

CLEAN HARBORS INC

Form 10-Q

August 07, 2009

**Table of Contents**







**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549



**FORM 10-Q**





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

**FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2009**

**OR**

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

**FOR THE TRANSITION PERIOD FROM                      TO**

**Commission File Number 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)

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

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

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

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)

**26,203,037**  
(Outstanding at August 5, 2009)

---

Table of Contents

CLEAN HARBORS, INC.

QUARTERLY REPORT ON FORM 10-Q

TABLE OF CONTENTS

PART I: FINANCIAL INFORMATION

	Page No.
<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>	23
<b><u>ITEM 3: Quantitative and Qualitative Disclosures About Market Risk</u></b>	31
<b><u>ITEM 4: Controls and Procedures</u></b>	32
<b><u>PART II: OTHER INFORMATION</u></b>	34
<b><u>Items No. 1 through 6</u></b>	33
<b><u>Signatures</u></b>	34

---

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

## ASSETS

(in thousands)

	June 30, 2009 (unaudited)	December 31, 2008
Current assets:		
Cash and cash equivalents	\$ 255,407	\$ 249,524
Marketable securities	484	175
Accounts receivable, net of allowances aggregating \$5,988 and \$6,723, respectively	148,610	174,990
Unbilled accounts receivable	6,381	5,545
Deferred costs	5,691	5,877
Prepaid expenses and other current assets	10,402	13,472
Supplies inventories	27,938	26,905
Deferred tax assets	12,324	12,564
Total current assets	467,237	489,052
Property, plant and equipment:		
Land	26,832	26,399
Asset retirement costs (non-landfill)	1,767	1,761
Landfill assets	42,562	35,062
Buildings and improvements	133,494	127,466
Vehicles	46,539	33,502
Equipment	323,876	310,459
Furniture and fixtures	1,693	1,663
Construction in progress	11,405	13,206
	588,168	549,518
Less accumulated depreciation and amortization	275,531	254,057
Total property, plant and equipment, net	312,637	295,461
Other assets:		
Long-term investments	6,483	6,237
Deferred financing costs	2,308	3,044
Goodwill	30,580	24,578
Permits and other intangibles, net of accumulated amortization of \$43,141 and \$40,303, respectively	71,056	71,754
Deferred tax assets	5,726	5,454
Other	2,553	2,756
Total other assets	118,706	113,823
Total assets	\$ 898,580	\$ 898,336

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 except per share amounts)

	June 30, 2009 (unaudited)	December 31, 2008
Current liabilities:		
Uncashed checks	\$ 5,019	\$ 7,733
Current portion of long-term debt	52,889	
Current portion of capital lease obligations	176	400
Accounts payable	54,939	63,885
Deferred revenue	23,566	24,190
Accrued expenses	55,911	67,901
Current portion of closure, post-closure and remedial liabilities	22,400	17,264
Total current liabilities	214,900	181,373
Other liabilities:		
Closure and post-closure liabilities, less current portion of \$8,610 and \$6,383, respectively	24,982	26,254
Remedial liabilities, less current portion of \$13,790 and \$10,881, respectively	133,456	135,007
Long-term obligations		52,870
Capital lease obligations, less current portion	259	360
Unrecognized tax benefits and other long-term liabilities	76,792	73,427
Total other liabilities	235,489	287,918
Stockholders' equity:		
Common stock, \$.01 par value:		
Authorized 40,000,000 shares; issued and outstanding 23,789,835 and 23,733,257 shares, respectively	238	237
Treasury stock	(1,893)	(1,653)
Additional paid-in capital	355,026	353,950
Accumulated other comprehensive income (loss)	4,042	(688)
Accumulated earnings	90,778	77,199
Total stockholders' equity	448,191	429,045
Total liabilities and stockholders' equity	\$ 898,580	\$ 898,336

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 June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Revenues	\$ 215,337	\$ 265,259	\$ 421,643	\$ 507,768
Cost of revenues (exclusive of items shown separately below)	146,254	178,384	289,767	348,578
Selling, general and administrative expenses	37,778	43,496	75,147	82,666
Accretion of environmental liabilities	2,634	2,726	5,284	5,396
Depreciation and amortization	12,241	10,806	24,302	21,281
Income from operations	16,430	29,847	27,143	49,847
Other income (expense)	11	59	44	(45)
Interest expense, net of interest income of \$233 and \$623 for the quarter and year-to-date ending 2009 and \$1,431 and \$2,493 for the quarter and year-to-date ending 2008, respectively	(1,609)	(2,515)	(2,989)	(5,900)
Income before provision for income taxes	14,832	27,391	24,198	43,902
Provision for income taxes	6,208	11,404	10,619	18,993
Net income	\$ 8,624	\$ 15,987	\$ 13,579	\$ 24,909
Earnings per share:				
Basic	\$ 0.36	\$ 0.71	\$ 0.57	\$ 1.16
Diluted	\$ 0.36	\$ 0.70	\$ 0.57	\$ 1.14
Weighted average common shares outstanding	23,777	22,437	23,763	21,392
Weighted average common shares outstanding plus potentially dilutive common shares	23,889	22,936	23,876	21,907

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 Ended June 30,	
	2009	2008
Cash flows from operating activities:		
Net income	\$ 13,579	\$ 24,909
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	24,302	21,281
Allowance for doubtful accounts	669	50
Amortization of deferred financing costs and debt discount	790	1,076
Accretion of environmental liabilities	5,284	5,396
Changes in environmental liability estimates	(635)	(255)
Deferred income taxes	(390)	(41)
Stock-based compensation	(376)	1,785
Excess tax benefit of stock-based compensation	(65)	(2,598)
Income tax benefit related to stock option exercises	59	2,618
(Gain) loss on sale of fixed assets and assets held for sale	(44)	45
Environmental expenditures	(4,077)	(4,054)
Changes in assets and liabilities, net of acquisitions		
Accounts receivable	28,109	10,370
Other current assets	4,487	3,474
Accounts payable	(8,635)	(9,144)
Other current liabilities	(14,000)	(12,631)
Net cash from operating activities	49,057	42,281
Cash flows from investing activities:		
Additions to property, plant and equipment	(33,910)	(30,085)
Acquisitions, net of cash acquired	(6,501)	(27,583)
Costs to obtain or renew permits	(741)	(1,354)
Proceeds from sales of fixed assets and assets held for sale	138	65
Sales of marketable securities		4,350
Purchase of available-for-sale securities		(2,374)
Net cash from investing activities	(41,014)	(56,981)
Cash flows from financing activities:		
Change in uncashed checks	(2,761)	2,077
Proceeds from exercise of stock options	137	1,214
Remittance of shares, net	(240)	
Proceeds from employee stock purchase plan	1,257	776
Deferred financing costs paid	(35)	
Payments on capital leases	(329)	(1,707)
Proceeds from issuance of common stock, net		173,570
Payment on acquired debt	(2,499)	
Excess tax benefit of stock-based compensation	65	2,598
Net cash from financing activities	(4,405)	178,528
Effect of exchange rate change on cash	2,245	(1,473)

Edgar Filing: CLEAN HARBORS INC - Form 10-Q

Increase in cash and cash equivalents		5,883		162,355
Cash and cash equivalents, beginning of period		249,524		119,538
Cash and cash equivalents, end of period	\$	255,407	\$	281,893

Supplemental information:

Cash payments for interest and income taxes:

Interest paid	\$	2,973	\$	7,289
Income taxes paid		4,909		22,564

Non-cash investing and financing activities:

Property, plant and equipment accrued	\$	4,762	\$	4,272
---------------------------------------	----	-------	----	-------

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 Number of Shares	\$ 0.01 Par Value	Treasury Stock	Additional Paid-in Capital	Comprehensive Income	Accumulated Other Comprehensive (Loss) Income	Accumulated Earnings	Total Stockholders Equity
Balance at January 1, 2009	23,733	\$ 237	\$ (1,653)	\$ 353,950		\$ (688)	\$ 77,199	\$ 429,045
Net income					\$ 13,579		13,579	13,579
Unrealized gain on long-term investments, net of taxes					417	417		417
Foreign currency translation					4,313	4,313		4,313
Comprehensive income					\$ 18,309			
Stock-based compensation	22			(376)				(376)
Issuance of restricted shares, net of shares remitted	(5)		(240)					(240)
Exercise of stock options	13	1		136				137
Net tax benefit on exercise of stock options				59				59
Employee stock purchase plan	27			1,257				1,257
Balance at June 30, 2009	23,790	\$ 238	\$ (1,893)	\$ 355,026		\$ 4,042	\$ 90,778	\$ 448,191

The accompanying notes are an integral part of these 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 wholly-owned subsidiaries (collectively, Clean Harbors or the Company ) and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission 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, 2008.

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, 2009, up until the issuance of the financial statements, which occurred on August 7, 2009 (See Note 16, Subsequent Events ).

**(2) RECENT ACCOUNTING PRONOUNCEMENTS**

In December 2007, the Financial Accounting Standards Board ( FASB ) issued SFAS No. 141 (revised 2007), *Business Combinations* ( SFAS 141R ). SFAS 141R changes how business acquisitions are accounted for and impacts financial statements both on the acquisition date and in subsequent periods. SFAS 141R is effective for financial statements issued for fiscal years beginning after December 15, 2008. The Company adopted SFAS No. 141R on January 1, 2009 and during the three and six months ended June 30, 2009, has expensed \$1.6 million and \$2.2 million, respectively, of acquisition costs that, prior to the adoption of SFAS No. 141R, would have been included as part of the purchase price. In addition, under the provisions of SFAS 141R, future reversal of the Company's current acquisition-related tax reserves of approximately \$9.8 million (excluding interest and penalties) will be recorded in earnings, rather than as an adjustment to goodwill or acquisition related other intangible assets and will affect the Company's annual effective income tax rate. Due to the expiring statutes in Canada, the Company expects that acquisition related tax reserves will decrease by \$6.9 million within the next twelve months, which will be recorded in earnings and therefore impact the effective income tax rate.

In February 2008, the FASB issued FASB Staff Position FAS 157-2, *Effective Date of FASB Statement No. 157* ( FSP 157-2 ), which delayed the effective date of SFAS No. 157, *Fair Value Measurements* ( SFAS No. 157 ), for non-financial assets and non-financial liabilities that are recognized or disclosed in the financial statements on a nonrecurring basis to fiscal years beginning after November 15, 2008. The Company adopted FSP 157-2 on January 1, 2009 and it did not have a material impact on the Company's financial position, results of operations or cash flow.

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

In April 2008, the FASB issued FASB Staff Position SFAS No. 142-3, *Determination of the Useful Life of Intangible Assets* ( FSP SFAS No. 142-3 ). FSP SFAS No. 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets* ( SFAS No. 142 ). The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141 (revised 2007), *Business Combinations* ( SFAS No. 141 ), and other US generally accepted accounting principles ( GAAP ). The Company adopted FSP SFAS No. 142-3 on January 1, 2009 and it did not have a material impact on the Company's financial position, results of operations or cash flow.

In June 2008, the FASB Emerging Issues Task Force ( EITF ) reached a consensus on EITF Issue No. 08-3, *Accounting by Lessees for Maintenance Deposits under Lease Agreements* ( EITF No. 08-3 ). EITF No. 08-3 provides that all nonrefundable maintenance deposits paid by a lessee, under an arrangement accounted for as a lease, should be accounted for as a deposit. When the underlying maintenance is performed, the deposit is expensed or capitalized in accordance with the lessee's maintenance accounting policy. Once it is determined that an amount on deposit is not probable of being used to fund future maintenance expense, it is recognized as additional rent expense at that time. The Company adopted EITF No. 08-3 on January 1, 2009 and it did not have a material impact on the Company's financial position, results of operations



Table of Contents

or cash flow.

In December 2008, the FASB issued FSP FAS No. 132(R)-1, *Employers' Disclosures about Postretirement Benefit Plan Assets* ( FSP FAS 132(R)-1 ), which requires additional disclosures for employers' pension and other postretirement benefit plan assets. As pension and other postretirement benefit plan assets were not included within the scope of SFAS No. 157, FSP FAS 132(R)-1 requires employers to disclose information about fair value measurements of plan assets similar to the disclosures required under SFAS No. 157, the investment policies and strategies for the major categories of plan assets, and significant concentrations of risk within plan assets. FSP FAS 132(R)-1 is effective for the Company as of December 31, 2009. As FSP FAS 132(R)-1 provides only disclosure requirements, the adoption of this standard will have no material impact on the Company's financial position, results of operations or cash flow.

In April 2009, the FASB issued two FASB Staff Positions ( FSP ) to provide additional guidance regarding (1) measuring the fair value of financial instruments when a market becomes inactive and quoted prices may reflect distressed transactions and (2) recording impairment charges on investments in debt instruments. The FASB also issued a third FSP to require disclosure of fair values of certain financial instruments in interim financial statements. These FSPs, further described below, are effective for interim and annual periods ending after June 15, 2009.

FSP SFAS No. 157-4, *Determining Whether a Market for an Asset or Liability is Active or Inactive and Determining When a Transaction is Distressed* ( FSP SFAS 157-4 ), provides additional guidance to highlight and expand on the factors that should be considered in estimating fair value when there has been a significant decrease in market activity for an asset or liability. The Company adopted FSP SFAS 157-4 in the period ended March 31, 2009. The adoption of FSP SFAS No. 157-4 did not have a material impact on the Company's financial position, results of operations or cash flow.

FSP SFAS No. 115-2 and SFAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* ( FSP FAS 115-2/124-2 ), changes the method for determining whether an other-than-temporary impairment exists for debt securities and the amount of an impairment charge to be recorded in earnings. To determine whether an other-than-temporary impairment exists, an entity will assess the likelihood of selling the security prior to recovering its cost basis, rather than assessing whether it has the intent and ability to hold a security to recovery. The Company adopted FSP SFAS 115-2/124-2 in the period ended March 31, 2009, and has determined that the cumulative \$0.5 million impairment related to the fair value of its auction rate securities continues to be temporary.

FSP FAS No. 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (FSP No. 107-1), expands the fair value disclosures required for all financial instruments within the scope of SFAS No. 107, *Disclosures About Fair Value of Financial Instruments*, to interim financial statements. The provisions of this FSP are effective for periods ending after June 15, 2009, and can only be early adopted for periods ended after March 15, 2009 with an entity's simultaneous adoption of FSP SFAS 157-4 and FSP FAS 115-2. The Company adopted FSP No. 107-1 in the period ended June 30, 2009. The adoption of FSP No. 107-1 only impacts quarterly disclosure requirements and therefore did not have an impact on the Company's financial position, results of operations or cash flow.

In May 2009 the FASB issued SFAS No. 165, *Subsequent Events* ( SFAS 165 ), which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. The Company adopted SFAS 165 in the period ended June 30, 2009 and it did not have an impact on the Company's financial position, results of operations or cash flow.

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

In June 2009, the FASB approved its Accounting Standards Codification ( Codification ) as the single source of authoritative United States accounting and reporting standards applicable for all non-governmental entities, with the exception of the SEC and its staff. The Codification, which changes the referencing of financial standards, is effective for interim or annual financial periods ending after September 15, 2009. Therefore, in the third quarter of this year, all references made to US GAAP will use the new Codification numbering system prescribed by the FASB. As the Codification is not intended to change or alter existing US GAAP, it is not expected to have any impact on the Company's financial position, results of operations or cash flow.

### **(3) BUSINESS COMBINATIONS**

On February 27, 2009, the Company acquired 100% of the outstanding stock of privately-held EnviroSORT Inc. ( EnviroSORT ) for a preliminary purchase price of \$9.6 million. The preliminary purchase price included the assumption of \$2.5 million of debt and \$0.2 million of preliminary post-closing adjustments. The Company paid down the balance of the

Table of Contents

\$2.5 million assumed debt on the acquisition date. The acquisition of EnviroSORT is expected to complement and expand the Company's operations in Western Canada. The preliminary purchase price is subject to post-closing adjustments which are based upon the amount by which EnviroSORT's net working capital, as of the closing date, was greater or less than \$0.5 million. The Company has recorded \$5.0 million of goodwill to the Technical Services segment, but that amount is preliminary pending the final fair value determinations. The balance of any goodwill is not expected to be deductible for tax purposes. Acquisition-related costs of less than \$0.1 million and \$0.3 million were included in selling, general, and administrative expenses for the three- and six-month periods ended June 30, 2009, respectively.

During the three months ended March 31, 2009, the Company finalized the purchase accounting for the March 2008 acquisitions of two solvent recycling facilities from Safety-Kleen Systems, Inc. and of Universal Environmental, Inc. There were no material adjustments to the purchase price of the solvent recycling facilities after December 31, 2008. Additional acquisition costs of \$0.1 million were recorded against the purchase price of Universal Environmental, Inc., resulting in a final purchase price of \$15.1 million. These additional acquisition costs resulted in an increase of \$0.1 million to goodwill. The working capital adjustment was also finalized and resulted in an increase of less than \$0.1 million owed to the seller.

**(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, 2009, the Company held certain auction rate securities and marketable securities that are required to be measured at fair value on a recurring basis. The auction rate securities are classified as available for sale and the fair value of these securities as of June 30, 2009 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, 2009, 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 decline in the fair value of the securities from the original cost basis to external liquidity issues rather than credit issues. During the six month period ended June 30, 2009, the Company recorded an unrealized pre-tax gain of \$0.2 million which is included in accumulated other comprehensive income. The Company assessed the decline in value to be temporary because the Company does not intend to sell the securities and it is more likely than not that it will not have to sell the securities before their recovery. In addition, as of June 30, 2009, the Company continued to earn interest on all of its auction rate securities.

The Company's assets measured at fair value on a recurring basis subject to the disclosure requirements of SFAS No. 157, *Fair Value Measurement* (SFAS 157), at June 30, 2009, 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, 2009
--	--	--	-----------------------------

Edgar Filing: CLEAN HARBORS INC - Form 10-Q

Auction rate securities	\$	\$	\$	6,483	\$	6,483
Marketable securities	\$	484	\$	\$	\$	484

The following table presents the Company's long-term investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in SFAS 157 at June 30, 2009 (in thousands):

	2009	
Balance at January 1, 2009	\$	6,237
Total unrealized gains included in other comprehensive income		246
Balance at June 30, 2009	\$	6,483

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

The goodwill balance as of June 30, 2009 increased \$6.0 million from December 31, 2008 to \$30.6 million. The

Table of Contents

increase was primarily attributed to the acquisition of EnviroSORT and final purchase price acquisition costs related to Universal Environmental, Inc. The goodwill related to EnviroSORT 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, 2009			Weighted Average Amortization Period (in years)	December 31, 2008			Weighted Average Amortization Period (in years)
	Cost	Accumulated Amortization	Net		Cost	Accumulated Amortization	Net	
Permits	\$ 96,515	\$ 35,407	\$ 61,108	16.9	\$ 94,446	\$ 33,458	\$ 60,988	17.2
Customer lists and other intangible assets	17,682	7,734	9,948	6.3	17,611	6,845	10,766	6.2
	\$ 114,197	\$ 43,141	\$ 71,056	13.7	\$ 112,057	\$ 40,303	\$ 71,754	13.6

**(6) ACCRUED EXPENSES**

Accrued expenses consisted of the following (in thousands):

	June 30, 2009	December 31, 2008
Insurance	\$ 16,512	\$ 15,361
Interest	1,278	1,280
Accrued disposal costs	1,763	2,305
Accrued compensation and benefits	14,723	22,952
Other items	21,635	26,003
	\$ 55,911	\$ 67,901

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

The changes to closure and post-closure liabilities for the six months ended June 30, 2009 were as follows (in thousands):

	Landfill Retirement Liability	Non-Landfill Retirement Liability	Total
Balance at January 1, 2009	\$ 25,269	\$ 7,368	\$ 32,637
New asset retirement obligations	876		876
Accretion	1,514	460	1,974
Changes in estimate recorded to statement of income	(668)	(3)	(671)
Settlement of obligations	(990)	(337)	(1,327)
Currency translation and other	87	16	103

Edgar Filing: CLEAN HARBORS INC - Form 10-Q

Balance at June 30, 2009	\$	26,088	\$	7,504	\$	33,592
--------------------------	----	--------	----	-------	----	--------

All of the landfill facilities included in the above were active as of June 30, 2009.

New asset retirement obligations incurred in 2009 are being discounted at the credit-adjusted risk-free rate of 10.57% and inflated at a rate of 1.02%.

Table of Contents**(8) REMEDIAL LIABILITIES**

The changes to remedial liabilities for the six months ended June 30, 2009 were as follows (in thousands):

	<b>Remedial Liabilities for Landfill Sites</b>	<b>Remedial Liabilities for Inactive Sites</b>	<b>Remedial Liabilities (Including Superfund) for Non-Landfill Operations</b>	<b>Total</b>
Balance at January 1, 2009	\$ 5,112	\$ 90,291	\$ 50,485	\$ 145,888
Accretion	123	2,093	1,094	3,310
Changes in estimate recorded to statement of income	(1)	(29)	66	36
Settlement of obligations	(46)	(1,493)	(1,211)	(2,750)
Currency translation and other	122	24	616	762
Balance at June 30, 2009	\$ 5,310	\$ 90,886	\$ 51,050	\$ 147,246

**(9) FINANCING ARRANGEMENTS**

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

	<b>June 30, 2009</b>	<b>December 31, 2008</b>
Senior secured notes, at 11.25%, due July 15, 2012	\$ 23,032	\$ 23,032
Revolving facility, due December 1, 2010		
Synthetic letter of credit facility, due December 1, 2010		
Term loan, at 2.81% and 2.97% on June 30, 2009 and December 31, 2008, respectively, due December 1, 2010	30,000	30,000
Less unamortized issue discount	(143)	(162)
Less debt classified as current	(52,889)	
Long-term obligations	\$	\$ 52,870

At June 30, 2009, the revolving facility had \$26.2 million available to borrow, and \$43.8 million of letters of credit outstanding (which included a contingency related to the acquisition of Eveready Inc. on July 31, 2009 of CDN \$5.0 million that was released at the beginning of August 2009, thereby reducing these letters of credit outstanding). The synthetic line of credit facility had \$48.0 million of letters of credit outstanding. The financing arrangements and principal terms of each are discussed further in the Company's 2008 Annual Report on Form 10-K.

The fair value of the Company's outstanding senior secured notes is based on quoted market price and was \$21.9 million and \$22.2 million at June 30, 2009 and December 31, 2008, respectively.

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

On July 24, 2009, the Company repaid the \$30.0 million term loan due in 2010. On July 31, 2009, the Company discharged its \$23.0 million of outstanding senior secured notes by calling such notes for redemption on August 31, 2009 and depositing with the trustee the redemption price of \$23.7 million and accrued interest of \$0.3 million through the redemption date. The \$30.0 million term loan and the \$22.9 million (net of \$0.1 million discount) of senior secured notes were both classified in the June 30, 2009 consolidated balance sheet as current portion of long-term debt. On July 31, 2009, the Company also replaced its previous \$70.0 million revolving credit facility and \$50.0 million synthetic letter of credit facility with a new revolving credit facility which will allow the Company to borrow or obtain letters of credit for up to \$120.0 million (with a \$110.0 million sub-limit for letters of credit). In connection with such transactions, in the third quarter the Company will record to loss on early extinguishment of debt an aggregate of \$1.5 million, consisting of a \$0.7 million prepayment penalty required by the indenture in connection with such redemption as well as non-cash expenses of \$0.7 million related to unamortized financing costs and \$0.1 million of unamortized discount on the senior secured notes.



Table of Contents

**(10) 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.

The Company records actual or potential liabilities related to legal or administrative proceedings in accordance with SFAS No. 5. At June 30, 2009, the Company had recorded \$25.6 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 such potential liabilities could be as much as \$3.7 million more. The Company periodically adjusts the aggregate amount of such reserves when such 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, 2009, the principal legal and administrative proceedings in which the Company was involved 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. 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

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

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, 2009 and December 31, 2008, the Company had accrued \$11.5 million and \$10.6 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,

Table of Contents

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 materially adverse affect 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, where they are now pending. Adams County filed a third suit directly against CHDT in 2007 again attempting to invalidate the license. That suit was also 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 will contest 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***

As of June 30, 2009, 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 59 sites which are subject to or are proposed to become subject to proceedings under federal or state Superfund laws. Of the 59 sites, two involve facilities that are now owned by the Company and 57 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 57 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 35 Listed Third Party Sites, 18 are currently requiring expenditures on remediation, ten are now settled, six are not currently requiring expenditures on remediation, and at one site the Company is contesting the prior owner's liability with the PRP group. The status of the two facilities owned by the Company (the Wichita Property and the

Edgar Filing: CLEAN HARBORS INC - Form 10-Q

BR Facility) and two of the Listed Third Party Sites (the Breslube-Penn and Casmalia Sites) are further described below. Also further described below are one third party site (the Marine Shale Site) at which the Company has been named a PRP as

Table of Contents

a result of its acquisition of the CSD assets but disputes that it has any cleanup or related liabilities, 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 (*BR Facility*), for which operations had been previously discontinued by the prior owner. In September 2007, 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*). 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 these 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*.

*Casmalia Site.* At one of these 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 new matter 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 shutdown its operations.

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

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 Marine Shale 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

Table of Contents

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. As of both June 30, 2009 and December 31, 2008, the amount of the Company's remaining reserves relating to the Marine Shale site was \$3.8 million.

*Certain Other Third Party Sites.* At 14 of the 57 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 materially 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 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 57 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, State and Provincial 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, 2009, there were three proceedings for which the Company reasonably believes that the sanctions could equal or exceed \$100,000. 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. One of such other regulatory proceedings is further described below.

*Thorold Fire.* On February 19, 2007, an explosion and fire occurred at the Company's Thorold facility in Ontario during non-business hours destroying a storage warehouse and damaging several nearby buildings on site. No employee casualties or injuries were reported. On October 23, 2007 the Ontario Ministry of the Environment announced that it had concluded its investigation into the fire and that there were no grounds to initiate action against the Company. This action by the Ontario Ministry of the Environment followed a prior pronouncement by the provincial Ministry of Health that there were no long-term health impacts from the fire. Despite the earlier pronouncements, on February 12, 2009 the Ontario Ministry of the Environment initiated proceedings against one of the Company's Canadian subsidiaries in the Ontario Court of Justice alleging three violations of the Environmental Protection Act. The Company is evaluating this matter and cannot presently estimate the

potential liability.

**(11) INCOME TAXES**

The Company's effective tax rates for the three and six months ended June 30, 2009 were 41.8 percent and 43.9 percent, respectively, compared to 41.6 percent and 43.3 percent for the same periods in 2008. Earnings for the three and



Table of Contents

six months ended June 30, 2009 have decreased compared to the same periods in 2008, however, the overall permanent items that impact the effective tax rate have also decreased resulting in a consistent effective income tax rate.

As of June 30, 2009 the Company's unrecognized tax benefits were \$72.0 million which included \$19.3 million of interest and \$5.7 million of penalties. As of December 31, 2008 the Company's unrecognized tax benefits were \$68.7 million which included \$17.0 million of interest and \$5.2 million of penalties.

Due to expiring statutes in Canada, 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 \$11.0 million within the next twelve months. The \$11.0 million includes interest and penalties of \$4.1 million and is related to a business combination in Canada and in accordance with SFAS 141R, will be recorded in earnings and therefore will impact the effective income tax rate.

**(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, 2009 and 2008 (in thousands except for per share amounts):

	Three Months Ended		Six Months Ended	
	2009	2008	2009	2008
<b>Numerator:</b>				
Net income for basic and diluted earning per share	\$ 8,624	\$ 15,987	\$ 13,579	\$ 24,909
<b>Denominator:</b>				
Basic shares outstanding	23,777	22,437	23,763	21,392
Dilutive effect of equity-based compensation awards and warrants	112	499	113	515
Dilutive shares outstanding	23,889	22,936	23,876	21,907
Basic earnings per share	\$ 0.36	\$ 0.71	\$ 0.57	\$ 1.16
Diluted earnings per share	\$ 0.36	\$ 0.70	\$ 0.57	\$ 1.14

For the three- and six-month periods ended June 30, 2009 and 2008, the dilutive effect of all outstanding stock options, restricted stock and warrants is included in the above calculations. For the three- and six-month period ended June 30, 2009, excluded from the above calculation were the dilutive effects of 137 thousand outstanding performance stock awards as the performance criteria were not attained at that time and 21 thousand stock options that were not in-the-money.

**(13) STOCK-BASED COMPENSATION**



Edgar Filing: CLEAN HARBORS INC - Form 10-Q

The following table summarizes the total number and type of awards granted during the three- and six-month periods ended June 30, 2009, as well as the related weighted-average grant-date fair values:

	Three Months Ended June 30, 2009		Six Months Ended June 30, 2009	
	Shares	Weighted- Average Grant-Date Fair Value	Shares	Weighted- Average Grant-Date Fair Value
Restricted stock awards	6,494	\$ 53.07	6,494	\$ 53.07
Performance stock awards			59,353	44.58
Common stock awards	2,400	\$ 52.66	2,400	\$ 52.66
Total awards	8,894		68,247	

Table of Contents

**The performance stock awards granted in 2009 are subject to achieving predetermined revenue and EBITDA targets for a specified period of time and service conditions. If the Company does not achieve the performance goals by December 31, 2010, the shares will be forfeited in their entirety. As of June 30, 2009, management did not believe that it was probable that the performance targets will be achieved, as it is early in the award achievement period. As a result, no compensation expense was recognized during the six months ended June 30, 2009 related to the 2009 performance stock awards.**

**In regards to the performance stock awards granted in 2008, management previously believed that the performance targets would be achieved and therefore recorded compensation expense during fiscal 2008 and during the first quarter of 2009. As of June 30, 2009, based on the year-to-date results of operations, management determined that it was not probable that the performance targets would be achieved therefore the cumulative expense recorded through March 31, 2009 of \$1.7 million was reversed through sales, general and administrative expenses.**

**(14) SEGMENT REPORTING**



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

As of June 30, 2009, the Company had two reportable segments: Technical Services and Site Services. Performance of the segments is evaluated on several factors, of which the primary financial measure is operating income before interest, taxes, depreciation, amortization, restructuring, severance charges, other refinancing-related expenses, (gain) loss on disposal of assets held for sale, other (income) expense, and loss on early extinguishment of debt ( Adjusted EBITDA ). 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 two operating segments are presented herein as Corporate Items. Corporate Items revenues consist of two different operations where the revenues are insignificant. Corporate Items cost of revenues represents certain central services that are not allocated to the 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 two segments.

The following table reconciles third party revenues to direct revenues for the three- and six-month periods ended June 30, 2009 and 2008 (in thousands). Third party revenue is revenue billed to our 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.

	<b>For the Three Months Ended June 30, 2009</b>			
	<b>Technical Services</b>	<b>Site Services</b>	<b>Corporate Items</b>	<b>Totals</b>
Third party revenues	\$ 150,692	\$ 64,570	\$ 75	\$ 215,337
Intersegment revenues, net	7,415	(6,862)	(553)	
Direct revenues	\$ 158,107	\$ 57,708	\$ (478)	\$ 215,337

	<b>For the Three Months Ended June 30, 2008</b>			
	<b>Technical Services</b>	<b>Site Services</b>	<b>Corporate Items</b>	<b>Totals</b>
Third party revenues	\$ 179,154	\$ 86,099	\$ 6	\$ 265,259
Intersegment revenues, net	7,348	(6,609)	(739)	
Direct revenues	\$ 186,502	\$ 79,490	\$ (733)	\$ 265,259

	<b>For the Six Months Ended June 30, 2009</b>			
	<b>Technical Services</b>	<b>Site Services</b>	<b>Corporate Items</b>	<b>Totals</b>
Third party revenues	\$ 294,040	\$ 127,446	\$ 157	\$ 421,643
Intersegment revenues, net	15,132	(13,986)	(1,146)	
Direct revenues	\$ 309,172	\$ 113,460	\$ (989)	\$ 421,643

	<b>For the Six Months Ended June 30, 2008</b>			
	<b>Technical Services</b>	<b>Site Services</b>	<b>Corporate Items</b>	<b>Totals</b>
Third party revenues	\$ 345,466	\$ 162,289	\$ 13	\$ 507,768
Intersegment revenues, net	13,005	(11,792)	(1,213)	
Direct revenues	\$ 358,471	\$ 150,497	\$ (1,200)	\$ 507,768



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, non-recurring severance charges, (gain) loss on disposal of assets held for sale, other (income) expense, and loss on early extinguishment of debt to segments.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
<b>Adjusted EBITDA:</b>				
Technical Services	\$ 40,717	\$ 47,560	\$ 75,984	\$ 87,787
Site Services	7,883	15,284	13,780	23,169
Corporate Items	(17,295)	(19,465)	(33,035)	(34,432)
Total	31,305	43,379	56,729	76,524
<b>Reconciliation to Consolidated Statements of Income:</b>				
Accretion of environmental liabilities	2,634	2,726	5,284	5,396
Depreciation and amortization	12,241	10,806	24,302	21,281
Income from operations	16,430	29,847	27,143	49,847
Other (income) expense	(11)	(59)	(44)	45
Interest expense, net of interest income	1,609	2,515	2,989	5,900
Income before provision for income taxes	\$ 14,832	\$ 27,391	\$ 24,198	\$ 43,902

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

	June 30, 2009	December 31, 2008
<b>Property, plant and equipment, net</b>		
Technical Services	\$ 251,043	\$ 232,912
Site Services	34,797	31,982
Corporate or other assets	26,797	30,567
Total property, plant and equipment, net	\$ 312,637	\$ 295,461
<b>Intangible assets:</b>		
<b>Technical Services</b>		
Goodwill	\$ 28,306	\$ 22,417
Permits and other intangibles, net	62,848	63,003
Total Technical Services	91,154	85,420
<b>Site Services</b>		
Goodwill	2,274	2,161
Permits and other intangibles, net	8,208	8,751
Total Site Services	10,482	10,912
Total	\$ 101,636	\$ 96,332

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

June 30, 2009	December 31, 2008
------------------	----------------------

Edgar Filing: CLEAN HARBORS INC - Form 10-Q

Technical Services	\$	458,543	\$	441,422
Site Services		58,607		53,677
Corporate Items		381,430		403,237
Total	\$	898,580	\$	898,336

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

		<b>June 30, 2009</b>		<b>December 31, 2008</b>
United States	\$	759,770	\$	771,751
Canada		138,810		126,585
Total	\$	898,580	\$	898,336

Table of Contents

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



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

On June 30, 2004, \$150.0 million of senior secured notes were issued by the parent company, Clean Harbors, Inc., and were guaranteed by all of the parent's wholly-owned subsidiaries organized in the United States. As of June 30, 2009, the principal balance of the outstanding senior secured notes was \$23.0 million. The notes were not guaranteed by the Company's Canadian, Mexican and Puerto Rican wholly-owned 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, 2009 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
<b>Assets:</b>					
Cash and cash equivalents	\$ 126,802	\$ 76,313	\$ 52,292	\$	\$ 255,407
Intercompany receivables			73,226	(73,226)	
Other current assets	12,352	171,445	28,033		211,830
Property, plant and equipment, net		276,562	36,075		312,637
Investments in subsidiaries	449,712	172,113	91,654	(713,479)	
Intercompany note receivable		103,164	3,701	(106,865)	
Other long-term assets	14,675	73,519	30,512		118,706
<b>Total assets</b>	<b>\$ 603,541</b>	<b>\$ 873,116</b>	<b>\$ 315,493</b>	<b>\$ (893,570)</b>	<b>\$ 898,580</b>
<b>Liabilities and Stockholders' Equity:</b>					
Current liabilities	\$ 54,514	\$ 142,803	\$ 17,583	\$	\$ 214,900
Intercompany payables	41,301	31,925		(73,226)	
Closure, post-closure and remedial liabilities, net		142,438	16,000		158,438
Capital lease obligations, net		198	61		259
Intercompany note payable	3,701		103,164	(106,865)	
Other long-term liabilities	55,834	3,951	17,007		76,792
<b>Total liabilities</b>	<b>155,350</b>	<b>321,315</b>	<b>153,815</b>	<b>(180,091)</b>	<b>450,389</b>
Stockholders' equity	448,191	551,801	161,678	(713,479)	448,191
<b>Total liabilities and stockholders' equity</b>	<b>\$ 603,541</b>	<b>\$ 873,116</b>	<b>\$ 315,493</b>	<b>\$ (893,570)</b>	<b>\$ 898,580</b>

Edgar Filing: CLEAN HARBORS INC - Form 10-Q

Table of Contents

Following is the condensed consolidating balance sheet at December 31, 2008 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
<b>Assets:</b>					
Cash and cash equivalents	\$ 121,894	\$ 67,934	\$ 59,696	\$	\$ 249,524
Intercompany receivables			72,072	(72,072)	
Other current assets	20,970	196,914	21,644		239,528
Property, plant and equipment, net		264,160	31,301		295,461
Investments in subsidiaries	418,048	169,135	91,654	(678,837)	
Intercompany note receivable		98,039	3,701	(101,740)	
Other long-term assets	14,650	75,005	24,168		113,823
Total assets	\$ 575,562	\$ 871,187	\$ 304,236	\$ (852,649)	\$ 898,336
<b>Liabilities and Stockholders Equity:</b>					
Current liabilities	\$ 1,627	\$ 163,928	\$ 15,818	\$	\$ 181,373
Intercompany payables	34,552	37,520		(72,072)	
Closure, post-closure and remedial liabilities, net		145,650	15,611		161,261
Long-term obligations	52,870				52,870
Capital lease obligations, net		270	90		360
Intercompany note payable	3,701		98,039	(101,740)	
Other long-term liabilities	53,766	3,867	15,794		73,427
Total liabilities	146,516	351,235	145,352	(173,812)	469,291
Stockholders equity	429,046	519,952	158,884	(678,837)	429,045
Total liabilities and stockholders equity	\$ 575,562	\$ 871,187	\$ 304,236	\$ (852,649)	\$ 898,336

Following is the consolidating statement of income for the three months ended June 30, 2009 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues	\$	\$ 185,873	\$ 29,739	\$ (275)	\$ 215,337
Cost of revenues		128,617	17,912	(275)	146,254
Selling, general and administrative expenses		27,932	9,846		37,778
Accretion of environmental liabilities		2,390	244		2,634
Depreciation and amortization		10,909	1,332		12,241
Income from operations		16,025	405		16,430
Other income (expense)		21	(10)		11
Interest (expense) income	(1,336)	(312)	39		(1,609)
Equity in earnings of subsidiaries	16,530	1,459		(17,989)	
Intercompany dividend income (expense)			2,931	(2,931)	
Intercompany interest income (expense)		2,827	(2,827)		
Income before provision for income taxes	15,194	20,020	538	(20,920)	14,832
Provision for income taxes	6,570	113	(475)		6,208
Net income	\$ 8,624	\$ 19,907	\$ 1,013	\$ (20,920)	\$ 8,624



Edgar Filing: CLEAN HARBORS INC - Form 10-Q

Table of Contents

Following is the consolidating statement of income for the three months ended June 30, 2008 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues	\$	\$ 228,485	\$ 37,187	\$ (413)	\$ 265,259
Cost of revenues		155,975	22,822	(413)	178,384
Selling, general and administrative expenses		36,674	6,822		43,496
Accretion of environmental liabilities		2,451	275		2,726
Depreciation and amortization		9,602	1,204		10,806
Income from operations		23,783	6,064		29,847
Other income		58	1		59
Interest (expense) income	(2,987)	21	451		(2,515)
Equity in earnings of subsidiaries	28,298	4,360		(32,658)	
Intercompany dividend income (expense)			3,388	(3,388)	
Intercompany interest income (expense)		3,268	(3,268)		
Income before provision for income taxes	25,311	31,490	6,636	(36,046)	27,391
Provision for income taxes	9,324	327	1,753		11,404
Net income	\$ 15,987	\$ 31,163	\$ 4,883	\$ (36,046)	\$ 15,987

Following is the consolidating statement of income for the six months ended June 30, 2009 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues	\$	\$ 366,650	\$ 59,554	\$ (4,561)	\$ 421,643
Cost of revenues		255,580	38,748	(4,561)	289,767
Selling, general and administrative expenses		60,044	15,103		75,147
Accretion of environmental liabilities		4,818	466		5,284
Depreciation and amortization		21,746	2,556		24,302
Income from operations		24,462	2,681		27,143
Other income (expense)		52	(8)		44
Interest income (expense)	(2,566)	(514)	91		(2,989)
Equity in earnings of subsidiaries	26,933	3,541		(30,474)	
Intercompany dividend income (expense)			5,679	(5,679)	
Intercompany interest income (expense)		5,478	(5,478)		
Income before provision for income taxes	24,367	33,019	2,965	(36,153)	24,198
Provision for income taxes	10,788	219	(388)		10,619
Net income	\$ 13,579	\$ 32,800	\$ 3,353	\$ (36,153)	\$ 13,579



Edgar Filing: CLEAN HARBORS INC - Form 10-Q

Table of Contents

Following is the consolidating statement of income for the six months ended June 30, 2008 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non- Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues	\$	\$ 437,343	\$ 76,054	\$ (5,629)	\$ 507,768
Cost of revenues		305,300	48,907	(5,629)	348,578
Selling, general and administrative expenses		70,534	12,132		82,666
Accretion of environmental liabilities		4,842	554		5,396
Depreciation and amortization		18,813	2,468		21,281
Income from operations		37,854	11,993		49,847
Other (expense) income		(50)	5		(45)
Interest (expense) income	(6,617)	(148)	865		(5,900)
Equity in earnings of subsidiaries	46,560	8,524		(55,084)	
Intercompany dividend income (expense)			6,797	(6,797)	
Intercompany interest income (expense)		6,557	(6,557)		
Income before provision for income taxes	39,943	52,737	13,103	(61,881)	43,902
Provision for income taxes	15,034	656	3,303		18,993
Net income	\$ 24,909	\$ 52,081	\$ 9,800	\$ (61,881)	\$ 24,909

Following is the condensed consolidating statement of cash flows for the six months ended June 30, 2009 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Total
Net cash from operating activities	\$ 3,689	\$ 45,040	\$ 328	\$ 49,057
Cash flows from investing activities:				
Additions to property, plant and equipment		(32,700)	(1,210)	(33,910)
Costs to obtain or renew permits		(429)	(312)	(741)
Proceeds from sales of fixed assets		136	2	138
Acquisitions, net of cash acquired	(402)		(6,099)	(6,501)
Net cash from investing activities	(402)	(32,993)	(7,619)	(41,014)
Cash flows from financing activities:				
Change in uncashed checks		(2,162)	(599)	(2,761)
Proceeds from exercise of stock options	137			137
Proceeds from employee stock purchase plan	1,257			1,257
Remittance of shares	(240)			(240)
Excess tax benefit of stock-based compensation	65			65
Deferred financing costs paid			(35)	(35)
Payments of capital leases		(301)	(28)	(329)
Payment on acquired debt			(2,499)	(2,499)
Intercompany financing	402	(402)		
Interest (payments) / received		10,055	(10,055)	
Dividends (paid) received		(10,858)	10,858	
Net cash from financing activities	1,621	(3,668)	(2,358)	(4,405)
Effect of exchange rate change on cash			2,245	2,245
Increase (decrease) in cash and cash equivalents	4,908	8,379	(7,404)	5,883

Edgar Filing: CLEAN HARBORS INC - Form 10-Q

Cash and cash equivalents, beginning of period		121,894		67,934		59,696		249,524
Cash and cash equivalents, end of period	\$	126,802	\$	76,313	\$	52,292	\$	255,407

Edgar Filing: CLEAN HARBORS INC - Form 10-Q

Table of Contents

Following is the condensed consolidating statement of cash flows for the six months ended June 30, 2008 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Total
Net cash from operating activities	\$ (19,675)	\$ 53,791	\$ 8,165	\$ 42,281
Cash flows from investing activities:				
Additions to property, plant and equipment		(23,686)	(6,399)	(30,085)
Costs to obtain or renew permits		(1,357)	3	(1,354)
Proceeds from sales of fixed assets		65		65
Purchase of available-for-sale securities	(2,000)		(374)	(2,374)
Sale of marketable securities	4,350			4,350
Acquisitions, net of cash acquired	(27,583)			(27,583)
Net cash from investing activities	(25,233)	(24,978)	(6,770)	(56,981)
Cash flows from financing activities:				
Change in uncashed checks		1,600	477	2,077
Proceeds from exercise of stock options	1,214			1,214
Proceeds from employee stock purchase plan	776			776
Payments of capital leases		(1,490)	(217)	(1,707)
Proceeds from issuance of common stock, net	173,570			173,570
Excess tax benefit of stock-based compensation	2,598			2,598
Intercompany financing	27,583	(27,583)		
Net cash from financing activities	205,741	(27,473)	260	178,528
Effect of exchange rate changes on cash			(1,473)	(1,473)
Increase in cash and cash equivalents	160,833	1,340	182	162,355
Cash and cash equivalents, beginning of period	35,925	32,301	51,312	119,538
Cash and cash equivalents, end of period	\$ 196,758	\$ 33,641	\$ 51,494	\$ 281,893

**(16) SUBSEQUENT EVENTS**



On July 24, 2009, the Company repaid its \$30.0 million term loan which was due in 2010. On July 31, 2009, the Company discharged its \$23.0 million of outstanding senior secured notes by calling such notes for redemption on August 31, 2009 and depositing with the trustee the redemption price of \$23.7 million and accrued interest of \$0.3 million through the redemption date. On July 31, 2009, the Company also replaced its previous \$70.0 million revolving credit facility and \$50.0 million synthetic letter of credit facility with a new revolving credit facility which will allow the Company to borrow or obtain letters of credit for up to \$120.0 million (with a \$110.0 million sub-limit for letters of credit). In connection with such transactions, in the third quarter the Company will record to loss on early extinguishment of debt an aggregate of \$1.5 million, consisting of a \$0.7 million prepayment penalty required by the indenture in connection with such redemption as well as non-cash expenses of \$0.7 million related to unamortized financing costs and \$0.1 million of unamortized discount on the senior secured notes,



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

On July 31, 2009 the Company acquired Eveready Inc. ( Eveready ), an Alberta corporation headquartered in Edmonton, Alberta, for a total purchase price of approximately USD \$408 million. Eveready provides industrial maintenance and production, lodging, and exploration services to the oil and gas, chemical, pulp and paper, manufacturing and power generation industries. The Company acquired 100% of Eveready's outstanding common shares in exchange for USD \$56 million in cash, USD \$118 million in Clean Harbors' common stock consisting of 2.4 million shares valued at \$49.50 per Clean Harbors' share (the closing price on the New York Stock Exchange on the day prior to the acquisition), and the assumption or payment of USD \$235 million of Eveready debt. The Company anticipates that this acquisition will enhance the Company's presence in the industrial services market, broaden the range of services the Company can offer customers of both companies, and advance the Company's position in the Canadian marketplace.

In connection with the closing of the Eveready acquisition, the Company will be re-aligning and expanding its operating segments. This new structure reflects the way management will make operating decisions and manage the growth and profitability of the business. Under the new structure, the Company intends to report its business in four operating segments, including Technical Services, Field Services, Industrial Services and Exploration Services.

On August 3, 2009, the Company announced that it is planning to offer \$250 million of senior secured notes due 2016. The Company intends to use the net proceeds from the offering of the notes to repay certain indebtedness and for general corporate purposes.

Table of Contents

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

***Forward-Looking Statements***

In addition to historical information, this quarterly report contains forward-looking statements, which are generally identifiable by use of the words believes, expects, intends, anticipates, plans to, estimates, projects, or similar expressions. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2009 under the heading "Risk Factors" and in other documents we file from time to time with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements.

***General***

We provide a wide range of environmental services and solutions to a diversified customer base in the United States, Puerto Rico, Mexico and Canada. Throughout North America, we perform environmental services through a network of service locations, and operate incineration facilities, commercial landfills, wastewater treatment operations, solvent recycling facilities and transportation, storage and disposal facilities, as well as polychlorinated biphenyls ( PCB ) management facilities and oil and used oil products recycling facilities. We seek to be recognized by customers as the premier supplier of a broad range of value-added environmental services based upon quality, responsiveness, customer service, information technologies, breadth of product offerings and cost effectiveness. We view our broad range of services as two major segments: Technical Services and Site Services.

Our Technical Services collects and transports containerized and bulk waste; performs categorization, specialized repackaging, treatment and disposal of laboratory chemicals and household hazardous wastes, which are referred to as CleanPack® services; and offers Apollo Onsite Services, which customize environmental programs at customer sites. This is accomplished through the network of service centers where a fleet of trucks, rail or other transport is dispatched to pick up customers' waste either on a pre-determined schedule or on demand, and then to deliver waste to a permitted facility. From the service centers, chemists can also be dispatched to a customer location for the collection of chemical waste for disposal.

Our Site Services provide highly skilled experts utilizing specialty equipment and resources to perform services, such as industrial maintenance, surface remediation, groundwater restoration, site and facility decontamination, emergency response, site remediation, PCB disposal and oil disposal at the customer's site or another location. These services are dispatched on a scheduled or emergency basis.

***Overview***



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

During the three months ended June 30, 2009, our revenues were \$215.3 million compared to \$265.3 million for the same period in 2008. We primarily attribute the decrease in revenues during the three month period in 2009 to the current economic environment, which continues to reduce the overall production levels of our customers as well as influence decisions to delay large projects.

In our Technical Services segment the economic factors translated into decreased volumes at our transportation, storage and disposal facilities and waste water treatment plants, as well-as reductions in revenues from our general labor and transport services. Landfill volumes increased 10% compared to the second quarter of 2008 and utilization at our incineration facilities, which includes most of the 50,000 tons of capacity added in the past year, was 88%, consistent with the prior year level.

The declines in the Site Service revenues during the second quarter of 2009 were primarily due to the abovementioned economic factors, as well as the lack of emergency response projects. There were no major emergency response projects in the second quarter of 2009.

Our costs of revenues decreased from \$178.4 million in the second quarter of 2008 to \$146.3 million in the second quarter of 2009. This decrease in expenses is primarily due to the reduction in revenues, but was also attributable to decreases in fuel and energy costs, our continued initiative to actively manage our costs, and specific cost cutting measures initiated as

Table of Contents

a response to the current economic environment. Even with declines in revenues and increases in costs for certain raw materials, our costs control initiatives have helped to enable us to maintain a stable gross profit margin of 32.1% for the three months ended June 30, 2009, compared to 32.8% for the same period ended June 30, 2008.

***Environmental Liabilities***

We have accrued environmental liabilities, as of June 30, 2009, of approximately \$180.8 million, substantially all of which we assumed as part of our acquisitions of the Chemical Services Division, or CSD, of Safety-Kleen Corp. in 2002, Teris LLC in 2006, and one of the two solvent recycling facilities we purchased from Safety-Kleen Systems, Inc. in 2008. We anticipate such liabilities will be payable over many years and that cash flows generated from operations will be sufficient to fund the payment of such liabilities when required. However, events not now anticipated (such as future changes in environmental laws and regulations) could require that such payments be made earlier or in greater amounts than currently anticipated.

We realized a net benefit in the six months ended June 30, 2009, of \$0.6 million related to changes in our environmental liability estimates. Changes in environmental liability estimates include changes in landfill retirement liability estimates, which are recorded as cost of revenues, and changes in non-landfill retirement and remedial liability estimates, which are recorded as selling, general, and administrative costs. During the six months ended June 30, 2009, a benefit of approximately \$0.7 million was recorded as cost of revenues and a charge of less than \$0.1 million was recorded as sales, general and administrative expenses.

***Results of Operations***

The following table sets forth for the periods indicated certain operating data associated with our results of operations. This table and subsequent discussions should be read in conjunction with Item 6, Selected Financial Data, and Item 8, Financial Statements and Supplementary Data, of our Annual Report on Form 10-K for the year ended December 31, 2008 and Item 1, Financial Statements, in this report.

	Percentage of Total Revenues				
	For the Three Months Ended June 30,		For the Six Months Ended June 30,		
	2009	2008	2009	2008	2008
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenues (exclusive of items shown separately below)	68.0	67.3	68.7	68.6	68.6
Selling, general and administrative expenses	17.5	16.4	17.8	16.3	16.3
Accretion of environmental liabilities	1.2	1.0	1.3	1.1	1.1
Depreciation and amortization	5.7	4.1	5.8	4.2	4.2
Income from operations	7.6	11.2	6.4	9.8	9.8
Other income (expense)					
Interest expense, net of interest income	(0.7)	(0.9)	(0.7)	(1.2)	(1.2)
Income before provision for income taxes	6.9	10.3	5.7	8.6	8.6
Provision for income taxes	2.9	4.3	2.5	3.7	3.7

Net income	4.0%	6.0%	3.2%	4.9%
------------	------	------	------	------

***Earnings before Interest, Taxes, Depreciation and Amortization ( Adjusted EBITDA )***

We define Adjusted EBITDA (a measure not defined under generally accepted accounting principles) as the term EBITDA is defined in our current credit agreement and indenture for covenant compliance purposes. This definition is net income plus accretion of environmental liabilities, depreciation and amortization, net interest expense, provision for income taxes, non-recurring severance charges, other non-recurring refinancing-related expenses, gain (loss) on sale of fixed assets, loss on early extinguishment of debt, and cumulative effect of change in accounting principle, net of tax.

Our management considers Adjusted EBITDA to be a measurement of performance which provides useful information to both management and investors. Adjusted EBITDA should not be considered an alternative to net income or other measurements under accounting principles generally accepted in the United States. Because Adjusted EBITDA is not calculated identically by all companies, our measurements of Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies.

Table of Contents

The following is a reconciliation of net income to Adjusted EBITDA:

	For the three months ended:		For the six months ended:	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Net income	\$ 8,624	\$ 15,987	\$ 13,579	\$ 24,909
Accretion of environmental liabilities	2,634	2,726	5,284	5,396
Depreciation and amortization	12,241	10,806	24,302	21,281
Interest expense, net	1,609	2,515	2,989	5,900
Provision for income taxes	6,208	11,404	10,619	18,993
Other (income) expense	(11)	(59)	(44)	45
Adjusted EBITDA	\$ 31,305	\$ 43,379	\$ 56,729	\$ 76,524

The following reconciles Adjusted EBITDA to cash from operations:

	For the Six Months ended June 30,	
	2009	2008
Adjusted EBITDA	\$ 56,729	76,524
Interest expense, net	(2,989)	(5,900)
Provision for income taxes	(10,619)	(18,993)
Allowance for doubtful accounts	669	50
Amortization of deferred financing costs and debt discount	790	1,076
Change in environmental liability estimates	(635)	(255)
Deferred income taxes	(390)	(41)
Stock-based compensation	(376)	1,785
Excess tax benefit of stock-based compensation	(65)	(2,598)
Income tax benefits related to stock option exercises	59	2,618
Environmental expenditures	(4,077)	(4,054)
Changes in assets and liabilities, net of acquisitions		
Accounts receivable	28,109	10,370
Other current assets	4,487	3,474
Accounts payable	(8,635)	(9,144)
Other current liabilities	(14,000)	(12,631)
Net cash from operating activities	\$ 49,057	\$ 42,281

**Segment data**

Performance of our segments is evaluated on several factors of which the primary financial measure is Adjusted EBITDA. The following table sets forth certain operating data associated with our results of operations and summarizes Adjusted EBITDA contribution by operating segment for the three and six months ended June 30, 2009 and 2008 (in thousands). We consider the Adjusted EBITDA contribution from each operating segment to include revenue attributable to each segment less operating expenses, which include cost of revenues and selling, general and administrative expenses. Revenue attributable to each segment is generally external or direct revenue from third party customers. Certain income or expenses of a non-recurring or unusual nature are not included in the operating segment Adjusted EBITDA contribution. This table and subsequent discussions should be read in conjunction with Item 6, Selected Financial Data, and Item 8, Financial Statements and Supplementary Data and in particular Note 16, Segment Reporting of our Annual Report on Form 10-K for the year ended December 31, 2008 and Item 1, Financial Statements and in particular Note 14, Segment Reporting in this report.



Table of Contents*Three months ended June 30, 2009 versus the three months ended June 30, 2008*

<b>Summary of Operations (in thousands)</b>				
<b>For the Three Months Ended June 30,</b>				
	<b>2009</b>	<b>2008</b>	<b>\$</b>	<b>%</b>
			<b>Change</b>	<b>Change</b>
<b>Direct Revenues:</b>				
Technical Services	\$ 158,107	\$ 186,502	\$ (28,395)	(15.2)%
Site Services	57,708	79,490	(21,782)	(27.4)
Corporate Items	(478)	(733)	255	(34.8)
<b>Total</b>	<b>215,337</b>	<b>265,259</b>	<b>(49,922)</b>	<b>(18.8)</b>
<b>Cost of Revenues (exclusive of items shown separately) (1):</b>				
Technical Services	100,560	121,351	(20,791)	(17.1)
Site Services	43,466	56,399	(12,933)	(22.9)
Corporate Items	2,228	634	1,594	251.4
<b>Total</b>	<b>146,254</b>	<b>178,384</b>	<b>(32,130)</b>	<b>(18.0)</b>
<b>Selling, General &amp; Administrative Expenses:</b>				
Technical Services	16,830	17,591	(761)	(4.3)
Site Services	6,359	7,807	(1,448)	(18.5)
Corporate Items	14,589	18,098	(3,509)	(19.4)
<b>Total</b>	<b>37,778</b>	<b>43,496</b>	<b>(5,718)</b>	<b>(13.1)</b>
<b>Adjusted EBITDA (2):</b>				
Technical Services	40,717	47,560	(6,843)	(14.4)
Site Services	7,883	15,284	(7,401)	(48.4)
Corporate Items	(17,295)	(19,465)	2,170	(11.1)
<b>Total</b>	<b>\$ 31,305</b>	<b>\$ 43,379</b>	<b>\$ (12,074)</b>	<b>(27.8)%</b>

(1) Items shown separately consist of (i) accretion of environmental liabilities and (ii) depreciation and amortization.

(2) See Item 2, Earnings before Interest, Taxes, Depreciation and Amortization ( Adjusted EBITDA ), for a discussion of Adjusted EBITDA.

**Revenues**

Technical Services revenues decreased 15.2%, or \$28.4 million, in the three-months ended June 30, 2009 from the comparable period in 2008 due to reductions in volumes being processed through our facilities network (\$11.1 million), changes in product mix and pricing (\$0.4 million), and the weakening Canadian dollar (\$3.8 million). The remaining \$13.1 million decrease is attributable to reductions in base business, declines in transportation and disposal lines, and reduced fuel recovery fees.

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

Site Services revenues decreased 27.4%, or \$21.8 million, in the three-months ended June 30, 2009 from the comparable period in 2008 primarily due to a decline in base business (\$11.5 million) as well as a reduction in the volume of long-term project business (\$4.4 million), reductions in oil volumes and pricing, and the weakening of the Canadian dollar (\$0.4 million).

There are many factors which have impacted, and continue to impact, our revenues. These factors include, but are not limited to: the current economic slowdown, the level of emergency response projects, competitive industry pricing, and the effects of fuel prices on our fuel recovery fee.

### *Cost of Revenues*

Technical Services costs of revenues decreased 17.1%, or \$20.8 million, in the three-months ended June 30, 2009 from the comparable period in 2008 primarily due to reductions in outside disposal, transportation, and subcontractor costs

Table of Contents

(\$5.8 million), salary and labor expenses (\$4.1 million), fuel costs (\$3.3 million), utilities (\$2.2 million) and the weakening of the Canadian dollar (\$2.1 million).

Site Services costs of revenues decreased 22.9%, or \$12.9 million, in the three-months ended June 30, 2009 from the comparable period in 2008 primarily due to decreases in outside transportation and disposal costs (\$4.2 million), labor and related expenses (\$3.1 million), fuel charges (\$2.2 million) and the weakening of the Canadian dollar (\$0.3 million). The decrease in outside transportation and disposal costs was partially attributable to company-wide initiatives to maximize the utilization of Company owned resources.

Corporate Items costs of revenues increased \$1.6 million, in the three-months ended June 30, 2009 from the comparable period in 2008 primarily due to increases in health insurance related costs offset partially by a reduction in salaries.

We believe that our ability to manage operating costs is important in our ability to remain price competitive. We continue to upgrade the quality and efficiency of our waste treatment services through the development of new technology and continued modifications and upgrades at our facilities, and implementation of strategic sourcing initiatives. We plan to continue to focus on achieving cost savings relating to purchased goods and services through a strategic sourcing initiative. No assurance can be given that our efforts to reduce future operating expenses will be successful.

***Selling, General and Administrative Expenses***

Technical Services selling, general and administrative expenses decreased 4.3% or \$0.8 million in the three-months ended June 30, 2009 from the comparable period in 2008 primarily due to reductions in commissions and bonuses earned during the period.

Site Services selling, general and administrative expenses decreased 18.5%, or \$1.4 million, in the three-months ended June 30, 2009 from the comparable period in 2008 primarily due to reductions in salaries and commissions.

Corporate Items selling, general and administrative expenses decreased \$3.5 million primarily due to a reduction in stock-based compensation, bonuses and legal fees, offset partially by increases in acquisition related costs of \$3.3 million.

***Depreciation and Amortization***

	<b>Three Months Ended June 30</b>	
	<b>2009</b>	<b>2008</b>
Depreciation of fixed assets	\$ 9,444	\$ 8,422
Landfill and other amortization	2,797	2,384



Edgar Filing: CLEAN HARBORS INC - Form 10-Q

Total depreciation and amortization	\$	12,241	\$	10,806
-------------------------------------	----	--------	----	--------

Depreciation and amortization increased 13.3% in the second quarter of 2009 compared to the same period in 2008. Depreciation of fixed assets increased due to increased capital expenditures in recent periods and acquisitions. Landfill and other amortization increased primarily due to increased landfill volumes.

*Interest Expense, Net*

	Three Months Ended			
	June 30			
	2009		2008	
Interest expense	\$	1,842	\$	3,946
Interest income		(233)		(1,431)
Interest expense, net	\$	1,609	\$	2,515

Interest expense, net decreased 36.0% in the second quarter of 2009 compared to the same period in 2008. Interest expense decreased due to early termination of capital leases and reductions in the principal amounts of outstanding senior secured notes. Interest income decreased due to a reduction in the interest rates being earned by our cash balances.

Table of Contents

*Six months ended June 30, 2009 versus the six months ended June 30, 2008*

<b>Summary of Operations (in thousands)</b>				
<b>For the Six Months Ended June 30,</b>				
	<b>2009</b>	<b>2008</b>	<b>\$</b>	<b>%</b>
			<b>Change</b>	<b>Change</b>
<b>Direct Revenues:</b>				
Technical Services	\$ 309,172	\$ 358,471	\$ (49,299)	(13.8)%
Site Services	113,460	150,497	(37,037)	(24.6)
Corporate Items	(989)	(1,200)	211	(17.6)
<b>Total</b>	<b>421,643</b>	<b>507,768</b>	<b>(86,125)</b>	<b>(17.0)</b>
<b>Cost of Revenues (exclusive of items shown separately) (1):</b>				
Technical Services	200,063	235,829	(35,766)	(15.2)
Site Services	86,763	112,060	(25,297)	(22.6)
Corporate Items	2,941	689	2,252	326.9
<b>Total</b>	<b>289,767</b>	<b>348,578</b>	<b>(58,811)</b>	<b>(16.9)</b>
<b>Selling, General &amp; Administrative Expenses:</b>				
Technical Services	33,125	34,855	(1,730)	(5.0)
Site Services	12,917	15,268	(2,351)	(15.4)
Corporate Items	29,105	32,543	(3,438)	(10.6)
<b>Total</b>	<b>75,147</b>	<b>82,666</b>	<b>(7,519)</b>	<b>(9.1)</b>
<b>Adjusted EBITDA (2):</b>				
Technical Services	75,984	87,787	(11,803)	(13.4)
Site Services	13,780	23,169	(9,389)	(40.5)
Corporate Items	(33,035)	(34,432)	1,397	(4.1)
<b>Total</b>	<b>\$ 56,729</b>	<b>\$ 76,524</b>	<b>\$ (19,795)</b>	<b>(25.9)%</b>

(1) Items shown separately consist of (i) accretion of environmental liabilities and (ii) depreciation and amortization.

(2) See Item 2, Earnings before Interest, Taxes, Depreciation and Amortization ( Adjusted EBITDA ), for a discussion of Adjusted EBITDA.

**Revenues**

Technical Services revenues decreased 13.8%, or \$49.3 million, in the six-months ended June 30, 2009 from the comparable period in 2008 due to reductions in volumes being processed through our facilities network (\$22.1 million) and the weakening Canadian dollar (\$8.8 million). These decreases were partially offset by revenues generated by the two solvent recycling facilities acquired in March 2008 and increased revenues driven by changes in product mix and pricing (\$5.1 million). The remaining \$23.5 million decrease is attributable to reductions in base business, declines in transportation and disposal lines, and reduced fuel recovery fees.

Site Services revenues decreased 24.6%, or \$37.0 million, in the six-months ended June 30, 2009 from the comparable period in 2008 due primarily to a decline in base business (\$21.8 million), a reduction in the volume of long-term project business (\$6.7 million), declines in oil pricing, and the weakening of the Canadian dollar (\$0.9 million).

There are many factors which have impacted, and continue to impact, our revenues. These factors include, but are not limited to: the current economic slowdown, the level of emergency response projects, competitive industry pricing, and the effects of fuel prices on our fuel recovery fee.

*Cost of Revenues*

Technical Services costs of revenues decreased 15.2%, or \$35.8 million, in the six-months ended June 30, 2009 from the comparable period in 2008 primarily due to reductions in outside disposal, transportation, and subcontractor costs

Table of Contents

(\$10.9 million), salary and labor expenses (\$6.7 million), fuel costs (\$5.6 million), materials, supplies, and equipment rentals (\$3.7 million) and the weakening of the Canadian dollar (\$5.1 million).

Site Services costs of revenues decreased 22.6%, or \$25.3 million, in the six-months ended June 30, 2009 from the comparable period in 2008 primarily due to decreases in outside transportation and disposal costs (\$9.2 million), material and supply costs (\$3.2 million), fuel charges (\$3.4 million), labor and related expenses (\$4.1 million) and the weakening of the Canadian dollar (\$0.8 million). The decrease in outside transportation and disposal costs was partially attributable to company-wide initiatives to maximize the utilization of Company owned resources.

Corporate Items costs of revenues increased \$2.3 million, in the six-months ended June 30, 2009 from the comparable period in 2008 primarily due to increases in health insurance related costs.

We believe that our ability to manage operating costs is important in our ability to remain price competitive. We continue to upgrade the quality and efficiency of our waste treatment services through the development of new technology and continued modifications and upgrades at our facilities, and implementation of strategic sourcing initiatives. We plan to continue to focus on achieving cost savings relating to purchased goods and services through a strategic sourcing initiative. No assurance can be given that our efforts to reduce future operating expenses will be successful.

***Selling, General and Administrative Expenses***

Technical Services selling, general and administrative expenses decreased 5.0% or \$1.7 million in the six-months ended June 30, 2009 from the comparable period in 2008 primarily due to reductions in commissions and bonuses earned during the period.

Site Services selling, general and administrative expenses decreased 15.4%, or \$2.4 million, in the six-months ended June 30, 2009 from the comparable period in 2008 primarily due to reductions in salaries and commissions.

Corporate Items selling, general and administrative expenses decreased \$3.4 million primarily due to a reduction in stock-based compensation, bonuses and legal fees, partially offset by increases in acquisition related costs of \$3.9 million.

***Depreciation and Amortization***

		<b>Six Months Ended</b>		
		<b>June 30</b>		
		<b>2009</b>		<b>2008</b>
Depreciation of fixed assets	\$	18,691	\$	15,705
Landfill and other amortization		5,611		5,576

Edgar Filing: CLEAN HARBORS INC - Form 10-Q

Total depreciation and amortization	\$	24,302	\$	21,281
-------------------------------------	----	--------	----	--------

Depreciation and amortization increased 14.2% in the first six months of 2009 compared to the same period in 2008. Depreciation of fixed assets increased due to increased capital expenditures in recent periods and acquisitions. Landfill and other amortization increased slightly primarily due to increased landfill volumes.

*Interest Expense, Net*

		Six Months Ended		
		2009	June 30	2008
Interest expense	\$	3,612	\$	8,393
Interest income		(623)		(2,493)
Interest expense, net	\$	2,989	\$	5,900

Interest expense, net decreased 49.3% in the first two quarters of 2009 compared to the same period in 2008. Interest expense decreased due to early termination of capital leases and reductions in the principal amounts of outstanding senior secured notes. Interest income decreased due to a reduction in the interest rates being earned by our cash balances.

*Income Taxes*

The Company's effective tax rates for the three and six months ended June 30, 2009 were 41.8 percent and 43.9 percent, respectively, compared to 41.6 percent and 43.3 percent for the same periods in 2008. Income tax expense for the six months ended June 30, 2009 decreased \$8.4 million to \$10.6 million from \$19.0 million for the comparable period in 2008. Income tax expense for the three months ended June 30, 2009 decreased \$5.2 million to \$6.2 million from \$11.4

Table of Contents

million for the comparable period in 2008. The reduced tax expenses for the three and six months ended June 30, 2009 were primarily due to lower earnings and lower permanent expense.

SFAS 109, Accounting for Income Taxes, requires that a valuation allowance 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, 2009 and December 31, 2008, we had a remaining valuation allowance of approximately \$10.8 million. The allowance consists of \$8.9 million of foreign tax credits and \$1.9 million of state net operating loss carryforwards related to tax deductions for the exercise of non-qualified stock options.

Management's policy is to recognize interest and penalties related to income tax matters as a component of income tax expense. The liability for unrecognized tax benefits as of June 30, 2009 and December 31, 2008, included accrued interest and penalties of \$25.0 million and \$22.2 million, respectively. Tax expense for the six months ended June 30, 2009 and 2008 included interest and penalties of \$1.8 million and \$3.0 million, respectively.

***Liquidity and Capital Resources***

During the six months ended June 30, 2009, changes in our financial position resulted from our February 2009 acquisition of EnviroSORT Inc. for a purchase price of \$9.6 million, including the assumption of \$2.5 million of debt, which was paid down on the acquisition date.

As described under Note 16, Subsequent Events, to our financial statements included in this report, we used between July 24 and July 31, 2009, approximately \$156.8 million of our \$255.9 million of cash and cash equivalents and marketable securities at June 30, 2009 to repay our then outstanding \$30.0 million term note, discharge our then outstanding \$23.0 million of senior secured notes (plus a prepayment premium of \$0.7 million and accrued interest of \$0.3 million as of the scheduled redemption date of August 31, 2009), pay the \$56 million cash portion of the purchase price for our acquisition of Eveready Inc., and repay Eveready's \$46.8 million of then outstanding convertible notes. In August, we announced that we are planning to offer \$250 million of senior secured notes due 2016. We intend to use the net proceeds from the offering of the notes to repay certain indebtedness and for general corporate purposes. We intend to use our remaining existing cash and cash equivalents, marketable securities and cash flow from operations to provide for our working capital needs, and to fund capital expenditures. We anticipate that our cash flow provided by operating activities will provide the necessary funds on a short- and long-term basis to meet operating cash requirements.

We had accrued environmental liabilities as of June 30, 2009 of approximately \$180.8 million, substantially all of which we assumed in connection with our acquisition of the CSD assets in September 2002, Teris LLC in 2006, and one of the two solvent recycling facilities we purchased from Safety-Kleen Systems, Inc. in 2008. We anticipate such liabilities will be payable over many years and that cash flow from operations will generally be sufficient to fund the payment of such liabilities when required. However, events not anticipated (such as future changes in environmental laws and regulations) could require that such payments be made earlier or in greater amounts than currently anticipated, which could adversely affect our results of operations, cash flow and financial condition.

We assess our liquidity in terms of our ability to generate cash to fund our operating, investing, and financing activities. Our primary ongoing cash requirements will be to fund operations, capital expenditures, and investments in line with our business strategy. We believe our future operating cash flows will be sufficient to meet our future operating and investing cash needs. Furthermore, the existing cash balances and the

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

availability of additional borrowings under our revolving credit facility provide additional potential sources of liquidity should they be required.

### *Cash Flows for the six months ended June 30, 2009*

Cash from operating activities in the first six months of 2009 was \$49.1 million, an increase of 16.0%, or \$6.8 million, compared with cash from operating activities in the first six months of 2008. The increase was primarily the result of a net improvement in certain working capital items offset partially by a reduction in income from operations.

Cash used for investing activities in the first six months of 2009 was \$41.0 million, a decrease of 28.0%, or \$16.0 million, compared with cash used for investing activities in the first six months of 2008. The decrease was primarily the result of a reduction in acquisition costs.

Cash used for financing activities in the first six months of 2009 was \$4.4 million, compared to cash from financing activities of \$178.5 million in the first six months of 2008. The change was primarily the result of net proceeds of \$173.6 million from the issuance of 2.875 million shares of common stock in April 2008 offset partially by the payment on debt acquired related to the EnviroSORT acquisition in February 2009.

Table of Contents

*Financing Arrangements*

At June 30, 2009, we had outstanding \$23.0 million of eight-year senior secured notes due 2012, a \$70.0 million revolving credit facility, a \$50.0 million synthetic letter of credit facility, and a \$30.0 million term loan. On July 24, 2009, we repaid the \$30.0 million term loan and on July 31, 2009, we discharged the \$23.0 million of outstanding senior secured notes by calling such notes for redemption on August 31, 2009 and depositing with the trustee the redemption price of \$23.7 million and accrued interest of \$0.3 million through the redemption date. On July 31, 2009, we also replaced our previous \$70.0 million revolving credit facility and \$50.0 million synthetic letter of credit facility with a new revolving credit facility which will allow us to borrow or obtain letters of credit for up to \$120.0 million (with a \$110.0 million sub-limit for letter of credit).

As of June 30, 2009, we were in compliance with the covenants of all of our debt agreements.

*Liquidity Impacts of Uncertain Tax Positions*

As discussed in Note 11, Income Taxes, to our financial statements included in Item 8 of this report, we have recorded \$47.0 million of unrecognized tax benefits. These liabilities are classified as other long-term liabilities in our consolidated balance sheets. We are not able to reasonably estimate when we would make any cash payments to settle these liabilities, which related to unrecognized tax benefits for which the statute of limitations might expire without examination by the respective taxing authority; however, we believe no material cash payments will be required in the next 12 months.

*Auction Rate Securities*

As of June 30, 2009, our long-term investments included \$6.5 million of available for sale auction rate securities. With the liquidity issues experienced in global credit and capital markets, these auction rate securities have experienced multiple failed auctions and as a result there is a limited market for these securities. All of our auction rate securities are secured by student loans, which are substantially insured by the Federal Family Education Loan Program. Additionally, all of our auction rate securities maintain the highest credit rating of AAA. All of these securities continue to pay interest according to their stated terms with interest rates resetting generally every 28 days.

We believe we have sufficient liquidity to fund operations and do not plan to access these funds in the foreseeable future. In the unlikely event that we need to access the funds, we may not be able to do so without the possible loss of principal, until a future auction for these investments is successful, another secondary market evolves for these securities, they are redeemed by the issuer, or they mature. If we are unable to sell these securities in the market or they are not redeemed, we could be required to hold them to maturity. These securities are currently reflected at their fair value utilizing a discounted cash flow analysis. As of June 30, 2009, we have recorded an unrealized pre-tax loss of \$0.5 million, which we assess as temporary. We will continue to monitor and evaluate these investments on an ongoing basis for other than temporary impairment and record a charge to earnings if appropriate.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**



Edgar Filing: CLEAN HARBORS INC - Form 10-Q

In the normal course of business, we are exposed to market risks, including changes in interest rates, Canadian currency rates and certain commodity prices. Our philosophy in managing interest rate risk is to borrow at fixed rates for longer time horizons to finance non-current assets and to borrow (to the extent, if any, required) at variable rates for working capital and other short-term needs, and therefore have not entered into derivative or hedging transactions, nor have we entered into transactions to finance off-balance sheet debt. The following table provides information regarding our fixed rate borrowings at June 30, 2009 (in thousands):

Scheduled Maturity Dates	Six Months Remaining 2009	2010	2011	2012	2013	Thereafter	Total
Senior secured notes	\$ 23,032	\$	\$	\$	\$	\$	\$ 23,032
Capital lease obligations	120	182	113	20			435
	\$ 23,152	\$ 182	\$ 113	\$ 20	\$	\$	\$ 23,467
Weighted average interest rate on fixed rate borrowings	11.5%	10.2%	8.8%	8.7%			

In addition to the fixed rate borrowings described in the above table, at June 30, 2009 we had variable rate instruments that included a revolving facility with maximum borrowings of up to \$70 million, a synthetic letter of credit facility with maximum capacity of up to \$50 million, and a \$30 million term loan. Had the interest rate on our variable borrowings been 10% higher, we would have reported decreased net income of less than \$0.1 million for each of the three-month periods ended June 30, 2009 and 2008 and less than \$0.1 million and \$0.1 million for the six-month periods ended June 30, 2009 and 2008, respectively.

We view our investment in our Canadian and Mexican subsidiaries as long-term; thus, we have not entered into any hedging transactions between the Canadian dollar and the U.S. dollar or between the Mexican peso and the U.S. dollar. The

Table of Contents

Canadian subsidiaries transact approximately 19.4% of their business in U.S. dollars and at any period end have cash on deposit in U.S. dollars and outstanding U.S. dollar accounts receivable related to these transactions. These cash and receivable accounts are vulnerable to foreign currency translation gains or losses. Exchange rate movements also affect the translation of Canadian generated profits and losses into U.S. dollars. In March 2009 we significantly reduced the U.S. cash balance held by our Canadian subsidiary and as a result, significantly reduced our foreign exchange exposure. Had the Canadian dollar been 10.0% stronger or weaker against the U.S. dollar, we would have reported decreased or increased net income by \$0.2 million and \$1.4 million for the three-month periods ended June 30, 2009 and 2008, respectively. Had the Canadian dollar been 10.0% stronger or weaker against the U.S. dollar, we would have reported decreased or increased net income by \$0.3 million and \$0.9 million for the six-month periods ended June 30, 2009 and 2008, respectively.

At June 30, 2009, \$6.5 million of our noncurrent investments were auction rate securities. While we are uncertain as to when the liquidity issues relating to these investments will improve, we believe these issues will not materially impact our ability to fund our working capital needs, capital expenditures, or other business requirements.

We are subject to minimal market risk arising from purchases of commodities since no significant amount of commodities are used in the treatment of hazardous waste.

**ITEM 4. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

Based on an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, as of the end of the period covered by this Quarterly Report, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the Exchange Act )) were effective as of June 30, 2009 to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our first two quarters of fiscal 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Table of Contents**

**CLEAN HARBORS, INC. AND SUBSIDIARIES**

**PART II OTHER INFORMATION**

**Item 1 *Legal Proceedings***

See Note 10, Commitments and Contingencies, to the financial statements included in this report, which description is incorporated herein by reference.

**Item 1A *Risk Factors***

During the six months ended June 30, 2009, there were no material changes from the risk factors as previously disclosed in Item 1A in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

**Item 2 *Unregistered Sale of Equity Securities and Use of Proceeds*** None.

**Item 3 *Defaults Upon Senior Debt*** None.

**Item 4 *Submission of Matters to a Vote of Security Holders*** At the Company's annual meeting of shareholders held on May 11, 2009, the following class 1 directors were re-elected for a three-year term by the following votes:

Nominee	For	Withheld
Alan S. McKim	21,345,091	518,044
John T. Preston	21,284,968	578,167
Lorne R. Waxlax	21,285,984	576,151

At the Company's annual meeting of shareholders, the stockholders also approved a CEO Annual Incentive Bonus Plan (as described in the proxy statement for such meeting) by the following votes:

For                      Against                      Abstain

21,056,955

786,552

19,625

**Item 5** *Other Information* None

**Item 6** *Exhibits*

<b>Item No.</b>	<b>Description</b>	<b>Location</b>
31	Rule 13a-14a/15d-14(a) Certifications	Filed herewith.
32	Section 1350 Certifications	Filed herewith.

Table of Contents

**CLEAN HARBORS, INC. AND SUBSIDIARIES**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CLEAN HARBORS, INC.  
Registrant

By:

*/s/ ALAN S. MCKIM*  
**Alan S. McKim**  
**President and Chief Executive Officer**

Date: August 7, 2009

By:

*/s/ JAMES M. RUTLEDGE*  
**James M. Rutledge**  
**Executive Vice President and**  
**Chief Financial Officer**

Date: August 7, 2009