirement Liability	Total
Balance at January 1, 2011	$ 29,756	$ 8,923	$ 38,679
New asset retirement obligations	1,169		1,169
Accretion	1,100	554	1,654
Changes in estimates recorded to statement of income	(400)	29	(371)
Other changes in estimates recorded to balance sheet	(4,681)	121	(4,560)
Settlement of obligations	(1,467)	(306)	(1,773)
Currency translation and other	91	19	110
Balance at June 30, 2011	$ 25,568	$ 9,340	$ 34,908

All of the landfill facilities included in the above were active as of June 30, 2011.

New asset retirement obligations incurred in 2011 are being discounted at the credit-adjusted risk-free rate of 8.79% and inflated at a rate of 1.01%.

(8) REMEDIAL LIABILITIES

The changes to remedial liabilities for the six months ended June 30, 2011 were as follows (in thousands):

	Remedial Liabilities for Landfill Sites	Remedial Liabilities for Inactive Sites	Remedial Liabilities (Including Superfund) for Non-Landfill Operations	Total
Balance at January 1, 2011	$ 5,511	$ 82,354	$ 49,748	$ 137,613
Accretion	134	1,888	1,120	3,142
Changes in estimates recorded to statement of income	(8)	271	(665)	(402)
Settlement of obligations	(31)	(1,801)	(1,959)	(3,791)
Currency translation and other	96	6	508	610
Balance at June 30, 2011	$ 5,702	$ 82,718	$ 48,752	$ 137,172

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(9) FINANCING ARRANGEMENTS

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

	June 30, 2011	December 31, 2010
Senior secured notes, at 7.625%, due August 15, 2016	$ 520,000	$ 270,000
Revolving credit facility, due May 31, 2016		
Unamortized notes premium and discount, net	4,994	(5,993)
Long-term obligations	$ 524,994	$ 264,007

On May 31, 2011, the Company increased its previous $120.0 million revolving credit facility to a $250.0 million revolving credit facility (described below).

As of December 31, 2010, the Company had outstanding $270.0 million aggregate principal amount of 7.625% senior secured notes due 2016. On March 24, 2011, the Company issued an additional $250.0 million aggregate principal amount of such notes (the new notes). Under the purchase agreement, the new notes were priced for purposes of resale at 104.5% of the aggregate principal amount, representing an effective yield to maturity of 6.132%. In addition to such 104.5% purchase price, the purchase price paid to the Company for the new notes also included interest accrued on the new notes from and including February 15, 2011. The net proceeds from the issuance and sale of the new notes, after deducting the initial purchasers discount and estimated other transaction expenses, were approximately $255.6 million.

The new notes and the $270.0 million of notes issued on the initial issue date are treated as a single class for all purposes including, without limitation, waivers, amendments, redemptions and other offers to purchase. The new notes and the notes issued on the initial issue date are referred to in this report collectively as the notes or the senior secured notes.

The principal terms of the notes are as follows:

Senior Secured Notes. The notes will mature on August 15, 2016. The notes bear interest at a rate of 7.625% per annum. Interest is payable semi-annually on February 15 and August 15 of each year. The notes were issued pursuant to an indenture dated as of August 14, 2009 (as supplemented from time to time, the indenture) among the Company, as issuer, the Company s domestic subsidiaries, as guarantors, and U.S. Bank National Association, as trustee and notes collateral agent.

The fair value of the Company s currently outstanding notes is based on quoted market prices and was $538.3 million at June 30, 2011 and $278.3 million at December 31, 2010.

The Company may redeem some or all of the notes at any time on or after August 15, 2012 at the following redemption prices (expressed as percentages of the principal amount) if redeemed during the twelve-month period commencing on August 15 of the year set forth below, plus, in each case, accrued and unpaid interest, if any, to the date of redemption:

Year	**Percentage**
2012	103.813%
2013	101.906%
2014 and thereafter	100.000%

At any time on or after September 29, 2011 but prior to August 15, 2012, the Company may also redeem up to 10% of the original aggregate principal amount of the notes at a redemption price of 103% of the principal amount, plus any accrued and unpaid interest. Prior to August 15, 2012, the Company may also redeem up to 35% of the aggregate principal amount of the notes at a redemption price of 107.625% of the principal amount, plus any accrued and unpaid interest, using proceeds from certain equity offerings, and may also redeem some or all of the senior secured notes at a redemption price of 100% of the principal amount plus a make-whole premium and any accrued and unpaid interest. Holders may require the Company to repurchase the notes at a purchase price equal to 101% of the principal amount, plus any accrued and unpaid interest, upon a change of control of the Company.

The notes are guaranteed by substantially all the Company s current and future domestic restricted subsidiaries. The notes are the Company s and the guarantors senior secured obligations ranking equally, subject to the lien priorities summarized below, with all of the Company s and the guarantors existing and future senior obligations (including obligations under the Company s credit agreement) and senior to any future indebtedness that is expressly subordinated to the senior secured notes and the guarantees. The notes and the guarantees are secured by a first lien on substantially all of the assets of the Company and its domestic restricted subsidiaries (the Notes Collateral), except for accounts receivable, related general intangibles and instruments and proceeds related thereto (the ABL Collateral) and certain other excluded collateral as provided in the indenture and subject to certain exceptions and permitted liens. The notes and the guarantees are also secured by a second lien on the ABL Collateral that, along with a second lien on the Notes Collateral, secure the Company s obligations under its ABL facility under its revolving credit agreement. The notes are not guaranteed by, or secured by the assets of, the Company s Canadian or other foreign subsidiaries.

If the Company or its domestic subsidiaries sell assets under specified circumstances, the Company must offer to repurchase the senior secured notes from certain of the net proceeds of such sale at a purchase price equal to 100% of the principal amount, plus any accrued and unpaid interest, to the applicable repurchase date.

In connection with the issuance of the new notes, the Company and the guarantors entered into a registration rights agreement dated March 24, 2011, with the initial purchasers. Under such agreement, the Company and the guarantors were required to file with the SEC an exchange offer registration statement and use reasonable best efforts to cause the exchange offer to be consummated within 180 days following the sale of the new notes, thereby enabling holders to exchange the new notes for registered notes with terms substantially identical to the terms of the new notes. Under specified circumstances, including if the exchange offer would not be permitted by applicable law or SEC policy, the registration rights agreement would require that the Company and the guarantors file a shelf registration statement and use reasonable best efforts to have such registration statement declared effective within 90 days following the event giving rise to the requirement to file the shelf registration statement for the resale of the new notes. If the Company and the guarantors should default on their registration obligations under the registration rights agreement, additional interest (referred to as special interest), up to a maximum amount of 1.0% per annum, would become payable on the new notes until all such registration defaults are cured. The Company filed on July 15, 2011 an exchange offer registration statement, which the SEC made effective on July 27, 2011. The Company commenced the exchange offer on August 1, 2011, and the exchange offer is now scheduled to be consummated on or about August 30, 2011.

Revolving Credit Facility. On May 31, 2011, the Company entered into an amendment and restatement of the previously existing revolving credit facility with Bank of America, N.A. (BofA), as agent for the lenders under the facility. The principal changes to the terms of the facility were to:

(i) increase the maximum amount of borrowings and letters of credit which the Company may obtain under the facility from $120.0 million to $150.0 million (with a $140.0 million sub-limit for letters of credit);

(ii) add one of the Company s Canadian subsidiaries (the Canadian Borrower) as a party to the facility and allow the Canadian Borrower to obtain up to $100.0 million of borrowings and letters of credit (with a $75.0 million sub-limit for letters of credit), with the obligations of the Canadian Borrower under the facility secured by a first lien on the accounts receivable of the Canadian Borrower and the Company s other Canadian subsidiaries, and the Company and its U.S. subsidiaries guaranteeing the obligations of the Canadian Borrower but the Canadian Borrower and the Company s other Canadian subsidiaries having no guarantee or other responsibility for the obligations of the Company or its U.S. subsidiaries under the facility;

(iii) reduce the interest rate on borrowings under the facility, in the case of LIBOR loans, from LIBOR plus an applicable margin ranging (based on the level of the Company s fixed charge coverage ratio for the most recently completed four fiscal quarter measurement period) from 2.25% to 2.75% per annum to LIBOR plus an applicable margin ranging from 1.75% to 2.25% per annum and, in the case of base rate loans, from BofA s base rate plus an applicable margin ranging from 1.25% to 1.75% per annum to BofA s base rate plus an applicable margin ranging from 0.75% to 1.25% per annum; and

(iv) extend the term of the facility so that it will expire on the first to occur of (a) May 31, 2016 or (b) 60 days prior to the maturity of the Company s outstanding senior secured notes on August 15, 2016 if the notes have not by then been refinanced, defeased or reserved against the borrowing base on terms reasonably acceptable to the agent under the amended and restated credit agreement.

The financing arrangements and principal terms of the revolving credit facility are discussed further in the Company s Current Report on Form 8-K filed on July 15, 2011. There have been no material changes in such terms other than those noted above during the first six months of 2011.

(10) INCOME TAXES

The Company s effective tax rate (including taxes on income from discontinued operations) for the three and six months ended June 30, 2011 was 33.9 percent and 35.4 percent, respectively, compared to 17.7 percent and 22.4 percent, respectively, for the same periods in 2010. The increase in the effective tax rate for the six months ended June 30, 2011 was primarily attributable to the decrease in unrecognized tax benefits recorded in the second quarter of 2010. Excluding this discrete item, the rate decreased by 2.4%

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as compared to the six months ended June 30, 2010, primarily due to the increased profits attributable to Canada, which has a lower corporate income tax rate as compared to the United States, and the recording of an energy investment tax credit for a solar energy project placed in service.

As of June 30, 2011, the Company s unrecognized tax benefits and related reserves were $67.5 million, which included $21.3 million of interest and $6.6 million of penalties. As of December 31, 2010, the Company s unrecognized tax benefits and related reserves were $65.9 million, which included $19.7 million of interest and $6.5 million of penalties.

Due to expiring statute of limitation periods, the Company anticipates that total unrecognized tax benefits and related reserves, other than adjustments for additional accruals for interest and penalties and foreign currency translation, will decrease by approximately $6.3 million within the next twelve months. The $6.3 million (which includes interest and penalties of $2.7 million) is primarily related to a historical Canadian business combination and, if realized, will be recorded in earnings and therefore will impact the effective income tax rate.

(11) EARNINGS PER SHARE

The following is a reconciliation of basic and diluted earnings per share computations (in thousands except for per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	**2010**	**2011**	**2010**
Numerator for basic and diluted earnings per share:				
Income from continuing operations	$ 29,156	$ 55,517	$ 51,886	$ 65,565
Income from discontinued operations		2,412		2,794
Net income	$ 29,156	$ 57,929	$ 51,886	$ 68,359
Denominator:				
Basic shares outstanding	52,939	52,581	52,869	52,542
Dilutive effect of equity-based compensation awards	423	268	392	254
Dilutive shares outstanding	53,362	52,849	53,261	52,796
Basic earnings per share:				
Income from continuing operations	$ 0.55	$ 1.05	$ 0.98	$ 1.25
Income from discontinued operations, net of tax		0.05		0.05
Net income	$ 0.55	$ 1.10	$ 0.98	$ 1.30
Diluted earnings per share:				
Income from continuing operations	$ 0.55	$ 1.05	$ 0.97	$ 1.24
Income from discontinued operations, net of tax		0.05		0.05
Net income	$ 0.55	$ 1.10	$ 0.97	$ 1.29

All shares and per share amounts included in the above table have been adjusted for the two-for-one stock split discussed in Note 1, Basis of Presentation. For the three- and six-month periods ended June 30, 2011, the dilutive effect of all then outstanding options, restricted stock and performance awards is included in the above calculations except as follows. For the three- and six-month periods ended June 30, 2011, the above calculation excluded the dilutive effects of 70 thousand outstanding performance stock awards for which the performance criteria were not attained at that time. For the three- and six-month periods ended June 30, 2010, the above calculation excluded the dilutive effects of 294 thousand outstanding performance stock awards for which the performance criteria were not attained at that time and 36 thousand options that were not then in-the-money.

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(12) 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, 2011, as well as the related weighted-average grant-date fair values:

	Three and Six Months Ended June 30, 2011	
	Shares	Weighted-Average Grant-Date Fair Value
Restricted stock awards	154,214	$ 48.43
Performance stock awards	69,948	$ 48.13
Total awards	224,162	

All shares and weighted-average grant date fair values included in the above table have been adjusted for the two-for-one stock split discussed in Note 1, Basis of Presentation. Certain performance stock awards granted in June 2011 are subject to both achieving predetermined revenue and EBITDA targets for a specified period of time and service conditions. As of June 30, 2011, based on year-to-date results of operations, management did not believe that it was probable that the performance targets, which must be attained by December 31, 2012, would be achieved and as a result, no expense was recorded during the three and six months ended June 30, 2011 related to the 2011 performance stock awards.

(13) 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.

At June 30, 2011 and December 31, 2010, the Company had recorded reserves of $29.6 million and $29.7 million, respectively, in the Company s financial statements for actual or probable liabilities related to the legal and administrative proceedings in which the Company was then involved, the principal of which are described below. At June 30, 2011 and December 31, 2010, the Company also believed that it was reasonably possible that the amount of these potential liabilities could be as much as $2.7 million and $2.8 million more, respectively. The Company periodically adjusts the aggregate amount of these reserves when these actual or probable liabilities are paid or otherwise discharged, new claims arise, or additional relevant information about existing or probable claims becomes available. As of June 30, 2011, the $29.6 million of reserves consisted of (i) $27.5 million related to pending legal or administrative proceedings, including Superfund liabilities, which were included in remedial liabilities on the consolidated balance sheets and (ii) $2.1 million primarily related to federal and state enforcement actions, which were included in accrued expenses on the consolidated balance sheets.

As of June 30, 2011, the principal legal and administrative proceedings in which the Company was involved, or which had been terminated during 2011, 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 Canadian dollar (CDN) total of $1.6 million as damages

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for additional costs to obtain drinking water supplies and seek an injunctive order to obligate the defendants to remediate the groundwater in the region. 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, 2011 and December 31, 2010, the Company had accrued $14.3 million and $13.5 million, respectively, for remedial liabilities relating to the Ville Mercier legal proceedings. The increase resulted primarily from a foreign exchange rate adjustment due to the strengthening of the Canadian dollar and interest accretion.

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 related to the fire 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 62 sites which are subject to or are proposed to become subject to proceedings under federal or state Superfund laws. Of the 62 sites, two involve facilities that are now owned by the Company and 60 involve third party sites to which either the Company or the prior owners shipped wastes. 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 60 third party sites arose out of the Company s 2002 acquisition of substantially all of the assets (the CSD

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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 35 Listed Third Party Sites, 12 are currently requiring expenditures on remediation, ten are now settled, and 13 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 one of the Listed Third Party Sites (the Casmalia sites) are further described below. There are also two 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 third party site 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 storm water 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.

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.

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 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 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, 2011 and December 31, 2010, the amount of the Company s reserves relating to the Marine Shale site was $3.8 million.

Certain Other Third Party Sites. At 14 of the 60 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 60 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, 2011 and December 31, 2010, there were two and three proceedings, respectively, for which the Company reasonably believed that the sanctions could equal or exceed $100,000. During the second quarter, the Company resolved one matter involving one of its operating subsidiaries with no 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.

Other Contingencies

In December 2010, the Company paid $10.5 million to acquire a minority interest in a privately-held company. Subsequent to the purchase of those securities but prior to December 31, 2010, the privately-held company exercised its irrevocable call right for those shares and tendered payment for a total of $10.5 million. The Company is disputing the fair value asserted by the privately-held company and believes that the shares had a fair value on the date of the exercise of the call right greater than the amount tendered. Due to the exercise of the irrevocable call right, the Company did not own those shares of that privately-held company as of December 31, 2010, and accordingly has recorded the $10.5 million in prepaid expenses and other current assets. The potential recovery of any additional amount depends upon several contested factors, and is considered a gain contingency and therefore has not been recorded in the Company s consolidated financial statements.

(14) SEGMENT REPORTING

During the quarter ended March 31, 2011, the Company re-aligned its management reporting structure. Under the new structure, the Company s operations are managed in four reportable segments: Technical Services, Field Services, Industrial Services and Oil and Gas Field Services. The new segment, Oil and Gas Field Services, consists of the previous Exploration Services segment, as well as certain oil and gas related field services departments that were re-assigned from the Industrial Services segment. In addition, certain departments from the Field Services segment were re-assigned to the Industrial Services segment. Accordingly, the Company re-aligned and re-allocated departmental costs being allocated among the segments to support these management reporting changes. The Company has recast the segment information to conform to the current year presentation.

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

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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 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, 2011 and 2010 (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, 2011					
	Technical Services	Field Services	Industrial Services	Oil and Gas Field Services	Corporate Items	Totals
Third party revenues	$ 202,330	$ 72,615	$ 111,376	$ 60,617	$ 297	$ 447,235
Intersegment revenues, net	4,210	(5,623)	(1,087)	2,964	(464)	
Direct revenues	$ 206,540	$ 66,992	$ 110,289	$ 63,581	$ (167)	$ 447,235

	For the Three Months Ended June 30, 2010					
	Technical Services	Field Services (1)	Industrial Services	Oil and Gas Field Services	Corporate Items	Totals
Third party revenues	$ 167,409	$ 162,723	$ 98,804	$ 42,663	$ 40	$ 471,639
Intersegment revenues, net	7,137	(9,086)	(405)	2,715	(361)	
Direct revenues	$ 174,546	$ 153,637	$ 98,399	$ 45,378	$ (321)	$ 471,639

	For the Six Months Ended June 30, 2011					
	Technical Services	Field Services	Industrial Services	Oil and Gas Field Services	Corporate Items	Totals
Third party revenues	$ 387,777	$ 134,874	$ 219,959	$ 139,251	$ 336	$ 882,197
Intersegment revenues, net	9,351	(9,574)	(3,960)	5,157	(974)	
Direct revenues	$ 397,128	$ 125,300	$ 215,999	$ 144,408	$ (638)	$ 882,197

	For the Six Months Ended June 30, 2010					
	Technical Services	Field Services (1)	Industrial Services	Oil and Gas Field Services	Corporate Items	Totals
Third party revenues	$ 320,936	$ 213,376	$ 191,124	$ 101,163	$ (64)	$ 826,535
Intersegment revenues, net	12,076	(13,263)	(1,631)	3,622	(804)	
Direct revenues	$ 333,012	$ 200,113	$ 189,493	$ 104,785	$ (868)	$ 826,535

(1) During the three and six months ended June 30, 2010, third party revenues for the Field Services segment included revenues associated with the oil spill response efforts in the Gulf of Mexico of $108.6 million.

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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 Ended June 30, 2011	For the Three Months Ended June 30, 2010	For the Six Months Ended June 30, 2011	For the Six Months Ended June 30, 2010
Adjusted EBITDA:				
Technical Services	$ 59,614	$ 44,385	$ 104,951	$ 77,565
Field Services	12,515	41,603	18,846	46,634
Industrial Services	25,862	24,122	49,205	43,982
Oil and Gas Field Services	8,427	5,966	23,092	17,462
Corporate Items	(25,191)	(19,446)	(47,276)	(40,018)
Total	$ 81,227	$ 96,630	$ 148,818	$ 145,625
Reconciliation to Consolidated Statements of Income:				
Accretion of environmental liabilities	$ 2,407	$ 2,602	$ 4,796	$ 5,304
Depreciation and amortization	26,936	22,105	52,396	44,779
Income from operations	51,884	71,923	91,626	95,542
Other income	(2,868)	(2,708)	(5,767)	(3,154)
Interest expense, net of interest income	10,642	7,646	17,120	14,574
Income from continuing operations before provision for income taxes	$ 44,110	$ 66,985	$ 80,273	$ 84,122

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

	June 30, 2011	December 31, 2010
Property, plant and equipment, net		
Technical Services	$ 266,968	$ 259,582
Field Services	34,821	32,311
Industrial Services	221,852	180,781
Oil and Gas Field Services	283,384	151,244
Corporate or other assets	41,251	31,476
Total property, plant and equipment, net	$ 848,276	$ 655,394
Intangible assets:		
Technical Services		
Goodwill	$ 33,654	$ 33,448
Permits and other intangibles, net	65,089	66,075
Total Technical Services	98,743	99,523
Field Services		
Goodwill	3,088	3,088
Permits and other intangibles, net	3,491	3,651
Total Field Services	6,579	6,739
Industrial Services		
Goodwill	28,583	10,934
Permits and other intangibles, net	18,147	17,906
Total Industrial Services	46,730	28,840
Oil and Gas Field Services		
Goodwill	23,186	12,782

Permits and other intangibles, net	40,341	26,768
Total Oil and Gas Field Services	63,527	39,550
Total	$ 215,579	$ 174,652

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

		June 30, 2011		December 31, 2010
Technical Services	$	529,173	$	525,286
Field Services		44,494		35,253
Industrial Services		279,602		221,472
Oil and Gas Field Services		419,870		272,479
Corporate Items		691,941		547,985
Total	$	1,965,080	$	1,602,475

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

		June 30, 2011		December 31, 2010
United States	$	1,060,846	$	933,550
Canada		899,986		664,534
Other foreign		4,248		4,391
Total	$	1,965,080	$	1,602,475

(15) GUARANTOR AND NON-GUARANTOR SUBSIDIARIES FINANCIAL INFORMATION

As of December 31, 2010, the Company had outstanding $270.0 million aggregate principal amount of 7.625% senior secured notes due 2016 issued by the parent company, Clean Harbors, Inc., and on March 24, 2011, the parent company issued an additional $250.0 million aggregate principal amount of such notes. The combined $520.0 million of the parent s senior secured notes outstanding at June 30, 2011 is 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. The parent s notes are not guaranteed by the Company s Canadian or other foreign subsidiaries. The following presents supplemental condensed consolidating financial information for the parent company, the guarantor subsidiaries and the non-guarantor subsidiaries, respectively.

Following is the condensed consolidating balance sheet at June 30, 2011 (in thousands):

		Clean Harbors, Inc.		U.S. Guarantor Subsidiaries		Foreign Non-Guarantor Subsidiaries		Consolidating Adjustments		Total
Assets:										
Cash and cash equivalents	$	196,896	$	118,563	$	62,117	$		$	377,576
Intercompany receivables		358,947						(358,947)		
Other current assets		16,322		270,797		201,677				488,796
Property, plant and equipment, net				337,544		510,732				848,276
Investments in subsidiaries		900,630		354,556		154,525		(1,409,711)		
Intercompany debt receivable				480,525		3,701		(484,226)		

Other long-term assets		14,660		86,969		148,803				250,432
Total assets	$	1,487,455	$	1,648,954	$	1,081,555	$	(2,252,884)	$	1,965,080
Liabilities and Stockholders Equity:										
Current liabilities	$	37,492	$	164,082	$	123,856	$		$	325,430
Intercompany payables				206,330		152,617		(358,947)		
Closure, post-closure and remedial liabilities, net				134,710		21,744				156,454
Long-term obligations		524,994								524,994
Capital lease obligations, net				744		8,365				9,109
Intercompany debt payable		3,701				480,525		(484,226)		
Other long-term liabilities		63,900		6,676		21,149				91,725
Total liabilities		630,087		512,542		808,256		(843,173)		1,107,712
Stockholders equity		857,368		1,136,412		273,299		(1,409,711)		857,368
Total liabilities and stockholders equity	$	1,487,455	$	1,648,954	$	1,081,555	$	(2,252,884)	$	1,965,080

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Following is the condensed consolidating balance sheet at December 31, 2010 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Assets:					
Cash and cash equivalents	$ 100,476	$ 124,582	$ 77,152	$	$ 302,210
Intercompany receivables	371,559			(371,559)	
Other current assets	15,521	279,895	154,911		450,327
Property, plant and equipment, net		302,028	353,366		655,394
Investments in subsidiaries	628,723	259,294	91,654	(979,671)	
Intercompany debt receivable		368,804	3,701	(372,505)	
Other long-term assets	7,768	87,888	98,888		194,544
Total assets	$ 1,124,047	$ 1,422,491	$ 779,672	$ (1,723,735)	$ 1,602,475
Liabilities and Stockholders Equity:					
Current liabilities	$ 13,935	$ 201,384	$ 90,965	$	$ 306,284
Intercompany payables		222,750	148,809	(371,559)	
Closure, post-closure and remedial liabilities, net		141,280	20,494		161,774
Long-term obligations	264,007				264,007
Capital lease obligations, net		249	6,590		6,839
Intercompany debt payable	3,701		368,804	(372,505)	
Other long-term liabilities	61,577	2,531	18,636		82,744
Total liabilities	343,220	568,194	654,298	(744,064)	821,648
Stockholders equity	780,827	854,297	125,374	(979,671)	780,827
Total liabilities and stockholders equity	$ 1,124,047	$ 1,422,491	$ 779,672	$ (1,723,735)	$ 1,602,475

Following is the consolidating statement of income for the three months ended June 30, 2011 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues	$	$ 263,194	$ 189,238	$ (5,197)	$ 447,235
Cost of revenues (exclusive of items shown separately below)		178,057	134,894	(5,197)	307,754
Selling, general and administrative expenses	8	38,621	19,625		58,254
Accretion of environmental liabilities		2,090	317		2,407
Depreciation and amortization		12,693	14,243		26,936
Income from operations	(8)	31,733	20,159		51,884
Other income		394	2,474		2,868
Interest (expense) income	(10,630)	5	(17)		(10,642)
Equity in earnings of subsidiaries	43,534	24,411		(67,945)	
Intercompany dividend income (expense)			3,537	(3,537)	
Intercompany interest income (expense)		8,970	(8,970)		
	32,896	65,513	17,183	(71,482)	44,110

Income from operations before provision for income taxes										
Provision for income taxes		3,740		6,849		4,365				14,954
Net income (loss)	$	29,156	$	58,664	$	12,818	$	(71,482)	$	29,156

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Following is the consolidating statement of income for the three months ended June 30, 2010 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues	$	$ 322,580	$ 147,607	$ 1,452	$ 471,639
Cost of revenues (exclusive of items shown separately below)		214,558	108,270	1,452	324,280
Selling, general and administrative expenses	25	36,973	13,731		50,729
Accretion of environmental liabilities		2,320	282		2,602
Depreciation and amortization		11,478	10,627		22,105
Income from operations	(25)	57,251	14,697		71,923
Other income		38	2,670		2,708
Interest (expense) income	(7,229)	36	(453)		(7,646)
Equity in earnings of subsidiaries	74,197	22,155		(96,352)	
Intercompany dividend income (expense)			3,326	(3,326)	
Intercompany interest income (expense)		8,329	(8,329)		
Income from continuing operations before provision for income taxes	66,943	87,809	11,911	(99,678)	66,985
Provision for income taxes	9,014	12,060	(9,606)		11,468
Income from continuing operations	57,929	75,749	21,517	(99,678)	55,517
Income from discontinued operations, net of tax			2,412		2,412
Net income	$ 57,929	$ 75,749	$ 23,929	$ (99,678)	$ 57,929

Following is the consolidating statement of income for the six months ended June 30, 2011 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues	$	$ 511,561	$ 382,026	$ (11,390)	$ 882,197
Cost of revenues (exclusive of items shown separately below)		353,495	278,226	(11,390)	620,331
Selling, general and administrative expenses	50	74,732	38,266		113,048
Accretion of environmental liabilities		4,177	619		4,796
Depreciation and amortization		25,691	26,705		52,396
Income from operations	(50)	53,466	38,210		91,626
Other income		3,730	2,037		5,767
Interest (expense) income	(17,306)	173	13		(17,120)
Equity in earnings of subsidiaries	76,865	31,712		(108,577)	
Intercompany dividend income (expense)			6,993	(6,993)	
Intercompany interest income (expense)		17,700	(17,700)		
	59,509	106,781	29,553	(115,570)	80,273

Income from operations before provision for income taxes					
Provision for income taxes	7,623	13,176	7,588		28,387
Net income	$ 51,886	$ 93,605	$ 21,965	$ (115,570)	$ 51,886

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Following is the consolidating statement of income for the six months ended June 30, 2010 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues	$	$ 523,423	$ 306,928	$ (3,816)	$ 826,535
Cost of revenues (exclusive of items shown separately below)		361,408	227,105	(3,816)	584,697
Selling, general and administrative expenses	50	69,044	27,119		96,213
Accretion of environmental liabilities		4,740	564		5,304
Depreciation and amortization		23,527	21,252		44,779
Income from operations	(50)	64,704	30,888		95,542
Other income		314	2,840		3,154
Interest (expense) income	(14,472)	49	(151)		(14,574)
Equity in earnings of subsidiaries	93,215	26,816		(120,031)	
Intercompany dividend income (expense)			6,612	(6,612)	
Intercompany interest income (expense)		16,207	(16,207)		
Income from continuing operations before provision for income taxes	78,693	108,090	23,982	(126,643)	84,122
Provision for income taxes	10,334	14,364	(6,141)		18,557
Income from continuing operations	68,359	93,726	30,123	(126,643)	65,565