

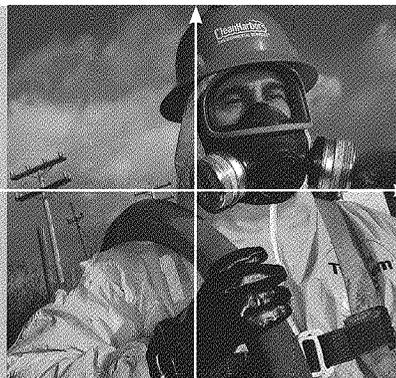
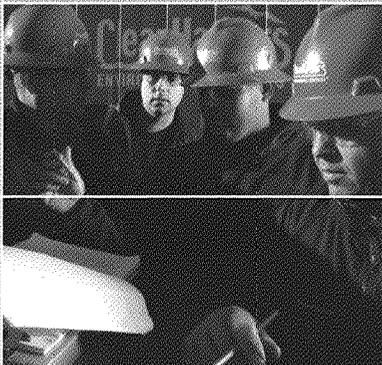


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# 2008

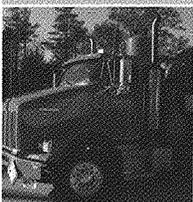
# ANNUAL REPORT

Expanding Our Reach

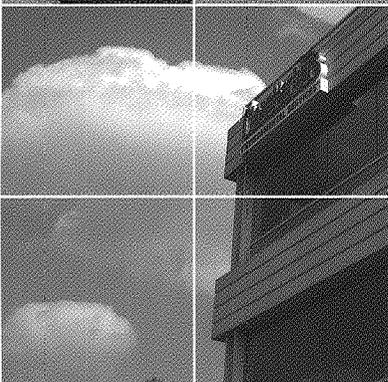


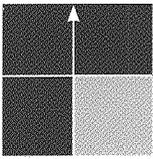
# 2008

Growing Our Capacity

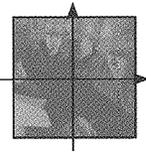


Generating a Billion in Sales





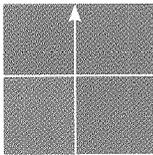
# ABOUT



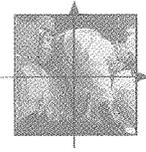
## Clean Harbors

Clean Harbors is North America's leading provider of environmental and hazardous waste management services. With an unmatched infrastructure of waste management facilities, Clean Harbors serves over 47,000 customers, including more than 325 Fortune 500 companies, thousands of smaller private entities and numerous federal, state and local governmental agencies. Clean Harbors' Technical Services provides a broad range of hazardous material management and disposal services including hazardous and non-hazardous waste recycling, treatment and disposal, CleanPack® laboratory chemical packing, and household hazardous waste management services. Clean Harbors' Site Services provides field services, industrial services, vacuum services, emergency response and disaster recovery, transformer services, tank cleaning and decontamination.

Headquartered in Norwell, Massachusetts, Clean Harbors has more than 100 locations strategically positioned throughout North America in 36 U.S. states, six Canadian provinces, Mexico and Puerto Rico. For more information, visit [www.cleanharbors.com](http://www.cleanharbors.com).



# GROWTH



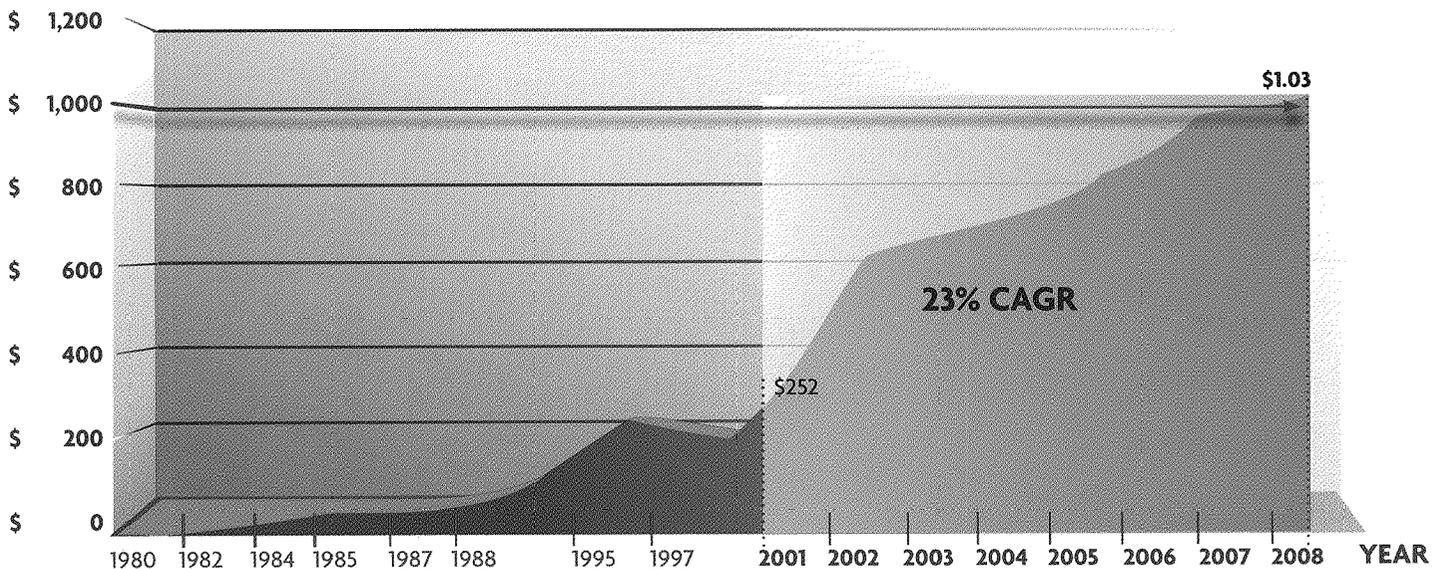
## Timeline

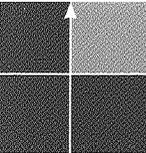
### Growth Timeline (in millions)

YEAR	1980	1982	1984	1985	1987	1988	1995	1997	2001	2002	2003	2004	2005	2006	2007	2008
REVENUE	0.6	1.1	8.2	13	32	74	209	184	252	350	610	643	711	829	947	1030

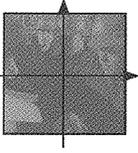
..... 23% CAGR .....

### Revenue in Millions





# DEAR SHAREHOLDERS



This was a year of significant achievement for Clean Harbors. We expanded our incineration capacity by 8 percent and made substantial investments across our entire network of assets. We integrated several strategic acquisitions, streamlined our cost structure, completed a successful \$173.5 million follow-on offering, and transferred our listing to the New York Stock Exchange, where we “Rang The Bell” on December 15th. I am particularly proud to say that we met our goal of reaching \$1 billion in revenue, while also increasing adjusted EBITDA by 22 percent to a record \$163 million.

Adjusted EBITDA is just one of the metrics that underscore the progress we have made in realizing the inherent operating leverage that our expansive network of assets provides. Operating income grew 27 percent in 2008, outpacing revenue growth threefold—a notable accomplishment in light of the higher material costs we encountered. We have been working to prune back operating costs and improve the utilization of our human and physical resources, and these efforts had a dramatic impact on our bottom-line results this year.

Improved operational leverage, coupled with careful management of our environmental liabilities and spending, allowed us to generate strong cash flow in 2008. This cash flow generation, along with some of the proceeds of our April follow-on offering, enabled us to lower our long-term debt by more than half—from \$121 million to \$53 million at year-end. We closed out the year with nearly \$250 million available in cash and marketable securities, as compared to \$120 million on December 31, 2007. In this time of economic crisis when liquidity is paramount, our low debt leverage and strong cash position afford us the financial flexibility to grow our business both organically as well as through opportunistic acquisitions.

## 2008: Business in Review

Our Technical Services business continued to outperform in 2008, benefiting from strong demand and favorable weather for most of the year. We rolled out 42,500 tons of new incineration capacity in 2008, ending the year with total capacity of nearly 542,000 tons. Growth in incineration demand, coupled with our focus on winning large-scale facilities projects, absorbed the bulk of this added capacity, and utilization for the year improved to 89 percent from 87 percent in 2007. In our landfill business, pricing remained fiercely competitive in 2008. Landfill volume, however, improved markedly in the second half and was flat with 2007 on a full-year basis.

Our commitment to ensuring the health and safety of our employees was once again recognized in 2008. We achieved VPP (Voluntary Protection Program) Status—OSHA’s official recognition for exemplary health and safety track records—at our fifth facility.

As we surveyed our end-market customers in 2008, we identified solvent recycling as a complementary business opportunity within

our Technical Services segment. In 2008 we acquired two facilities from Safety-Kleen Systems, Inc. and constructed our own operation adjacent to our El Dorado incinerator. Entering the solvent recycling business better positions us on a national basis to offer our customers a broad spectrum of choices for their solvent waste streams.

This was a year of continued expansion in our Site Services business. Early in 2008 we acquired Universal Environmental—our first Site Services acquisition in more than 10 years. This move not only broadened our service footprint in the attractive West Coast market, but also reinforced our strategic commitment to penetrate new geographies and attract new customers. Including two branches acquired from Universal Environmental, we opened a total of six new Site Services offices in strategic locations across the country. We plan to add several more new offices in 2009 as we continue to enter under-penetrated markets.

For a second consecutive year, our core business lines—especially our petrochemicals, specialty chemicals, and recycling verticals—generated the bulk of our Site Services revenue growth in 2008. We saw fewer emergency response projects than in 2007, most of which fell in the third quarter of the year and were related to a major oil spill on the Mississippi River and hurricane-related work in the Gulf region.

Remediating our sites to reduce our environmental liabilities remains an important long-term goal for us, and our balance of environmental liabilities decreased to \$178.5 million at year-end 2008 from \$184.5 million a year earlier. Another longstanding goal has been to reduce our annual outside transportation expense to below 5 percent of total sales. By hiring new drivers, better utilizing our extensive network of railroad assets and adding a considerable number of vehicles and pieces of equipment, we achieved this goal in 2008, as outside transportation expense declined to 4.9 percent—a level we see as sustainable in the future.

## Prepared for the Challenges of 2009

As we head into 2009, we see many reasons for optimism, despite the bleak economic backdrop. First, we launched a major sales force expansion initiative in late 2008. We believe that with our well-known brand, outstanding reputation, vertical market expertise and strong balance sheet we have an opportunity to gain market share during a time of economic uncertainty. We are confident that being more aggressive in terms of sales penetration will generate organic growth in the markets we serve during 2009.

Second, we believe that the diversity of our customer base will mitigate our exposure should we see some customer contraction. We offer a broad portfolio of services to more than 47,000 customers across a wide range of industries. No single industry generates more

# DEAR SHAREHOLDERS

than 23 percent of our sales, and no single customer represents more than 2 percent of our revenues. So, while the recession may have an impact on sales in some of our markets, we believe that Clean Harbors is well-positioned to weather a slowdown.

Third, our solid balance sheet and strong cash flow generation enable us to capitalize on select acquisition opportunities that will help us extend our leadership position in the North American marketplace. Just a few months ago we closed on our latest acquisition —EnviroSORT Inc.—an ideal complement to our existing network of disposal facilities and service locations in western Canada. As a recognized name in the Canadian waste management industry, EnviroSORT will further strengthen our presence in this attractive geographic market.

Finally, we are encouraged about the prospects for our new Clean Harbors Development subsidiary. We launched this initiative in December 2008 with the mission of transforming sections of our existing property into traditional commercial enterprises as well as developing alternative power and energy projects, exploiting mineral rights and revitalizing various brownfield properties.

While we are not completely immune to the economic slowdown, we expect that a number of initiatives we currently have under way will extend our momentum and lead to another year of solid growth in 2009. On behalf of everyone at Clean Harbors, I extend our sincere appreciation for the confidence you have placed in us. We look forward to reporting further progress in the year ahead.

Alan S. McKim

Chairman, President and Chief Executive Officer  
**Clean Harbors, Inc.**

March 31, 2009

## EXECUTIVE TEAM



Michael R. McDonald

Jerry E. Correll

James M. Rutledge

David M. Parry

Roger A. Koenecke

Eric W. Gerstenberg

William J. Geary

Suzanne E. Sherburne

Deirdre J. Evens

Phillip G. Retallick

Michael J. Twohig

Alan S. McKim

George L. Curtis

Brian P. Weber

Nancy A. Morrissey

# SELECTED FINANCIAL DATA

For the Year Ended December 31 (in thousands except per share amounts)

## Income Statement Data

	2008	2007	2006	2005	2004
Revenues	\$1,030,713	\$946,917	\$829,809	\$711,170	\$643,219
Cost of revenues (exclusive of items shown separately below)	707,820	664,440	584,835	512,582	464,838
Selling, general and administrative expenses	159,674	149,180	125,039	108,312	104,509
Accretion of environmental liabilities	10,776	10,447	10,220	10,384	10,394
Depreciation and amortization	44,471	37,590	35,339	28,633	24,094
Income from operations	107,972	85,260	74,376	51,259	39,384
Other income (expense)	(119)	135	(447)	611	(1,345)
Loss on refinancings	-	-	-	-	(7,099)
Loss on early extinguishment of debt	(5,473)	-	(8,529)	-	-
Interest (expense), net	(8,403)	(13,157)	(12,447)	(22,754)	(22,297)
Income before provision for income taxes, equity interest in joint venture	93,977	72,238	52,953	29,116	8,643
Provision for income taxes	36,491	28,040	6,339	3,495	6,043
Equity interest in joint venture	-	-	(61)	-	-
Net income	57,486	44,198	46,675	25,621	2,600
Redemption of Series C preferred stock, dividends on Series B and C preferred stocks and accretion on Series C preferred stock	-	206	276	279	11,798
Net income (loss) attributable to common stockholders	57,486	\$43,992	\$46,399	\$25,342	\$(9,198)
Basic earnings (loss) attributable to common stockholders	\$2.56	\$2.22	\$2.38	\$1.62	\$(0.65)
Diluted earnings (loss) attributable to common stockholders	\$2.51	\$2.14	\$2.26	\$1.45	\$(0.65)

## Other Financial Data

Adjusted EBITDA <sup>1</sup>	\$163,219	\$133,297	\$119,935	\$90,276	\$74,744
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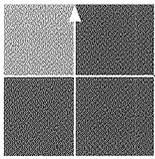
## At December 31,

Balance Sheet Data	2008	2007	2006	2005	2004
			(in thousands)		
Working capital	\$307,679	\$169,585	\$124,465	\$100,354	\$50,696
Goodwill	24,578	21,572	19,032	19,032	19,032
Total assets	898,336	769,888	670,808	614,364	504,702
Long-term obligations (including current portion)	53,630	123,483	124,561	154,291	153,129
Stockholders' equity	429,045	202,897	173,186	115,658	11,038

## At December 31,

Cash Flow Data	2008	2007	2006	2005	2004
			(in thousands)		
Net cash from operating activities	\$109,590	\$79,995	\$61,382	\$29,667	\$52,460
Net cash from investing activities	(84,515)	(42,791)	(98,885)	(3,509)	47,631
Net cash from financing activities	116,795	2,724	(20,330)	75,023	(75,775)

(1) See footnote 6 on pages 35 and 36 of the Annual Report on Form 10-K incorporated herein for a definition of Adjusted EBITDA and a reconciliation of net income to Adjusted EBITDA.



# DIRECTORS

## Directors

### **Alan S. McKim**

President, Chief Executive Officer  
and Chairman of the Board,  
Clean Harbors, Inc.

### **Dr. Eugene Banucci**

Executive Chairman,  
ATMI, Inc.

### **John D. Barr**

Vice Chairman and Chief Executive Officer,  
Papa Murphy's International, Inc.

### **John P. DeVillars**

Managing Partner,  
BlueWave Strategies, LLC

### **John F. Kaslow**

Retired Executive Vice President  
and Chief Operating Officer,  
New England Electric System

### **Daniel J. McCarthy**

Professor of Strategic Management,  
Northeastern University

### **John T. Preston**

President and Chief Executive Officer,  
Continuum Energy Technologies LLC

### **Andrea Robertson**

Group Executive and Corporate Treasurer,  
MasterCard International

### **Thomas J. Shields**

Managing Director,  
Shields & Company, Inc.

### **Lorne R. Waxlax**

Former Executive Vice President,  
The Gillette Company

## Executive Officers

### **Alan S. McKim**

President, Chief Executive Officer,  
and Chairman of the Board

### **John R. Beals**

Vice President and  
Corporate Controller

### **Jerry E. Correll**

Senior Vice President of Sales—  
Line of Business\*

### **George L. Curtis**

Senior Vice President—  
Pricing and Proposals\*

### **Deirdre J. Evens**

Executive Vice President—Corporate Sales,  
Marketing and Business Development\*

### **Simon R. Gerlin**

Senior Vice President—  
Finance\*

### **Eric W. Gerstenberg**

Executive Vice President—  
Disposal Services\*

### **Janet B. Frick**

Vice President and Treasurer\*

### **Michael R. McDonald, Esq.**

Senior Vice President  
and General Counsel\*

### **William F. O'Connor**

Senior Vice President—Risk Management\*

### **David M. Parry**

Executive Vice President—  
Sales and Services\*

### **Phillip G. Retallick**

Senior Vice President—  
Compliance and Regulatory Affairs\*

### **James M. Rutledge**

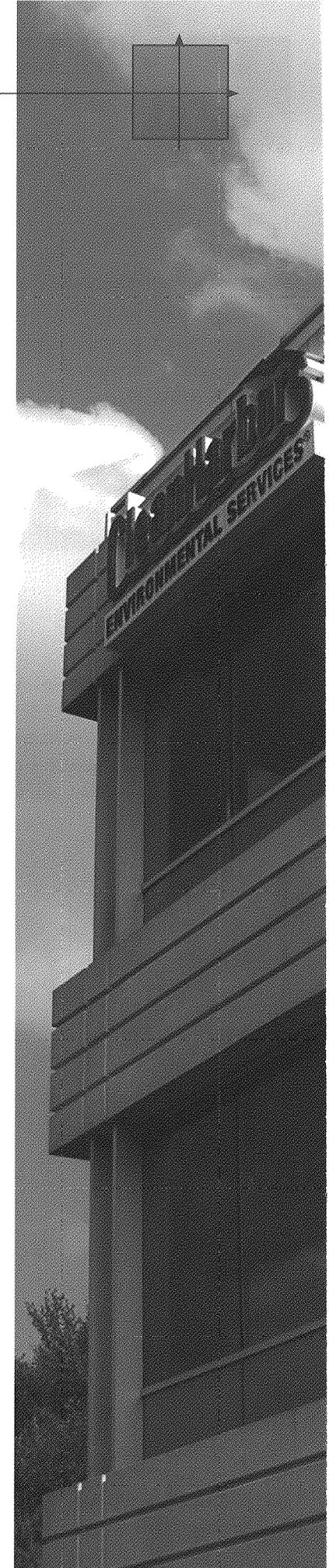
Executive Vice President  
and Chief Financial Officer

### **Michael J. Twohig**

Senior Vice President  
and Chief Information Officer\*

### **Brian P. Weber**

Senior Vice President—  
Transportation\*



\*Clean Harbors Environmental Services, Inc.

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

SEC Mail Processing  
Section

APR 14 2009

**FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** Washington, DC  
110

For the fiscal year ended December 31, 2008

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 NO. 0-16379

**CLEAN HARBORS, INC.**

(Exact name of registrant as specified in its charter)

Massachusetts  
(State or other jurisdiction  
of incorporation or organization)  
42 Longwater Drive, Norwell, MA  
(Address of principal executive offices)

04-2997780  
(IRS Employer Identification No.)

02061-9149  
(Zip Code)

Registrant's telephone number: (781) 792-5000

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class:	Name of each exchange on which registered:
----------------------	--

Common Stock, \$.01 par value	New York Stock Exchange
-------------------------------	-------------------------

Securities registered pursuant to Section 12(g) of the Securities Exchange Act of 1934:  
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

On June 30, 2008 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the voting and non-voting common stock of the registrant held by non-affiliates of the registrant was approximately \$1.4 billion, based on the closing price of such common stock as of that date on The NASDAQ Global Select Market. Reference is made to Part III of this report for the assumptions on which this calculation is based.

On February 26, 2009, there were outstanding 23,748,614 shares of Common Stock, \$.01 par value.

**DOCUMENTS INCORPORATED BY REFERENCE**

Certain portions of the registrant's definitive proxy statement for its 2009 annual meeting of stockholders (which will be filed with the Commission not later than April 30, 2009) are incorporated by reference into Part III of this report.

**CLEAN HARBORS, INC.**  
**ANNUAL REPORT ON FORM 10-K**  
**YEAR ENDED DECEMBER 31, 2008**  
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## Disclosure Regarding Forward-Looking Statements

In addition to historical information, this annual 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 such forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in this report under Item 1A, “Risk Factors.” 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. Readers should also carefully review the risk factors described in other documents which we file from time to time with the Securities and Exchange Commission (the “SEC”), including the quarterly reports on Form 10-Q to be filed by us during 2009.

### PART I

#### ITEM 1. BUSINESS

Clean Harbors, Inc., through its subsidiaries (hereafter collectively referred to as “we” or “us”) is one of the largest providers of environmental services and the largest operator of non-nuclear hazardous waste treatment facilities in North America based on a 2008 industry report. We service approximately 67% of North America’s commercial hazardous incineration volume and 20% of North America’s hazardous landfill volume, and are the industry leader in total hazardous waste disposal facilities. We perform environmental services for a diversified industry base with over 47,000 customers, including more than 325 Fortune 500 companies, in the United States, Canada, Puerto Rico and Mexico. We perform environmental services through a network of more than 100 service locations, and we operate six incineration facilities, nine commercial landfills, six wastewater treatment operations, two solvent recycling facilities, and 20 transportation, storage and disposal facilities (“TSDFs”), as well as six polychlorinated biphenyls (“PCB”) management facilities and two oil and used oil products recycling facilities. We can provide low cost solutions to our customers due to our large scale, industry knowledge, cost cutting and productivity-enhancing initiatives, and ability to internalize our waste streams.

The wastes that we handle include materials that are classified as “hazardous” because of their unique properties, as well as other materials subject to federal and state environmental regulation. We provide final treatment and disposal services designed to manage hazardous and non-hazardous wastes which cannot be economically recycled or reused. We transport, treat and dispose of industrial wastes for commercial and industrial customers, health care providers, educational and research organizations, other environmental services companies and governmental entities.

Clean Harbors, Inc. was incorporated in Massachusetts in 1980 and our principal offices are located in Norwell, Massachusetts. Effective December 15, 2008, shares of our common stock began trading on the New York Stock Exchange under the symbol CLH. Prior to that time, our stock was traded on The NASDAQ Global Select Market under the symbol CLHB. We maintain a website at the following Internet address: <http://www.cleanharbors.com>. Through a link on this website to the SEC website, <http://www.sec.gov>, we provide free access to our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after electronic filing with the SEC. Our guidelines on corporate governance, the charters for our Board Committees, and our code of ethics for members of the Board of Directors, senior officers and the chief executive officer are also available on our website, and we will post on our website any waivers of, or amendments to, such code of ethics. Our website and the information contained therein or connected thereto are not incorporated by reference into this annual report.

## **Industry**

According to industry reports, the hazardous waste disposal market in North America is in excess of \$2.0 billion. We also service the much larger industrial maintenance market. The \$2.0 billion estimate does not include the industrial maintenance market, except to the extent that the costs of disposal of hazardous wastes generated as a result of industrial maintenance are included.

The largest generators of hazardous waste materials are companies in the chemical, petrochemical, primary metals, paper, furniture, aerospace and pharmaceutical industries. Hazardous waste types processed or transported include flammables, combustibles and other organics, acids and caustics, cyanides and sulfides, solids and sludge, industrial wastewaters, items containing PCBs (such as utility transformers), and medical waste.

There are substantial barriers to entry into the hazardous waste management industry including high regulatory compliance costs and expertise, the arduous federal, state, provincial and local permitting processes for new disposal facilities, and the requirement for an extensive asset network, operating knowledge and major capital expenditures to purchase or construct new disposal facilities. As a result, no new hazardous waste incinerators or hazardous waste landfills have commenced commercial operations in North America in the last decade and, as described below, some of the previously operating incinerators as well as other types of disposal facilities have ceased operations. Furthermore, new regulatory requirements have increased in-house disposal costs and outsourcing and, in order to reduce their potential liability under environmental laws as generators of hazardous waste, customers have been increasingly using fewer providers for their hazardous waste treatment and disposal needs as they seek to limit their outside vendors and the number of facilities in which their hazardous waste materials are disposed. Accordingly, we believe that even in current market conditions the industry fundamentals are improving.

The hazardous waste management industry was "created" in 1976 with the passage of the Resource Conservation and Recovery Act ("RCRA"). RCRA requires waste generators to distinguish between "hazardous" and "non-hazardous" wastes, and to treat, store and dispose of hazardous waste in accordance with specific regulations. This new regulatory environment, combined with strong economic growth, increased corporate concern surrounding environmental liabilities, and early-stage industry dynamics contributed to growth in the industry. However, by the mid to late 1990s, the hazardous waste management industry was characterized by overcapacity. These adverse market conditions, the increasing cost imposed by environmental laws on providers of environmental services (such as the adoption in 2002 of the "MACT" standards described below), and the desire of many customers to utilize fewer providers as described above, have led to a consolidation in the environmental services industry.

We believe that the number of major industry participants in the North American hazardous waste sector has declined from over 20 in the early 1990s to four national companies today. These include, in addition to us, Philip Services Corp., Veolia Environmental Services (formerly named Onyx Environmental Services), and Waste Management, Inc. Since the mid 1990s, approximately 500,000 tons of annual incineration capacity has been eliminated as eight major incinerators were deactivated, substantially increasing average capacity utilization of the incinerators which remained in operation. Additionally, we believe the adoption in 2002 of the Maximum Achievable Control Technologies ("MACT") standards under the Clean Air Act have increased compliance costs and driven increased outsourcing of incineration as customers with captive (i.e., in-house and non-commercial) incinerators choose to outsource rather than make the substantial investment in their facilities which would be required to achieve compliance.

The environmental services industry today includes a broad range of services including the following:

- **Collection, Transportation and Logistics Management**—specialized handling, packaging, transportation and disposal of industrial waste, laboratory quantities of hazardous chemicals, household hazardous wastes, and pesticides;
- **Incineration**—the preferred method for treatment of organic hazardous waste because it effectively destroys the contaminants;
- **Landfill Disposal**—used primarily for the disposal of inorganic wastes;
- **Physical Waste Treatment**—used to reduce the volume or toxicity of waste or make it suitable for further treatment, reuse, or disposal;
- **Resource Recovery and Fuels Blending**—removes contaminants to restore fitness for an intended purpose and to reduce the volume of waste;
- **Wastewater Treatment**—separates wastes including industrial liquid wastes containing heavy metals, organics and suspended solids through physical and chemical treatment so that the treated water can be discharged to local sewer systems under permits; and
- **Site Services**—includes the maintenance of industrial facilities and equipment such as recurring cleaning in order to continue operations, maintain and improve operating efficiencies, and satisfy safety requirements; the planned cleanup of hazardous waste sites and the cleanup of accidental spills and discharges, such as those resulting from transportation accidents; and the cleanup and restoration of buildings, equipment, and other sites and facilities that have been contaminated.

The services provided by the environmental services industry are often complementary to each other. For example, hazardous wastes removed by environmental services companies as part of wastewater treatment or from customer facilities or accident sites are often first processed to separate them into different waste types and then transported to ultimate disposal sites such as landfills and incinerators depending upon such factors as their respective levels of carbon content and toxicity. However, the services provided by the environmental services industry are also often competitive with each other. For example, various types of hazardous wastes may be suitable for ultimate disposal either in landfills or incinerators, and the owners of landfills and incinerators therefore compete against each other based upon the relative effectiveness and cost of their respective facilities in addressing the needs of their customers.

The collection and disposal of solid and hazardous wastes are subject to local, state, provincial and federal requirements and regulations, which regulate health, safety, the environment, zoning and land-use. Included in these regulations in the United States is the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (“CERCLA”). CERCLA holds generators and transporters of hazardous substances, as well as past and present owners and operators of sites where there has been a hazardous release, strictly, jointly and severally liable for environmental cleanup costs resulting from the release or threatened release. Canadian companies are regulated under similar regulations, but the responsibility and liability associated with the waste passes from the generator to the transporter or receiver of the waste, in contrast to provisions of CERCLA.

### **Competitive Strengths**

- **Leading Provider of Hazardous Waste Services and Disposal**—We are one of the largest providers of environmental services and the largest operator of non-nuclear hazardous waste treatment facilities in North America based on 2008 industry reports. We operate, in the aggregate, the largest number of incinerators, hazardous waste landfills, wastewater treatment facilities and TSDFs in North America, and provide multi-faceted and low cost services to a

broad mix of customers. We attract and better serve our customers because of our capabilities and the size, scale and geographic location of our assets, which allow us to serve multiple locations. Finally, as our collections of waste increase, our size allows us to increase our cash flow and earnings as we can internalize a greater volume of waste in our incinerators and landfills.

- **Large and Diversified Customer Base**—We service over 325 of the Fortune 500 companies and more than 47,000 customers overall, including commercial and industrial customers, health care providers, educational and research organizations, other environmental services companies and governmental entities. This diversification limits our credit exposure to any one customer or industry.
- **Stable and Recurring Revenue Base**—We have long-standing relationships with our customers, averaging 16 years with our top ten customers by revenue. Our diversified customer base also provides stable and recurring revenues as a majority of our revenues are derived from previously served customers with recurring needs for our services. In addition, the costs to our customers of switching providers are high. This is due to many customers' desire to audit disposal facilities prior to their qualification as approved sites and to limit the number of facilities to which their wastes are shipped in order to reduce their potential liability under U.S. environmental regulations. We have been selected as an approved vendor by large generators of waste because we possess comprehensive collection, recycling, treatment, transportation, disposal, and waste tracking capabilities and have the expertise necessary to comply with applicable environmental laws and regulations. Those customers which have selected us as an approved vendor typically continue to use our services on a recurring basis.
- **Comprehensive Service Capabilities**—Our comprehensive service offerings allow us to act as a full service provider to our customers. Our full service orientation creates incremental revenue growth as customers seek to minimize the number of outside vendors and demand "one-stop" service providers. Our expanded geographic coverage maximizes the number of customer facilities that we can service.
- **Integrated Network of Assets**—We have the most extensive collection of incinerators, landfills, treatment facilities and TSDFs in North America. Our broad network enables us to effectively handle a waste stream from origin through disposal and to efficiently direct and internalize our waste streams to reduce costs.
- **Regulatory Compliance**—We have recently made substantial capital investments in our facilities to ensure that they are in substantial compliance with current federal, state, provincial and local regulations. Companies that rely on in-house disposal may find the current regulatory requirements to be too capital-intensive or complicated, and may choose to outsource many of their hazardous waste disposal needs.
- **Effective Cost Management**—Our significant scale allows us to maintain low costs through standardized compliance procedures, significant purchasing power, research and development capabilities and our ability to efficiently utilize logistics and transportation to economically direct waste streams to the most efficient facility. We also have the ability to internalize the substantial majority of all hazardous waste that we manage for our customers. Finally, we are committed to reducing costs and have significantly reduced headcount and other operating costs.
- **Proven and Experienced Management Team**—Our 15 executive officers collectively have over 176 years of experience in the environmental services industry. Our Chief Executive Officer founded our Company in 1980, and the average tenure of the 14 other members of the executive management team exceeds 11 years.

## **Business Strategy**

Our strategy is to develop and maintain ongoing relationships with a diversified group of customers who have recurring needs for environmental services. We strive to be recognized 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. The principal elements of our business strategy are to:

- **Improve Utilization of Existing Waste Facilities**—We operate an extensive network of hazardous waste management properties and have made substantial investments in these facilities to date, which will provide us with significant operating leverage as volumes increase. In addition, there are opportunities to expand waste handling capacity at these facilities by modifying the terms of the existing permits and by adding capital equipment and new technology. Through selected permit modifications, we can expand the range of treatment services offered to our customers without the large capital investment necessary to acquire or build new waste management facilities.
- **Focus on Cost Reductions**—We continually seek to increase efficiency and to reduce costs in our business through enhanced technology, process reengineering and more stringent expense management.
- **Capitalize on Outsourcing and Demand for Service Provider Consolidation**—We believe that our large industrial customers increasingly require a comprehensive range of environmental services to be provided by a smaller number of service providers. This trend should place smaller operators at a competitive disadvantage due to their size and limited financial resources. Furthermore, many of our customers are seeking to focus on their core competencies and are outsourcing their hazardous waste disposal needs. Environmental regulations, such as the MACT standards, have significantly increased regulatory compliance costs, leading to a decrease in captive incinerator capacity and additional outsourcing as these customers may choose to shut down their incinerators rather than invest substantial capital like we have invested in our facilities. We seek to work with our customers to handle a greater amount of their hazardous waste disposal needs arising from these outsourcing trends and to capitalize on the demand for the expanded portfolio of environmental services that we offer.
- **Expand Network of Service Centers**—We believe that Site Services have a competitive advantage, particularly in areas where service centers are located at or near a TSDF. By opening additional service centers in close proximity to the TSDFs we now operate, we believe that we can, with minimal capital expenditures, increase our market share within the site services segment of the waste disposal market. We believe much of this additional waste can be sent to our existing facilities at competitive transportation costs thereby increasing utilization and enhancing overall profitability.
- **Develop New Services and Penetrate the Industrial Maintenance Services Market**—Industrial waste customers continue to demand alternatives to traditional waste disposal in order to increase recycling and reclamation activities and to minimize the end disposal of hazardous waste. We plan to utilize our technological expertise and track record of innovation to further improve and expand the range of services that we offer, and to develop less expensive methods of disposal.
- **Selective Acquisition Strategy**—We also intend to actively pursue small accretive “bolt-on” acquisitions in certain services or market sectors where we believe such acquisitions can enhance and expand our business with minimal capital outlay. We believe that we can expand existing services, especially in our non-disposal services, through strategic acquisitions in order to

generate incremental revenues from existing and new customers and to obtain greater market share. We will continue to review other acquisition possibilities on a case-by-case basis.

## Services

We provide a wide range of environmental services and manage our business as two major segments: Technical Services and Site Services.

**Technical Services** (69% of 2008 revenue). These services involve the collection, transport, treatment and disposal of hazardous and non-hazardous wastes, and include physical treatment, resource recovery, fuels blending, incineration, landfill disposal, wastewater treatment, lab chemical disposal, explosives management, and CleanPack® services. Our CleanPack® services include the collection, identification and categorization, specialized packaging, transportation and disposal of laboratory chemicals and household hazardous wastes. Our technical services are provided through a network of service centers from which a fleet of trucks or railcars is dispatched to pick up customers' wastes either on a predetermined schedule or on-demand and to deliver such wastes to permitted facilities, which are usually owned by us. Our service centers can also dispatch chemists to a customer location for the collection of chemical and laboratory waste for disposal.

**Site Services** (31% of 2008 revenue). These services provide customers with highly skilled experts who utilize specialty equipment and resources to perform services at any chosen location. Under the Site Services umbrella, our Field Service crews and equipment are dispatched on a planned or emergency basis, and perform services such as confined space entry for tank cleaning, site decontamination, large remediation projects, selective demolition, spill cleanup, railcar cleaning, product recovery and transfer, scarifying and media-blasting and vacuum services. Additional services include used oil and oil products recycling, as well as PCB management and disposal.

Also, as part of Site Services, Industrial Services crews focus on industrial cleaning and maintenance projects. Our Industrial Services manage hazardous, non-hazardous, wet and dry materials and specialize in chemical cleaning, hydro blasting, liquid/dry vacuuming, sodium bicarbonate blasting, line cleaning, boiler cleanouts, and steam cleaning of our customers' process equipment and systems, as well as video inspection. Additionally, specialized project work such as dewatering, and on-site material processing utilizing thermal treatment units are also performed on customers' sites. We market these services through our internal sales organizations and, in many instances, delivery of services in one area supports or leads to business in our other service lines or segments.

The table below shows for each of the three years in the three-year period ended December 31, 2008 the total revenues of our segments (in thousands):

	Years Ended December 31,		
	2008	2007	2006
Technical Services . . . . .	\$ 712,290	\$672,213	\$558,407
Site Services . . . . .	320,590	275,815	271,092
Corporate Items . . . . .	(2,167)	(1,111)	310
	<u>\$1,030,713</u>	<u>\$946,917</u>	<u>\$829,809</u>

Additional segment information can be found in Note 16, "Segment Reporting," to our consolidated financial statements included in Item 8, "Financial Statements and Supplementary Data."

### Technical Services

Technical Services provides the collection, transportation and logistics management of containerized and bulk waste, as well as the categorizing, packaging and removal of laboratory

chemicals for disposal (CleanPack®). Through a highly coordinated transportation fleet, we provide reliable, cost effective transportation and disposal to customers across North America. From the Technical Service Centers, we dispatch trucks to pick up customers' waste on a predetermined schedule as well as on demand, and then deliver it to one of our nearby transfer, storage and disposal facilities. From these same Technical Service Centers, we dispatch specially trained chemists to customer locations to safely collect, label and package all quantities of laboratory chemicals for disposal.

### ***Collection, Transportation and Logistics Management***

As an integral part of our services, we collect industrial wastes from customers and transport such wastes by us to and between our facilities for treatment or bulking for shipment to final disposal locations. Customers typically accumulate waste in containers, such as 55 gallon drums, bulk storage tanks or 20 cubic yard roll-off boxes. In providing this service, we utilize a variety of specially designed and constructed tank trucks and semi-trailers as well as third party transporters, including railroads. Liquid waste is frequently transported in bulk, but may also be transported in drums. Heavier sludge or bulk solids are transported in sealed, roll-off boxes or bulk dump trailers. Our fleet is equipped with a mobile satellite monitoring system and communications network, which allows real time communication with the transportation fleet.

### ***Treatment and Disposal***

We transport, treat and dispose of industrial wastes for commercial and industrial customers, health care providers, educational and research organizations, other environmental services companies and governmental entities. The wastes handled include substances, which are classified as "hazardous" because of their corrosive, ignitable, infectious, reactive or toxic properties, and other substances subject to federal, state and provincial environmental regulation. We provide final treatment and disposal services designed to manage hazardous and non-hazardous wastes, which cannot be otherwise economically recycled or reused.

We operate a network of TSDFs that primarily focuses on the collection of waste from smaller to mid-size generators. These TSDFs collect, temporarily store and/or consolidate compatible waste streams for more efficient transportation to final recycling, treatment or disposal destinations. TSDFs in the United States have Part B permits under RCRA that, among other things, allow us to store waste for up to one year for bulking, treatment or transfer purposes. Larger customers typically ship directly to the end disposal sites with full truckloads of material. Depending upon the content, the material collected at the TSDFs is either disposed of at our incineration, landfill or wastewater treatment facilities, disposed of at end disposal facilities not owned by us, or recycled. Waste types processed or transferred in drums or bulk quantities include:

- Flammables, combustibles and other organics;
- Acids and caustics;
- Cyanides and sulfides;
- Solids and sludge;
- Industrial wastewaters;
- Items containing PCBs, such as utility transformers and electrical light ballasts;
- Other regulated wastes; and
- Non-hazardous industrial waste.

We receive detailed waste profiles prepared by our customers to document the nature of the waste. A sample of the delivered waste is tested to ensure that it conforms to the customer-generated waste

profile record and to select an appropriate method of treatment and disposal. Once the wastes are characterized, compatible wastes are consolidated to achieve economies in storage, handling, transportation and ultimate treatment and disposal. At the time of acceptance of a customer's waste at our facility, a unique computer "bar code" identification label is assigned to each container of waste, enabling the use of sophisticated computer systems to track and document the status, location and disposition of the waste.

*Physical Treatment.* Physical treatment methods include distillation, separation and stabilization. These methods are used to reduce the volume or toxicity of waste material or to make it suitable for further treatment, reuse, or disposal. Distillation uses either heat or vacuum to purify liquids for resale. Separation utilizes techniques such as sedimentation, filtration, flocculation and centrifugation to remove solid materials from liquids. Stabilization refers to a category of waste treatment processes designed to reduce contaminant mobility or solubility and convert waste to a more chemically stable form. Stabilization technology includes many classes of immobilization systems and applications. Stabilization is a frequent treatment method for metal-bearing wastes received at several of our facilities, which treat the waste to meet specific federal land disposal restrictions. After treatment, the waste is tested to confirm that it has been rendered non-hazardous. It can then be sent to a non-hazardous waste landfill, at significantly lower cost than disposal at a hazardous waste landfill.

*Resource Recovery and Fuels Blending.* Resource recovery involves the treatment of wastes using various methods, which effectively remove contaminants from the original material to restore its fitness for its intended purpose and to reduce the volume of waste requiring disposal. We operate treatment systems for the reclamation and reuse of certain wastes, particularly solvent-based wastes generated by industrial cleaning operations, metal finishing and other manufacturing processes.

Spent solvents that can be recycled are processed through fractional distillation, thin film evaporation and other processes and are recovered into usable products. Upon recovery of these products, we either return the recovered solvents to the original generator or sell them to third parties. Organic liquids and solids with sufficient heat value are blended to meet strict specifications for use as supplemental fuels for incinerators, cement kilns, industrial furnaces and other high efficiency boilers. We have installed fuels blending equipment at some TSDFs to prepare these supplemental fuels. When possible, we burn fuel blended material at our incinerators. Otherwise, we send the fuel blended material to supplemental fuel users that are licensed to accept the blended fuel material. Although we pay a fee to the users that accept this product, this disposal method is substantially less costly than other disposal methods.

*Incineration.* Incineration is the preferred method for the treatment of organic hazardous waste, because it effectively destroys the contaminants at temperatures in excess of 2,000 degrees Fahrenheit. High temperature incineration effectively eliminates organic wastes such as herbicides, halogenated solvents, pesticides, and pharmaceutical and refinery wastes, regardless of whether they are gases, liquids, sludge or solids. Federal and state incineration regulations require a destruction and removal efficiency of 99.99% for most organic wastes and 99.9999% for PCBs and dioxin.

We have six active incineration facilities that offer a wide range of technological capabilities to customers through this network. In the United States, we operate a fluidized bed thermal oxidation unit for maximum destruction efficiency of hazardous waste with an estimated annual capacity of 58,800 tons, and three solids and liquids-capable incineration facilities with a combined estimated annual capacity of 317,000 tons. We also operate two hazardous waste liquid injection incinerators in Canada with total annual capacity of approximately 165,000 tons.

Our incineration facilities in Kimball, Nebraska, Deer Park, Texas, El Dorado, Arkansas and Aragonite, Utah are designed to process liquid organic wastes, sludge, solids, soil and debris. The Deer Park facility has two kilns and a rotary reactor. Our El Dorado, Arkansas incineration facility

specializes in the treatment of bulk and containerized hazardous liquids, solids and sludge through two rotary kilns. Our incineration facilities in Kimball, Nebraska and Deer Park, Texas have on-site landfills for the disposal of ash and other waste material produced as a result of the incineration process.

Our incineration facilities in Mercier, Quebec and Lambton, Ontario are liquid injection incinerators, designed primarily for the destruction of liquid organic waste. Typical waste streams include wastewater with low levels of organics and other higher concentration organic liquid wastes not amenable to conventional physical or chemical waste treatment.

There are now a total of 11 major active incineration facilities in North America used for disposal of hazardous wastes, which are owned by a total of five companies. As described above, we own six of these facilities and offer a wide range of technological capabilities to our customers through this network. The other owners are Veolia Environmental Services (formerly Onyx Environmental Services), Heritage-WTI, Inc. (formerly WTI, a joint venture between Von Roll America and Heritage Environmental Services), Ross Incineration Services, Inc., and the Province of Alberta (which has hired Earth Tech as the operator of its facility). In addition to those 11 active commercial incineration facilities in North America, other types of facilities also burn hazardous wastes. In particular, cement kilns operated by such companies as Systech, Geocycle (Energis) and Giant compete for waste streams containing high levels of carbon content, and "captive" incinerators owned by companies such as DuPont dispose of wastes generated by the owners of such incinerators or their affiliates.

*Landfills.* Landfills are used primarily for the disposal of inorganic wastes. In the United States and Canada, we operate nine commercial landfills. Seven commercial landfills are designed and permitted for the disposal of hazardous wastes and two landfills are operated for non-hazardous industrial waste disposal and, to a lesser extent, municipal solid waste. In addition to our commercial landfills, we also own and operate two non-commercial landfills that only accept waste from our on-site incinerators.

Of our seven commercial landfills used for disposal of hazardous waste, five are located in the United States and two are located in Canada. As of December 31, 2008, the useful economic lives (for accounting purposes) of these landfills include approximately 25.2 million cubic yards of remaining capacity. This estimate of the useful economic lives of these landfills includes permitted airspace and unpermitted airspace that management believes to be probable of being permitted based on our analysis of various factors. In addition to the capacity included in the useful economic lives of these landfills, there are approximately 35.2 million cubic yards of additional unpermitted airspace capacity included in the footprints of these landfills that may ultimately be permitted. There can be no assurance that this unpermitted additional capacity will be permitted. In addition to hazardous waste landfill sites, we operate two non-hazardous industrial landfills with 2.2 million cubic yards of remaining permitted capacity. These two facilities are located in the United States and have been issued operating permits under the authority of Subtitle D of RCRA. Prior to issuance of a permit, we must demonstrate to the permitting agency that our non-hazardous industrial landfills have, and must subsequently employ, operational programs protective of the integrity of the landfill, human health and the surrounding environment. Our non-hazardous landfill facilities are permitted to accept commercial industrial waste, including wastes from foundries, demolition and construction, machine shops, automobile manufacturing, printing, metal fabrications and recycling.

There are now a total of 20 active commercial landfills in North America used for disposal of hazardous wastes, which are owned by a total of ten companies. As described above, we own seven of such facilities, and Waste Management, Inc. owns six. Other owners include Heritage Environmental Services, Envirosource, Inc., American Ecology Corp., Wayne Disposal, Inc. / EQ and Stalex Canada.

*Wastewater Treatment.* We operate wastewater treatment facilities that offer a range of wastewater treatment technologies. These wastewater treatment operations involve processing hazardous and non-hazardous wastes through the use of physical and chemical treatment methods. The solid waste materials produced by these wastewater processing operations are then disposed of at facilities which are owned by us, or at offsite facilities owned and operated by unrelated businesses, while the treated effluent is discharged to the local sewer system under permit.

Our wastewater treatment facilities treat a broad range of industrial liquid and semi-liquid wastes containing heavy metals, organics and suspended solids, including:

- Acids and caustics;
- Ammonias, sulfides and cyanides;
- Heavy metals, ink wastes and plating solutions;
- Landfill leachate and scrubber waters; and
- Oily wastes and water-soluble coolants.

Wastewater treatment can be economical as well as environmentally sound, by combining different wastewaters in a “batching” process that reduces costs for multiple waste stream disposal. For instance, acidic waste from one source can be neutralized with alkaline from a second source to produce a neutral solution.

Our wastewater treatment facilities compete against a number of competitors with multiple facilities such as Rhodia, Philip Services Corp., Siemens Water Technologies (formerly USFilter), Heritage Environment Services LLC, and Envirite, Inc. There are also a number of operators with single facilities that process high volumes of waste in niche markets such as DuPont Environmental Treatment.

*Solvent Recycling.* In March 2008, we acquired from Safety-Kleen Services, Inc. two solvent recycling facilities which are located in Chicago, Illinois and Hebron, Ohio. During 2008 we also built a solvent recycling operation adjacent to our incineration facility located in El Dorado, Arkansas. These facilities treat and recycle dry cleaning solvents and other chemicals used for commercial and industrial purposes.

Our solvent recycling facilities compete against a number of competitors, some with multiple facilities such as Veolia and Philip Services Corp., and others with single facilities. Cement kilns operated by such companies as Systech, Geocycle (Energis) and Giant also compete for the energy value of some of the same organic solvents which we recycle through our facilities for purposes of resale.

#### *Explosives Management.*

We dispose of munitions and other explosives at our facility in Colfax, Louisiana.

#### *CleanPack® Services*

CleanPack® provides specialized handling, packaging, transportation and disposal of laboratory quantities of outdated hazardous chemicals, household hazardous wastes, and waste pesticides and herbicides. CleanPack® chemists utilize our proprietary waste management software system to support our lab pack services and complete the regulatory information required for every pick-up. The CleanPack® operation services a wide variety of customers including:

- Pharmaceutical companies;
- Engineering, and research and development departments of industrial companies;

- College, university and high school laboratories;
- Commercial laboratories;
- Hospital and medical care laboratories;
- State and local municipalities; and
- Thousands of agribusinesses and residents through household hazardous waste and pesticide/herbicide collection programs.

CleanPack® chemists collect, identify, label, and package waste into Department of Transportation approved containers. Lab packed wastes are then transported to one of our facilities where the waste is consolidated for recycling, reclamation, fuels blending, aqueous treatment, incineration or secure chemical landfill. Other services provided by our CleanPack® operations include:

*Household Hazardous Waste.* We perform one-day, multi-day or mobile household hazardous waste and pesticide collection programs throughout the U.S. and Canada. These collection programs provide communities and their residents the opportunity to properly dispose of their paints, solvents, batteries, fluorescent lamps, cleaners, pesticides and other potentially hazardous materials.

*Reactive Materials Services.* Reactive materials technicians utilize specialized equipment and training to stabilize and desensitize highly reactive and potentially explosive chemicals.

*CustomPack® Services.* We provide training, technical support, and disposal services for customers with the resources and experience to package their own waste chemicals.

*Cylinder and Compressed Gas Management Services.* Cylinder teams made up of experienced, highly-trained specialists, identify, analyze, overpack, transfer, or stabilize compressed gases and leaking or damaged pressurized cylinders.

*Laboratory Move Services.* CleanPack® chemists properly and safely segregate, package, transport, and unpackage hazardous chemicals being moved from older laboratories to newer laboratories.

*Laboratory Closures Services.* CleanPack® crews perform comprehensive, site-specific chemical removal and disposal, as well as decontamination for facilities and laboratories undergoing a closure or major cleanout.

*Apollo Onsite Services.* Our Apollo Onsite Services Program is an on-site solution that allows customers to outsource all or portions of their environmental management program. The Apollo Onsite Services Program serves the dual purpose of not only improving customers' waste stream management, but also can make their entire environmental program safer, more cost effective and self-sufficient. Select technicians work on a customer's site in tandem with the customer to deliver proper waste transportation and disposal, lab chemical packing (CleanPack®), and field services and industrial services where appropriate. Whether a customer requires a single field technician or a multi-person team of diversified experience, we design a program to satisfy the customer's specific need. Apollo Onsite Services utilize a hand-in-hand, team approach that leverages our extensive resources and infrastructure, including Web-enhanced technologies and online services. Additionally, the Apollo Onsite Services Program leverages our transportation and disposal assets by providing incremental volumes to process at our facilities. The Apollo Onsite Services Program provides:

- Management of drum, bulk and lab pack quantities of hazardous and non-hazardous wastes;
- Specialized environmental labor;
- Management of waste from source to final destination;
- Chemical consolidation, bulking and packaging;

- Solid waste management;
- Transportation and logistics for offsite disposal; and
- Inspection of satellite and 90-day storage facilities.

### *Site Services*

We provide a wide range of environmental site services to maintain industrial facilities and process equipment, as well as clean up or contain actual or threatened releases of hazardous materials into the environment. These services are provided to a wide range of clients including large chemical, petroleum, transportation and utility companies and governmental agencies. Our strategy is to identify, evaluate, and solve customers' environmental problems, on a planned or emergency basis, by providing a comprehensive interdisciplinary response to the specific requirements of each job or project.

Site Services is responsible for providing trained, skilled labor and specialty equipment to perform various services on a customer's site or other location. We dispatch Field Service crews and equipment on a planned or emergency basis to manage routine cleaning in hazardous environments or emergencies such as a chemical or oil spill cleanup. Industrial Service crews focus on industrial cleaning and maintenance projects that typically require fast turnaround, or complex onsite material processing.

*Field Services.* We dispatch crews and equipment on a scheduled or emergency basis to perform everything from site decontamination and remediation projects to selective demolition, emergency response, spill cleanup and vacuum services. Whether the action is planned, corrective or the result of an emergency response, our multidisciplinary team of remedial action professionals provides solutions to a variety of industrial cleanup problems. Field Services performs a wide variety of services including:

- Emergency response;
- Site decontamination;
- Product recovery and transfer;
- Tank cleaning;
- Vacuum services;
- Demolition;
- Marine services;
- Remediation and environmental construction; and
- PCB management and disposal.

*Industrial Services.* The fast turnaround of industrial cleaning and maintenance projects requires the right technologies, experience and care. Every project that Industrial Services performs incorporates techniques of chemistry, operational analysis and experience to identify the right process and procedure to satisfy customer needs. Industrial Services focuses on planned cleaning activities most often associated with plant maintenance, shutdowns, routine boiler cleanouts, heat exchangers, process vessels and tanks and includes the following services:

- Hydro blasting;
- Vacuum services;
- Steam cleaning;
- Sodium bicarbonate blasting;
- Dewatering and pressing;

- Material processing;
- Chemical cleaning; and
- Container management.

### ***Other Services***

*Information Management Services.* Our Online Services allow customers free access to their waste information online, 24 hours per day, seven days per week. Customers can create, submit, edit and view their waste profiles; automatically receive waste tracking reports; and have the ability to view, print or download signed manifests.

### **Seasonality and Cyclical Nature of Business**

Our operations may be affected by seasonal fluctuations due to weather and budgetary cycles influencing the timing of customers' spending for remedial activities. Typically during the first quarter of each year there is less demand for environmental services due to the cold weather, particularly in the Northern and Midwestern United States and Canada. The main reason for this effect is reduced volumes of waste being received at our facilities and higher operating costs associated with operating in sub-freezing weather and high levels of snowfall. In addition, factory closings for the year-end holidays reduce the volume of industrial waste generated, which results in lower volumes of waste handled by us during the first quarter of the following year.

### **Geographical Information**

For the year ended December 31, 2008, we derived \$897.2 million or 87.0% of revenues from customers located in the United States and Puerto Rico, \$132.8 million or 12.9% of revenues from customers located in Canada, and less than 1.0% of revenues from customers in Mexico. For the year ended December 31, 2007, we derived approximately \$821.9 million or 86.8% of revenues from customers located in the United States and Puerto Rico, approximately \$124.0 million or 13.1% of revenues from customers located in Canada, and less than 1.0% of revenues from customers in Mexico.

As of December 31, 2008, we had property, plant and equipment, net of depreciation and amortization, of \$295.5 million, and permits and other intangible assets of \$71.8 million. Of these totals, \$30.9 million or 10.5% of property, plant and equipment and \$18.8 million or 26.2% of permits and other intangible assets were in Canada, with the balance being in the United States and Puerto Rico (except for insignificant assets in Mexico).

### **Competitive Conditions**

The hazardous and industrial waste management industry in which we compete is highly competitive. The sources of competition vary by locality and by type of service rendered, with competition coming from the other major waste services companies and hundreds of privately owned firms that offer waste services. The descriptions above of our licensed facilities also list the principal other owners of each such type of facilities. As there described, we compete against three other national companies, which are Philip Services Corp., Veolia Environmental Services (formerly named Onyx Environmental Services), and Waste Management, Inc. We also compete against regional waste management companies and numerous small companies. Each of these competitors is able to provide one or more of the environmental services offered by us. In addition, we compete with many firms engaged in the transportation, brokerage and disposal of hazardous wastes through recycling, waste-derived fuels programs, thermal treatment or landfill. Many of the environmental services we offer are also in competition with other services offered both by our competitors in the environmental services industry and by other types of companies. For example, the incineration services which we offer

compete with cement kilns for waste streams containing high levels of carbon content, and large chemical and other industrial companies can choose to install or modify their own equipment to dispose of wastes generated by their operations. In addition, many types of waste streams can be treated or disposed of either by incineration, landfill or other processes, and therefore the owners of such different types of facilities compete against us for treatment and disposal of such wastes.

The principal methods of competition for all our services are price, quality, reliability of service rendered and technical proficiency in handling industrial and hazardous wastes properly. We believe that we offer a more comprehensive range of environmental services than our competitors in major portions of our service territory, that our ability to provide comprehensive services supported by unique information technologies capable of managing the customers' overall environmental program constitutes a significant competitive advantage, and that our stable ownership allows us to focus on building long-term relationships with our customers.

Treatment and disposal operations are conducted by a number of national and regional environmental services firms. We believe that our ability to collect and transport waste products efficiently, quality of service, safety, and pricing are the most significant factors in the market for treatment and disposal services.

For our site services, CleanPack® and onsite services, competitors include several major national and regional environmental services firms, as well as numerous smaller local firms. We believe that availability of skilled technical professional personnel, quality of performance, diversity of services and price are the key competitive factors in this service industry.

In the United States, the original generators of hazardous waste remain liable under federal and state environmental laws for improper disposal of such wastes. Even if waste generators employ companies that have proper permits and licenses, knowledgeable customers are interested in the reputation and financial strength of the companies they use for management of their hazardous wastes. We believe that our technical proficiency and reputation are important considerations to our customers in selecting and continuing to utilize our services.

### **Compliance/Health and Safety**

We regard compliance with applicable environmental regulations and the health and safety of our workforce as critical components of our overall operations. We strive to maintain the highest professional standards in our compliance and health and safety activities. Our internal operating requirements are in many instances more stringent than those imposed by regulation. Our compliance program has been developed for each of our waste management facilities and service centers under the direction of our corporate staff. The compliance and health and safety staffs are responsible for facilities permitting and regulatory compliance, health and safety, field safety, compliance training, transportation compliance, and related record keeping. To ensure the effectiveness of our regulatory compliance program, our Compliance organization monitors daily operational activities and issues a monthly report to senior management concerning the status of environmental compliance and health and safety programs. We also have an Environmental Health and Safety Compliance Internal Audit Program designed to identify any weaknesses or opportunities for improvement in our ongoing compliance programs. We also perform periodic audits and inspections of the disposal facilities of other firms utilized by us.

Our facilities are frequently inspected and audited by regulatory agencies, as well as by customers. Although our facilities have been cited on occasion for regulatory violations, we believe that each facility is currently in substantial compliance with applicable requirements. Major facilities and service centers have a full-time compliance or health and safety representative to oversee the implementation of our compliance program at the facility or service center.

## Employees

As of December 31, 2008, we employed approximately 4,804 active full-time employees, of which 546 employees (11%) are represented by labor unions. We believe that our relationship with our employees is satisfactory.

	<u>Number of Employees</u>
Unions in the United States:	
International Brotherhood of Teamsters . . . . .	171
United Steelworkers' Union . . . . .	195
Unions in Canada:	
Communication, Energy and Paper Workers' Union . . . . .	108
International Brotherhood of Teamsters . . . . .	66
International Union of Operating Engineers . . . . .	6
Non-union employees . . . . .	<u>4,258</u>
	<u>4,804</u>

As part of our commitment to employee safety and quality customer service, we have an extensive compliance program and a trained environmental, health and safety staff. We adhere to a risk management program designed to reduce potential liabilities to us and to our customers.

## Intellectual Property

We have invested significantly in the development of proprietary technology and also to establish and maintain an extensive knowledge of the leading technologies and incorporate these technologies into the environmental services that we offer and provide to our customers. We hold a total of four patents (which will expire in 2009, two in 2010 and 2013, respectively), and 12 trademarks in the United States, and we license software and other intellectual property from various third parties. We enter into confidentiality agreements with certain of our employees, consultants and corporate partners, and control access to software documentation and other proprietary information. We believe that we hold adequate rights to all intellectual property used in our business and that we do not infringe upon any intellectual property rights held by other parties.

## Management of Risks

We adhere to a program of risk management policies and practices designed to reduce potential liability, as well as to manage customers' ongoing environmental exposures. This program includes installation of risk management systems at our facilities, such as fire suppression, employee training, environmental, auditing and policy decisions restricting the types of wastes handled. We evaluate all revenue opportunities and decline those that we believe involve unacceptable risks.

We dispose of waste at our incineration, wastewater treatment and landfill facilities, or at facilities owned and operated by other firms that we have audited and approved. Typically, we apply established technologies to the treatment, storage and recovery of hazardous wastes. We believe our operations are conducted in a safe and prudent manner and in substantial compliance with applicable laws and regulations.

## Insurance and Financial Assurance

Our insurance programs cover the potential risks associated with our multifaceted operations from two primary exposures: direct physical damage and third party liability. We maintain a casualty insurance program providing coverage for vehicles, employer's liability and commercial general liability

in the aggregate amount of \$55.0 million, \$52.0 million and \$52.0 million, respectively, per year, subject to a retention of \$0.5 million per occurrence. We also have workers' compensation insurance whose limits are established by state statutes. Since the early 1980s, casualty insurance policies have typically excluded liability for pollution, which is covered under a separate pollution liability program; however, our auto liability policy does provide the first \$5.0 million of transportation pollution insurance.

We have pollution liability insurance policies covering potential risk in three areas: as a contractor performing services at customer sites, as a transporter of waste and for waste processing at our facilities. The contractor's pollution liability insurance has limits of \$15.0 million per occurrence and \$25.0 million in the aggregate, covering offsite remedial activities and associated liabilities. A \$0.25 million deductible applies to this policy.

For in-transit pollution liability, the pollution liability policy provides coverage for up to \$45.0 million per occurrence and \$55.0 million aggregate excess above the primary \$5.0 million auto liability policy. The combined policies provide us with coverage for up to \$50.0 million per occurrence and \$60.0 million aggregate for sudden and accidental occurrences during transportation of waste from the time waste is picked up from a customer until its delivery to the final disposal site. A \$0.5 million deductible applies to this coverage.

Federal and state regulations require liability insurance coverage for all facilities that treat, store or dispose of hazardous waste. The RCRA, the Toxic Substances Control Act ("TSCA"), and comparable state hazardous waste regulations typically require hazardous waste handling facilities to maintain pollution liability insurance in the amount of \$1.0 million per occurrence and \$2.0 million in the aggregate for sudden occurrences, and \$3.0 million per occurrence and \$6.0 million in the aggregate for non-sudden occurrences. Steadfast Insurance Company (a unit of Zurich Insurance N.A.) provides insurance for our treatment, storage and disposal activities that meet the regulatory requirements. In addition, this policy provides excess limits above the regulatory requirements up to \$30.0 million.

Under our insurance programs, coverage is obtained for catastrophic exposures as well as those risks required to be insured by law or contract. It is our policy to retain a significant portion of certain expected losses related primarily to employee benefit, workers' compensation, commercial general and vehicle liability. Provisions for losses expected under these programs are recorded based upon our estimates of the actuarial promulgation of the aggregate liability for claims. We believe that policy cancellation terms are similar to those of other companies in other industries.

Operators of hazardous waste handling facilities are also required by federal, state and provincial regulations to provide financial assurance for closure and post-closure care of those facilities should the facilities cease operation. Closure would include the cost of removing the waste stored at a facility which ceased operating and sending the material to another facility for disposal and the cost of performing certain procedures for decontamination of the facilities. The total amount of the closure and post-closure financial assurance which we have been required by regulators to provide is approximately \$322.1 million for U.S. facilities and \$20.5 million (in Canadian dollars) for Canadian facilities. We have placed the required financial assurance for closure through a qualified insurance company, Steadfast Insurance Company.

### **Environmental Regulation**

While our business has benefited substantially from increased governmental regulation of hazardous waste transportation, storage and disposal, the environmental services industry itself has become the subject of extensive and evolving regulation by federal, state, provincial and local authorities. We are required to obtain federal, state, provincial and local permits or approvals for each of our hazardous waste facilities. Such permits are difficult to obtain and, in many instances, extensive studies, tests, and public hearings are required before the approvals can be issued. We have acquired all operating permits and approvals now required for the current operation of our business, and have

applied for, or are in the process of applying for, all permits and approvals needed in connection with continued operation and planned expansion or modifications of our operations.

We make a continuing effort to anticipate regulatory, political and legal developments that might affect operations, but are not always able to do so. We cannot predict the extent to which any environmental legislation or regulation that may be enacted or enforced in the future may affect our operations.

### **Federal Regulation of Hazardous Waste**

The most significant federal environmental laws affecting us are the Resource Conservation and Recovery Act ("RCRA"), the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as the "Superfund Act", the Clean Air Act, the Clean Water Act, and the TSCA.

*RCRA.* RCRA is the principal federal statute governing hazardous waste generation, treatment, transportation, storage and disposal. Pursuant to RCRA, the U.S. Environmental Protection Agency (the "EPA") has established a comprehensive "cradle-to-grave" system for the management of a wide range of materials identified as hazardous or solid waste. States that have adopted hazardous waste management programs with standards at least as stringent as those promulgated by the EPA have been delegated authority by the EPA to administer their facility permitting programs in lieu of the EPA's program.

Every facility that treats, stores or disposes of hazardous waste must obtain a RCRA permit from the EPA or an authorized state agency, unless a specific exemption exists, and must comply with certain operating requirements. Under RCRA, hazardous waste management facilities in existence on November 19, 1980 were required to submit a preliminary permit application to the EPA, the so-called Part A Application. By virtue of this filing, a facility obtained interim status, allowing it to operate until licensing proceedings are instituted pursuant to more comprehensive and exacting regulations (the Part B permitting process). Interim Status facilities may continue to operate pursuant to the Part A Application until their Part B permitting process is concluded.

RCRA requires that Part B permits contain provisions for required on-site study and cleanup activities, known as "corrective action," including detailed compliance schedules and provisions for assurance of financial responsibility. See "Environmental Liabilities" under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," for a discussion of our environmental liabilities. See "Insurance and Financial Assurance" above for a discussion of our financial assurance requirements.

*The Superfund Act.* The Superfund Act is the primary federal statute regulating the cleanup of inactive hazardous substance sites and imposing liability for cleanup on the responsible parties. It also provides for immediate response and removal actions coordinated by the EPA to releases of hazardous substances into the environment, and authorizes the government to respond to the release or threatened release of hazardous substances or to order responsible persons to perform any necessary cleanup. The statute provides for strict, and in certain cases, joint and several liability for these responses and other related costs, and for liability for the cost of damages to natural resources, to the parties involved in the generation, transportation and disposal of such hazardous substances. Under the statute, we may be deemed liable as a generator or transporter of a hazardous substance which is released into the environment, or as the owner or operator of a facility from which there is a release of a hazardous substance into the environment. See Note 10, "Commitments and Contingencies," to our consolidated financial statements included in Item 8, "Financial Statements and Supplementary Data," for a description of certain such proceedings involving us.

*The Clean Air Act.* The Clean Air Act was passed by Congress to control the emissions of pollutants into the air and requires permits to be obtained for certain sources of toxic air pollutants such as vinyl chloride, or criteria pollutants, such as carbon monoxide. In 1990, Congress amended the Clean Air Act to require further reductions of air pollutants with specific targets for non-attainment areas in order to meet certain ambient air quality standards. These amendments also require the EPA to promulgate regulations, which (i) control emissions of 189 hazardous air pollutants; (ii) create uniform operating permits for major industrial facilities similar to RCRA operating permits; (iii) mandate the phase-out of ozone depleting chemicals; and (iv) provide for enhanced enforcement.

The Clean Air Act requires the EPA, working with the states, to develop and implement regulations, which result in the reduction of volatile organic compound (“VOC”) emissions and emissions of nitrogen oxides (“NOx”) in order to meet certain ozone air quality standards specified by the Clean Air Act. In late 2000, the Texas Natural Resource Conservation Commission (now known as the Texas Commission on Environmental Quality, or “TCEQ”) enacted new Clean Air Act Regulations dealing with the monitoring and control of emissions of NOx and VOCs. These new regulations were required because of a revision in the designation of the Houston Metropolitan Area from a serious ozone non-attainment area to a severe ozone non-attainment area. This new designation will require our Deer Park, Texas incineration facility to further reduce emissions of NOx. NOx emissions contribute to the formation of ground-level ozone, which can be harmful to human health and the environment.

The EPA promulgated the Maximum Achievable Control Technology (“MACT”) standards under the Clean Air Act Amendments on February 13, 2002. These standards established new emission limits and operational controls on all new and existing incinerators, cement kilns, industrial boilers and light-weight aggregate kilns that burn hazardous waste-derived fuel.

Facilities subject to the MACT standards were required to comply with the new emission requirements by September 30, 2003, or they could apply for an extension with compliance being required by September 30, 2004. We submitted the required documentation of substantial compliance at all of the three U.S. incinerator facilities we then owned on or before the September 30, 2004 deadline. We made most of the capital expenditures required to achieve that compliance in the fiscal years ended December 31, 2002 through 2004; however, during the year ended December 31, 2005 there were some additional performance testing and documentation costs which totaled \$0.1 million. During 2006, we acquired an additional incineration facility located in Arkansas as part of our purchase of all of the membership interests in Teris LLC (“Teris”). Prior to that purchase, Teris had spent in excess of \$30 million in order to bring that incinerator into compliance with the MACT standards.

*Clean Water Act.* This legislation prohibits discharges into the waters of the United States without governmental authorization and regulates the discharge of pollutants into surface waters and sewers from a variety of sources, including disposal sites and treatment facilities. The EPA has promulgated “pretreatment” regulations under the Clean Water Act, which establish pretreatment standards for introduction of pollutants into publicly owned treatment works. In the course of the treatment process, our wastewater treatment facilities generate wastewater, which we discharge to publicly owned treatment works pursuant to permits issued by the appropriate governmental authority. We are required to obtain discharge permits and conduct sampling and monitoring programs. We believe each of our operating facilities complies in all material respects with the applicable requirements.

In December 2000, the EPA promulgated new effluent limitations, pretreatment standards and source performance standards for centralized wastewater treatment facilities. Centralized wastewater treatment facilities receive and treat a wide variety of hazardous and non-hazardous wastewaters from offsite companies and discharge the treated water directly to waterways or to municipal sewer systems. The new rules set stringent limits for the discharge of metals, organic compounds and oil. All of our

wastewater treatment facilities are affected by the new rules and were in substantial compliance with the discharge standards by December 2004.

*Toxic Substances Control Act.* We also operate a network of collection, treatment and field services (remediation) activities throughout North America that are regulated under provisions of the TSCA. TSCA established a national program for the management of substances classified as PCBs, which include waste PCBs as well as RCRA wastes contaminated with PCBs. The rules set minimum design and operating requirements for storage, treatment and disposal of PCB wastes. Since their initial publication, the rules have been modified to enhance the management standards for TSCA-regulated operations including the decommissioning of PCB transformers and articles; detoxification of transformer oils; incineration of PCB liquids and solids; landfill disposal of PCB solids; and remediation of PCB contamination at customer sites.

*Other Federal Laws.* In addition to regulations specifically directed at the transportation, storage, and disposal facilities, there are a number of regulations that may “pass-through” to the facilities based on the acceptance of regulated waste from affected client facilities. Each facility that accepts affected waste must comply with the regulations for that waste, facility or industry. Examples of this type of regulation are National Emission Standards for Benzene Waste Operations and National Emissions Standards for Pharmaceuticals Production. Each of our facilities addresses these regulations on a case-by-case basis determined by its ability to comply with the pass-through regulations.

In our transportation operations, we are regulated by the U.S. Department of Transportation, the Federal Railroad Administration, the Federal Aviation Administration and the U.S. Coast Guard, as well as by the regulatory agencies of each state in which we operate or through which our vehicles pass.

Health and safety standards under the Occupational Safety and Health Act (“OSHA”) are applicable to all of our operations. This includes both the Technical Services and Site Services operations.

### **State and Local Regulations**

Pursuant to the EPA’s authorization of their RCRA equivalent programs, a number of states have regulatory programs governing the operations and permitting of hazardous waste facilities. Accordingly, the hazardous waste treatment, storage and disposal activities of a number of our facilities are regulated by the relevant state agencies in addition to federal EPA regulation.

Some states classify as hazardous some wastes that are not regulated under RCRA. For example, Massachusetts considers used oil as “hazardous wastes” while RCRA does not. Accordingly, we must comply with state requirements for handling state regulated wastes, and, when necessary, obtain state licenses for treating, storing, and disposing of such wastes at our facilities.

We believe that each of our facilities is in substantial compliance with the applicable requirements of federal and state laws, the regulations thereunder, and the licenses which we have obtained pursuant thereto. Once issued, such licenses have maximum fixed terms of a given number of years, which differ from state to state, ranging from three years to ten years. The issuing state agency may review or modify a license at any time during its term. We anticipate that once a license is issued with respect to a facility, the license will be renewed at the end of its term if the facility’s operations are in compliance with applicable requirements. However, there can be no assurance that regulations governing future licensing will remain static, or that we will be able to comply with such requirements.

Our wastewater treatment facilities are also subject to state and local regulation, most significantly sewer discharge regulations adopted by the municipalities which receive treated wastewater from the treatment processes. Our continued ability to operate our liquid waste treatment process at each such facility is dependent upon our ability to continue these sewer discharges.

Our facilities are regulated pursuant to state statutes, including those addressing clean water and clean air. Local sewer discharge and flammable storage requirements are applicable to certain of our facilities. Our facilities are also subject to local siting, zoning and land use restrictions. Although our facilities occasionally have been cited for regulatory violations, we believe we are in substantial compliance with all federal, state and local laws regulating our business.

### **Canadian Hazardous Waste Regulation**

In Canada, the provinces retain control over environmental issues within their boundaries and thus have the primary responsibility for regulating management of hazardous wastes. The federal government regulates issues of national scope or where activities cross provincial boundaries.

*Provincial Regulations.* To a greater or lesser extent, provinces have enacted legislation and developed regulations to fit their needs. Most of Canada's industrial development and the major part of its population can be found in four provinces: Ontario, Quebec, Alberta and British Columbia. It is in these provinces that the most detailed environmental regulations are found. We operate major waste management facilities in each of these provinces, as well as waste transfer facilities in Nova Scotia and Manitoba.

The main provincial acts dealing with hazardous waste management are:

- Ontario—Environmental Protection Act;
- Quebec—Environmental Quality Act;
- Alberta—Environmental Protection and Enhancement Act; and
- British Columbia—Waste Management Act.

These pieces of legislation were developed by the provinces totally independently and, among other things, generally control the generation, characterization, transport, treatment and disposal of hazardous wastes. Regulations developed by the provinces under the relevant legislation are also developed independently, but are often quite similar in effect and sometimes in application. For example, there is some uniformity in manifest design and utilization.

Provincial legislation also provides for the establishment of waste management facilities. In this case, the facilities are also controlled by provincial statutes and regulations governing emissions to air, groundwater and surface water and prescribing design criteria and operational guidelines.

On August 12, 2005, the Ontario Ministry of the Environment adopted new regulations which prohibit land disposal of untreated hazardous waste and require the waste to meet specific treatment standards prior to land disposal. Land disposal includes onsite and offsite land filling, land farming and any other form of land disposal. These requirements are similar to the RCRA Land Disposal Restrictions, or "LDR," enacted in the United States and thus bring the Province of Ontario in closer comity with the United States regulatory scheme. The new LDR commenced in 2007 through a phased-in schedule based on specific inorganic waste streams, and will be fully implemented by the beginning of 2010 with the regulation of certain organic waste streams.

We carefully analyzed the new regulations to determine their impact on our operations in Ontario and made a series of operational improvements at our Lambton landfill facility aimed at receiving all waste regulated under the new LDR and applying treatment technologies to compliantly dispose of the waste at the landfill. These operational improvements included the construction of a new totally

enclosed LDR waste treatment and stabilization building which was completed in September 2007 under a Certificate of Approval from the Ontario Ministry of the Environment. These modifications allow us to compliantly accept, treat and dispose of inorganic streams subject to the new LDR. The Ministry also approved a series of proprietary organic waste treatment methods that allow the Lambton facility to accept, for example, spent aluminum pot liner waste for in-situ treatment within the landfill cell, followed by LDR-compliant disposal within the landfill. Additionally, the Ministry has approved various disposal methodologies associated with the management of debris contaminated with organic chemical constituents subject to LDR regulation. We will continue to evaluate other potential customer waste streams subject to the new LDR standards and modify on-site waste treatment processes to accommodate these streams at the Lambton landfill.

Waste transporters require a permit to operate under provincial waste management regulations and are subject to the requirements of the Federal Transportation of Dangerous Goods legislation. They are required to report the quantities and disposition of materials shipped.

Within the provincial regulations, definitions of hazardous wastes are quite similar. Wastes can be defined as hazardous based on origin or characteristic and the descriptions or parameters involved are very similar to those in effect in the United States. A major difference between the United States regulatory regime and those in Canada relates to ownership and liability. Under Canadian provincial regulations, ownership changes when waste is transferred to a properly permitted third party carrier and subsequently to an approved treatment and disposal facility. This means that the generator is no longer liable for improper handling, treatment or disposal, responsibility having been transferred to the carrier or the facility. Exceptions may occur if the carrier is working under contract to the generator or if the waste is different from that which was originally contracted among the parties.

*Canadian Federal Regulations.* The federal government has authority for those matters which are national in scope and in impact and for Canada's relations with other nations. The main federal laws governing hazardous waste management are:

- Canadian Environmental Protection Act (1999) ("CEPA 99"), and
- Transportation of Dangerous Goods Act.

Environment Canada is the federal agency with responsibility for environmental matters and the main legislative instrument is the Canadian Environmental Protection Act. This act charges Environment Canada and Health Canada with protection of human health and the environment and seeks to control the production, importation and use of substances in Canada and to control their impact on the environment.

The Export and Import of Hazardous Wastes Regulations under CEPA 99 control the export and import of hazardous wastes and hazardous recyclable materials. By reference, these regulations incorporate the Transportation of Dangerous Goods Act and Regulations, which address identification, packaging, marking and documentation of hazardous materials during transport. CEPA 99 requires that anyone proposing to export or import hazardous wastes or hazardous recyclable materials or to transport them through Canada notify the Minister of the Environment and obtain a permit to do so. Section 9 of CEPA 99 allows the federal government to enter into administrative agreements with the provinces and territories for the development and improvement of environmental standards. These agreements represent cooperation towards a common goal rather than a delegation of authority under CEPA 99. To facilitate the development of provincial and territorial agreements, the federal, provincial and territorial governments participate in the Canadian Council of Ministers of the Environment ("CCME"). The CCME comprises the 14 environment ministers from the federal, provincial and territorial governments, who normally meet twice a year to discuss national environmental priorities and to determine work to be carried out under the auspices of the CCME.

*Canadian Local and Municipal Regulations.* Local and municipal regulations seldom reference direct control of hazardous waste management activities. Municipal regulations and by-laws, however, control such issues as land use designation, access to municipal services and use of emergency services, all of which can have a significant impact on facility operation.

### **Compliance with Environmental Regulations**

We incur costs and make capital investments in order to comply with the previously discussed environmental regulations. These regulations require that we remediate contaminated sites, operate our facilities in accordance with enacted regulations, obtain required financial assurance for closure and post-closure care of our facilities should such facilities cease operations, and make capital investments in order to keep our facilities in compliance with environmental regulations.

As further discussed in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the heading "Environmental Liabilities," we have accrued environmental liabilities as of December 31, 2008, of \$178.5 million, substantially all of which we assumed in connection with our acquisitions of the assets of the Chemical Services Division (the "CSD assets") 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. For the years ended December 31, 2008 and 2007, we spent \$14.3 million and \$6.5 million, respectively, to address environmental liabilities, almost all of the spending related to the environmental liabilities assumed as part of the acquisition of the CSD assets and Teris. The increase in the year-over-year spending was primarily due to the settlement during 2008 of legal and administrative proceedings relating to our Plaquemine, Louisiana property and the Helen Kramer Superfund site.

As discussed more fully above under the heading "Insurance and Financial Assurance," we are required to provide financial assurance with respect to certain statutorily required closure, post-closure and corrective action obligations at our facilities. We have placed the required financial assurance through a qualified insurance company, Steadfast Insurance Company (a unit of Zurich N.A.).

As described in Note 10, "Commitments and Contingencies," to our consolidated financial statements included in Item 8, "Financial Statements and Supplementary Data," we are involved in legal proceedings arising under environmental laws and regulations. Alleged failure to comply with laws and regulations may lead to the imposition of fines or the denial, revocation or delay of the renewal of permits and licenses by governmental entities. In addition, such governmental entities, as well as surrounding landowners, may claim that we are liable for environmental damages. Citizens groups have become increasingly active in challenging the grant or renewal of permits and licenses for hazardous waste facilities, and responding to such challenges has further increased the costs associated with establishing new facilities or expanding current facilities. A significant judgment against us, the loss of a significant permit or license or the imposition of a significant fine could have a material adverse effect on our business and future prospects.

## ITEM 1A. RISK FACTORS

An investment in our securities involves certain risks, including those we describe below. You should consider carefully these risk factors together with all of the information included or referred to in this report before investing in our securities.

### Risks Relating to Our Business

*We assumed significant environmental liabilities as part of past acquisitions, and our financial condition and results of operations would be adversely affected if we were required to pay such liabilities more rapidly or in greater amounts than now estimated.*

We have accrued environmental liabilities valued as of December 31, 2008, at \$178.5 million, substantially all of which we assumed as part of our acquisitions of the CSD assets in 2002, Teris LLC in 2006, and one of the two solvent recycling facilities we purchased from Safety-Kleen Systems, Inc. in 2008. We calculate these liabilities on a present value basis in accordance with generally accepted accounting principles (which takes into consideration both the amount of such liabilities and the timing when it is projected that we will be required to pay such liabilities). We anticipate such liabilities will be payable over many years and that cash flows generated from our operations will generally 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 or their enforcement) could require that such payments be made earlier or in greater amounts than now estimated, which could adversely affect our financial condition and results of operations.

*If we are unable to obtain at reasonable cost insurance and financial assurances which are required for our operations, our business and results of operations would be adversely affected.*

We purchase insurance, occasionally post bid and performance bonds and are required to provide substantial amounts of financial assurance to governmental agencies for potential closure and post-closure care of our licensed hazardous waste treatment facilities should those facilities cease operation. As of December 31, 2008, our total estimated closure and post-closure costs requiring financial assurance by regulators was \$322.1 million for our U.S. facilities and \$20.5 million (in Canadian dollars) for our Canadian facilities. We have placed all of the required financial assurance through a qualified insurance company, Steadfast Insurance Company (a unit of Zurich Insurance N.A.). The U.S. facilities are insured with an insurance policy written by Steadfast Insurance Company which expires in September 2009. The Canadian facilities utilize surety bonds which expire in September of 2009. Our ability to continue conducting our operations could be adversely affected if we should become unable to obtain sufficient insurance, surety bonds and financial assurances at reasonable cost to meet our business and regulatory requirements in the future. The availability of insurance could be affected by factors outside of our control as well as the insurers' or sureties' assessment of our risk.

*The environmental services industry in which we participate is subject to significant economic and business risks.*

Our future operating results may be affected by such factors as our ability to: utilize our facilities and workforce profitably in the face of intense price competition; maintain or increase market share in an industry which has experienced significant downsizing and consolidating; realize benefits from cost reduction programs; generate incremental volumes of waste to be handled through our facilities from existing and acquired sales offices and service centers; obtain sufficient volumes of waste at prices which produce revenue sufficient to offset the operating costs of the facilities; minimize downtime and disruptions of operations; and develop the site services business. In particular, economic downturns or recessionary conditions in North America, and increased outsourcing by North American manufacturers

to plants located in countries with lower wage costs and less stringent environmental regulations, have adversely affected and may in the future adversely affect the demand for our services. The hazardous and industrial waste management business is also cyclical to the extent that it is dependent upon a stream of waste from cyclical industries such as the chemical and petrochemical, primary metals, paper, furniture and aerospace industries. If those cyclical industries slow significantly, the business that we receive from those industries is likely to slow.

***A significant portion of our business depends upon the demand for major remedial projects and regulatory developments over which we have no control.***

Our operations are significantly affected by the commencement and completion of major site remedial projects; cleanup of major spills or other events; seasonal fluctuations due to weather and budgetary cycles influencing the timing of customers' spending for remedial activities; the timing of regulatory decisions relating to hazardous waste management projects; changes in regulations governing the management of hazardous waste; secular changes in the waste processing industry towards waste minimization and the propensity for delays in the remedial market; and changes in the myriad of governmental regulations governing our diverse operations. We do not control such factors and, as a result, our revenue and income can vary significantly from quarter to quarter, and past financial performance for certain quarters may not be a reliable indicator of future performance for comparable quarters in subsequent years.

***Seasonality makes it harder for us to manage our business and for investors to evaluate our performance.***

Our operations may be affected by seasonal fluctuations due to weather and budgetary cycles influencing the timing of customers' spending for remedial activities. Typically during the first quarter of each calendar year there is less demand for environmental remediation due to weather related reasons, particularly in the northern and midwestern United States and Canada, and increased possibility of unplanned weather related plant shutdowns. This seasonality in our business makes it harder for us to manage our business and for investors to evaluate our performance.

***The extensive environmental regulations to which we are subject may increase our costs and potential liabilities.***

Our operations and those of others in the environmental industry are subject to extensive federal, state, provincial and local environmental requirements in both the United States and Canada. While increasing environmental regulation often presents new business opportunities for us, it often results in increased operating and compliance costs. Efforts to conduct our operations in compliance with all applicable laws and regulations, including environmental rules and regulations, require programs to promote compliance, such as training employees and customers, purchasing health and safety equipment, and in some cases hiring outside consultants and lawyers. Even with these programs, we and other companies in the environmental services industry are routinely faced with governmental enforcement proceedings which can result in fines or other sanctions and require expenditures for remedial work on waste management facilities and contaminated sites. Certain of these laws impose strict and, under certain circumstances, joint and several liability for cleanup of releases of regulated materials, and also liability for related natural resource damages.

From time to time, we have paid fines or penalties in governmental environmental enforcement proceedings, usually involving our waste treatment, storage and disposal facilities. Although none of these fines or penalties that we have paid in the past has had a material adverse effect upon us, we might in the future be required to make substantial expenditures as a result of governmental proceedings, which would have a negative impact on our earnings. Furthermore, regulators have the power to suspend or revoke permits or licenses needed for operation of our plants, equipment, and vehicles based on, among other factors, our compliance record, and customers may decide not to use a

particular disposal facility or do business with us because of concerns about our compliance record. Suspension or revocation of permits or licenses would impact our operations and could have a material adverse impact on financial results. Although we have never had any of our facilities' operating permits revoked, suspended or non-renewed involuntarily, it is possible that such an event could occur in the future.

In the past, practices have resulted in releases at and from certain of our facilities, which may require investigation and, in some cases, remediation. We are currently conducting remedial activities at certain of our sites. While, based on available information, we do not believe these remedial activities will result in a material adverse effect upon our operations or financial condition, these activities or the discovery of previously unknown conditions could result in material costs.

***Future changes in environmental regulations may require us to make significant capital expenditures.***

Changes in environmental regulations can require us to make significant capital expenditures for our facilities. For example, in 2002, the EPA promulgated the MACT standards under the Federal Clean Air Act Amendments. These standards established new emissions limits and operational controls on all new and existing incinerators, cement kilns and light-weight aggregate kilns that burn hazardous waste-derived fuels. We have spent approximately \$28.9 million since September 7, 2002 in order to bring our Deer Park, Texas and Aragonite, Utah incineration facilities which we then acquired as part of the CSD assets and Kimball, Nebraska into compliance with the MACT regulations. Prior to our acquisition in August 2006 of our additional incineration facility in El Dorado, Arkansas, as part of our purchase of all the membership interests in Teris LLC, Teris had spent in excess of \$30 million in order to bring that facility into compliance with the MACT standards. Future environmental regulations could cause us to make significant additional capital expenditures and adversely affect our results of operations and cash flow.

***If our assumptions relating to expansion of our landfills should prove inaccurate, our results of operations and cash flow could be adversely affected.***

When we include the expansion airspace in our calculations of available airspace, we adjust our landfill liabilities to the present value of projected costs for cell closure, and landfill closure and post-closure. It is possible that any of our estimates or assumptions could ultimately turn out to be significantly different from actual results. In some cases we may be unsuccessful in obtaining an expansion permit or we may determine that an expansion permit that we previously thought was probable has become unlikely. To the extent that such estimates, or the assumptions used to make those estimates, prove to be significantly different than actual results, or our belief that we will receive an expansion permit changes adversely in a significant manner, the landfill assets, including the assets incurred in the pursuit of the expansion, may be subject to impairment testing, and lower prospective profitability may result due to increased interest accretion and depreciation or asset impairments related to the removal of previously included expansion airspace. In addition, if our assumptions concerning the expansion airspace should prove inaccurate, certain of our cash expenditures for closure of landfills could be accelerated and adversely affect our results of operations and cash flow.

***Future conditions might require us to make substantial write-downs in our assets, which would adversely affect our balance sheet and results of operations.***

We participate in a highly volatile industry with multiple competitors, several of which have taken large write-offs and asset write-downs, operated under Chapter 11 bankruptcy protection and undergone major restructuring during the past several years. Periodically, we review long-lived assets for impairment. At the end of each of 2008, 2007 and 2006, we determined based on this review that no asset write-downs were required; however, if conditions in the industry were to deteriorate significantly, we could determine that certain of our assets were impaired and we would then be

required to write-off all or a portion of our costs for such assets. Any such significant write-offs would adversely affect our balance sheet and results of operations.

#### **Other Risks Relating to Our Company and Common Stock**

*Our outstanding indebtedness and letters of credit could adversely affect our financial condition and ability to fulfill our obligations.*

As of December 31, 2008, we had \$53.6 million of outstanding indebtedness (including capital lease obligations) and \$87.6 million of outstanding letters of credit. Our outstanding indebtedness and letters of credit may:

- adversely impact our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or other general corporate purposes;
- require us to dedicate a portion of our cash flow to the payment of interest on our indebtedness and fees on our letters of credit;
- subject us to the risk of increased sensitivity to interest rate increases based upon variable interest rates, including our borrowings (if any) under our revolving credit facility;
- increase the possibility of an event of default under the financial and operating covenants contained in our debt instruments; and
- limit our ability to adjust to rapidly changing market conditions, reducing our ability to withstand competitive pressures and make us more vulnerable to a downturn in general economic conditions of our business than our competitors with less debt.

If we are unable to generate sufficient cash flow from operations in the future to service our debt and letter of credit fee obligations, we may be required to refinance all or a portion of our existing debt and letter of credit facilities, or to obtain additional financing and facilities. However, we may not be able to obtain any such refinancing or additional facilities on favorable terms or at all.

*The covenants in our financing agreements restrict our ability to operate our business and might lead to a default under our outstanding debt agreements.*

The agreements governing our revolving credit, letter of credit, and term loan facilities and the indenture relating to our outstanding senior secured notes limit, among other things, our ability and the ability of our restricted subsidiaries to:

- incur or guarantee additional indebtedness (including, for this purpose, reimbursement obligations under letters of credit) or issue preferred stock;
- pay dividends or make other distributions to our stockholders;
- purchase or redeem capital stock or subordinated indebtedness;
- make investments;
- create liens;
- incur restrictions on the ability of our restricted subsidiaries to pay dividends or make other payments to us;
- sell assets, including capital stock of our subsidiaries;
- consolidate or merge with or into other companies or transfer all or substantially all of our assets; and
- engage in transactions with affiliates.

As a result of these covenants, we may not be able to respond to changes in business and economic conditions and to obtain additional financing, if needed, and we may be prevented from engaging in transactions that might otherwise be beneficial to us. Our revolving credit, letter of credit, and term loan facilities require, and our future credit facilities may require, us to maintain specified financial ratios and satisfy certain financial condition tests. Our ability to meet these financial ratios and tests can be affected by events beyond our control, and we may not be able to meet those tests. The breach of any of these covenants could result in a default under our revolving credit, letter of credit, and term loan facilities. Upon the occurrence of an event of default under our revolving credit, letter of credit, and term loan facilities or future credit facilities, the lenders could elect to declare all amounts outstanding under such credit facilities, including accrued interest or other obligations, to be immediately due and payable. If amounts outstanding under such credit facilities were to be accelerated, our assets might not be sufficient to repay in full that indebtedness and our other indebtedness, including our senior secured notes.

The instruments governing certain of our indebtedness, including the indenture governing our senior secured notes and our revolving credit, letter of credit, and term loan facilities, also contain cross-default provisions. Under these provisions, a default under one instrument governing our indebtedness may constitute a default under our other instruments of indebtedness that contain cross default provisions, which could result in the related indebtedness and the indebtedness issued under other instruments becoming immediately due and payable. In such event, we would need to raise funds from alternative sources, which funds might not be available to us on favorable terms, on a timely basis or at all. Alternatively, such a default could require us to sell our assets and otherwise curtail operations to pay our creditors. The proceeds of such a sale of assets, or curtailment of operations, might not enable us to pay all of our liabilities.

***We have not paid, and do not anticipate paying for the foreseeable future, dividends on our common stock.***

We have not paid, and do not anticipate paying for the foreseeable future, any dividends on our common stock. Furthermore, our current credit agreement prohibits, and our indenture restricts, the payment by us of dividends on our common stock. We intend to retain future earnings, if any, for use in the operation and expansion of our business and payment of our outstanding debt.

***The Massachusetts Business Corporation Act and our By-Laws contain certain anti-takeover provisions.***

Section 8.06 and 7.02 of the Massachusetts Business Corporation Act provide that Massachusetts corporations which are publicly-held must have a staggered board of directors and that written demand by holders of at least 40% of the outstanding shares of each relevant voting group of stockholders is required for stockholders to call a special meeting unless such corporations take certain actions to affirmatively “opt-out” of such requirements. In accordance with these provisions, our By-Laws provide for a staggered Board of Directors which consists of three classes of directors of which one class is elected each year for a three-year term, and require that written application by holders of at least 25% (which is less than the 40% which would otherwise be applicable without such a specific provision in our By-Laws) of our outstanding shares of common stock is required for stockholders to call a special meeting. In addition, our By-Laws prohibit the removal by the stockholders of a director except for cause. These provisions could inhibit a takeover of our company by restricting stockholders action to replace the existing directors or approve other actions which a party seeking to acquire us might propose. A takeover transaction would frequently afford stockholders an opportunity to sell their shares at a premium over then market prices.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

Not applicable.

**ITEM 2. PROPERTIES**

Our principal executive offices are in Norwell, Massachusetts where approximately 104,000 square feet are leased under arrangements expiring in 2022. There is also a regional administrative office in South Carolina. We own or lease property in 36 states, six Canadian provinces, Puerto Rico and Mexico.

Our principal property, plant and equipment consist of land, landfill assets and buildings (primarily incinerators, wastewater treatment plants and TSDFs), vehicles and equipment (including environmental remediation equipment). We have 51 active permitted hazardous waste or nonhazardous waste management properties, and 73 additional service centers and satellite or support locations, which occasionally move to other locations as operations and space requirements change. The incinerators, landfills, and TSDFs are our most significant properties and they are included in the Technical Services segment.

Our properties are sufficient and suitable to our needs. The following tables set forth certain information as of December 31, 2008 regarding our properties. Substantially all of our owned operating properties are mortgaged as collateral for our loans.

***Hazardous Waste Management Properties***

Included in our 51 active hazardous waste management properties are six incineration locations, nine commercial landfills, six wastewater treatment plants, 20 TSDFs, two solvent recycling facilities and eight facilities which specialize in PCB management, oil and used oil products recycling. Some of our properties offer multiple capabilities. As described below under “Inactive Properties,” we also own 11 closed or inactive facilities.

***Hazardous Waste Facilities***

***Incinerators.*** We own six operating incineration facilities containing a total of nine incinerators, as follows:

	<u># of Incinerators</u>	<u>Practical Capacity (Tons)</u>	<u>Utilization Rate Year Ended December 31, 2008</u>
Arkansas . . . . .	2	85,072	91.7%
Nebraska . . . . .	1	58,808	80.2%
Utah . . . . .	1	66,815	84.7%
Texas . . . . .	3	165,500	87.4%
Ontario, Canada . . . . .	1	93,696	88.8%
Quebec, Canada . . . . .	<u>1</u>	<u>71,650</u>	<u>96.8%</u>
	<u>9</u>	<u>541,541</u>	<u>88.5%</u>

Our incinerators offer a wide range of technological capabilities to customers through this network. Incineration in the United States is provided by a fluidized bed thermal oxidation unit and three solids and liquids-capable incineration facilities. In Canada, we operate two hazardous waste liquid injection incinerators.

*Landfills.* In the United States and Canada, we operate nine commercial landfills as follows:

	<u># of Facilities</u>	<u>Remaining Highly Probable Airspace (cubic yards, in thousands)</u>	<u>Remaining Lives (Years)</u>
California . . . . .	2	11,778	40 and 64
Colorado . . . . .	1	890	36
North Dakota . . . . .	1	1,070	43
Oklahoma . . . . .	1	1,046	11
Texas . . . . .	1	1,145	22
Utah . . . . .	1	1,716	20
Alberta, Canada . . . . .	1	1,359	21
Ontario, Canada . . . . .	<u>1</u>	<u>8,381</u>	47
	<u>9</u>	<u>27,385</u>	

Seven of our commercial landfills are designed and permitted for the disposal of hazardous wastes and two landfills are operated for nonhazardous industrial waste disposal and, to a lesser extent, municipal solid waste. In addition to our commercial landfills, we also own and operate two non-commercial landfills that only accept waste from our on-site incinerators. We own all of the landfills with the exception of the landfill in Oklahoma that is leased.

*Wastewater Treatment Plants.* We operate six facilities that offer a range of wastewater treatment technologies and customer services, as follows:

	<u># of Facilities</u>	<u>Owned</u>	<u>Leased</u>
Connecticut . . . . .	1	1	—
Louisiana . . . . .	2	1	1
Ohio . . . . .	1	1	—
Tennessee . . . . .	1	1	—
Ontario, Canada . . . . .	<u>1</u>	<u>1</u>	—
	<u>6</u>	<u>5</u>	<u>1</u>

Wastewater treatment consists primarily of three types of services: hazardous wastewater treatment, sludge de-watering or drying, and non-hazardous wastewater treatment.

*Transportation, Storage and Disposal Facilities.* We operate 20 TSDFs in the United States and Canada as follows:

	<u># of Facilities</u>	<u>Owned</u>	<u>Leased</u>
Arizona .....	1	1	—
California .....	2	2	—
Florida .....	1	—	1
Illinois .....	1	—	1
Kansas .....	1	1	—
Louisiana .....	1	1	—
Maryland .....	1	1	—
Massachusetts .....	1	1	—
North Carolina .....	1	1	—
Ohio .....	1	1	—
Texas .....	1	1	—
British Columbia, Canada .....	1	1	—
Manitoba, Canada .....	1	1	—
Nova Scotia, Canada .....	1	1	—
Ontario, Canada .....	3	2	1
Quebec, Canada .....	2	2	—
	<u>20</u>	<u>17</u>	<u>3</u>

Our TSDFs facilitate the movement of materials among our network of service centers and treatment and disposal facilities. Transportation may be accomplished by truck, rail, barge or a combination of modes, with our own assets or in conjunction with third-party transporters. Specially designed containment systems, vehicles and other equipment permitted for hazardous and industrial waste transport, together with drivers trained in transportation skills and waste handling procedures, provide for the movement of customer waste streams.

*PCB Management Facilities and Oil Storage or Recycling Capabilities.* We operate eight facilities specializing in PCB management or providing oil recycling capabilities, as follows:

	<u># of Facilities</u>	<u>Owned</u>	<u>Leased</u>
California .....	1	1	—
Georgia .....	1	1	—
Kansas .....	1	1	—
Maine .....	1	1	—
Massachusetts .....	1	—	1
Ohio .....	2	1	1
Pennsylvania .....	1	1	—
	<u>8</u>	<u>6</u>	<u>2</u>

These facilities are the most significant properties relating to our Site Services segment.

*Solvent Recycling Operations.* We own two facilities specializing in solvent recovery management in Illinois and Ohio, and also have one solvent recycling operation adjacent to our incineration facility in El Dorado, Arkansas.

### ***Other Facilities and Properties***

*Service Centers and Satellite Locations.* We operate 73 additional service centers and satellite or support locations of which 17 are owned and 56 are leased. These locations are aligned with one or more of our landfills, incinerators, wastewater treatment, consulting, administrative, or other treatment and disposal facilities.

*Inactive Facilities.* In addition to the active facilities and properties described above, we own a total of 11 facilities which are now closed or inactive, most of which were acquired in 2002 as part of the CSD assets due to our assumption of the remediation liabilities associated with such properties or our closure of such sites. The principal inactive facilities are a closed incinerator and landfill in Baton Rouge, Louisiana, closed incinerators in Roebuck, South Carolina, Coffeyville, Kansas and Bridgeport, New Jersey, and closed wastewater treatment facilities in Cleveland, Ohio and Plaquemine, Louisiana. Prior to the sale of the CSD assets, Safety-Kleen gave notice to the applicable regulatory agencies of Safety-Kleen's intent to close and stopped accepting wastes at Cleveland in 1990, Baton Rouge in 1997, Roebuck in 1998, Coffeyville in 2000, and Bridgeport in 2001. We gave notice to the regulators and stopped accepting wastes at Plaquemine in 2006.

### **ITEM 3. LEGAL PROCEEDINGS**

See Note 10, "Commitments and Contingencies," to our consolidated financial statements included in Item 8, "Financial Statements and Supplementary Data," for a description of legal proceedings.

### **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

No matters were submitted to a vote of our security holders during the fourth quarter of 2008.

## PART II

### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### Common Stock

Effective December 15, 2008, our common stock began trading on the New York Stock Exchange under the symbol CLH. Prior to that time, our stock was traded on The NASDAQ Global Select Market under the symbol CLHB. The following table sets forth the high and low sales prices of our common stock for the indicated periods as reported by the New York Stock Exchange and The NASDAQ Global Select Market.

<u>2008</u>	<u>High</u>	<u>Low</u>
First Quarter . . . . .	\$67.58	\$49.67
Second Quarter . . . . .	77.79	61.76
Third Quarter . . . . .	82.99	63.62
Fourth Quarter . . . . .	67.45	44.11
<u>2007</u>	<u>High</u>	<u>Low</u>
First Quarter . . . . .	\$54.54	\$44.16
Second Quarter . . . . .	50.43	44.55
Third Quarter . . . . .	53.83	42.52
Fourth Quarter . . . . .	56.48	44.23

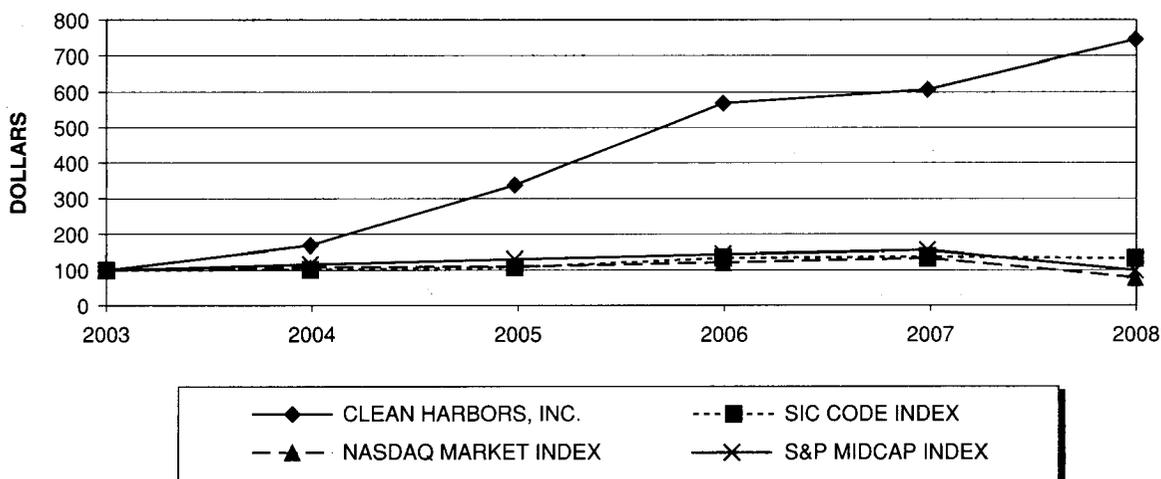
On February 26, 2009, the closing price of our common stock on the New York Stock Exchange was \$49.28. On February 20, 2009, there were 451 stockholders of record of our common stock, excluding stockholders whose shares were held in nominee, or "street," name. We estimate that approximately 23,000 additional stockholders held shares in street name at that date.

We have never declared nor paid any cash dividends on our common stock, and we do not intend to pay any dividends on our common stock in the foreseeable future. We intend to retain our future earnings, if any, for use in the operation and expansion of our business and payment of our outstanding debt. In addition, our current credit agreement prohibits, and our indenture restricts, us from paying cash dividends on our common stock (see "Liquidity and Capital Resources" under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations").

## Performance Graph

The following graph compares the five-year return from investing \$100 in each of Clean Harbors, Inc. common stock, the NASDAQ Market Index, the S&P Midcap Index, and an index of environmental services companies compiled by CoreData. Although Clean Harbors, Inc. common stock commenced trading on the New York Stock Exchange on December 15, 2008, the NASDAQ Market Index was used (as in our annual report for 2007) as a comparable index because our common stock traded on The NASDAQ Global Market during substantially all of the five-year period described in the graph. The environmental services group used by CoreData includes all companies whose listed line-of-business is SIC Code 4953 (refuse systems), and assumes reinvestment of dividends on the ex-dividend date. An index compares relative performance since a particular starting date. In this instance, the starting date was December 31, 2003, when our common stock closed at \$8.91 per share.

**COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN  
AMONG CLEAN HARBORS, INC.,  
NASDAQ MARKET INDEX, S&P MIDCAP INDEX AND SIC CODE INDEX**



ASSUMES \$100 INVESTED ON JAN. 1, 2004  
ASSUMES DIVIDEND REINVESTED  
FISCAL YEAR ENDING DEC. 31, 2008

## Securities Authorized For Issuance Under Equity Compensation Plans

See Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters," for a description of the securities which are authorized for issuance under our equity compensation plans.

## Issuer Purchases of Equity Securities

During the fiscal quarter ended December 31, 2008, we did not repurchase any of our outstanding common stock or any other securities registered under the Securities Exchange Act of 1934, as amended.

## ITEM 6. SELECTED FINANCIAL DATA

The following summary of consolidated financial information has been derived from the audited consolidated financial statements included in Item 8, "Financial Statements and Supplementary Data," of this report and in the annual reports we have previously filed with the SEC. This information should be reviewed in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the financial statements and the notes thereto included in Item 8, "Financial Statements and Supplementary Data" of this report.

	For the Year Ended December 31,				
	2008	2007	2006	2005	2004
	(in thousands except per share amounts)				
<b>Income Statement Data:</b>					
Revenues . . . . .	\$1,030,713	\$946,917	\$829,809	\$711,170	\$643,219
Cost of revenues . . . . .	707,820	664,440	584,835	512,582	464,838
Selling, general and administrative expenses . . . . .	159,674	149,180	125,039	108,312	104,509
Accretion of environmental liabilities . . . . .	10,776	10,447	10,220	10,384	10,394
Depreciation and amortization . . . . .	44,471	37,590	35,339	28,633	24,094
Income from operations . . . . .	107,972	85,260	74,376	51,259	39,384
Other (expense) income(1) . . . . .	(119)	135	(447)	611	(1,345)
(Loss) on refinancings(2) . . . . .	—	—	—	—	(7,099)
Loss on early extinguishment of debt . . . . .	(5,473)	—	(8,529)	—	—
Interest (expense), net . . . . .	(8,403)	(13,157)	(12,447)	(22,754)	(22,297)
Income before provision for income taxes and equity interest in joint venture . . . . .	93,977	72,238	52,953	29,116	8,643
Provision for income taxes(3) . . . . .	36,491	28,040	6,339	3,495	6,043
Equity interest in joint venture . . . . .	—	—	(61)	—	—
Net income . . . . .	57,486	44,198	46,675	25,621	2,600
Redemption of Series C preferred stock, dividends on Series B and C preferred stocks and accretion on Series C preferred stock(4) . . . . .	—	206	276	279	11,798
Net income (loss) attributable to common stockholders . . . . .	<u>\$ 57,486</u>	<u>\$ 43,992</u>	<u>\$ 46,399</u>	<u>\$ 25,342</u>	<u>\$ (9,198)</u>
Basic earnings (loss) attributable to common stockholders(5) . . . . .	<u>\$ 2.56</u>	<u>\$ 2.22</u>	<u>\$ 2.38</u>	<u>\$ 1.62</u>	<u>\$ (0.65)</u>
Diluted earnings (loss) attributable to common stockholders(5) . . . . .	<u>\$ 2.51</u>	<u>\$ 2.14</u>	<u>\$ 2.26</u>	<u>\$ 1.45</u>	<u>\$ (0.65)</u>
<b>Cash Flow Data:</b>					
Net cash from operating activities . . . . .	\$ 109,590	\$ 79,995	\$ 61,382	\$ 29,667	\$ 52,460
Net cash from investing activities . . . . .	(84,515)	(42,791)	(98,885)	(3,509)	47,631
Net cash from financing activities . . . . .	116,795	2,724	(20,330)	75,023	(75,775)
<b>Other Financial Data:</b>					
Adjusted EBITDA(6) . . . . .	\$ 163,219	\$133,297	\$119,935	\$ 90,276	\$ 74,744

	At December 31,				
	2008	2007	2006	2005	2004
	(in thousands)				
<b>Balance Sheet Data:</b>					
Working capital . . . . .	\$307,679	\$169,585	\$124,465	\$100,354	\$ 50,696
Goodwill . . . . .	24,578	21,572	19,032	19,032	19,032
Total assets . . . . .	898,336	769,888	670,808	614,364	504,702
Long-term obligations (including current portion)(7) . . . . .	53,630	123,483	124,561	154,291	153,129
Stockholders' equity(5) . . . . .	429,045	202,897	173,186	115,658	11,038

- (1) We had outstanding prior to June 30, 2004, 25,000 shares of Series C preferred stock which consisted of two components, namely (i) non-convertible redeemable preferred stock with a 6.0% annual dividend and (ii) an “embedded derivative” which reflected the right of the holders of the Series C preferred stock to convert into our common stock on the terms set forth in the Series C preferred stock. The value of the Embedded Derivative was periodically marked to market, which resulted in the inclusion of gains (losses) as a component of other income (expense) of \$(1.6) million for the year ended December 31, 2004.
- (2) We repaid on June 30, 2004 our then outstanding debt, redeemed our then outstanding Series C preferred stock and settled the embedded derivative liability associated with our Series C preferred stock. For the year ended December 31, 2004, we recorded a loss on refinancing of \$7.1 million related to these activities.
- (3) For fiscal year 2006, the provision includes a reversal of a \$14.1 million portion of the valuation allowance.
- (4) We had outstanding prior to June 30, 2004, 25,000 shares of Series C preferred stock. The amount of \$11.8 million for the year ended December 31, 2004 includes \$9.9 million related to the redemption of that Series C preferred stock.
- (5) We issued: (i) 0.4 million shares of common stock in February 2005 upon cashless exercise of previously outstanding warrants; (ii) 1.6 million shares of common stock in October 2005 upon exercise of previously outstanding warrants for an aggregate of \$12.5 million; (iii) 2.3 million shares of common stock in December 2005 upon the closing of a public offering for aggregate net proceeds (after deducting the underwriters’ discount and offering expenses payable by us) of \$60.2 million; (iv) 0.4 million shares of common stock in December 2007 upon exercise of previously outstanding warrants for an aggregate of \$1.2 million and conversion of previously outstanding shares of Series B preferred stock; and (v) 2.875 million shares of common stock in April 2008 upon the closing of a public offering for aggregate net proceeds (after deducting the underwriters’ discount and offering expenses payable by us) of \$173.5 million.
- (6) For all periods presented, “Adjusted EBITDA” consists of net income plus accretion of environmental liabilities, depreciation and amortization, net interest expense, provision for (benefit from) income taxes, non-recurring severance charges, other non-recurring refinancing-related expenses, and change in value of the embedded derivative associated with our previously outstanding Series C preferred stock (which we redeemed June 30, 2004). We also exclude gain (loss) on sale of fixed assets, and other income as these amounts are not considered part of usual business operations. Such definition of “Adjusted EBITDA” is the same as the definition of “EBITDA” used in our current credit agreement and indenture for covenant compliance purposes. See below for a reconciliation of Adjusted EBITDA to both net income and net cash provided by operating activities for the specified periods. 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 loss or other measurements under generally accepted accounting principles (“GAAP”). 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.

The following is a reconciliation of net income to Adjusted EBITDA for the following periods (in thousands):

	Year Ended December 31,				
	2008	2007	2006	2005	2004
Net income . . . . .	\$ 57,486	\$ 44,198	\$ 46,675	\$25,621	\$ 2,600
Accretion of environmental liabilities . . . . .	10,776	10,447	10,220	10,384	10,394
Depreciation and amortization . . . . .	44,471	37,590	35,339	28,633	24,094
Loss on refinancings . . . . .	—	—	—	—	7,099
Loss on early extinguishment of debt . . . . .	5,473	—	8,529	—	—
Interest expense, net . . . . .	8,403	13,157	12,447	22,754	22,297
Equity interest in joint venture . . . . .	—	—	(61)	—	—
Provision for income taxes . . . . .	36,491	28,040	6,339	3,495	6,043
Non-recurring severance charges . . . . .	—	—	—	—	25
Other non-recurring refinancing-related expenses . . . . .	—	—	—	—	1,326
Change in value of embedded derivative . . . . .	—	—	—	—	1,590
Loss (gain) on sale of fixed assets . . . . .	119	(135)	447	(26)	(724)
Other income . . . . .	—	—	—	(585)	—
Adjusted EBITDA . . . . .	<u>\$163,219</u>	<u>\$133,297</u>	<u>\$119,935</u>	<u>\$90,276</u>	<u>\$74,744</u>

The following reconciles Adjusted EBITDA to net cash provided by operating activities for the following years ended December 31 (in thousands):

	Year Ended December 31,				
	2008	2007	2006	2005	2004
Adjusted EBITDA . . . . .	\$163,219	\$133,297	\$119,935	\$ 90,276	\$ 74,744
Interest expense, net . . . . .	(8,403)	(13,157)	(12,447)	(22,754)	(22,297)
Provision for income taxes . . . . .	(36,491)	(28,040)	(6,339)	(3,495)	(6,043)
Allowance for doubtful accounts . . . . .	267	(418)	88	(105)	1,232
Amortization of deferred financing costs and debt discount . . . . .	1,915	1,940	1,616	1,669	2,371
Change in environmental liability estimates . .	(2,047)	597	(9,582)	(11,265)	(3,287)
Deferred income taxes . . . . .	3,197	(7,492)	(6,385)	(1,242)	381
Stock-based compensation . . . . .	3,565	4,799	3,387	56	35
Excess tax benefit of stock-based compensation . . . . .	(3,504)	(6,386)	(5,239)	—	—
Income tax benefits related to stock option exercises . . . . .	3,534	6,427	5,399	408	—
Impairment of assets held for sale . . . . .	—	—	—	281	—
(Gain) loss on sale of fixed assets . . . . .	—	—	—	(26)	(724)
Non-recurring refinancing-related and other expenses . . . . .	—	—	—	—	(1,351)
Prepayment penalty on early extinguishment of debt . . . . .	(3,552)	—	(6,146)	—	—
Foreign currency loss (gain) on intercompany transactions . . . . .	—	—	—	—	(88)
Environmental expenditures . . . . .	(14,268)	(6,511)	(7,605)	(7,243)	(10,305)
Changes in assets and liabilities, net of acquisition					
Accounts receivable . . . . .	17,221	(19,142)	(5,000)	(25,983)	(6,058)
Other current assets . . . . .	5,529	(2,693)	(11,092)	(686)	2,639
Accounts payable . . . . .	(17,763)	(4,603)	(4,674)	(804)	9,249
Other current liabilities . . . . .	(2,829)	21,377	5,466	10,580	11,962
Net cash provided by operating activities . . . .	<u>\$109,590</u>	<u>\$ 79,995</u>	<u>\$ 61,382</u>	<u>\$ 29,667</u>	<u>\$ 52,460</u>

- (7) Long-term obligations (including current portion) include borrowings under our current and former revolving credit facilities.

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **Forward-Looking Statements**

In addition to historical information, this Management's Discussion and Analysis 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 the section of this report entitled Item 1A, "Risk Factors." 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. Readers should also carefully review the risk factors described in other documents which we file from time to time with the SEC, including the quarterly reports on Form 10-Q to be filed by us during 2009.

### **Overview**

Our results for the last three years reflect the execution of our strategies designed to grow revenues and increase profitability. We have been achieving this strategy by focusing on improving the utilization at our network of treatment disposal assets, expanding our large and diverse customer base, executing strategic acquisitions, and introducing cost reduction and cost control initiatives. We have grown revenues to \$1,030.7 million in fiscal 2008, a 8.8% growth over 2007 revenues of \$946.9 million, and 24.2% growth over 2006 revenues of \$829.8 million. We have also increased Adjusted EBITDA by 22.4% in 2008 to \$163.2 million when compared to \$133.3 million in 2007, and 36.1% when compared to \$119.9 million in 2006.

In our Technical Services segment, we increased our presence in the West Coast markets with the 2007 acquisition of certain assets of Romic Environmental Technologies Corporation. We also successfully maintained an average annual incinerator utilization of 88.5% in 2008, compared to 87.2% in 2007 and 91.0% in 2006, while increasing overall capacity to 541,541 tons as of December 31, 2008. Landfill volumes, which are inherently variable due to the project by project nature of the business, have remained flat year over year, and although pricing remains competitive, we continue to strengthen our logistics capabilities in order to be more competitive. We entered into the solvent recycling business in 2008 by acquiring two facilities from Safety-Kleen Systems, Inc. and constructing our own operation adjacent to one of our incinerators, which we believe has better positioned us on a national basis to offer our customers a broad spectrum of choices for their solvent waste streams.

In our Site Services segment, we continued to focus on geographic expansion and increased brand recognition. We strengthened our presence in the West Coast market with the Universal Environmental acquisition in 2008. Through our 2006 acquisition of Ensco Caribe Inc., we expanded our presence in Puerto Rico. Another important piece of our growth strategy was opening new service branches in 2008 in multiple regions, capitalizing on the momentum of our recent acquisition activity.

In both segments we continue to execute cost reduction and cost control initiatives. We have managed higher fuel costs by implementing price increases and a fuel surcharge program. We have continued to work on reducing outside transportation costs by expanding our internal transportation fleet, making better use of our rail capabilities, and capturing increased efficiencies. Outside transportation costs were down to 4.9% of revenues during the year ended December 31, 2008, compared to 6.4% in the same period in 2007 and 6.9% in the same period in 2006.

## Critical Accounting Policies and Estimates

The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent liabilities. The following are the areas that we believe require the greatest amount of judgments or estimates in the preparation of the financial statements: revenue allowance, deferred revenue, allowance for doubtful accounts, accounting for landfills, testing long-lived assets and goodwill for impairment, environmental liabilities, insurance expense, legal matters, and provision for income taxes. Our management discusses each of these critical accounting estimates with the Audit Committee of our Board of Directors prior to the release of our annual financial statements. Also see Note 2, "Significant Accounting Policies," in Part II, Item 8. "Financial Statements and Supplementary Data," of this Form 10-K Report, which discusses the significant assumptions used in applying our accounting policies.

*Revenue Allowance.* Due to the nature of our business and the complex invoices that result from the services provided, customers may withhold payments and attempt to renegotiate amounts invoiced. Accordingly, we establish a revenue allowance to cover the estimated amounts of revenue adjustments that may need to be credited to customers' accounts in future periods. The allowance is established based on specific review of our experience with particular customers, historical trends and other relevant information. Revenues allowance estimates can differ materially from the actual adjustments, but historically our allowance has been adequate.

*Deferred Revenue.* As is the customary practice in the environmental services industry, we submit a bill for services shortly after waste is collected from a customer location and prior to completion of the waste disposal process. We recognize revenue for waste disposal services only when the waste is placed into a landfill, incinerated, treated in a wastewater treatment facility or shipped to a third party for disposal. Deferred revenue, representing amounts invoiced to customers for waste not yet processed, stated on our balance sheet as of December 31, 2008 was \$24.2 million. Because a large quantity of waste is on hand and in transit at the end of any month, waste from various sources is mixed subsequent to receipt, waste is received in various size containers, and the amount of waste per container can vary significantly, the calculation of deferred revenue requires the use of significant estimates such as the average revenue charged for a type of waste and the average waste volume contained within various size containers.

*Allowance for Doubtful Accounts.* We establish an allowance for doubtful accounts to cover accounts receivable that may not be collectible. In establishing the allowance for doubtful accounts, we analyze the collectability of accounts that are large or past due. In addition, we consider historical bad debts and current economic trends in evaluating the allowance for doubtful accounts. Accounts receivable written off in subsequent periods can differ materially from the allowance for doubtful accounts provided, but historically our provision has been adequate.

*Accounting for Landfills.* We amortize landfill improvements and certain landfill related permits over their estimated useful lives. The units-of-consumption method is used to amortize land, landfill cell construction, asset retirement costs and remaining landfill cells and sites. We also utilize the units-of-consumption method to record closure and post-closure obligations for landfill cells and sites. Under the units-of-consumption method, we include future estimated construction and asset retirement costs, as well as costs incurred to date, in the amortization base. Additionally, where appropriate, we include probable expansion airspace that has yet to be permitted in the calculation of the total remaining useful life of the landfill. This accounting method requires us to make estimates and assumptions, as described below. Any changes in our estimates will impact our income from operations prospectively from the date the changes are made.

It is possible that any of our estimates or assumptions could ultimately turn out to be significantly different from actual results. In some cases we may be unsuccessful in obtaining an expansion permit or we may determine that an expansion permit that we previously thought was probable has become unlikely. To the extent that such estimates, or the assumptions used to make those estimates, prove to be significantly different than actual results or our belief that we will receive an expansion permit changes adversely in a significant manner, the costs of the landfill, including the costs incurred in the pursuit of the expansion, may be subject to impairment testing, as described below, and lower prospective profitability may be experienced due to increased interest accretion and depreciation or asset impairments related to the removal of previously included expansion airspace.

*Goodwill.* Goodwill is assessed for impairment at least annually and as triggering events occur. Such triggering events include, but are not limited to:

- A significant adverse change in legal factors or in the business climate,
- An adverse action or assessment by a regulator,
- Cash or operating losses at the reporting unit, or
- Market capitalization that is below book value.

Our management assesses impairment by comparing the fair value of each reporting unit, which we have determined to be our operating segments, Site Services and Technical Services, to the carrying value of the net assets assigned to each reporting unit, including goodwill. In the event the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired. If the carrying amount of reporting unit exceeds its fair value, the second step of the goodwill test would be performed to measure the amount of impairment loss.

The fair value of the reporting units is determined based on a discounted cash flow analysis and compared to guideline companies and comparable transactions for reasonableness. Significant judgments are inherent in these analyses and include assumptions about the amount and timing of expected future cash flows, growth rates, and the determination of appropriate discount rates. The impairment analysis performed during the year ended December 31, 2008, utilized 2009 annual budgeted amounts and assumed operating profit margins that were consistent with 2008 results. The discount rate assumptions were based on an assessment of our weighted average cost of capital. As part of the analysis, we compared the aggregate implied fair value of the reporting units to our market capitalization at December 31, 2008 and assessed for reasonableness.

We did not record an impairment charge as a result of our goodwill impairment test in 2008. However, there can be no assurance that goodwill will not be impaired at any time in the future, and we will continue to assess if any triggering events occur.

*Environmental Liabilities.* We have accrued environmental liabilities as of December 31, 2008, of \$178.5 million, substantially all of which we assumed as part of our acquisitions of the CSD assets 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 year ended December 31, 2008, of \$2.0 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 year ended December 31, 2008, the net \$2.0 million benefit included a

\$0.6 million benefit recorded as a decrease in cost of revenues and a \$1.4 million benefit recorded as a decrease in selling, general, and administrative costs.

*Closure and Post-closure Liabilities.* Management bases estimates for closure and post-closure liabilities on interpretations of existing permit and regulatory requirements for closure and post-closure maintenance and monitoring. Management considers when the amounts are expected to be paid and factors in the appropriate inflation and discount rates. The estimates for closure and post-closure liabilities are inherently uncertain due to the possibility that permit and regulatory requirements will change in the future, impacting the estimation of total costs and the timing of the expenditures. Changes in estimates for closure and post-closure events immediately impact the required liability and the corresponding asset. If a change is made to a fully consumed asset, the adjustment is charged immediately to expense. When a change in estimate relates to a landfill asset that has not been fully consumed, the adjustment to the asset is recognized in income prospectively as a component of landfill airspace amortization.

*Remedial Liabilities.* Remedial liabilities are obligations to investigate, alleviate or eliminate the effects of a release (or threat of a release) of hazardous substances into the environment and may also include corrective action under RCRA. Our operating subsidiaries' remediation obligations can be further characterized as Legal, Superfund, Long-term Maintenance and One-Time Projects. Legal liabilities are typically comprised of litigation matters that involve potential liability for certain aspects of environmental cleanup and can include third party claims for property damage or bodily injury allegedly arising from or caused by exposure to hazardous substances originating from our activities or operations, or in certain cases, from the actions or inactions of other persons or companies. Superfund liabilities are typically claims alleging that we are a potentially responsible party ("PRP") and /or are potentially liable for environmental response, removal, remediation and cleanup costs at/or from either a facility we own or as a site owned by a third party. As described in Note 10, "Commitments and Contingencies," Superfund liabilities also include certain liabilities payable to governmental entities for which we are potentially liable to reimburse the sellers in connection with our 2002 acquisition of substantially all of the assets of the Chemical Services Division of Safety-Kleen Corp. Long-term Maintenance includes the costs of groundwater monitoring, treatment system operations, permit fees and facility maintenance for inactive operations. One-Time Projects include the costs necessary to comply with regulatory requirements for the removal or treatment of contaminated materials.

Amounts recorded related to the costs required to remediate a location are based on the specific facts and circumstances of each site. Considerations include management's experience in remediating similar sites, information available from regulatory agencies as to costs of remediation, the number, financial resources, and relative degree of responsibility of other PRPs, and the expected or actual allocation of costs among PRPs.

*Insurance Expense.* It is our policy to retain a significant portion of certain expected losses related primarily to workers' compensation, health insurance, comprehensive general and vehicle liability. The insurance accruals are based on claims filed and estimates of claims not reported and are developed by management with assistance from our third-party actuary and third-party claims administrator. The insurance accruals are driven by historical claims data and industry information. Significant changes in the frequency or amount of claims as compared to our historical information could materially affect our self-insurance liabilities. Actual expenditures required in future periods can differ materially from accruals established based on estimates.

*Legal Matters.* As described in Note 10, "Commitments and Contingencies," to the financial statements included in Item 8, "Financial Statements and Supplemental Data," we are subject to legal proceedings which relate to our past acquisitions or which have arisen in the ordinary course of business. Accruals are established for legal matters when, in our opinion, it is probable that a liability exists and the liability can be reasonably estimated. As of December 31, 2008, we had reserves of

\$24.2 million (substantially all of which we had established as part of the purchase price for the CSD assets and are included in the \$178.5 million accrued environmental liabilities noted above) relating to our potential liabilities in connection with such legal proceedings which were then pending or anticipated. We also estimate that it is “reasonably possible”, as that term is defined in Statement of Financial Accounting Standards (“SFAS”) No. 5, *Accounting for Contingencies* (“SFAS No. 5”) (“more than remote but less than likely”), that the amount of such total liabilities could be as much as \$2.8 million more. Actual expenses incurred in future periods can differ materially from accruals established.

*Provision for Income Taxes.* We account for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes* (“SFAS No. 109”) and effective January 1, 2007, Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (“FIN 48”). We have established a valuation allowance when, based on an evaluation of objective verifiable evidence, we believe it is more likely than not that some portion or all of deferred tax assets will not be realized. Prior to the adoption of FIN 48, we recorded liabilities related to uncertain tax positions based upon SFAS No. 5.

### 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 this report.

	Percentage of Total Revenues Year Ended December 31,				
	2008	2007	2006	2005	2004
Revenues .....	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenues (exclusive of items shown separately below) . . .	68.7	70.1	70.4	72.1	72.3
Selling, general and administrative expenses .....	15.5	15.8	15.1	15.2	16.2
Accretion of environmental liabilities .....	1.0	1.1	1.2	1.5	1.6
Depreciation and amortization .....	4.3	4.0	4.3	4.0	3.8
Income from operations .....	10.5	9.0	9.0	7.2	6.1
Other income (expense) .....	—	—	(0.1)	0.1	(0.2)
Loss on early extinguishment of debt .....	(0.5)	—	(1.0)	—	—
Loss on refinancings .....	—	—	—	—	(1.1)
Interest (expense) net .....	(0.8)	(1.4)	(1.5)	(3.2)	(3.5)
Income before provision for income taxes .....	9.2	7.6	6.4	4.1	1.3
Provision for income taxes .....	3.6	2.9	0.8	0.5	0.9
Net income .....	<u>5.6%</u>	<u>4.7%</u>	<u>5.6%</u>	<u>3.6%</u>	<u>0.4%</u>

### Segment data

Performance of our segments is evaluated on several factors of which the primary financial measure is Adjusted EBITDA. The following tables set forth certain operating data associated with our results of operations and compare Adjusted EBITDA contribution by operating segment for the years ended December 31, 2008 and 2007 and the years ended December 31, 2007 and 2006. See Footnote 7 under Item 6, “Selected Financial Data,” for a description of the calculation of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net income and net cash provided by operating activities. 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. Direct revenue is the revenue allocated to the segment performing the provided service. This table and subsequent discussions should be read in conjunction with Item 8, "Financial Statements and Supplementary Data," of this report and in particular Note 16, "Segment Reporting," to such financial statements.

**Year ended December 31, 2008 versus Year ended December 31, 2007**

	Summary of Operations (in thousands)			
	December 31,			
	2008	2007	\$ Change	% Change
<b>Direct Revenues:</b>				
Technical Services . . . . .	\$ 712,290	\$672,213	\$40,077	6.0%
Site Services . . . . .	320,590	275,815	44,775	16.2
Corporate Items . . . . .	(2,167)	(1,111)	(1,056)	95.0
Total . . . . .	<u>1,030,713</u>	<u>946,917</u>	<u>83,796</u>	<u>8.8</u>
<b>Cost of Revenues (exclusive of items shown separately)(1):</b>				
Technical Services . . . . .	468,365	453,660	14,705	3.2
Site Services . . . . .	237,057	205,020	32,037	15.6
Corporate Items . . . . .	2,398	5,760	(3,362)	(58.4)
Total . . . . .	<u>707,820</u>	<u>664,440</u>	<u>43,380</u>	<u>6.5</u>
<b>Selling, General &amp; Administrative Expenses:</b>				
Technical Services . . . . .	63,932	60,771	3,161	5.2
Site Services . . . . .	30,946	24,751	6,195	25.0
Corporate Items . . . . .	64,796	63,658	1,138	1.8
Total . . . . .	<u>159,674</u>	<u>149,180</u>	<u>10,494</u>	<u>7.0</u>
<b>Adjusted EBITDA(2):</b>				
Technical Services . . . . .	179,993	157,782	22,211	14.1
Site Services . . . . .	52,587	46,044	6,543	14.2
Corporate Items . . . . .	(69,361)	(70,529)	1,168	(1.7)
Total . . . . .	<u>\$ 163,219</u>	<u>\$133,297</u>	<u>\$29,922</u>	<u>22.4%</u>

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

(2) See footnote 7 under Item 6, "Selected Financial Data," for a discussion of Adjusted EBITDA.

**Revenues**

Technical Services revenues increased 6.0%, or \$40.1 million, in the year ended December 31, 2008 from the comparable period in 2007 due to increases in pricing (\$38.9 million), new business, increases in fuel recovery fees, and stronger performance in the transportation and disposal business lines, partially offset by a nationwide reduction in landfill volumes (\$15.8 million). The revenue growth from new business was generated primarily from the 2008 acquisitions of two solvent recycling facilities (\$9.8 million), and the 2007 Romac acquisition which contributed to the overall growth in some of our Western locations (\$7.1 million).

Site Services revenues increased 16.2%, or \$44.8 million, in the year ended December 31, 2008 from the comparable period in 2007 due to several significant emergency response projects (\$8.5 million), an increase in large remedial project business (\$7.0 million), growth in base business

(\$16.2 million), pricing increases, and new business. The new business reflected primarily increases in services for existing customers and the effect of the Universal Environmental acquisition.

Corporate Items revenues decreased 95%, or \$1.1 million, in the year ended December 31, 2008 from the comparable period in 2007 resulting primarily from ceasing to charge Technical Services and Site Services for internal regulatory training in 2008 (\$0.5 million) and increased use of internal resources to remediate environmental liabilities (\$0.5 million). These increases were largely offset by compensating decreases in external costs (see the Cost of Revenues section below).

There are many factors which have impacted, and continue to impact, our revenues. These factors include, but are not limited to: the level of emergency response projects, competitive industry pricing, effects of the fuel price on our fuel recovery fee, continued efforts by generators of hazardous waste to reduce the amount of hazardous waste they produce, significant consolidation among treatment and disposal companies, and industry-wide overcapacity.

### ***Cost of Revenues***

Technical Services costs of revenues increased 3.2%, or \$14.7 million, in the year ended December 31, 2008 from the comparable period in 2007 due to higher vehicle and fuel related costs (\$10.4 million), labor expenses (\$7.5 million), utilities (\$3.8 million) and other costs (\$4.3 million). These increases were partially offset by a decrease in outside transportation costs (\$11.1 million).

Site Services costs of revenues increased 15.6%, or \$32.0 million, in the year ended December 31, 2008 from the comparable period in 2007 due to increases in labor (\$11.0 million), vehicle and fuel (\$7.4 million), outside transportation and disposal (\$3.8 million), subcontractor (\$3.6 million), and material, supplies and other costs (\$6.0 million). The increase in subcontractor costs was related to the increase in the size of the emergency response projects. The increase in labor costs was attributable to business growth and the Universal Environmental acquisition.

Corporate Items costs of revenues decreased 58.4%, or \$3.3 million, in the year ended December 31, 2008 from the comparable period in 2007 due primarily to a reduction in insurance premiums and an increased allocation of centrally contracted insurance costs from the Corporate Items segment to Site Services and Technical Services (\$1.8 million), lower costs associated with our inactive facilities (\$0.8 million), increased internalization resulting in more internal costs being charged against environmental expenditures (\$0.5 million), and other reduced costs (\$0.2 million).

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 increased 5.2% or \$3.2 million in the year ended December 31, 2008 from the comparable period in 2007 primarily due to increases in salary and benefits (\$4.1 million), offset by a favorable change in environmental liability estimates (\$1.7 million).

Site Services selling, general and administrative expenses increased 25.0%, or \$6.2 million, in the year ended December 31, 2008 from the comparable period in 2007 primarily due to increases in salary costs and incentive compensation. The increase in labor costs was due to our expansion in the West and Mid-West regions.

Corporate Items selling, general and administrative expenses increased 1.8%, or \$1.1 million, in the year ended December 31, 2008 from the comparable period in 2007 primarily due to increases in salaries, benefits and other compensation (\$4.4 million), severance costs (\$1.9 million), professional fees (\$1.8 million), and other costs (\$0.7 million). These increases were offset primarily by the weakening of the Canadian dollar and its impact on the remeasurement of the balance sheet (\$6.6 million) which resulted from recording a benefit of \$3.8 million in 2008 and an expense of \$2.8 million in 2007, and year-over-year favorable changes in environmental liability estimates (\$1.1 million). The increase in professional fees was primarily attributable to increased legal fees and the termination of negotiations relating to a proposed acquisition. Increases in salaries and bonuses were due to expansion and improved performance.

***Depreciation and Amortization***

	Year Ended December 31,	
	2008	2007
Depreciation of fixed assets . . . . .	\$33,438	\$27,200
Landfill and other amortization . . . . .	11,033	10,390
Total depreciation and amortization . . . . .	<u>\$44,471</u>	<u>\$37,590</u>

Depreciation and amortization increased 18.3%, or \$6.9 million for the year ended December 31, 2008 compared to the same period in 2007. Depreciation of fixed assets increased due to increased capital expenditures in recent periods and acquisitions. Landfill and other amortization increased due primarily to an increase in other intangible assets related to acquisitions.

***Loss on Early Extinguishment of Debt***

On July 28, 2008, pursuant to a redemption notice delivered on June 25, 2008, we redeemed \$50.0 million principal amount of outstanding senior secured notes. The redemption resulted in a \$4.3 million loss on early extinguishment of debt, which included a \$2.8 million prepayment penalty and a write-off of unamortized financing costs and unamortized discount of \$1.1 million and \$0.4 million, respectively.

In November 2008, pursuant to an Excess Cash Flow offer made on October 8, 2008, we purchased \$18.5 million principal amount of outstanding senior secured notes for a purchase price of \$19.2 million, plus accrued interest. This purchase resulted in a \$1.2 million loss on early extinguishment of debt, which included a \$0.7 million premium payment and a write-off of unamortized financing costs and unamortized discount of \$0.4 million and \$0.1 million, respectively.

***Interest Expense, Net***

	Year Ended December 31,	
	2008	2007
Interest expense . . . . .	\$13,497	\$17,180
Interest income . . . . .	(5,094)	(4,023)
Interest expense, net . . . . .	<u>\$ 8,403</u>	<u>\$13,157</u>

Interest expense, net decreased 36.1%, or \$4.8 million for the year ended December 31, 2008 compared to the same period in 2007. Interest expense decreased due to (i) early termination of capital leases, (ii) a reduction in interest rates, and (iii) the July 2008 and November 2008 redemption or purchase of \$50.0 million and \$18.5 million, respectively, principal amounts of outstanding senior

secured notes. Interest income increased due to the interest earned on the proceeds from the issuance of common stock in April 2008.

### **Conversion of Series B Preferred Stock**

As more fully described in Note 13, "Stockholders' Equity," to our financial statements included in Item 8 of this report, all of our remaining outstanding shares of Series B preferred stock were converted into common stock on December 28, 2007. During 2007, dividends of \$0.3 million were paid on our Series B preferred stock.

### **Year ended December 31, 2007 versus Year ended December 31, 2006**

	Summary of Operations (in thousands)			
	December 31,			
	2007	2006	\$ Change	% Change
Direct Revenues:				
Technical Services .....	\$672,213	\$558,407	\$113,806	20.4%
Site Services .....	275,815	271,092	4,723	1.7
Corporate Items .....	(1,111)	310	(1,421)	(458.4)
Total .....	<u>946,917</u>	<u>829,809</u>	<u>117,108</u>	<u>14.1</u>
Cost of Revenues (exclusive of items shown separately)(1):				
Technical Services .....	453,660	376,788	76,872	20.4
Site Services .....	205,020	200,305	4,715	2.4
Corporate Items .....	5,760	7,742	(1,982)	(25.6)
Total .....	<u>664,440</u>	<u>584,835</u>	<u>79,605</u>	<u>13.6</u>
Selling, General & Administrative Expenses:				
Technical Services .....	60,771	58,272	2,499	4.3
Site Services .....	24,751	26,044	(1,293)	(5.0)
Corporate Items .....	63,658	40,723	22,935	56.3
Total .....	<u>149,180</u>	<u>125,039</u>	<u>24,141</u>	<u>19.3</u>
Adjusted EBITDA(2):				
Technical Services .....	157,782	123,347	34,435	27.9
Site Services .....	46,044	44,743	1,301	2.9
Corporate Items .....	(70,529)	(48,155)	(22,374)	46.5
Total .....	<u>\$133,297</u>	<u>\$119,935</u>	<u>\$ 13,362</u>	<u>11.1%</u>

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

(2) See footnote 7 under Item 6, "Selected Financial Data," for a discussion of Adjusted EBITDA.

### **Revenues**

Technical Services revenues increased 20.4%, or \$113.8 million in the year ended December 31, 2007 from the comparable period in 2006 due primarily to net increases in volumes (\$44.8 million), pricing (\$16.0 million), and the strengthening of the Canadian dollar (\$6.5 million). The new business was generated from the Teris acquisition in 2006 and the Romic acquisition in 2007, which increased our presence in the South and West, as well as from a strong performance in our base business.

Site Services revenues increased 1.7%, or \$4.7 million in the year ended December 31, 2007 from the comparable period in 2006 due to the net effect of increases in large remedial project business (\$11.3 million), metal and oil recycling (\$7.2 million), the strengthening Canadian dollar (\$0.6 million) and growth generated by the opening of new office locations in the West and in Canada. These increases were offset by decreases in emergency response revenue (\$18.6 million).

Corporate Items revenues decreased \$1.4 million for 2007 to (\$1.1) million from \$0.3 million for 2006. This decrease resulted primarily from increased intercompany costs at our inactive waste handling facilities but which were largely offset by compensating decreases in external costs.

There are many factors which have impacted, and continue to impact, our revenues. These factors include, but are not limited to: the level of emergency response projects; competitive industry pricing, continued efforts by generators of hazardous waste to reduce the amount of hazardous waste they produce, significant consolidation among treatment and disposal companies, and industry-wide overcapacity. These factors also adversely influence our ability to raise prices and increase revenues.

### ***Cost of Revenues***

Technical Services cost of revenues increased 20.4%, or \$76.9 million in the year ended December 31, 2007 compared to the same period in 2006 primarily due to increases in labor related costs (\$25.3 million), building and equipment repairs and rentals (\$15.7 million), outside disposal and transportation costs (\$10.8 million), supplies and materials (\$8.6 million), and other operational costs. The increases in labor related costs was due to increases in headcount as a result of the Teris and Romic acquisitions in 2006 and 2007, respectively. The acquisitions were also the primary driver in increases in materials and other operational costs as we expanded operations in the Western regions. The increase in outside disposal and transportation costs was due to an increase in large waste projects during the year.

Site Services cost of revenues increased 2.4%, or \$4.7 million, in the year ended December 31, 2007 from the comparable period in 2006 due to the net effect of increases in labor related costs (\$8.0 million), rental and outside transportation costs (\$6.8 million), and supplies and other operational costs. These increases were offset by a decrease in emergency response costs (\$12.4 million) and subcontractor expense (\$4.4 million). The increase in labor related costs was due to increases in headcount to accommodate new business as well as reduce reliance on third party vendors. The decrease in emergency response costs was due to the decrease in the volume of emergency response projects.

Corporate Items cost of revenues decreased 25.6%, or \$2.0 million, in the year ended December 31, 2007 from the comparable period in 2006. This change arose primarily from an increased allocation of centrally contracted insurance costs from the Corporate Items segment to Site Services and Technical Services. Some increased costs associated with a former operating unit absorbed into our inactive facilities were offset by lower external 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 costs increased 4.3%, or \$2.5 million, for the year ended December 31, 2007 from the comparable period in 2006 primarily due to an increase in

salary and bonuses (\$5.6 million), and was partially offset by a change in environmental liability estimates (\$3.0 million).

Site Services selling, general, and administrative expenses decreased 5.0%, or \$1.3 million, for the year ended December 31, 2007 from the comparable period in 2006 primarily due to a reduction in salary and bonuses and a change in environmental liability estimates (\$0.7 million), offset by an increase in marketing and professional fees (\$1.2 million).

Corporate Items selling general, and administrative expenses increased 56.3%, or \$22.9 million, for the year ended December 31, 2007 from the comparable period in 2006 due to favorable changes in environmental liability estimates in 2006 (\$13.6 million), increases in salary and related costs (\$6.2 million), and an unfavorable change in foreign exchange (\$3.2 million).

***Depreciation and Amortization***

	Year Ended December 31,	
	2007	2006
Depreciation of fixed assets . . . . .	\$27,200	\$23,366
Landfill and other amortization . . . . .	10,390	11,973
Total depreciation and amortization . . . . .	<u>\$37,590</u>	<u>\$35,339</u>

Depreciation and amortization increased 6.4%, or \$2.3 million for the year ended December 31, 2007 compared to the same period in 2006. Depreciation of fixed assets increased due to increased capital expenditures in recent periods and acquisitions. Landfill and other amortization decreased due to decreases in landfill disposal volumes.

***Loss on Early Extinguishment of Debt***

During 2006 we redeemed or purchased an aggregate of \$58.5 million principal amount of outstanding senior secured notes and paid prepayment penalties and accrued interest through the redemption or purchase dates. In connection with such redemption and purchase, we recorded to loss on early extinguishment of debt an aggregate of \$8.5 million, consisting of the \$1.8 million unamortized portion of such financing costs, \$0.6 million of unamortized discount on the senior secured notes and the \$6.1 million prepayment penalties required by the indenture in connection with such transactions.

***Interest Expense, Net***

	Year Ended December 31,	
	2007	2006
Interest expense . . . . .	\$17,180	\$16,036
Interest income . . . . .	(4,023)	(3,589)
Interest expense, net . . . . .	<u>\$13,157</u>	<u>\$12,447</u>

Interest expense, net increased 5.7%, or \$0.7 million for the year ended December 31, 2007 compared to the same period in 2006. Interest expense increased due to issuance of the \$30 million term loan in August 2006. Interest income increased due to the interest earned on Canadian money market funds.

### ***Conversion of Series B Preferred Stock***

As more fully described in Note 13, "Stockholders' Equity," to our financial statements included in Item 8 of this report, all of our remaining outstanding shares of Series B preferred stock were converted into common stock on December 28, 2007. During each of 2007 and 2006, dividends of \$0.3 million were paid on our Series B preferred stock.

### ***Income Taxes***

Our effective tax rate for fiscal years 2008, 2007, and 2006 was 39%, 39% and 12%, respectively. Our tax rate is affected by recurring items, such as tax rates in Canada and the relative amount of income we earn in Canada, which we expect to be fairly consistent in the near term. In addition, the FIN 48 interest and penalties accrual has a material impact on our rate, but FIN 48 was not adopted until January 1, 2007 and thus was not effective in 2006. The rate is also affected by discrete items that may occur in any given year, but are not consistent from year to year. In addition to state income taxes, the following discrete items had the most significant impact on the change in our U.S. federal income tax rate:

#### 2008

- A \$1.1 million (1.2%) reduction resulting from the release of interest and penalties of a Canadian tax reserve for which the statute expired.
- A \$1.0 million (1.1%) reduction resulting from a change in state deferred taxes.
- A \$0.2 million (0.2%) increase resulting from net Canadian withholding expense on interest payments. This is down from prior years due to a reduction in Canadian withholding rates.
- A \$4.5 million (4.8%) reduction resulting from rate differences between Canada and U.S.
- A \$4.8 million (5.1%) increase resulting from the annual calculation of accrued interest and penalties on FIN 48 liabilities.

#### 2007

- A \$4.4 million (6.2%) reduction resulting from rate differences between Canada and U.S.
- A \$5.5 million (7.6%) increase resulting from annual calculation of interest and penalties on FIN 48 liabilities.
- A \$0.8 million (1.0%) increase resulting from net Canadian withholding expense on interest payments.
- A \$1.9 million (2.7%) decrease resulting from an adjustment to prior year tax attributes.

#### 2006

- A \$4.1 million (7.8%) reduction resulting from rate differences between Canada and U.S.
- A \$14.1 million (26.6%) reduction resulting from the net change in the valuation allowance which was largely due to the release of valuation allowance on net operating loss carryforwards.
- A \$1.6 million (3.0%) increase resulting from the accrual of Canadian tax contingencies.
- A \$0.8 million (1.4%) increase resulting from Canadian withholding expense on interest payments.

SFAS No. 109 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. Based on factors such as exceeding projections, the number of consecutive quarters of

profitability, additional verification of the success of our business plan and cost savings initiatives, and evaluation and verification of the accretive nature of the Teris LLC acquisition which was completed in the third quarter of 2006, we determined in 2006 that it had become more likely than not that we would be able to realize a substantial portion of the U.S. net operating loss carryforward tax assets prior to their expiration. Therefore, in 2006, we released \$17.7 million of a valuation allowance related to a portion of our U.S. net operating loss carryforward tax assets. In connection with such release, we recorded in accordance with SFAS 109 a \$7.3 million adjustment to our deferred taxes associated with the 2002 acquisition of the CSD assets. Such amount was credited to the carrying value of the CSD non-current intangible assets, as there was no goodwill associated with that acquisition.

We adopted FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, tax contingencies increased \$41.9 million for uncertain tax positions, of which \$36.8 was accounted for as a decrease to retained earnings. In addition, to reflect the federal and state tax benefits upon the implementation of FIN 48, we also recorded an increase to our deferred tax assets of \$4.7 million and a \$0.4 million decrease to the valuation allowance. Our management has elected to continue its policy of recognizing interest and penalties related to income tax matters as a component of income tax expense. Tax expense for the fiscal years 2008, 2007 and 2006 included interest and penalties, net of federal benefit, of \$4.3 million, \$5.5 million, and \$0, respectively.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* ("SFAS 141R"), which is effective for financial statements issued for fiscal years beginning after December 15, 2008. Under the provisions of SFAS 141R, the future reversal of acquisition-related tax reserves of approximately \$11.1 million will be recorded in earnings, rather than as an adjustment to goodwill or acquisition related other intangible assets. If recognized, this will affect the annual effective income tax rate.

### **Liquidity and Capital Resources**

Major changes in our financial position resulted from:

- In the year ended December 31, 2008 we acquired Universal Environmental, Inc. and two solvent recycling facilities for a preliminary aggregate purchase price of \$27.5 million.
- In April 2008 we issued 2.875 million shares of common stock for net proceeds of \$173.5 million. We expect to use the net proceeds for one or more of the following: potential future acquisitions, repayment of debt and working capital.
- In July 2008, pursuant to a redemption notice delivered on June 25, 2008, we redeemed \$50.0 million principal amount of outstanding senior secured notes and paid prepayment penalties of \$2.8 million, plus accrued interest.
- In November 2008, pursuant to an Excess Cash Flow offer made on October 8, 2008, we purchased \$18.5 million principal amount of outstanding senior secured notes for a purchase price of \$19.2 million, plus accrued interest.

We intend to use our 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 have accrued environmental liabilities as of December 31, 2008 of approximately \$178.5 million, substantially all of which we assumed as part of our acquisitions of the CSD assets 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 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 the business strategy. Our primary sources of liquidity are internally generated cash flows and borrowings under our revolving credit facility. The first quarter of each fiscal year is typically a quarter with heavier cash usage; however, we believe our future operating cash flows will be sufficient to meet our future operating and investing cash needs. Furthermore, existing cash balances and the availability of additional borrowings under our revolving credit facility provide additional potential sources of liquidity should they be required.

#### *Cash Flows for 2008*

Cash from operating activities for the year ended December 31, 2008 was \$109.6 million, an increase of 37.0%, or \$29.6 million, compared with cash from operating activities for the year ended December 31, 2007. The increase was primarily the result of price increases, new business generated from acquisitions and stronger performance within the transportation and disposal business lines in the Technical Services segment.

Cash used for investing activities for the year ended December 31, 2008 was \$84.5 million, an increase of 97.5%, or \$41.7 million, compared with cash used for investing activities for the year ended December 31, 2007. The increase was primarily the result of acquisition costs and an increase in capital expenditures, partially offset by the sale of marketable securities.

Cash from financing activities for the year ended December 31, 2008 was \$116.8 million, an increase of \$114.1 million, compared to cash used for financing activities for the year ended December 31, 2007. The increase was primarily the result of proceeds from the issuance of common stock, partially offset by the redemption and purchase of \$50 million and \$18.5 million principal amounts of outstanding senior secured notes.

#### *Cash Flows for 2007*

Cash from operating activities for the year ended December 31, 2007 was \$80.0 million, an increase of 30.3%, or \$18.6 million, compared with cash from operating activities for the year ended December 31, 2006. The increase was primarily the result of price increases, increased volumes being processed at the facilities, and new business generated from recent acquisitions.

Cash used for investing activities for the year ended December 31, 2007 was \$42.8 million, a decrease of 56.7%, or \$56.1 million, compared with cash from investing activities for the year ended December 31, 2006. The decrease was due to a reduction in cash paid for acquisitions, a slight reduction in capital expenditures, and fewer shares of marketable securities bought and sold during the year.

Cash from financing activities for the year ended December 31, 2007 was \$2.7 million, an increase of \$23.1 million, compared with cash used in financing activities for the year ended December 31, 2006. In 2006, we made a \$58.5 million principal payment on outstanding debt and received \$30 million in proceeds from a term loan. There were no significant changes to our debt structure during 2007.

#### *Financing Arrangements*

At December 31, 2008, 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. The financing arrangements and principal terms of each of them are discussed further in Note 9, "Financing Arrangements," to our financial statements included in Item 8 of this report. At December 31, 2008, under the revolving facility, we had no borrowings outstanding and \$39.6 million of letters of credit outstanding, and had approximately \$30.4 million available to borrow.

The senior secured notes indenture requires us, within 120 days after the close of each twelve-month period ending on June 30 of each year (ending on June 30, 2011), to apply an amount equal to 50% of the period's Excess Cash Flow (as defined below) to either prepay, repay, redeem or purchase our first-lien obligations under the revolving credit facility, synthetic letter of credit facility or capital lease obligations or to make offers ("Excess Cash Flow Offers") to repurchase all or part of the then outstanding senior secured notes at an offering price equal to 104% of their principal amount plus accrued interest. "Excess Cash Flow" is defined in the Indenture as consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA") less interest expense, all taxes paid or accrued in the period, capital expenditures made in cash during the period, and all cash spent on environmental monitoring, remediation or relating to our environmental liabilities.

On October 8, 2008, we made an Excess Cash Flow Offer in accordance with the terms described above based on our Excess Cash Flow Amount of \$19.2 million for the twelve-month period ended June 30, 2008. In response to tenders received from note holders prior to the expiration of the offer on November 7, 2008, we purchased on November 12, 2008 an aggregate of \$18.5 million principal amount of outstanding senior secured notes for a purchase price of \$19.2 million and also paid approximately \$0.7 million of accrued interest through the purchase date on the purchased notes.

As of December 31, 2008, 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 \$46.5 million of unrecognized tax benefits. These liabilities are classified as "other long-term liabilities" in our Consolidated Balance Sheets in accordance with the provision of FIN 48 adopted on January 1, 2007 because of the uncertainties involved. 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.

**Contractual Obligations**

The following table has been included to assist the reader in analyzing our debt and similar obligations as of December 31, 2008 and our ability to meet such obligations (in thousands):

<u>Contractual Obligations</u>	<u>Total</u>	<u>Payments Due by Period</u>			
		<u>Less than 1 year</u>	<u>1-3 years</u>	<u>4-5 years</u>	<u>After 5 years</u>
Closure, post-closure and remedial liabilities . . .	\$431,636	\$17,579	\$ 40,160	\$30,197	\$343,700
Pension funding . . . . .	3,261	240	510	575	1,936
Long-term debt . . . . .	53,032	—	30,000	23,032	—
Interest on long-term obligations . . . . .	9,411	2,681	5,309	1,421	—
Capital leases . . . . .	839	449	370	20	—
Operating leases . . . . .	96,684	22,344	34,002	19,309	21,029
Total contractual obligations . . . . .	<u>\$594,863</u>	<u>\$43,293</u>	<u>\$110,351</u>	<u>\$74,554</u>	<u>\$366,665</u>

Note: As we are not able to reasonably estimate when we would make any cash payments to settle uncertain tax position liabilities of \$46.5 million, such amounts have not been included in the table above. In addition, the Company has already recorded a liability for interest of \$17.0 million and potential penalties of \$5.2 million, of which such amounts have also not been included in the table above.

The undiscounted value of closure, post closure and remedial liabilities of \$431.6 million is equivalent to the present value of \$178.5 million based on discounting of \$167.8 million and the remainder of \$85.3 million to be accrued for closure and post-closure liabilities over the remaining site lives.

The following table has been included to assist the reader in understanding other contractual obligations we had as of December 31, 2008 and our ability to meet these obligations (in thousands):

<u>Other Commercial Commitments</u>	<u>Total</u>	<u>Payments Due by Period</u>			
		<u>Less than 1 year</u>	<u>1-3 years</u>	<u>4-5 years</u>	<u>After 5 years</u>
Standby letters of credit . . . . .	\$87,584	\$87,215	\$369	\$—	\$—
Total commercial commitments . . . . .	<u>\$87,584</u>	<u>\$87,215</u>	<u>\$369</u>	<u>\$—</u>	<u>\$—</u>

We obtained substantially all of the standby letters of credit described in the above table as security for financial assurance obligations which we have been required to provide to regulatory bodies for our hazardous waste facilities and which would be called only in the event that we fail to satisfy closure, post-closure and other obligations under the permits issued by those regulatory bodies for such licensed facilities. See Note 9, “Financing Arrangements,” to our financial statements included in Item 8 of this report for further discussion of our financing arrangements.

*Off-Balance Sheet Arrangements*

Except for our obligations under operating leases and letters of credit described above under “Contractual Obligations” and performance obligations incurred in the ordinary course of business, we are not now party to any off-balance sheet arrangements involving guarantee, contingency or similar obligations to entities whose financial statements are not consolidated with our results and that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that would be material to investors in our securities.

*Capital Expenditures*

We anticipate that 2009 capital spending will be between \$55.0 million and \$60.0 million, of which approximately \$3.3 million will relate to complying with environmental regulations. However, changes in environmental regulations can require us to make significant capital expenditures for our facilities and adversely affect our results of operations and cash flow. On June 25, 2008, we amended our credit agreement to increase the limit of capital expenditures from \$42 million to \$60.0 million which may potentially be made in each of fiscal years 2008, 2009 and 2010.

*Auction Rate Securities*

As of December 31, 2008, our long-term investments included \$6.2 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 are currently not liquid. 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. During the second quarter we accepted an offer to purchase a \$1.5 million auction rate security at par and it was settled in May 2008. In the unlikely event that we need to access

the funds that are in an illiquid state, 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 or significant other observable inputs. As of December 31, 2008, we have recorded an unrealized pre-tax loss of \$0.8 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 and when appropriate.

### **Stockholder Matters**

On April 29, 2008, we issued 2.875 million shares of common stock, including 375,000 shares of common stock issued upon exercise of an underwriters' option, at a public offering price of \$63.75 per share. After the underwriter discount and offering expense, we received net proceeds of \$173.5 million.

On May 15, 2008 and September 23, 2008, we granted a total of 92,936 performance share awards that are subject to achieving predetermined revenue and EBITDA targets by December 31, 2009 and also include continued service conditions. If we do not achieve the performance goals by the end of 2009, the shares will be forfeited in their entirety. On March 15, 2008, 13,100 performance share awards that were granted in 2007 vested, leaving 34,474 of such performance share awards outstanding at December 31, 2008. For the year ended December 31, 2008, we believed that it was probable that the performance targets for both the 2008 and 2007 awards will be achieved.

In July 2008, warrants for an aggregate of 150,000 shares were exercised for \$1.2 million in cash. In October 2008, warrants for an aggregate of 198,690 shares were exercised for \$1.6 million in cash. No warrants remained outstanding at December 31, 2008.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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 December 31, 2008 (in thousands):

<u>Scheduled Maturity Dates</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2012</u>	<u>Thereafter</u>	<u>Total</u>
Senior secured notes . . . . .	\$ —	\$ —	\$ —	\$23,032	\$—	\$—	\$23,032
Capital lease obligations . . . . .	400	227	113	20	—	—	760
	<u>\$400</u>	<u>\$227</u>	<u>\$113</u>	<u>\$23,052</u>	<u>\$—</u>	<u>\$—</u>	<u>\$23,792</u>
Weighted average interest rate on fixed rate borrowings . . . . .	11.4%	11.5%	11.5%	11.5%			

In addition to the fixed rate borrowings described in the above table, at December 31, 2008 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 \$0.2 million for each of the years ended December 31, 2008 and 2007.

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 Canadian subsidiaries transact approximately 25.2% 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. Had the Canadian dollar been 10.0% stronger against the U.S. dollar, we would have reported decreased net income by approximately \$0.8 million and \$1.0 million for the years ended December 31, 2008 and 2007, respectively. Had the Canadian dollar been 10.0% weaker against the U.S. dollar, we would have reported increased net income by approximately \$0.8 million and \$1.0 million for the years ended December 31, 2008 and 2007, respectively.

At December 31, 2008, \$6.2 million of our noncurrent investments are 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
Clean Harbors, Inc.  
Norwell, Massachusetts

We have audited the accompanying consolidated balance sheets of Clean Harbors, Inc. and subsidiaries (the "Company") as of December 31, 2008 and 2007, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Clean Harbors, Inc. and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Notes 2 and 11 to the consolidated financial statements, the Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, effective January 1, 2007.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 2, 2009 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Boston, Massachusetts  
March 2, 2009

**CLEAN HARBORS, INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**ASSETS**

(dollars in thousands)

	<u>As of December 31,</u>	
	<u>2008</u>	<u>2007</u>
Current assets:		
Cash and cash equivalents . . . . .	\$249,524	\$119,538
Marketable securities . . . . .	175	850
Accounts receivable, net of allowances aggregating \$6,723 and \$6,105, respectively . . . . .	174,990	193,126
Unbilled accounts receivable . . . . .	5,545	14,703
Deferred costs . . . . .	5,877	7,359
Prepaid expenses and other current assets . . . . .	13,472	10,098
Supplies inventories . . . . .	26,905	22,363
Deferred tax assets . . . . .	12,564	11,491
Properties held for sale . . . . .	—	910
Total current assets . . . . .	<u>489,052</u>	<u>380,438</u>
Property, plant and equipment:		
Land . . . . .	26,399	22,273
Asset retirement costs (non-landfill) . . . . .	1,761	1,438
Landfill assets . . . . .	35,062	29,925
Buildings and improvements . . . . .	127,466	112,469
Vehicles . . . . .	33,502	22,854
Equipment . . . . .	310,459	274,619
Furniture and fixtures . . . . .	1,663	1,454
Construction in progress . . . . .	13,206	18,702
	<u>549,518</u>	<u>483,734</u>
Less—accumulated depreciation and amortization . . . . .	254,057	221,133
	<u>295,461</u>	<u>262,601</u>
Other assets:		
Long-term investments . . . . .	6,237	8,500
Deferred financing costs . . . . .	3,044	5,881
Goodwill . . . . .	24,578	21,572
Permits and other intangibles, net of accumulated amortization of \$40,303 and \$36,443, respectively . . . . .	71,754	74,809
Deferred tax assets . . . . .	5,454	12,176
Other . . . . .	2,756	3,911
	<u>113,823</u>	<u>126,849</u>
Total assets . . . . .	<u>\$898,336</u>	<u>\$769,888</u>

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

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (Continued)**  
**LIABILITIES AND STOCKHOLDERS' EQUITY**  
(dollars in thousands)

	As of December 31,	
	2008	2007
Current liabilities:		
Uncashed checks . . . . .	\$ 7,733	\$ 5,489
Current portion of capital lease obligations . . . . .	400	1,251
Accounts payable . . . . .	63,885	81,309
Deferred revenue . . . . .	24,190	29,730
Accrued expenses . . . . .	67,901	65,789
Current portion of closure, post-closure and remedial liabilities . . . . .	17,264	18,858
Income taxes payable . . . . .	—	8,427
Total current liabilities . . . . .	181,373	210,853
Other liabilities:		
Closure and post-closure liabilities, less current portion of \$6,383 and \$5,527, respectively . . . . .	26,254	24,202
Remedial liabilities, less current portion of \$10,881 and \$13,331, respectively . . . . .	135,007	141,428
Long-term obligations . . . . .	52,870	120,712
Capital lease obligations, less current portion . . . . .	360	1,520
Unrecognized tax benefits and other long-term liabilities . . . . .	73,427	68,276
Total other liabilities . . . . .	287,918	356,138
Commitments and contingent liabilities		
Stockholders' equity:		
Common stock, \$.01 par value:		
Authorized 40,000,000 shares; issued and outstanding 23,733,257 and 20,327,533 shares, respectively . . . . .	237	203
Treasury stock . . . . .	(1,653)	(1,170)
Additional paid-in capital . . . . .	353,950	166,653
Accumulated other comprehensive (loss) income . . . . .	(688)	17,498
Accumulated earnings . . . . .	77,199	19,713
Total stockholders' equity . . . . .	429,045	202,897
Total liabilities and stockholders' equity . . . . .	\$898,336	\$769,888

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

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands except per share amounts)

	<u>For the years ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues . . . . .	\$1,030,713	\$946,917	\$829,809
Cost of revenues (exclusive of items shown separately below) . . . . .	707,820	664,440	584,835
Selling, general and administrative expenses . . . . .	159,674	149,180	125,039
Accretion of environmental liabilities . . . . .	10,776	10,447	10,220
Depreciation and amortization . . . . .	44,471	37,590	35,339
Income from operations . . . . .	107,972	85,260	74,376
Other (expense) income . . . . .	(119)	135	(447)
Loss on early extinguishment of debt . . . . .	(5,473)	—	(8,529)
Interest expense, net of interest income of \$5,094, \$4,023, and \$3,589, respectively . . . . .	(8,403)	(13,157)	(12,447)
Income before provision for income taxes and equity interest in joint venture . . . . .	93,977	72,238	52,953
Provision for income taxes . . . . .	36,491	28,040	6,339
Equity interest in joint venture . . . . .	—	—	(61)
Net income . . . . .	57,486	44,198	46,675
Dividends on Series B preferred stock . . . . .	—	206	276
Net income attributable to common stockholders . . . . .	<u>\$ 57,486</u>	<u>\$ 43,992</u>	<u>\$ 46,399</u>
Earnings per share:			
Basic income attributable to common stockholders . . . . .	<u>\$ 2.56</u>	<u>\$ 2.22</u>	<u>\$ 2.38</u>
Diluted income attributable to common stockholders . . . . .	<u>\$ 2.51</u>	<u>\$ 2.14</u>	<u>\$ 2.26</u>
Weighted average common shares outstanding . . . . .	<u>22,465</u>	<u>19,827</u>	<u>19,526</u>
Weighted average common shares outstanding plus potentially dilutive common shares . . . . .	<u>22,866</u>	<u>20,630</u>	<u>20,657</u>

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

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	For the years ended December 31,		
	2008	2007	2006
<b>Cash flows from operating activities:</b>			
Net income	\$ 57,486	\$ 44,198	\$ 46,675
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	44,471	37,590	35,339
Allowance for doubtful accounts	267	(418)	88
Amortization of deferred financing costs and debt discount	1,915	1,940	1,616
Accretion of environmental liabilities	10,776	10,447	10,220
Changes in environmental liability estimates	(2,047)	597	(9,582)
Deferred income taxes	3,197	(7,492)	(6,385)
Impairment of assets held for sale	—	—	207
Loss (gain) on sale of fixed assets and assets held for sale	119	(135)	240
Stock-based compensation	3,565	4,799	3,387
Excess tax benefit of stock-based compensation	(3,504)	(6,386)	(5,239)
Income tax benefits related to stock option exercises	3,534	6,427	5,399
Investment in joint venture	—	—	(61)
Write-off of deferred financing costs and debt discount	1,921	—	2,383
Environmental expenditures	(14,268)	(6,511)	(7,605)
Changes in assets and liabilities:			
Accounts receivable	17,221	(19,142)	(5,000)
Other current assets	5,529	(2,693)	(11,092)
Accounts payable	(17,763)	(4,603)	(4,674)
Other current liabilities	(2,829)	21,377	5,466
Net cash from operating activities	<u>109,590</u>	<u>79,995</u>	<u>61,382</u>
<b>Cash flows from investing activities:</b>			
Additions to property, plant and equipment	(57,462)	(36,528)	(40,668)
Acquisitions, net of cash acquired	(27,628)	(7,410)	(51,492)
Costs to obtain or renew permits	(2,129)	(1,302)	(2,348)
Proceeds from sales of restricted investments	—	—	3,469
Purchase of available-for-sale securities	(2,529)	(2,310)	(55,628)
Sales of marketable securities	4,350	3,200	45,388
Proceeds from sales of fixed assets and assets held for sale	537	615	2,010
Proceeds from insurance	346	944	384
Net cash from investing activities	<u>\$(84,515)</u>	<u>\$(42,791)</u>	<u>\$(98,885)</u>

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

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**  
(in thousands)

	<u>For the years ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Cash flows from financing activities:			
Change in uncashed checks . . . . .	\$ 2,513	\$ (5,916)	\$ 3,128
Proceeds from exercise of stock options . . . . .	2,082	1,647	2,354
Proceeds from exercise of warrants . . . . .	2,789	1,200	—
Remittance of shares . . . . .	(483)	—	—
Excess tax benefit of stock-based compensation . . . . .	3,504	6,386	5,239
Dividend payments on preferred stock . . . . .	—	(206)	(276)
Deferred financing costs paid . . . . .	—	(32)	(983)
Proceeds from employee stock purchase plan . . . . .	1,820	1,169	801
Payments on capital leases . . . . .	(485)	(1,455)	(2,111)
Proceeds from issuance of common stock, net . . . . .	173,541	—	—
Principal payments on debt . . . . .	(68,486)	—	(58,482)
Proceeds from term loan to finance acquisition . . . . .	—	—	30,000
Other . . . . .	—	(69)	—
Net cash from financing activities . . . . .	<u>116,795</u>	<u>2,724</u>	<u>(20,330)</u>
Effect of exchange rate change on cash . . . . .	<u>(11,884)</u>	<u>6,060</u>	<u>(1,066)</u>
Increase (decrease) in cash and cash equivalents . . . . .	129,986	45,988	(58,899)
Cash and cash equivalents, beginning of year . . . . .	<u>119,538</u>	<u>73,550</u>	<u>132,449</u>
Cash and cash equivalents, end of year . . . . .	<u>\$249,524</u>	<u>\$119,538</u>	<u>\$ 73,550</u>
Supplemental information:			
Cash payments for interest and income taxes:			
Interest paid . . . . .	\$ 13,661	\$ 14,648	\$ 17,761
Income taxes paid . . . . .	36,520	13,941	5,356
Non-cash investing and financing activities:			
Property, plant and equipment accrued . . . . .	6,150	4,792	3,600
New capital lease obligations . . . . .	—	—	142
Restricted stock grants . . . . .	3,900	1,169	—

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

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(in thousands)

	Series B Preferred Stock		Common Stock		Treasury Stock	Additional Paid-in Capital	Comprehensive Income	Restricted Stock Unearned Compensation	Accumulated Other Comprehensive Income	Accumulated Earnings	Total Stockholders' Equity
	Number of Shares	\$0.01 Par Value	Number of Shares	\$0.01 Par Value							
Balance at December 31, 2005	69	\$ 1	19,353	\$194	\$ —	\$141,079		\$(1,044)	\$ 9,745	\$(34,317)	\$115,658
Net income	—	—	—	—	—	—	\$46,675	—	—	46,675	46,675
Foreign currency translation	—	—	—	—	—	—	(638)	—	(638)	—	(638)
Unfunded pension liability (net of deferred taxes of \$19)	—	—	—	—	—	—	35	—	35	—	35
FAS 158 adoption (net of deferred taxes of \$113)	—	—	—	—	—	—	—	—	(203)	—	(203)
Comprehensive income	—	—	—	—	—	—	<u>\$46,072</u>	—	—	—	—
Other	—	—	—	—	—	(6)	—	—	—	—	(6)
Series B preferred stock dividends	—	—	—	—	—	(276)	—	—	—	—	(276)
Stock-based compensation	—	—	41	—	—	3,387	—	—	—	—	3,387
Adoption of FAS No. 123(R)	—	—	—	—	—	(1,044)	—	1,044	—	—	—
Exercise of stock options	—	—	261	3	—	2,351	—	—	—	—	2,354
Tax benefit on exercise of stock options	—	—	—	—	—	5,399	—	—	—	—	5,399
Employee stock purchase plan	—	—	30	—	—	801	—	—	—	—	801
Balance at December 31, 2006	69	\$ 1	19,685	\$197	\$ —	\$151,691		\$ —	\$ 8,939	\$ 12,358	\$173,186
Net income	—	—	—	—	—	—	\$44,198	—	—	44,198	44,198
Foreign currency translation	—	—	—	—	—	—	8,786	—	8,786	—	8,786
Minimum pension liability adjustment (net of deferred taxes of \$127)	—	—	—	—	—	—	(227)	—	(227)	—	(227)
Comprehensive income	—	—	—	—	—	—	<u>\$52,757</u>	—	—	—	—
FIN 48 cumulative effect adjustment	—	—	—	—	—	—	—	—	—	(36,843)	(36,843)
Other	—	—	—	—	—	(69)	—	—	—	—	(69)
Series B preferred stock dividends	—	—	—	—	—	(206)	—	—	—	—	(206)
Conversion of Series B preferred	(69)	(1)	210	2	—	(1)	—	—	—	—	—
Exercise of warrants	—	—	150	2	—	1,198	—	—	—	—	1,200
Stock-based compensation	—	—	56	—	—	4,799	—	—	—	—	4,799
Issuance of restricted shares, net of shares remitted	—	—	23	—	(1,170)	—	—	—	—	—	(1,170)
Exercise of stock options	—	—	173	2	—	1,645	—	—	—	—	1,647
Tax benefit on exercise of stock options	—	—	—	—	—	6,427	—	—	—	—	6,427
Employee stock purchase plan	—	—	31	—	—	1,169	—	—	—	—	1,169
Balance at December 31, 2007	—	—	20,328	\$203	\$(1,170)	\$166,653		—	\$17,498	\$ 19,713	\$202,897

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

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Continued)**  
(in thousands)

	Common Stock		Treasury Stock	Additional Paid-in Capital	Comprehensive Income	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings	Total Stockholders' Equity
	Number of Shares	\$0.01 Par Value						
Balance at December 31, 2007	20,328	\$203	\$(1,170)	\$166,653		\$ 17,498	\$19,713	\$202,897
Net income	—	—	—	—	\$ 57,486	—	57,486	57,486
Foreign currency translation	—	—	—	—	(16,950)	(16,950)	—	(16,950)
Change in fair value of available for sale securities (net of deferred taxes of \$332)	—	—	—	—	(716)	(716)	—	(716)
Unfunded pension liability (net of deferred taxes of \$328)	—	—	—	—	(520)	(520)	—	(520)
Comprehensive income	—	—	—	—	<u>\$ 39,300</u>	—	—	—
Exercise of warrants	349	3	—	2,786	—	—	—	2,789
Stock-based compensation	(4)	—	—	3,565	—	—	—	3,565
Remittance of shares	(31)	—	(483)	—	—	—	—	(483)
Exercise of stock options	178	2	—	2,080	—	—	—	2,082
Issuance of common stock, net of issuance costs of \$556	2,875	29	—	173,512	—	—	—	173,541
Tax benefit on exercise of stock options	—	—	—	3,534	—	—	—	3,534
Employee stock purchase plan	38	—	—	1,820	—	—	—	1,820
Balance at December 31, 2008	<u>23,733</u>	<u>\$237</u>	<u>\$(1,653)</u>	<u>\$353,950</u>		<u>\$ (688)</u>	<u>\$77,199</u>	<u>\$429,045</u>

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

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(1) OPERATIONS**

Clean Harbors, Inc., through its subsidiaries (collectively, the “Company”), provides a wide range of environmental services and solutions to a diversified customer base in the United States, Canada, Puerto Rico and Mexico. The Company is one of the largest providers of environmental services and the largest operator of non-nuclear hazardous waste treatment facilities in North America based on a 2008 industry report. The Company has a network of more than 100 service locations, including 51 active hazardous waste management properties. These properties include six incineration facilities, nine commercial landfills, six wastewater treatment facilities, 20 transportation, storage and disposal facilities (“TSDFs”), two solvent recycling facilities and eight locations specializing in polychlorinated biphenyls (“PCB”) management and oil storage and recycling. Some of our properties offer multiple capabilities. In addition, the Company has 73 service centers, satellite and support locations and corporate and regional offices. These properties are located in 36 states, six Canadian provinces, Puerto Rico and Mexico. Effective December 15, 2008, the Company’s shares of common stock began trading on the New York Stock Exchange under the symbol CLH. Prior to that date, the Company’s shares of common stock traded on The NASDAQ Global Select Market under the symbol CLHB.

**(2) SIGNIFICANT ACCOUNTING POLICIES**

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

*Principles of Consolidation*

The accompanying consolidated statements include the accounts of Clean Harbors, Inc. and its majority-owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

*Revenue Recognition*

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable, and collection is reasonably assured. Revenue is recognized net of estimated allowances. Due to the nature of the business and the complex invoices that result from the services provided, customers may withhold payments and attempt to renegotiate amounts invoiced. Accordingly, management establishes a revenue allowance to cover the estimated amounts of revenue that may need to be credited to customers’ accounts in future periods. The Company records a provision for revenue allowances based on specific review of particular customers, historical trends and other relevant information.

The Company provides a wide range of environmental services through two segments: Technical Services and Site Services. Technical Services involve: (i) services for collection, transportation and logistics management; (ii) services for the categorizing, packaging and removal of laboratory chemicals (CleanPack®); and (iii) services related to the treatment and disposal of hazardous wastes. Site Services involve a wide range of services to maintain industrial facilities and process equipment, as well as clean up or contain actual or threatened releases of hazardous materials into the environment. Revenues for all services with the exception of services for the treatment and disposal of hazardous waste are recorded as services are rendered. Revenues for disposing of hazardous waste are recognized upon completion of wastewater treatment, landfill or incineration of the waste at a Company-owned site or when the waste is shipped to a third party for processing and disposal. Revenues from waste that is not

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)**

yet completely processed and the related costs are deferred until services are completed. Revenue is recognized on contracts with retainage when services have been rendered and collectability is reasonably assured.

*Credit Concentration*

Concentration of credit risks in accounts receivable is limited due to the large number of customers comprising the Company's customer base throughout North America. The Company performs periodic credit evaluations of its customers and generally does not require collateral. The Company establishes an allowance for uncollectible accounts based on specific review of particular balances and customers, the credit risk applicable to particular customers, historical trends and other relevant information.

*Income Taxes*

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, *Accounting for Income Taxes* ("SFAS No. 109") and effective January 1, 2007, Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"). There are two major components of income tax expense, current and deferred. Current income tax expense approximates cash to be paid or refunded for taxes for the applicable period. Deferred tax assets and liabilities are determined based upon the difference between the financial statement and tax basis of assets and liabilities as measured by the enacted tax rates, which will be in effect when these differences reverse. Deferred tax expense or benefit is the result of changes between deferred tax assets and liabilities.

The Company recognizes interest and penalties related to unrecognized tax benefits within the income tax expense line in the consolidated statements of income. Accrued interest and penalties are included within unrecognized tax benefits and other long-term liabilities line in the consolidated balance sheet.

A valuation allowance is established when, based on an evaluation of objective verifiable evidence, it is more likely than not that some portion or all of deferred tax assets will not be realized.

*Earnings per Share ("EPS")*

Basic EPS is calculated by dividing income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted EPS gives effect to all potentially dilutive common shares that were outstanding during the period.

*Segment Information*

The Company's operations are managed in two segments: Technical Services and Site Services. The Company operates within the United States, Puerto Rico, Canada and Mexico and no individual customer accounts for more than 10% of revenues.

*Cash, Cash Equivalents and Uncashed Checks*

The Company classifies all highly liquid instruments purchased with maturities of less than three months to be cash equivalents.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Company's cash management program with its revolving credit lender allows for the maintenance of a zero balance in the U.S. bank disbursement accounts that are used to issue vendor and payroll checks. The checks are covered from cash, at the Company's discretion, deposited into such accounts or from availability under the revolving line of credit when the checks are presented for payment. The program can result in checks outstanding in excess of bank balances in the disbursement accounts. When checks are presented to the bank for payment, cash deposits in amounts sufficient to fund the checks are made from funds provided by other accounts, or under the terms of the Company's revolving credit facility. Therefore, until checks are presented for payment, there is no right of offset by the bank and the Company continues to have control over cash relating to both released as well as unreleased checks. As such checks that have been written to vendors or employees but have not yet been presented for payment at the Company's bank, are classified as uncashed checks and added back to cash balances.

*Marketable Securities*

The Company has classified its marketable securities as available-for-sale and, accordingly, carries such securities at fair value. Unrealized gains and losses are reported, net of tax, as a component of stockholders' equity.

*Allowances for Doubtful Accounts*

On a regular basis, the Company evaluates its accounts receivable and establishes the allowance for doubtful accounts based on an evaluation of historical collection trends, customer concentration, customer credit ratings, current economic trends and changes in customer payment patterns.

*Unbilled Receivables*

The Company recognizes unbilled accounts receivable for service and disposal transactions rendered but not invoiced to the customer by the end of the period.

*Supplies Inventories*

Supplies inventories consist primarily of supplies and repair parts expected to be used in the operating cycle, which are stated at the lower of cost or market. The Company periodically reviews its inventories for obsolete or unsaleable items and adjusts its carrying value to reflect estimated realizable values.

*Properties Held for Sale*

From time to time the Company identifies properties that are no longer needed for its operations. These properties are transferred to properties held for sale at the lower of their net book value or current estimated market value less estimated selling costs when they meet the following criteria: (i) management, having the authority to approve the action, commits to a plan to sell the assets; (ii) the assets are available for immediate sale in their present condition, subject only to conditions that are usual and customary for the sale of such assets; (iii) the Company is actively searching for a buyer; (iv) the assets are being marketed at a price that is reasonable in relation to their current fair value; (v) actions necessary to complete the plan indicate that it is unlikely that significant changes to the plan will be made or the plan will be withdrawn; and (vi) the sale is probable and the transfer is expected to

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)**

qualify for recognition as a completed sale within one year. At of December 31, 2007, there were three properties classified as properties held for sale. One Corporate Items segment property was sold in August 2008 for net proceeds of \$0.4 million. The remaining two properties were reclassified as held and used in February and March of 2008. No properties were being held for sale at December 31, 2008.

*Property, Plant and Equipment (excluding landfill assets)*

Property, plant and equipment are stated at cost and include amounts capitalized under capital lease obligations. Expenditures for major renewals and improvements which extend the life of the asset are capitalized. Items of an ordinary repair or maintenance nature are charged directly to operating expense as incurred. During the construction and development period of an asset, the costs incurred, including applicable interest costs, are classified as construction-in-progress. Interest in the amount of \$0.2 million, \$1.2 million and \$0.7 million was capitalized to fixed assets during the years ended December 31, 2008, 2007 and 2006, respectively. Depreciation and amortization expense was \$33.4 million, \$27.2 million and \$23.3 million for the years ended December 31, 2008, 2007 and 2006, respectively.

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

<u>Asset Classification</u>	<u>Estimated Useful Life</u>
Capitalized software . . . . .	3 years
Buildings and building improvements . . . . .	2-40 years
Land improvements . . . . .	5 years
Leasehold improvements . . . . .	2-10 years
Vehicles . . . . .	3-12 years
Equipment . . . . .	3-20 years
Furniture and fixtures . . . . .	5-8 years

The Company recognizes an impairment in the carrying value of long-lived assets when the expected future undiscounted cash flows derived from the assets are less than their carrying value. For the year ended December 31, 2006 the Company recorded a \$0.6 million impairment charge related to long-lived assets at the Plaquemine, Louisiana facility. For the years ended December 31, 2008 and 2007, the Company recorded no impairment charge related to long-lived assets.

*Goodwill and Intangible Assets*

Goodwill, permits and other intangible assets are stated at cost. Goodwill is not amortized. Permits relating to landfills are amortized on a consumption unit basis. All other permits are amortized over periods ranging from 5 to 30 years on a straight-line basis. Permits consist of the value of permits acquired in a business combination and direct costs related to obtaining such permits such as legal fees, site surveys, engineering costs and other expenses. In addition, the Company capitalizes legal costs incurred in connection with the successful defense of the Company's right to accept certain waste under a validly issued permit. Amortization expense was \$5.5 million, \$5.0 million and \$7.1 million for the years ended December 31, 2008, 2007 and 2006, respectively.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Company assesses goodwill for impairment at least on an annual basis as of December 31st by comparing the book value of the assets to their implied fair value. Permits and other intangible assets are assessed only when a specific triggering event occurs. For the year ended December 31, 2006, the Company recorded a \$2.0 million impairment charge related to the Plaquemine, Louisiana facility. There were no impairment charges during the years ended December 31, 2008 and 2007.

*Leases*

The Company leases rolling stock, rail cars, equipment, real estate and office equipment under operating leases. Certain real estate leases contain rent holidays and rent escalation clauses. Most of the Company's real estate lease agreements include renewal periods at the Company's option. For its operating leases, the Company recognizes rent holiday periods and scheduled rent increases on a straight-line basis over the lease term beginning with the date the Company takes possession of the leased assets.

*Deferred Financing Costs*

Deferred financing costs are amortized over the life of the related debt instrument. Amortization expense is included in interest expense in the statements of income.

*Fair Value of Financial Instruments*

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. The fair value of the Company's outstanding senior secured notes is based on quoted market price and was \$22.2 million and \$93.8 million at December 31, 2008 and 2007, respectively. The term loan bears interest using a variable interest rate which approximates fair value. The fair value of marketable securities are recorded based on quoted market price and the fair value of auction rate securities are recorded based on discounted cash flows in accordance with SFAS No. 157, *Fair Value Measurements* ("SFAS No. 157").

*Landfill Accounting*

*Landfill accounting*—The Company amortizes landfill improvements, and certain landfill related permits over their estimated useful lives. The units-of-consumption method is used to amortize land, landfill cell construction, asset retirement costs and remaining landfill cells and sites. The Company also utilizes the units-of-consumption method to record closure and post-closure obligations for landfill cells and sites. Under the units-of-consumption method, the Company includes future estimated construction and asset retirement costs, as well as costs incurred to date, in the amortization base. Additionally, where appropriate, the Company includes probable expansion airspace that has yet to be permitted in the calculation of the total remaining useful life of the landfill.

*Landfill assets*—Landfill assets include the costs of landfill site acquisition, preparation and improvement. These amounts are recorded at cost, which includes capitalized interest as applicable. Landfill assets, net of amortization, are combined with management's estimate of the costs required to complete construction of the landfill to determine the amount to be amortized over the remaining

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)**

estimated useful economic life of a site. Amortization of landfill assets is recorded on a units-of-consumption basis, such that the landfill assets should be completely amortized at the date the landfill ceases accepting waste. Amortization totaled \$5.6 million, \$5.4 million and \$4.9 million for the years ended December 31, 2008, 2007 and 2006, respectively. Changes in estimated costs to complete construction are applied prospectively to the amortization rate.

*Amortization of cell construction costs and accrual of cell closure obligations*—Landfills are typically comprised of a number of cells, which are constructed within a defined acreage (or footprint). The cells are typically discrete units, which require both separate construction and separate capping and closure procedures. Cell construction costs are the costs required to excavate and construct the landfill cell. These costs are typically amortized on a units-of-consumption basis, such that they are completely amortized when the specific cell ceases accepting waste. In some instances, the Company has landfills that are engineered and constructed as “progressive trenches.” In progressive trench landfills, a number of contiguous cells form a progressive trench. In those instances, the Company amortizes cell construction costs over the airspace within the entire trench, such that the cell construction costs will be fully amortized at the end of the trench useful life.

The design and construction of a landfill does not create a landfill asset retirement obligation. Rather, the asset retirement obligation for cell closure (the cost associated with capping each cell) is incurred in relatively small increments as waste is placed in the landfill. Therefore, the cost required to construct the cell cap is capitalized as an asset retirement cost and a liability of an equal amount is established, based on the discounted cash flow associated with each capping event, as airspace is consumed. Spending for cell capping is reflected as environmental expenditures within operating activities in the statement of cash flows.

*Landfill final closure and post-closure liabilities*—The Company has material financial commitments for the costs associated with requirements of the EPA and the comparable regulatory agency in Canada for landfill final closure and post-closure activities. In the United States, the landfill final closure and post-closure requirements are established under the standards of the EPA, and are implemented and applied on a state-by-state basis. Estimates for the cost of these activities are developed by the Company based on an evaluation of site-specific facts and circumstances, including the Company’s interpretation of current regulatory requirements and proposed regulatory changes. Such estimates may change in the future due to various circumstances including, but not limited to, permit modifications, changes in legislation or regulations, technological changes and results of environmental studies.

Final closure costs are the costs incurred after the site ceases to accept waste, but before the landfill is certified as closed by the applicable state regulatory agency. These costs generally include the costs required to cap the final cell of the landfill (if not included in cell closure), the costs required to dismantle certain structures for landfills and other landfill improvements, and regulation-mandated groundwater monitoring, and leachate management. Post-closure costs involve the maintenance and monitoring of a landfill site that has been certified closed by the applicable regulatory agency. These costs generally include groundwater monitoring and leachate management. Regulatory post-closure periods are generally 30 years after landfill closure. Final closure and post-closure obligations are accrued on a units-of-consumption basis, such that the present value of the final closure and post-closure obligations are fully accrued at the date the landfill discontinues accepting waste.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In accordance with SFAS No. 143, *Accounting for Asset Retirement Obligations* (“SFAS No. 143”), cell closure, final closure and post closure costs are calculated by estimating the total obligation in current dollars, adjusted for inflation (2.44% during 2008 and 2.57% during 2007) and discounted at the Company’s credit-adjusted risk-free interest rate (10.12% and 9.0% for the years ended December 31, 2008 and 2007, respectively).

*Landfill capacity*—Landfill capacity, which is the basis for the amortization of landfill assets and for the accrual of final closure and post-closure obligations, represents total permitted airspace plus unpermitted airspace that management believes is probable of ultimately being permitted based on established criteria. The Company applies a comprehensive set of criteria for evaluating the probability of obtaining a permit for future expansion airspace at existing sites, which provides management a sufficient basis to evaluate the likelihood of success of unpermitted expansions. Those criteria are as follows:

- Personnel are actively working to obtain the permit or permit modifications (land use, state and federal) necessary for expansion of an existing landfill, and progress is being made on the project.
- The Company expects to submit the application within the next year and expects to receive all necessary approvals to accept waste within the next five years.
- At the time the expansion is included in the Company’s estimate of the landfill’s useful economic life, it is probable that the required approvals will be received within the normal application and processing time periods for approvals in the jurisdiction in which the landfill is located.
- The owner of the landfill or the Company has a legal right to use or obtain land associated with the expansion plan.
- There are no significant known political, technical, legal, or business restrictions or issues that could impair the success of such expansion.
- A financial feasibility analysis has been completed and the results demonstrate that the expansion has a positive financial and operational impact such that management is committed to pursuing the expansion.
- Additional airspace and related additional costs, including permitting, final closure and post-closure costs, have been estimated based on the conceptual design of the proposed expansion.

Exceptions to the criteria set forth above may be approved through a landfill-specific approval process that includes approval from the Company’s Chief Financial Officer and review by the Audit Committee of the Board of Directors. As of December 31, 2008, there were three unpermitted expansions at two locations included in the Company’s landfill accounting model, which represented 32.6% of the Company’s remaining airspace at that date. As of December 31, 2008 and 2007, none of the expansions were considered exceptions to the Company’s established criteria.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)**

As of December 31, 2008, the Company had 11 active landfill sites (including the Company's two non-commercial landfills), which have estimated remaining lives (based on anticipated waste volumes and remaining highly probable airspace) as follows:

Facility Name	Location	Remaining Lives (Years)	Remaining Highly Probable Airspace (cubic yards) (in thousands)		
			Permitted	Unpermitted	Total
Altair . . . . .	Texas	22	1,145	—	1,145
Buttonwillow . . . . .	California	40	9,045	—	9,045
Deer Park . . . . .	Texas	15	525	—	525
Deer Trail . . . . .	Colorado	36	890	—	890
Grassy Mountain . . . . .	Utah	20	350	1,366	1,716
Kimball . . . . .	Nebraska	19	400	—	400
Lambton . . . . .	Ontario	47	533	7,847	8,380
Lone Mountain . . . . .	Oklahoma	11	1,046	—	1,046
Ryley . . . . .	Alberta	21	1,359	—	1,359
Sawyer . . . . .	North Dakota	43	1,070	—	1,070
Westmorland . . . . .	California	64	2,732	—	2,732
			<u>19,095</u>	<u>9,213</u>	<u>28,308</u>

The Company had 1.5 million cubic yards of permitted, but not highly probable, airspace as of December 31, 2008. Permitted, but not highly probable, airspace is permitted airspace the Company currently does not expect to utilize; therefore, this airspace has not been included in the above table.

The following table presents the remaining highly probable airspace from January 1, 2006 through December 31, 2008 (in thousands of cubic yards):

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Remaining capacity at January 1, . . . . .	28,511	28,040	29,001
Addition of highly probable airspace . . . . .	623	1,328	—
Consumed . . . . .	(826)	(857)	(961)
Remaining capacity at December 31, . . . . .	<u>28,308</u>	<u>28,511</u>	<u>28,040</u>

*Non-Landfill Closure and Post-Closure*

Non-landfill closure costs include costs required to dismantle and decontaminate certain structures and other costs incurred during the closure process. Post-closure costs, if required, include associated maintenance and monitoring costs as required by the closure permit. Post-closure periods are performance-based and are not generally specified in terms of years in the closure permit, but may generally range from 10 to 30 years or more.

The Company records its non-landfill closure and post-closure liability by: (i) estimating the current cost of closing a non-landfill facility and the post closure care of that facility, if required, based upon the closure plan that the Company is required to follow under its operating permit, or in the event the facility operates with a permit that does not contain a closure plan, based upon legally enforceable closure commitments made by the Company to various governmental agencies; (ii) using

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)**

probability scenarios as to when in the future operations may cease; (iii) inflating the current cost of closing the non-landfill facility on a probability weighted basis using the inflation rate to the time of closing under each probability scenario; and (iv) discounting the future value of each closing scenario back to the present using the credit-adjusted risk-free interest rate. Non-landfill closure and post-closure obligations arise when the Company commences operations.

*Remedial Liabilities*

Remedial liabilities, including Superfund liabilities, include the costs of removal or containment of contaminated material, the treatment of potentially contaminated groundwater and maintenance and monitoring costs necessary to comply with regulatory requirements. Most of the Company's remedial liabilities relate to the active and inactive hazardous waste treatment and disposal facilities which the Company acquired in the last six years and 35 Superfund sites owned by third parties for which the Company agreed to indemnify certain remedial liabilities owed or potentially owed to governmental entities by the sellers of certain assets (the "CSD assets") which the Company acquired in 2002. The Company performed extensive due diligence to estimate accurately the aggregate liability for remedial liabilities to which the Company became potentially liable as a result of the acquisitions. The Company's estimate of remedial liabilities involved an analysis of such factors as: (i) the nature and extent of environmental contamination (if any); (ii) the terms of applicable permits and agreements with regulatory authorities as to cleanup procedures and whether modifications to such permits and agreements will likely need to be negotiated; (iii) the cost of performing anticipated cleanup activities based upon current technology; and (iv) in the case of Superfund and other sites where other parties will also be responsible for a portion of the cleanup costs, the likely allocation of such costs and the ability of such other parties to pay their share. Remedial liabilities and on-going operations are reviewed quarterly and adjustments are made as necessary.

The Company periodically evaluates potential remedial liabilities at sites that it owns or operates or to which the Company or the sellers of the CSD assets (or the respective predecessors of the Company or such sellers) transported or disposed of waste, including 59 Superfund sites as of December 31, 2008. The Company periodically reviews and evaluates sites requiring remediation, including Superfund sites, giving consideration to the nature (i.e., owner, operator, arranger, transporter or generator) and the extent (i.e., amount and nature of waste hauled to the location, number of years of site operations or other relevant factors) of the Company's (or such sellers') alleged connection with the site, the extent (if any) to which the Company believes it may have an obligation to indemnify cleanup costs in connection with the site, the regulatory context surrounding the site, the accuracy and strength of evidence connecting the Company (or such sellers) to the location, the number, connection and financial ability of other named and unnamed potentially responsible parties ("PRPs") and the nature and estimated cost of the likely remedy. Where the Company concludes that it is probable that a liability has been incurred and an amount can be estimated, a provision is made, based upon management's judgment and prior experience, of such estimated liability.

Remedial liabilities are inherently difficult to estimate. Estimating remedial liabilities requires that the existing environmental contamination be understood. There is a risk that the actual quantities of contaminants differ from the results of the site investigation, and there is a risk that contaminants exist that have not been identified by the site investigation. In addition, the amount of remedial liabilities recorded is dependent on the remedial method selected. There is a risk that funds will be expended on a remedial solution that is not successful, which could result in the additional incremental costs of an

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)**

alternative solution. Such estimates, which are subject to change, are subsequently revised if and when additional or new information becomes available.

Remedial liabilities are discounted only when the timing of the payments is estimable and the amounts are determinable. The Company's experience has been that the timing of the payments is not usually estimable and therefore, generally, remedial liabilities are not discounted. However, under purchase accounting, acquired liabilities are recorded at fair value, which requires taking into consideration inflation and discount factors. Accordingly, as of the respective acquisition dates, the Company recorded the remedial liabilities assumed as part of acquisitions at their fair value, which were calculated by inflating costs in current dollars using an estimate of future inflation rates as of the respective acquisition dates until the expected time of payment, then discounting the payment to its present value using a risk-free discount rate as of the acquisition dates. Discounts were and will be applied to the environmental liabilities as follows:

- Remedial liabilities assumed relating to acquisitions are and will continue to be inflated using the inflation rates at the time of each acquisition (ranging from 2.17% to 2.44%) until the expected time of payment, then discounted at the risk-free interest rate at the time of such acquisition (ranging from 4.17% to 4.9%).
- Remedial liabilities incurred subsequent to the acquisitions and remedial liabilities of the Company that existed prior to the acquisitions have been and will continue to be recorded at the estimated current value of the liabilities, which is usually neither increased for inflation nor reduced for discounting.

*Claims for Recovery*

The Company records claims for recovery from third parties relating to remedial liabilities only when realization of the claim is probable. The gross remedial liability is recorded separately from the claim for recovery on the balance sheet. At December 31, 2008 and 2007, the Company had recorded no such claims.

*Accumulated Other Comprehensive Income*

The components of accumulated other comprehensive income (loss) were as follows (in thousands):

	<u>December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Cumulative translation adjustment of foreign currency statements . . . . .	\$ 1,171	\$18,121	\$9,335
Change in fair value of available for sale securities (net of deferred taxes of \$332) . . . . .	(716)	—	—
Unfunded pension liability (net of deferred taxes of \$328, \$127 and \$94, respectively) . . . . .	(1,143)	(623)	(396)
	<u>\$ (688)</u>	<u>\$17,498</u>	<u>\$8,939</u>

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Foreign Currency*

Foreign subsidiary balances are translated according to the provisions of SFAS No. 52, *Foreign Currency Translation* ("SFAS No. 52"). The Company has operations in both Canada and Mexico. The functional currency of each foreign subsidiary is its respective local currency. Assets and liabilities are translated to U.S. dollars at the exchange rate in effect at the balance sheet date and revenue and expenses at the average exchange rate for the period. Gains and losses from the translation of the consolidated financial statements of the foreign subsidiaries into U.S. dollars are included in stockholders' equity as a component of other comprehensive income. Gains and losses resulting from foreign currency transactions are recognized in the consolidated statements of income. Recorded balances that are denominated in a currency other than the functional currency are remeasured to the functional currency using the exchange rate at the balance sheet date and gains or losses are recorded in income.

*Letters of Credit*

The Company utilizes letters of credit to provide collateral assurance to regulatory authorities that certain funds will be available for closure of Company facilities. In addition, the Company utilizes letters of credit to provide collateral for casualty insurance programs, to provide collateral for the vehicle lease line and to provide collateral for a transportation permit. As of December 31, 2008 and 2007, the Company had outstanding letters of credit in an aggregate amount of \$87.6 million and \$89.7 million, respectively.

*Use of Estimates*

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions, which are evaluated on an ongoing basis, that affect the amounts reported in the Company's consolidated financial statements and accompanying notes. Management bases its estimates on historical experience and on various other assumptions it believes to be reasonable at the time under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and reported amounts of revenues and expenses. Actual results could differ from those estimates and judgments.

*Stock Based Compensation*

On January 1, 2006, the Company adopted SFAS No. 123 (revised 2004), *Share-Based Payment* ("SFAS No. 123(R)") using the modified prospective method. SFAS No. 123(R) requires companies to recognize compensation cost relating to share-based payment transactions in their financial statements based upon the fair value of the equity or liability instruments issued and is recognized over the service period. Outstanding prior awards that were unvested as of January 1, 2006 are recognized as compensation cost, using the provisions of SFAS No. 123(R), over the remaining requisite service period.

Prior to the adoption of SFAS No. 123(R), the Company included all tax benefits associated with equity-based compensation as operating cash flows in the Statement of Cash Flows. SFAS No. 123(R) requires any reduction in taxes payable resulting from tax deductions that exceed the recognized tax

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)**

benefit associated with compensation expense (excess tax benefits) to be classified as financing cash flows.

*Business Combinations*

The Company accounts for the assets acquired and liabilities assumed in a business combination based on fair value estimates as of the date of acquisition. These estimates are revised during the allocation period as necessary if, and when, information regarding contingencies becomes available to further define and quantify assets acquired and liabilities assumed. The allocation period generally does not exceed one year. To the extent contingencies such as preacquisition environmental matters, litigation and related legal fees are resolved or settled during the allocation period, such items are included in the revised allocation of the purchase price. After the allocation period, the effect of changes in these contingencies is included in income from operations in the periods in which the adjustments are determined. The Company accrues any estimated additional purchase price related to contingent consideration if the contingency is reasonably assured.

*New Accounting Pronouncements*

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"). FSP SFAS No. 142-3 is effective for the Company on January 1, 2009. The adoption of this standard is not expected to have a material impact on the Company's financial position, results of operations, or cash flow.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*, ("SFAS No. 162"), which becomes effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board ("PCAOB") amendments to US Auditing Standards ("AU") Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with US GAAP. This standard is not expected to have an 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. EITF No. 08-3 is effective for the Company on January 1, 2009. The adoption of this standard is not

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)**

expected to have a material impact on the Company's financial position, results of operations or cash flow.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* ("SFAS 141R"). SFAS 141R will change how business acquisitions are accounted for and will impact 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 expects SFAS No. 141R will have an impact on the consolidated financial statements, but the nature and magnitude of the specific effects will depend upon the nature, terms and size of the acquisitions the Company consummates after the effective date. Under the provisions of SFAS 141R, the future reversal of acquisition-related tax reserves of approximately \$11.1 million will be recorded in earnings, rather than as an adjustment to goodwill or acquisition related other intangible assets. If recognized, this will affect the annual effective income tax rate.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of Accounting Research Bulletin No. 51* ("SFAS 160"). SFAS 160 will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity. SFAS 160 is effective for fiscal years beginning after December 15, 2008. The Company does not expect the adoption of SFAS 160 to have a material effect on the Company's financial position, results of operations or cash flow.

The Company adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No. 115* ("SFAS 159"). SFAS 159 permits companies to choose to measure certain financial assets and liabilities at fair value (the "fair value option"). The adoption of SFAS 159 did not have a material impact on the Company's financial position, results of operations or cash flow, as the fair value option has not been elected for any of the Company's financial assets or financial liabilities.

In February 2008, the FASB issued FASB Staff Position FAS 157-2, *Effective Date of FASB Statement No. 157* ("FSP 157-2"), which delays the effective date of 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 does not expect the adoption of SFAS 157 for nonfinancial assets and nonfinancial liabilities beginning in the first quarter of fiscal 2009 to have a material impact on the Company's financial position, results of operations or cash flow.

In October 2008, the FASB issued FASB Staff Position No. FAS 157-3, *Determining the Fair Value of a Financial Asset in a Market That Is Not Active* ("FSP 157-3"), which clarifies the application of SFAS No. 157 when the market for a financial asset is inactive. Specifically, FSP 157-3 clarifies how (1) management's internal assumptions should be considered in measuring fair value when observable data are not present, (2) observable market information from an inactive market should be taken into account, and (3) the use of broker quotes or pricing services should be considered in assessing the relevance of observable and unobservable data to measure fair value. FSP 157-3 was effective upon issuance, including prior periods for which financial statements had not been issued. The implementation of this standard did not have a material impact on the Company's financial position, results of operations, or cash flow.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 not have a material impact on the Company's financial position, results of operations or cash flow.

**(3) BUSINESS COMBINATIONS**

On March 14, 2008, the Company acquired 100% of the outstanding stock of privately-held Universal Environmental, Inc., an environmental services company headquartered in Benicia, California, with a site office in Sparks, Nevada. In conjunction with the acquisition, the Company also acquired the land surrounding the California office. The purchase price is subject to post-closing adjustments based upon the amount by which Universal Environmental, Inc.'s net working capital as of the closing date exceeded or was less than \$1.0 million. The preliminary calculation of the purchase price was \$15.0 million and the allocation of the preliminary purchase price to the assets acquired and liabilities assumed are described in the table below. The primary reason for the acquisition was to expand Site Services into new geographical locations.

On March 21, 2008, the Company acquired, for \$12.9 million, two solvent recycling facilities, one in Chicago, Illinois and the other in Hebron, Ohio, and the businesses associated with those facilities from Safety-Kleen Systems, Inc. under two separate purchase agreements but which have been treated as one unit of accounting. The Company anticipates that this acquisition will broaden the Technical Services it can offer to customers and enhance its market share in the solvent recycling business. In conjunction with the acquisition, the Company entered into a dry cleaning service agreement with Safety-Kleen Systems, Inc., whereby the Company will handle and dispose of dry cleaning solvents for a two year period. The Company will receive a minimum of \$9.0 million in revenue over this period.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(3) BUSINESS COMBINATIONS (Continued)**

The calculations of the preliminary purchase price and the preliminary allocation of assets acquired and liabilities assumed are as follows (in thousands):

	<b>Universal Environmental, Inc.(1)</b>	<b>Solvent Recycling Facilities(2)</b>
Preliminary purchase price		
Cash consideration . . . . .	\$12,706	\$12,500
Acquisition costs . . . . .	146	377
Estimated amount due to the seller for working capital adjustments . . . . .	2,137	—
Total estimated purchase price . . . . .	<u>\$14,989</u>	<u>\$12,877</u>
Preliminary allocation of purchase price		
Current assets . . . . .	\$ 4,133	\$ 656
Property, plant and equipment . . . . .	8,096	13,671
Goodwill . . . . .	2,013	993
Customer lists and other intangibles . . . . .	4,100	900
Other assets . . . . .	—	659
Total assets acquired . . . . .	<u>18,342</u>	<u>16,879</u>
Liabilities assumed . . . . .	<u>(3,353)</u>	<u>(4,002)</u>
Net assets acquired . . . . .	<u>\$14,989</u>	<u>\$12,877</u>

(1) The preliminary purchase price reflects an excess of the purchase price over the fair value of the net assets acquired of approximately \$2.0 million, which has been recorded as goodwill. The entire amount of goodwill has been assigned to the Site Services segment and such amount is not expected to be deductible for tax purposes. The intangible assets are being amortized over their useful lives of nine years. The purchase price and related allocation were preliminarily determined and will be revised for any remaining working capital adjustments and additional information regarding tax assets, tax liabilities and tax attributes.

(2) The preliminary purchase price reflects an excess of the purchase price over the fair value of the net assets acquired of approximately \$1.0 million, which has been recorded as goodwill. The entire amount of goodwill has been assigned to the Technical Services segment and such amount is not expected to be deductible for tax purposes. The purchase price and related allocation are preliminarily determined and will be revised as a result of adjustments made to the purchase price and additional information regarding liabilities assumed.

Management has determined the preliminary purchase price allocations based on estimates of the fair values of the tangible and intangible assets acquired and liabilities assumed. Such amounts are subject to adjustment based on the additional information necessary, as discussed below, to determine fair values.

The results of operations of the businesses acquired during 2008 have been included in the Company's consolidated financial statements since the respective dates of acquisition. On a proforma basis, those acquisitions were not material to the Company's results of operations.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(3) BUSINESS COMBINATIONS (Continued)**

In August 2007, the Company acquired certain assets owned by Romic Environmental Technologies Corporation (“Romic”), which specialized in the collection and recycling of both hazardous and non-hazardous waste materials, for \$8.6 million. The purchase price was subject to an adjustment equal to 40% of revenues generated from Romic customers for the six-month period subsequent to the acquisition. The final contingent payment due Romic of \$2.2 million was paid, net of amounts due the Company, on March 31, 2008.

The following is the calculation of the final purchase price and the final summary of assets acquired and liabilities assumed after all purchase price adjustments (in thousands):

Final purchase price	
Cash consideration . . . . .	\$7,362
Acquisition costs . . . . .	883
Reduction of existing Romic receivables . . . . .	308
Total purchase price . . . . .	<u>\$8,553</u>
Summary of net assets acquired	
Other current assets . . . . .	\$ 114
Equipment . . . . .	693
Customer list and other intangibles . . . . .	7,811
Total assets acquired . . . . .	<u>8,618</u>
Liabilities assumed . . . . .	<u>(65)</u>
Net assets acquired . . . . .	<u>\$8,553</u>

Management has determined the final purchase price allocation based on estimates of the fair values of the tangible and intangible assets acquired and liabilities assumed. Negative goodwill of \$7.3 million was proportionally allocated to equipment (\$0.6 million) and customer lists and other intangibles (\$6.7 million). The intangible assets are being amortized over a weighted average useful life of 8 years.

The acquisition during 2007 described above was not material to the Company’s results of operations.

On February 27, 2009, the Company acquired 100% of the outstanding stock of EnviroSORT Inc., a privately-held company headquartered in Calgary, Alberta that provides specialized container management, vacuum, waste management and recycling services in several western Canadian provinces. EnviroSORT’s assets include two waste management facilities, a service center, and multiple satellite locations throughout Alberta primarily to service the oil and gas drilling industry. The purchase price paid to the EnviroSORT shareholders (a portion of which was applied to pay off all of EnviroSORT’s outstanding debt at the time of the closing) was \$11.8 million (CDN), which is subject to post-closing adjustments based on the amount by which EnviroSORT’s working capital at the time of the closing was greater or less than \$0.6 million (CDN). The Company has not yet determined the final amount of acquisition costs which were incurred in connection with the acquisition, nor the allocation of the total purchase price among the assets acquired. The acquisition of EnviroSORT will be incorporated into the Technical Services segment and the Company anticipates such acquisition will not be material to the Company’s results of operations during 2009.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(4) FAIR VALUE MEASUREMENTS**

The adoption of SFAS No. 157 by the Company on January 1, 2008 did not materially impact its financial condition, results of operations, or cash flows, but the Company is now required to provide additional disclosures as part of its financial statements. SFAS No. 157 establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. SFAS No. 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than quoted prices in active markets, that are either directly or indirectly observable; and

Level 3: Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Company's assets measured at fair value on a recurring basis as of December 31, 2008, 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 December 31, 2008
Auction rate securities . . .	\$ —	\$—	\$6,237	\$6,237
Marketable securities . . .	\$175	\$—	\$ —	\$ 175

The fair value of the marketable securities was determined based on quoted prices of identical assets that were traded in an active market. As of December 31, 2007, the fair value of the auction rate securities was based on quoted market prices in an active auction rate securities market. Beginning in February 2008, the auction mechanism that normally provided liquidity to the auction rate securities investments began to fail. All of the auction rate security investments held by the Company subsequently experienced failed auctions and as a result, during the first quarter of 2008, the Company changed its valuation methodology for auction rate securities to a discounted cash flow analysis. For the year-ended December 31, 2008, the Company recorded a temporary impairment of \$0.8 million within accumulated other comprehensive income. The discounted cash flow analyses 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. These securities were also compared, when possible, to other observable market data with similar characteristics to the securities held by the Company.

In determining whether the decline in the value of the auction rate security investments was other-than-temporary, the Company considered several factors including, but not limited to, the following: (i) the reasons for the decline in value; (ii) the Company's ability and intent to hold the investment for a sufficient period of time to allow for recovery of value; (iii) whether the decline was substantial; and (iv) the historical and anticipated duration of the events causing the decline in value. The evaluation for other-than-temporary impairments is a quantitative and qualitative process, which is subject to various risks and uncertainties. Currently, the Company has the intent and ability to hold the auction rate security investments until recovery of fair value, and therefore does not consider these unrealized losses to be other-than-temporary.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(4) FAIR VALUE MEASUREMENTS (Continued)**

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 No.157 at December 31, 2008 (in thousands):

	2008
Balance at January 1, 2008 .....	\$ —
Transfer to Level 3 from Level 1 .....	7,000
Unrealized losses .....	(763)
Balance at December 31, 2008 .....	\$6,237

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

Below is a summary of amortizable intangible assets at December 31, 2008 and 2007 (in thousands):

	2008				2007			
	Cost	Accumulated Amortization	Net	Weighted Average Amortization Period (in years)	Cost	Accumulated Amortization	Net	Weighted Average Amortization Period (in years)
	Permits .....	\$ 94,446	\$33,458	\$60,988	17.2	\$ 98,391	\$30,902	\$67,489
Customer lists and other intangible assets .....	17,611	6,845	10,766	6.2	12,861	5,541	7,320	7.6
	<u>\$112,057</u>	<u>\$40,303</u>	<u>\$71,754</u>	<u>13.6</u>	<u>\$111,252</u>	<u>\$36,443</u>	<u>\$74,809</u>	<u>15.6</u>

The increase in customer lists and other intangible assets was due primarily to the acquisitions in 2008 of Universal Environmental, Inc. and two solvent recycling facilities. The goodwill balance as of December 31, 2008 increased \$3.0 million to \$24.6 million from December 31, 2007 as a result of those acquisitions. The foregoing includes estimates that are subject to change based upon final fair value determination.

Below is a summary of the expected amortization for intangible assets for the years ending December 31, (in thousands):

	<b>Expected Amortization</b>
2009 .....	\$ 5,116
2010 .....	4,866
2011 .....	4,328
2012 .....	4,196
2013 .....	4,141
Thereafter .....	49,107
	<u>\$71,754</u>

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(6) ACCRUED EXPENSES**

Accrued expenses consisted of the following (in thousands):

	<u>2008</u>	<u>2007</u>
Insurance . . . . .	\$15,361	\$12,984
Interest . . . . .	1,280	5,367
Accrued disposal costs . . . . .	2,305	2,998
Accrued compensation and benefits . . . . .	22,952	19,938
Other items . . . . .	26,003	24,502
	<u>\$67,901</u>	<u>\$65,789</u>

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

The changes to closure and post-closure liabilities from January 1, 2007 through December 31, 2008 were as follows (in thousands):

	<u>Landfill Retirement Liability</u>	<u>Non-Landfill Retirement Liability</u>	<u>Total</u>
Balance at January 1, 2007 . . . . .	\$18,858	\$ 6,697	\$25,555
New asset retirement obligations . . . . .	1,507	—	1,507
Accretion . . . . .	2,734	834	3,568
Changes in estimates recorded to statement of income . . . . .	(298)	(554)	(852)
Other changes in estimates recorded to balance sheet . . . . .	92	—	92
Settlement of obligations . . . . .	(231)	(189)	(420)
Currency translation and other . . . . .	234	45	279
Balance at December 31, 2007 . . . . .	<u>22,896</u>	<u>6,833</u>	<u>29,729</u>
Liabilities assumed in acquisitions . . . . .	—	418	418
New asset retirement obligations . . . . .	1,180	—	1,180
Accretion . . . . .	3,028	872	3,900
Changes in estimates recorded to statement of income . . . . .	(586)	452	(134)
Other changes in estimates recorded to balance sheet . . . . .	213	—	213
Settlement of obligations . . . . .	(1,050)	(1,138)	(2,188)
Currency translation and other . . . . .	(412)	(69)	(481)
Balance at December 31, 2008 . . . . .	<u>\$25,269</u>	<u>\$ 7,368</u>	<u>\$32,637</u>

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

Anticipated payments (based on current estimated costs and anticipated timing of necessary regulatory approvals to commence work on closure and post-closure activities) for each of the next five years and thereafter are as follows (in thousands):

<u>Year ending December 31,</u>	
2009 .....	\$ 6,698
2010 .....	10,816
2011 .....	4,320
2012 .....	3,942
2013 .....	3,560
Thereafter .....	<u>214,223</u>
Undiscounted closure and post-closure liabilities .....	243,559
Less: Reserves to be provided (including discount of \$125.6 million) over remaining site lives .....	<u>(210,922)</u>
Present value of closure and post-closure liabilities .....	<u>\$ 32,637</u>

**(8) REMEDIAL LIABILITIES**

The changes to remedial liabilities from January 1, 2007 through December 31, 2008 were as follows (in thousands):

	<u>Remedial Liabilities for Landfill Sites</u>	<u>Remedial Liabilities for Inactive Sites</u>	<u>Remedial Liabilities (Including Superfund) for Non-Landfill Operations</u>	<u>Total</u>
Balance at January 1, 2007 .....	\$4,917	\$91,494	\$51,434	\$147,845
Liabilities assumed in acquisitions .....	—	—	1,834	1,834
Accretion .....	258	4,246	2,375	6,879
Changes in estimates recorded to statement of income .....	(60)	(3,776)	5,285	1,449
Settlement of obligations .....	(235)	(3,450)	(2,406)	(6,091)
Currency translation and other .....	<u>802</u>	<u>105</u>	<u>1,936</u>	<u>2,843</u>
Balance at December 31, 2007 .....	5,682	88,619	60,458	154,759
Liabilities assumed in acquisitions .....	—	—	3,204	3,204
Accretion .....	261	4,202	2,413	6,876
Changes in estimates recorded to statement of income .....	(189)	93	(1,817)	(1,913)
Settlement of obligations .....	(98)	(3,955)	(8,027)	(12,080)
Currency translation and other .....	<u>(544)</u>	<u>1,332</u>	<u>(5,746)</u>	<u>(4,958)</u>
Balance at December 31, 2008 .....	<u>\$5,112</u>	<u>\$90,291</u>	<u>\$50,485</u>	<u>\$145,888</u>

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(8) REMEDIAL LIABILITIES (Continued)**

Anticipated payments at December 31, 2008 (based on current estimated costs and anticipated timing of necessary regulatory approvals to commence work on remedial activities) for each of the next five years and thereafter are as follows (in thousands):

<u>Year ending December 31,</u>	
2009	\$ 10,881
2010	12,824
2011	12,200
2012	11,436
2013	11,259
Thereafter	<u>129,476</u>
Undiscounted remedial liabilities	188,076
Less: Discount	<u>(42,188)</u>
Total remedial liabilities	<u>\$145,888</u>

In light of currently available facts and legal interpretations, existing technology, and presently enacted laws and regulations, the Company estimates that its aggregate liabilities as of December 31, 2008 for future remediation relating to all of its owned or leased facilities and the Superfund sites for which the Company has current or potential future liability is approximately \$145.9 million. The Company also estimates that it is reasonably possible that the amount of such total liabilities could be as much as \$21.7 million more. Future changes in either available technology or applicable laws or regulations could affect such estimates of environmental liabilities. Since the Company's satisfaction of the liabilities will occur over many years, the Company cannot now reasonably predict the nature or extent of future changes in either available technology or applicable laws or regulations and the impact that those changes, if any, might have on the current estimates of environmental liabilities.

The following tables show, respectively, (i) the amounts of such estimated liabilities associated with the types of facilities and sites involved and (ii) the amounts of such estimated liabilities associated with each facility or site which represents at least 5% of the total and with all other facilities and sites as a group.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(8) REMEDIAL LIABILITIES (Continued)**

Estimates Based on Type of Facility or Site (in thousands):

<u>Type of Facility or Site</u>	<u>Remedial Liability</u>	<u>% of Total</u>	<u>Reasonably Possible Additional Losses</u>
Facilities now used in active conduct of the Company's business (21 facilities) . . . . .	\$ 47,794	32.8%	\$ 9,977
Inactive facilities not now used in active conduct of the Company's business but most of which were acquired because the assumption of remedial liabilities for such facilities was part of the purchase price for the CSD assets (17 facilities) . . . . .	90,292	61.9	10,958
Superfund sites owned by third parties on which wastes generated or shipped by the sellers of the CSD assets (or their predecessors) of such sites are present (14 sites) . . . . .	7,802	5.3	799
<b>Total . . . . .</b>	<b><u>\$145,888</u></b>	<b><u>100.0%</u></b>	<b><u>\$21,734</u></b>

Estimates Based on Amount of Potential Liability (in thousands):

<u>Location</u>	<u>Type of Facility or Site</u>	<u>Remedial Liability</u>	<u>% of Total</u>	<u>Reasonably Possible Additional Losses</u>
Baton Rouge, LA . . . . .	Closed incinerator and landfill	\$ 38,115	26.1%	\$ 5,316
Bridgeport, NJ . . . . .	Closed incinerator	27,993	19.2	3,420
Mercier, Quebec . . . . .	Open incinerator and legal proceedings	10,933	7.5	1,126
El Dorado, AR . . . . .	Open incinerator	8,390	5.8	743
Roebuck, SC . . . . .	Closed incinerator	7,941	5.4	715
San Jose, CA . . . . .	Open treatment, storage, or disposal facilities	8,715	6.0	953
Various . . . . .	All other incinerators, landfills, wastewater treatment facilities and service centers (32 facilities)	35,999	24.7	8,662
Various . . . . .	All other Superfund sites (each representing less than 5% of total liabilities) owned by third parties on which wastes generated or shipped by either the Company or the sellers of the CSD assets (or their predecessors) are present (14 sites)	7,802	5.3	799
<b>Total . . . . .</b>		<b><u>\$145,888</u></b>	<b><u>100.0%</u></b>	<b><u>21,734</u></b>

Revisions to remediation reserve requirements may result in upward or downward adjustments to income from operations in any given period. The Company believes that its extensive experience in the environmental services business, as well as its involvement with a large number of sites, provides a reasonable basis for estimating its aggregate liability. It is possible, however, that technological, regulatory or enforcement developments, the results of environmental studies, or other factors could necessitate the recording of additional liabilities or the revision of currently recorded liabilities that could be material. The impact of such future events cannot be estimated at the current time.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(9) FINANCING ARRANGEMENTS**

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

	December 31, 2008	December 31, 2007
Senior secured notes, at 11.25%, due July 15, 2012 . . . . .	\$23,032	\$ 91,518
Revolving facility, due December 1, 2010 . . . . .	—	—
Synthetic letter of credit facility, due December 1, 2010 . . . . .	—	—
Term loan, at 2.97% and 7.64% on December 31, 2008 and 2007, respectively, due December 1, 2010 . . . . .	30,000	30,000
Less unamortized issue discount . . . . .	(162)	(806)
Long-term obligations . . . . .	\$52,870	\$120,712

*Senior secured notes.* On July 28, 2008, pursuant to a redemption notice delivered on June 25, 2008, the Company redeemed \$50.0 million principal amount of outstanding senior secured notes. The redemption resulted in a \$4.3 million loss on early extinguishment of debt, which included a \$2.8 million prepayment penalty and a write-off of unamortized financing costs and unamortized discount of \$1.1 million and \$0.4 million, respectively.

The senior secured notes are secured by a second-priority lien on the assets of the Company and its U.S. subsidiaries and secure the Company's reimbursement obligations under the synthetic letter of credit facility on a first-priority basis (as described below), provided that the assets which secure the senior secured notes do not include any capital stock, notes, instruments, other equity interests of any of the Company's subsidiaries, accounts receivable, and certain other excluded collateral as provided in the senior secured notes indenture. The senior secured notes are jointly and severally guaranteed on a senior secured second-lien basis by substantially all of the Company's existing and future U.S. subsidiaries. The senior secured notes are not guaranteed by the Company's foreign subsidiaries.

The senior secured notes indenture provides for certain covenants, the most restrictive of which requires the Company, within 120 days after the close of each twelve-month period ending on June 30 of each year (ending on June 30, 2011) to apply an amount equal to 50% of the period's Excess Cash Flow (as defined below) to either prepay, repay, redeem or purchase the Company's first-lien obligations under the revolving facility, synthetic letter of credit facility or capital lease obligations or to make offers ("Excess Cash Flow Offers") to repurchase all or part of the then outstanding senior secured notes at an offering price equal to 104% of their principal amount plus accrued interest. "Excess Cash Flow" is defined in the indenture as consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA") less interest expense, all taxes paid or accrued in the period, capital expenditures made in cash during the period, and all cash spent on environmental monitoring, remediation or relating to environmental liabilities. On October 8, 2008, the Company made an Excess Cash Flow Offer based on the Company's Excess Cash Flow Amount of \$19.2 million for the twelve-month period ended June 30, 2008. In response to tenders received from note holders prior to the expiration of the offer on November 7, 2008, the Company purchased on November 12, 2008, \$18.5 million principal amount of senior secured notes for \$19.2 million and also paid \$0.7 million of accrued interest through the purchase date on the purchased notes. This purchase resulted in a \$1.2 million loss on early extinguishment of debt, which included a \$0.7 million premium payment and a write-off of unamortized financing costs and unamortized discount of \$0.4 million and \$0.1 million, respectively.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(9) FINANCING ARRANGEMENTS (Continued)**

*Revolving facility.* The revolving facility allows the Company to borrow up to \$70.0 million, based upon a formula of eligible accounts receivable. This total is separated into two lines of credit, namely: (i) a line for the Company and its U.S. subsidiaries equal to \$70.0 million less the principal balance then outstanding under the line for the Company's Canadian subsidiaries and (ii) a line for the Company's Canadian subsidiaries equal to \$5.3 million. The revolving facility also provides that the lender will issue at the Company's request up to \$60.0 million of letters of credit, with the outstanding amount of such letters of credit reducing the maximum amount of borrowings available under the revolving facility. At December 31, 2008, the Company had no borrowings outstanding, \$39.6 million of letters of credit outstanding, and had approximately \$30.4 million available to borrow. Amounts outstanding under the revolving facility bear interest, at the Company's option, at either the U.S. or Canadian prime rate (depending on the currency of the underlying loan) or the Eurodollar rate plus 1.50%. The Company is required to pay monthly letter of credit and quarterly fronting fees at an annual rate of 1.5% and 0.3%, respectively, on the amount of letters of credit outstanding and an annual administrative fee of \$25 thousand. The agreement also requires the Company to pay an unused line fee of 0.125% per annum on the unused portion of the revolving facility.

*Synthetic letter of credit facility.* The synthetic letter of credit facility provides that the issuing bank will issue up to \$50.0 million of letters of credit at the Company's request. The synthetic letter of credit facility is collateralized with a first-priority lien (second-priority as to receivables) on substantially all of the assets of the Company and its U.S. subsidiaries. The Company is required to pay a quarterly participation fee at the annual rate of 2.85%, a quarterly fronting fee at the annual rate of 0.30%, and an annual administrative fee of \$65 thousand. At December 31, 2008, there were \$48.0 million of letters of credit outstanding under the synthetic letter of credit facility.

*Term loan.* The term loan bears interest, at the Company's option, at either the Eurodollar rate plus 2.5% or the U.S. prime rate plus 1.5%. The term loan is classified as an outstanding obligation under the synthetic letter of credit facility. In the event of a default under the term loan, the lenders would have the right to exercise their rights as first-priority lien holders (second as to accounts receivable) on substantially all of the assets of the Company and its U.S. subsidiaries.

*Debt covenants.* The credit agreement for the revolving, synthetic letter of credit and term loan facilities requires the Company to maintain the following financial covenants:

<u>Covenant</u>	<u>December 31, 2008</u> <u>Requirement</u>
Leverage ratio . . . . .	<2.30 to 1
Interest coverage ratio . . . . .	>3.00 to 1
Fixed charge coverage ratio . . . . .	>1 to 1

The leverage ratio is defined as the ratio of the consolidated indebtedness of the Company to its consolidated EBITDA achieved for the latest four-quarter period. The interest coverage ratio is defined as the ratio of the Company's consolidated EBITDA to its consolidated interest expense for the latest four-quarter period. The fixed charge coverage ratio is required to be maintained if the Company has greater than \$5.0 million of loans outstanding under the revolving facility.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(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 December 31, 2008, the Company had recorded \$24.2 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 \$2.8 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. Because all of such reasonably possible additional liabilities relate to remedial liabilities, they are reflected in the tables of reasonably possible additional liabilities under the column heading "Remedial liabilities, including Superfund liabilities for non-landfill operations" in Note 8, "Remedial Liabilities."

As of December 31, 2008, the principal legal and administrative proceedings in which the Company was involved, or which had been terminated during 2008, 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.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(10) COMMITMENTS AND CONTINGENCIES (Continued)**

On September 26, 2007, the Quebec Minister of Sustainable Development, Environment and Parks issued a Notice pursuant to Section 115.1 of the Environment Quality Act, superseding Notices issued in 1992, which are the subject of the pending litigation. The more recent Notice notifies the Mercier Subsidiary that, if the Mercier Subsidiary does not take certain remedial measures at the site, the Minister intends to undertake those measures at the site and claim direct and indirect costs related to such measures. The Mercier Subsidiary continues to assert that it has no responsibility for the groundwater contamination in the region and will contest any action by the Ministry to impose costs for remedial measures on the Mercier Subsidiary. The Company also continues to pursue settlement options. At December 31, 2008 and 2007, the Company had accrued \$10.6 million and \$13.1 million, respectively, for remedial liabilities relating to the Ville Mercier legal proceedings.

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

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

*Lopez Lawsuit.* Until November 2008, the Company was involved in several lawsuits arising out of a complaint originally filed in 2003 in the United States District Court for the Northern District of Illinois by Mr. Eddie Lopez and his wife, Ms. Sandy Lopez. The plaintiffs sought damages in an unspecified amount for personal injury allegedly incurred at a subsidiary’s Chicago facility, causing a loss of income and loss of consortium. In November 2008, the Lopez litigation was settled by the Company and its insurer. There was no material impact on the Company’s financial condition, results of operations or cash flow resulting from the settlement of this litigation.

*Plaquemine, Louisiana Facility.* Commencing in 2003, the Company became involved in five lawsuits filed by various plaintiffs based in part upon allegations relating to ownership and operation of a deep injection well facility near Plaquemine, Louisiana which was owned by Clean Harbors Plaquemine, LLC (“CH Plaquemine”). On October 17, 2006, CH Plaquemine (which operated at a loss during the past two years prior to that date) ceased operations and filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. The Company believes that the filing of that Chapter 11 petition by CH Plaquemine has had no adverse effect on the Company’s other operations. In August 2008, the Company made a \$2.2 million payment to fund CH Plaquemine’s settlement of all of the pending lawsuits, effectively ending the litigation. On July 30, 2008, CH Plaquemine’s plan of reorganization became effective, and it has now emerged from bankruptcy protection.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(10) COMMITMENTS AND CONTINGENCIES (Continued)**

*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 December 31, 2008, 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 BR Facility) and two of the Listed Third Party Sites (the Breslube-Penn and Casmalia Sites) are further

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(10) COMMITMENTS AND CONTINGENCIES (Continued)**

described below. Also further described below are one Listed Third Party Site (the Helen Kramer Site) which was settled in 2008, one third party site (the Marine Shale Site) at which the Company has been named a PRP as a result of its acquisition of the CSD assets but disputes that it has any cleanup or related liabilities, 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.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(10) COMMITMENTS AND CONTINGENCIES (Continued)**

*Helen Kramer Site.* At one of the 35 Listed Third Party Sites (the “Helen Kramer Site”), the prior owner of certain of the CSD assets had reached a settlement agreement with the other PRPs, but then failed to satisfy the payment obligations. In November 2003, certain of the PRPs made a demand directly on the Company for the prior owner’s share of the cleanup costs incurred by those PRPs. In February 2005, the Company commenced litigation against those PRPs that progressed through various courts for the past three years. In the third quarter of 2008, the Company reached a settlement with the defendants which ended the litigation in exchange for the Company’s payment of \$3.5 million.

*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.

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 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 December 31, 2008 and 2007, the amount of the Company’s remaining reserves relating to the Marine Shale site was \$3.8 million and \$3.6 million, respectively.

*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.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(10) COMMITMENTS AND CONTINGENCIES (Continued)**

*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.

*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 December 31, 2008, there was one proceeding 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 this 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. Two of such other regulatory proceedings are described below.

*London, Ontario Facility.* Clean Harbors Canada, Inc. received a summons from the Ontario Ministry of Labour alleging a number of regulatory offenses as a result of a fire in October 2003 at the subsidiary's waste transfer facility in London, Ontario. The Company filed a motion in the Ontario Court of Justice to dismiss the charges on constitutional grounds. On October 16, 2006 the Court ruled in favor the Company's motion and on November 22, 2006 the Crown appealed the Court's ruling quashing all charges. On October 23, 2007 the Ontario Superior Court of Justice issued a ruling on the Crown's appeal and upheld the lower court ruling quashing the charges. In July 2008 the Company was advised by the Crown that it intended to withdraw its appeal of the Ontario Superior Court October 23, 2007 ruling. This action by the Crown terminated these proceedings without liability to the Company.

*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 the Company's Canadian subsidiary 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.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(10) COMMITMENTS AND CONTINGENCIES (Continued)**

*Leases*

The Company leases facilities, service centers and personal property under certain operating leases. Some of these lease agreements contain an escalation clause for increased taxes and operating expenses and are renewable at the option of the Company. The Company also leases certain equipment under capital lease obligations, which consists primarily of rolling stock and laboratory equipment. Lease terms range from 3 to 14 years. The following is a summary of future minimum payments under capital and operating leases that have initial or remaining noncancelable lease terms in excess of one year at December 31, 2008 (in thousands):

<u>Year</u>	<u>Total Capital Leases</u>	<u>Total Operating Leases</u>
2009 .....	\$449	\$22,344
2010 .....	250	19,541
2011 .....	120	14,461
2012 .....	20	11,230
2013 .....	—	8,079
Thereafter .....	—	21,029
Total minimum lease payments .....	839	<u>\$96,684</u>
Less: imputed interest at interest rates ranging from 5.36% to 22.00% .....		<u>79</u>
Present value of future minimum lease payments .....	\$760	
Less: current portion of capital lease obligations .....	<u>400</u>	
Long-term capital lease obligations .....	<u>\$360</u>	

During the years 2008, 2007 and 2006, rent expense including short-term rentals, was approximately \$46.7 million, \$47.0 million, and \$40.6 million, respectively.

*Other Contingencies*

The Company is subject to various regulatory requirements, including the procurement of requisite licenses and permits at its facilities. These licenses and permits, without which the Company's operations would be adversely affected, are subject to periodic renewal. The Company anticipates that, once a license or permit is issued with respect to a facility, the license or permit will be renewed at the end of its term if the facility's operations are in compliance with the applicable regulatory requirements.

On August 12, 2005, the Ontario Ministry of the Environment adopted new regulations which prohibit land disposal of untreated hazardous waste and require the waste to meet specific treatment standards prior to land disposal. Land disposal includes onsite and offsite land filling, land farming and any other form of land disposal. These requirements are similar to restrictions enacted in the United States and thus bring the Province of Ontario in closer comity with the United States regulatory scheme. The new land disposal restrictions commenced in 2007 through a phased in schedule based on specific waste streams, and will be fully implemented by the beginning of 2010.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(10) COMMITMENTS AND CONTINGENCIES (Continued)**

Under the Company's insurance programs, coverage is obtained for catastrophic exposures, as well as those risks required to be insured by law or contract. The Company's policy is to retain a significant portion of certain expected losses related primarily to workers' compensation, health insurance, comprehensive general, environmental impairment and vehicle liability. Provisions for losses expected under these programs are recorded based upon the Company's estimates of the aggregate liability for claims. The deductible per participant per year for the health insurance policy is \$0.225 million. The deductible per occurrence for the workers' compensation, general liability and vehicle liability is \$0.5 million. The retention per claim for the environmental impairment policy is \$1.0 million. At December 31, 2008 and 2007, the Company had accrued \$9.1 million and \$8.1 million, respectively, for its self-insurance liabilities (exclusive of health insurance) using a risk-free discount rate of 1.44%. Actual expenditures in future periods can differ materially from accruals based on estimates.

Anticipated payments at December 31, 2008 for each of the next five years and thereafter are as follows (in thousands):

<u>Years ending December 31,</u>		
2009 . . . . .		\$ 528
2010 . . . . .		3,309
2011 . . . . .		2,145
2012 . . . . .		1,324
2013 . . . . .		891
Thereafter . . . . .		<u>1,085</u>
Undiscounted self-insurance liabilities . . . . .		9,282
Less: Discount . . . . .		<u>159</u>
Total self-insurance liabilities (included in other accrued expenses) . . . . .		<u><u>\$9,123</u></u>

**(11) INCOME TAXES**

The domestic and foreign components of income before provision for income taxes were as follows (in thousands):

	<u>For the Year Ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Domestic . . . . .	\$77,420	\$71,449	\$48,023
Foreign . . . . .	16,557	789	4,930
Total . . . . .	<u><u>\$93,977</u></u>	<u><u>\$72,238</u></u>	<u><u>\$52,953</u></u>

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(11) INCOME TAXES (Continued)**

The provision for income taxes consisted of the following:

	<u>For the Year Ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current (before application of NOL carryforwards):			
Federal .....	\$21,235	\$22,926	\$13,333
State .....	7,432	7,913	2,894
Foreign .....	3,556	4,497	4,759
Benefit of net operating losses			
Federal .....	—	—	(7,807)
State .....	—	—	(455)
	<u>32,223</u>	<u>35,336</u>	<u>12,724</u>
Deferred			
Federal .....	3,178	(5,002)	(6,290)
State .....	(1,231)	(1,001)	—
Foreign .....	2,321	(1,293)	(95)
	<u>4,268</u>	<u>(7,296)</u>	<u>(6,385)</u>
Net provision for income taxes .....	<u>\$36,491</u>	<u>\$28,040</u>	<u>\$ 6,339</u>

The effective income tax rate varied from the amount computed using the statutory federal income tax rate as follows:

	<u>For the Year Ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Tax expense at statutory rate .....	\$32,892	\$25,259	\$ 18,555
State income taxes, net of federal benefit .....	3,760	3,323	1,573
Foreign rate differential .....	(4,533)	(4,440)	(4,107)
Foreign income inclusion .....	—	—	20
Adjustment of prior year's tax attributes .....	—	—	1,599
Change in federal valuation allowance .....	—	(765)	(14,082)
Other .....	277	(499)	3,513
FIN 48 interest and penalties, net of benefit .....	4,095	5,487	—
Tax credits, net .....	—	(325)	(732)
Net provision for income taxes .....	<u>\$36,491</u>	<u>\$28,040</u>	<u>\$ 6,339</u>

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(11) INCOME TAXES (Continued)**

The components of the total net deferred tax assets and liabilities at December 31, 2008 and 2007 were as follows (in thousands):

	<u>2008</u>	<u>2007</u>
Deferred tax assets:		
Workers compensation accrual . . . . .	\$ 3,543	\$ 3,216
Provision for doubtful accounts . . . . .	2,570	484
Closure, post-closure and remedial liabilities . . . . .	39,769	39,807
Accrued expenses . . . . .	9,098	11,143
Accrued compensation . . . . .	1,678	3,903
State net operating loss carryforwards . . . . .	2,161	3,704
Tax credit carryforwards . . . . .	13,656	13,221
FIN 48 accrued interest and federal benefit . . . . .	8,132	6,430
Other . . . . .	1,380	1,334
Total deferred tax asset . . . . .	<u>81,987</u>	<u>83,242</u>
Deferred tax liabilities:		
Property, plant and equipment . . . . .	(39,162)	(32,191)
Permits and customer databases . . . . .	<u>(13,996)</u>	<u>(17,359)</u>
Total deferred tax liability . . . . .	<u>(53,158)</u>	<u>(49,550)</u>
Total net deferred tax asset before valuation allowance . . . . .	<u>28,829</u>	<u>33,692</u>
Less valuation allowance . . . . .	<u>(10,811)</u>	<u>(10,025)</u>
Net deferred tax asset . . . . .	<u>\$ 18,018</u>	<u>\$ 23,667</u>

At December 31, 2008, the Company had foreign tax credit carryforwards of \$13.7 million which expire between 2012 and 2018. The Company had state net operating loss carryovers of \$3.3 million at December 31, 2008 which expire between 2019 and 2027.

During 2008, the Company decreased taxes payable for adjustments related to realized and recognized tax benefits of \$4.4 million related to exercises of non-qualified stock options of which \$3.5 million resulted in an increase to paid-in capital.

The Company does not accrue U.S. tax for foreign earnings that it considers to be permanently reinvested outside the United States. Consequently, the Company has not provided any U.S. tax on the unremitted earnings of its foreign subsidiaries. As of December 31, 2008 and 2007, the amount of earnings for which no repatriation tax has been provided was \$29.5 million and \$12.0 million, respectively.

During fiscal 2006, based upon the Company's cumulative operating results and assessment of the Company's expected future results of operations, the Company determined that it had become more likely than not that it would be able to realize a substantial portion of its U.S. net operating loss carryforward tax assets prior to their expiration and realize the benefit of other net deferred tax assets. During fiscal 2006, the Company reversed a total of \$17.7 million of U.S. deferred tax asset valuation allowance of which \$9.9 million related to the utilization of prior year NOLs including \$2.5 million of NOLs attributable to tax deductions related to the exercise of non-qualified stock options. As of December 31, 2008, the Company has a remaining valuation allowance of approximately \$10.8 million

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(11) INCOME TAXES (Continued)**

related to foreign tax credits, certain state net operating loss carryforwards and federal and state net operating loss carryforwards related to tax deductions for the exercise of non-qualified stock options. The Company believes that it is not more likely than not that such amounts will be utilized.

In connection with the reversal of a portion of the valuation allowance in 2006, the Company also adjusted its deferred taxes by \$7.3 million that were associated with the 2002 acquisition of the CSD assets. Such amount was credited to the carrying value of the CSD non-current intangible assets, as there was no goodwill associated with such acquisition.

The Company adopted FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, tax contingencies increased \$41.9 million for uncertain tax positions, of which \$36.8 million was accounted for as a decrease to retained earnings. In addition, to reflect the federal and state tax benefits upon the implementation of FIN 48, the Company also recorded an increase to the Company's deferred tax assets of \$4.7 million and a \$0.4 million decrease to the valuation allowance.

Included in the balance at December 31, 2008 and 2007 was \$49.1 million and \$45.3 million, respectively, of unrecognized tax benefits that, if recognized, would affect the annual effective income tax rate.

The Company'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 included accrued interest and penalties of \$17.0 million and \$5.2 million. Tax expense for the year ended December 31, 2008 included interest and penalties of \$6.0 million.

The changes to unrecognized tax benefits from January 1, 2007 through December 31, 2008, were as follows (in thousands):

	2008	2007	Description
Unrecognized tax benefits as of January 1 . . .	\$50,071	\$48,076	
Gross increases in tax positions in prior periods . . . . .	423	77	Additional state liability
Gross decreases in tax positions in prior periods . . . . .	—	—	
Gross increases during the current period . . .	355	61	Additional state liability
Settlements . . . . .	—	(260)	Requiring cash payment
Lapse of statute of limitations . . . . .	(1,748)	—	
Foreign currency translation . . . . .	(2,621)	2,117	Functional currency is Canadian dollars—booked to currency translation adjustment
Unrecognized tax benefits as of December 31 . . . . .	<u>\$46,480</u>	<u>\$50,071</u>	

As of December 31, 2008, the Company had recorded \$68.7 million of liabilities for unrecognized tax benefits of which \$22.2 million related to interest and penalties.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(11) INCOME TAXES (Continued)**

The Company files U.S. federal income tax returns as well as income tax returns in various states and foreign jurisdictions. The Company may be subject to examination by the Internal Revenue Service (“IRS”) for calendar years 2003 through 2007. Additionally, any net operating losses that were generated in prior years and utilized in these years may also be subject to examination by the IRS. The Company may also be subject to examinations by state and local revenue authorities for calendar years 2002 through 2007. The Company is currently not under examination by the IRS, state or local jurisdictions. One foreign jurisdiction conducted an audit in 2008 for calendar years 2003 through 2006, which was concluded with no material assessment.

The Company does not anticipate that total unrecognized tax benefits other than adjustments for additional accruals for interest and penalties and foreign currency translation, will change significantly prior to December 31, 2009.

**(12) EARNINGS PER SHARE**

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

	<u>Year Ended December 31, 2008</u>		
	<u>Income</u>	<u>Shares</u>	<u>Per Share Amount</u>
Basic income attributable to common stockholders before effect of dilutive securities . . . . .	\$57,486	22,465	\$ 2.56
Dilutive effect of equity-based compensation awards and warrants . . . . .	<u>—</u>	<u>401</u>	<u>(0.05)</u>
Diluted income attributable to common stockholders . . .	<u>\$57,486</u>	<u>22,866</u>	<u>\$ 2.51</u>
	 <u>Year Ended December 31, 2007</u>		
	<u>Income</u>	<u>Shares</u>	<u>Per Share Amount</u>
Basic income attributable to common stockholders before effect of dilutive securities . . . . .	\$43,992	19,827	\$ 2.22
Dilutive effect of equity-based compensation awards and warrants . . . . .	<u>206</u>	<u>803</u>	<u>(0.08)</u>
Diluted income attributable to common stockholders . . .	<u>\$44,198</u>	<u>20,630</u>	<u>\$ 2.14</u>

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(12) EARNINGS PER SHARE (Continued)**

	Year Ended December 31, 2006		
	Income	Shares	Per Share Amount
Basic income attributable to common stockholders before effect of dilutive securities . . . . .	\$46,399	19,526	\$ 2.38
Dilutive effect of equity-based compensation awards and warrants . . . . .	276	1,131	(0.12)
Diluted income attributable to common stockholders . . .	\$46,675	20,657	\$ 2.26

For each of the years ended December 31, 2008 and 2007, the dilutive effect of all outstanding warrants, options, restricted stock and Series B preferred stock is included in the above calculations. For each of the years ended December 31, 2008 and 2007, the dilutive effects of 85 thousand and 48 thousand outstanding performance stock awards, respectively, were excluded from the above calculation as the performance criteria were not attained at that time.

**(13) STOCKHOLDERS' EQUITY**

*(a) Warrants*

On June 30, 2004, the Company issued warrants to purchase 2.8 million shares of the Company's common stock. The warrants provided for an exercise price of \$8.00 per common share and an expiration date of September 10, 2009. Warrants activity from January 1, 2006 through December 31, 2008 was as follows:

	2008	2007	2006
Outstanding at January 1, . . . . .	348,690	498,690	498,690
Exercised . . . . .	(348,690)	(150,000)	—
Outstanding at December 31, . . . . .	—	348,690	498,690

*(b) Series B Preferred Stock*

On February 16, 1993, the Company issued 112,000 shares of Series B convertible preferred stock for the acquisition of its Spring Grove facility. The liquidation value of each share of Series B preferred stock was the liquidation preference of \$50.00 plus unpaid dividends. On December 28, 2007, the Company issued an aggregate of 209,200 shares of the Company's common stock upon the conversion (at the holders' elections) of the remaining previously outstanding 68,810 shares of Series B preferred stock.

Prior to the conversion, each share of Series B preferred stock entitled its holder to receive a cumulative annual cash dividend of \$4.00 per share, or at the election of the Company, a common stock dividend of equivalent value. Dividends were payable on the 15th day of January, April, July and October, at the rate of \$1.00 per share, per quarter. During the two years ended December 31, 2007, all dividends on the Series B preferred stock were paid in cash.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(13) STOCKHOLDERS' EQUITY (Continued)**

*(c) Common Stock Public Offering*

On April 29, 2008, the Company issued 2.875 million shares of common stock, including 375,000 shares of common stock issued upon exercise of an underwriters' option, at a public offering price of \$63.75 per share. After deducting the underwriter discount and offering expenses, the Company received net proceeds of \$173.5 million from the issuance.

**(14) STOCK-BASED COMPENSATION**

In 1992 the Company adopted an equity incentive plan (the "1992 Plan"), which provides for a variety of incentive awards, including stock options, and in 2000, the Company adopted a stock incentive plan (the "2000 Plan"), which provides for awards in the form of incentive stock options, non-qualified stock options, restricted stock awards and performance stock awards. The 2000 Plan allows up to 2.0 million shares to be awarded. As of December 31, 2008 and 2007, the Company had the following types of stock-based compensation awards outstanding under these plans: stock options, restricted stock awards and performance stock awards. The stock options generally become exercisable up to five years from the date of grant, subject to certain employment requirements, and terminate ten years from the date of grant. The restricted stock awards vest over five years subject to continued employment. The performance stock awards vest depending on the satisfaction of certain performance criterion as described below.

As of December 31, 2008, the Company had reserved 527,653 shares of common stock available for grant under the 2000 Plan, exclusive of shares previously issued (either upon exercise of stock options or pursuant to restricted stock, performance stock or common stock awards) or reserved for options previously granted under the 2000 Plan. The 1992 Plan expired on March 15, 2002, but there were outstanding on December 31, 2008 options for an aggregate of 33,500 shares, which shall remain in effect until such options are either exercised or expire in accordance with their terms.

Effective January 1, 2006, the Company adopted the provisions of SFAS No. 123(R) and SAB 107 using the modified prospective method, which results in the provisions of SFAS No. 123(R) being applied to the consolidated financial statements on a prospective basis. Under the modified prospective recognition method, restatement of consolidated income from prior periods is not required, and accordingly, the Company has not provided such restatements. Under the modified prospective provisions of SFAS No. 123(R), compensation expense is recorded for the unvested portion of previously granted awards that were outstanding on January 1, 2006 and all subsequent awards. SFAS No. 123(R) requires that all stock-based compensation expense be recognized in the financial statements based on the fair value of the awards. Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period, which generally represents the vesting period, and includes an estimate of awards that will be forfeited. Consistent with the valuation method previously used for the disclosure-only pro-forma provisions of SFAS No. 123, the fair value of stock options is calculated using the Black-Scholes option-pricing model. As required under the new standards, compensation expense is based on the number of options expected to vest. Forfeitures estimated when recognizing compensation expense are adjusted when actual forfeitures differ from the estimate. The fair value of the Company's grants of restricted stock are based on the quoted market price for the Company's common stock on the respective dates of grant.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(14) STOCK-BASED COMPENSATION (Continued)**

Total stock-based compensation cost charged to income from operations for the years ended December 31, 2008, 2007 and 2006 was \$3.6 million, \$4.8 million and \$3.4 million, respectively. The total income tax benefit recognized in the consolidated statements of income from stock based compensation was \$1.3 million, \$1.8 million and \$0.8 million for the years ended December 31, 2008, 2007 and 2006, respectively.

**Stock Option Awards**

As a result of the changes in accounting under SFAS No. 123(R) and a desire to align the Company's long-term incentive awards more closely to operating and market performance, the Compensation Committee of the Company's Board of Directors approved a substantial change in the form of awards that it grants under the Company's 2000 Plan. Beginning in November 2005, stock option grants for key managers were replaced with restricted stock awards or performance stock awards. The Company accordingly has decreased the number of stock options granted.

The Company uses the Black-Scholes option pricing model to value the compensation expense associated with its stock option awards based on the assumptions in the following table. In addition, the Company estimates forfeitures when recognizing compensation expense, and adjusts its estimate of forfeitures over the requisite service period based on the extent to which actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures are recognized through a cumulative catch-up adjustment in the period of change and also impact the amount of compensation expense to be recognized in future periods. The expected forfeiture rates used to calculate compensation expense were 4% for employees and 2% for executives and directors.

The following weighted-average assumptions were used in calculating the grant date fair value of stock options awards issued during the years ended December 31, 2008, 2007 and 2006:

	2008	2007	2006
Expected volatility . . . . .	40.81%	80.02%-81.36%	84.29%-86.00%
Risk-free interest rate . . . . .	2.31%-3.10%	4.58%-4.98%	4.84%-5.15%
Expected life (years) . . . . .	3.3	2.9	3.5
Dividend yield . . . . .	none	none	none

Expected volatility is based on the historical volatility of the Company's common stock over the period commensurate with the expected life of the stock option shares. The risk-free rate for the stock options is the average yield rate of the 3- and 5-year term on the U.S. Treasury Constant Maturities at the inception of each quarterly stock option period. The expected life of the stock options shares is 3.3 years based on using the simplified method as described in Staff Accounting Bulletin No. 110. As discussed above, due to the Company changing the nature of the awards granted beginning in 2006, the historical data does not provide a reasonable basis upon which to estimate expected term and therefore the Company continues to calculate the expected life by using the simplified method. The dividend yield of zero is based on the fact that the Company has never paid cash dividends and has no present intention to pay cash dividends.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(14) STOCK-BASED COMPENSATION (Continued)**

The following table summarizes activity under the Plans relating to stock options:

<u>Stock Options</u>	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (in years)</u>	<u>Aggregate Intrinsic Value as of 12/31/08 (in thousands)</u>
Outstanding at January 1, 2008 . . . . .	382,971	\$14.09		
Granted . . . . .	18,000	66.18		
Expired . . . . .	(2,450)	1.81		
Forfeited . . . . .	(500)	1.81		
Exercised . . . . .	<u>(178,078)</u>	11.69		
Outstanding at December 31, 2008 . . . . .	<u>219,943</u>	<u>\$20.45</u>	<u>3.87</u>	<u>\$9,504</u>
Vested and expected to vest . . . . .	<u>219,236</u>	<u>\$20.36</u>	<u>3.86</u>	<u>\$9,493</u>
Exercisable at December 31, 2008 . . . . .	<u>195,943</u>	<u>\$16.91</u>	<u>3.47</u>	<u>\$9,133</u>

The weighted-average grant date fair values of option grants for the years ended December 31, 2008, 2007 and 2006 were \$20.78, \$26.13, and \$22.13, respectively. As of December 31, 2008, there was \$0.3 million of total unrecognized compensation cost arising from non-vested compensation related to stock option awards under the Company's stock incentive plans. This cost is expected to be recognized over a weighted-average period of 1.1 years. The total intrinsic value of options exercised during 2008, 2007 and 2006 was \$9.6 million, \$6.8 million, and \$7.2 million, respectively.

**Restricted Stock Awards**

The following information relates to restricted stock awards that have been granted to employees under the Company's stock incentive plans. The restricted stock awards are not transferable until vested and the restrictions lapse upon the achievement of continued employment over a specified time period.

The fair value of each restricted stock grant is based on the closing price of the Company's stock on the date of grant and is amortized to expense over its vesting period. The expected forfeiture rates used to calculate compensation expense were 4% for employees and 2% for executives and directors.

The following table summarizes information about restricted stock awards for the year ended December 31, 2008:

<u>Restricted Stock</u>	<u>Number of Shares</u>	<u>Weighted Average Grant-Date Fair Value</u>
Unvested at January 1, 2008 . . . . .	27,241	\$32.49
Granted . . . . .	1,000	69.78
Vested . . . . .	<u>(8,990)</u>	<u>32.09</u>
Unvested at December 31, 2008 . . . . .	<u>19,251</u>	<u>\$34.61</u>

As of December 31, 2008, there was \$0.5 million of total unrecognized compensation cost arising from restricted stock awards under the Company's stock incentive plans. This cost is expected to be

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(14) STOCK-BASED COMPENSATION (Continued)**

recognized over a weighted-average period of 3.9 years. The total fair value of restricted stock vested during 2008 was \$0.6 million.

***Performance Stock Awards***

The following information relates to performance stock awards that have been granted to employees under the Company's stock incentive plans. Generally, performance stock awards are subject to performance criteria such as predetermined revenue and earnings targets for a specified period of time. The vesting of the performance stock awards is based on achieving such targets and also includes continued service conditions.

The fair value of each performance stock award is based on the closing price of the Company's stock on the date of grant and is amortized to expense over the service period if achievement of performance measures is then considered probable. The expected forfeiture rates used to calculate compensation expense were 4% for employees and 2% for executives and directors. As of December 31, 2008, management believed that it was probable the performance targets, related to the performance stock awards granted in 2008 and 2007, will be achieved.

The following table summarizes information about performance stock awards for the year ended December 31, 2008:

<u>Performance Stock</u>	<u>Number of Shares</u>	<u>Weighted Average Grant-Date Fair Value</u>
Unvested at January 1, 2008 .....	52,276	\$51.62
Granted .....	92,936	\$66.21
Vested .....	(13,100)	51.62
Forfeited .....	(12,896)	60.09
Unvested at December 31, 2008 .....	<u>119,216</u>	<u>\$62.08</u>

As of December 31, 2008, there was \$4.4 million of total unrecognized compensation cost arising from non-vested compensation related to performance stock awards under the Company's stock incentive plans that will be recognized over the next three years. The total fair value of performance awards vested during 2008 was \$0.8 million.

***Employee Stock Purchase Plan***

In May of 1995, the Company's stockholders approved an Employee Stock Purchase Plan (the "ESPP"), which is a qualified employee stock purchase plan under Section 423 of the Internal Revenue Code of 1986, as amended, through which employees of the Company are given the opportunity to purchase shares of common stock. Under the ESPP, a total of one million shares of common stock were originally reserved for offering to employees, in quarterly offerings of 50,000 shares each plus any shares not issued in any previous quarter, commencing on July 1, 1995 and on the first day of each quarter thereafter. In 2005, the Company's stockholders approved an increase of 500,000 in the maximum number of shares which can be issued under the ESPP. As of December 31, 2008, the Company had reserved 482,340 shares of common stock available for purchase under the ESPP. Employees who elect to participate in an offering may utilize up to 10% of their payroll for the

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(14) STOCK-BASED COMPENSATION (Continued)**

purchase of common stock at 85% of the closing price of the stock on the first day of such quarterly offering or, if lower, 85% of the closing price on the last day of the offering. Due to the discount of 15% offered to employees for purchase of shares under the ESPP, the Company considers such plan as compensatory. The weighted average per share fair values of the purchase rights granted under the ESPP during the years ended December 31, 2008 and 2007 was \$11.69 and \$8.91, respectively.

**Common Stock Awards**

In the years ended December 31, 2008 and 2007, the Company issued 2,900 shares and 5,200 shares of common stock at a weighted average grant-date fair value of \$66.10 and \$46.74, respectively, under the Company's 2000 Plan which vested immediately.

**(15) EMPLOYEE BENEFIT PLANS**

The Company has responsibility for a defined benefit plan that covers 25 active non-supervisory Canadian employees. The Company accounts for the defined benefit plan in accordance with SFAS No. 158, *Employers' Accounting for Defined Pension and Other Postretirement Plans* ("SFAS No. 158"), which required separate recognition of the over funded or under funded status of the pension plan as an asset or liability. The funded status is measured as the difference between the fair value of plan assets and the projected benefit obligations to current and retired employees.

The following table presents the net periodic pension cost for the years ended December 31, (in thousands):

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Service cost . . . . .	\$ 199	\$ 176	\$ 167
Interest cost . . . . .	374	359	312
Expected return on fair value of assets . . . . .	(459)	(441)	(366)
Actuarial loss . . . . .	11	—	—
Net periodic pension cost . . . . .	<u>\$ 125</u>	<u>\$ 94</u>	<u>\$ 113</u>

Weighted average assumptions used to determine pension benefit obligations at year end and net pension cost for the following years were as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Discount rate . . . . .	6.30%	5.18%	5.10%
Expected return on fair value of assets . . . . .	6.75%	7.00%	7.00%
Rate of compensation increase . . . . .	2.75%	3.21%	3.89%

The long-term rate-of-return-on-assets assumption was determined using a building-block method, which integrates historical inflation, real risk-free rates and risk premiums for the different asset categories forming the plan fund. A weighted average of the above result and the historical return of the plan's fund is then calculated. The current asset mix is assumed to remain constant and a 0.7% adjustment for investment and custodial fees was taken into account. Unless the result so obtained is significantly different from the previous year assumption, the long-term rate-of-return-on-assets assumption remains unchanged.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(15) EMPLOYEE BENEFIT PLANS (Continued)**

The accumulated benefit obligation was \$6.1 million and \$7.4 million at December 31, 2008 and 2007, respectively.

The following table sets forth the changes in benefit obligations, plan assets and the net pension liability accrued on the Company's consolidated balance sheets at December 31, (in thousands):

	<u>2008</u>	<u>2007</u>
<i>Change in benefit obligations:</i>		
Benefit obligation at the beginning of year . . . . .	\$ 7,783	\$6,479
Service cost . . . . .	199	176
Interest cost . . . . .	374	359
Employee contributions . . . . .	44	40
Actuarial loss . . . . .	(314)	(153)
Benefits paid . . . . .	(256)	(289)
Currency translation . . . . .	(1,506)	1,171
Benefit obligation at end of year . . . . .	<u>\$ 6,324</u>	<u>\$7,783</u>
	<u>2008</u>	<u>2007</u>
<i>Change in plan assets:</i>		
Fair value of plan assets at beginning of year . . . . .	\$ 6,883	\$5,683
Actual return on plan assets . . . . .	(843)	(39)
Employer contributions . . . . .	555	456
Employee contributions . . . . .	44	40
Benefits paid . . . . .	(256)	(289)
Currency translation . . . . .	(1,261)	1,032
Fair value of plan assets at end of year . . . . .	<u>\$ 5,122</u>	<u>\$6,883</u>
	<u>2008</u>	<u>2007</u>
Unfunded pension liability (included in other long-term liabilities) . . . . .	<u>\$(1,202)</u>	<u>\$(900)</u>

The Company's investment policy targets a 20% to 70% allocation to equity securities, a 30% to 50% allocation to debt securities, and a 0% to 20% allocation to cash. The asset mix is frequently reviewed by the fund manager by examining the domestic and international macroeconomic factors and relative valuation levels of equity versus fixed income markets as well as internal forecasts of interest rate trends. The objective is to add value through longer-term asset mix positioning rather than short-term trading. The portfolio's volatility is kept to a minimum by implementing only incremental asset mix changes. It is believed that this investment policy fits the long-term nature of pension obligations.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(15) EMPLOYEE BENEFIT PLANS (Continued)**

The Company's weighted average asset allocations at December 31, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Equity securities . . . . .	55%	63%
Debt securities . . . . .	39%	32%
Cash and cash equivalents . . . . .	6%	5%
Total . . . . .	<u>100%</u>	<u>100%</u>

The Company expects to contribute \$408 thousand to this pension plan in 2009.

Benefit payments including those amounts to be paid out of corporate assets and reflecting future expected service as appropriate, are expected to be paid as follows (in thousands):

	<u>Expected benefit payments</u>
2009 . . . . .	\$ 240
2010 . . . . .	255
2011 . . . . .	255
2012 . . . . .	287
2013 . . . . .	288
2014-2018 . . . . .	1,936

The Company has a profit-sharing plan under Section 401(k) of the Internal Revenue Code covering substantially all U.S. employees. The plan allows employees to make contributions up to a specified percentage of their compensation. The Company makes discretionary partial matching contributions established annually by the Board of Directors. The Company expensed \$1.0 million, expensed \$0.8 million, and recognized income of \$0.1 million for the years ended December 31, 2008, 2007, and 2006, respectively.

**(16) SEGMENT REPORTING**

The Company has two reportable segments: Technical Services and Site Services. Technical Services includes:

- treatment and disposal of industrial wastes, which includes physical treatment, resource recovery and fuels blending, incineration, landfills, wastewater treatment, lab chemical disposal and explosives management;
- collection, transportation and logistics management;
- categorization, specialized repackaging, treatment and disposal of laboratory chemicals and household hazardous wastes, which are referred to as CleanPack® services; and
- Apollo Onsite Services, which provide customized environmental programs at customer sites.

These services are provided through a 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

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(16) SEGMENT REPORTING (Continued)**

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.

Site Services provides 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, oil disposal, analytical testing services, information management services and personnel training. The Company offers outsourcing services for customer environmental management programs as well, and provides analytical testing services, information management and personnel training services.

The Company markets these services through its sales organizations and, in many instances, services in one area of the business support or lead to work in other service lines. Expenses associated with the sales organizations are allocated based on direct revenues by segment.

Performance of the Technical Services and Site Services 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 refinancing ("Adjusted EBITDA Contribution"). 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 twelve-month periods ended December 31, 2008, 2007 and 2006 (in thousands). Third party revenues are revenues billed to the Company's 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 Year Ended December 31, 2008</b>			
	<b>Technical Services</b>	<b>Site Services</b>	<b>Corporate Items</b>	<b>Totals</b>
Third party revenues . . . . .	\$682,486	\$348,208	\$ 19	\$1,030,713
Intersegment revenues, net . . . . .	29,804	(27,618)	(2,186)	—
Direct revenues . . . . .	<u>\$712,290</u>	<u>\$320,590</u>	<u>\$(2,167)</u>	<u>\$1,030,713</u>

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(16) SEGMENT REPORTING (Continued)**

	<b>For the Year Ended December 31, 2007</b>			
	<b>Technical Services</b>	<b>Site Services</b>	<b>Corporate Items</b>	<b>Totals</b>
Third party revenues . . . . .	\$655,181	\$291,697	\$ 39	\$946,917
Intersegment revenues, net . . . . .	17,032	(15,882)	(1,150)	—
Direct revenues . . . . .	<u>\$672,213</u>	<u>\$275,815</u>	<u>\$(1,111)</u>	<u>\$946,917</u>

	<b>For the Year Ended December 31, 2006</b>			
	<b>Technical Services</b>	<b>Site Services</b>	<b>Corporate Items</b>	<b>Totals</b>
Third party revenues . . . . .	\$542,589	\$287,243	\$(23)	\$829,809
Intersegment revenues, net . . . . .	15,818	(16,151)	333	—
Direct revenues . . . . .	<u>\$558,407</u>	<u>\$271,092</u>	<u>\$310</u>	<u>\$829,809</u>

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 refinancing to segments.

	<b>For the Year Ended December 31,</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Adjusted EBITDA:</b>			
Technical Services . . . . .	179,993	157,782	123,347
Site Services . . . . .	52,587	46,044	44,743
Corporate Items . . . . .	(69,361)	(70,529)	(48,155)
Total . . . . .	<u>163,219</u>	<u>133,297</u>	<u>119,935</u>
<b>Reconciliation to Consolidated Statements of Income:</b>			
Depreciation and amortization . . . . .	44,471	37,590	35,339
Accretion of environmental liabilities . . . . .	10,776	10,447	10,220
Income from operations . . . . .	107,972	85,260	74,376
Other (income) expense . . . . .	119	(135)	447
Loss on early extinguishment of debt . . . . .	5,473	—	8,529
Interest expense, net of interest income . . . . .	8,403	13,157	12,447
Income before provision for income taxes . . . . .	<u>\$93,977</u>	<u>\$72,238</u>	<u>\$52,953</u>

**Revenue, property, plant and equipment and intangible assets outside of the United States**

For the year ended December 31, 2008, the Company derived approximately \$897.2 million or 87.0% of revenues from customers located in the United States and Puerto Rico, approximately \$132.8 million or 12.9% of revenues from customers located in Canada, and less than 1.0% of revenues from customers in Mexico. For the year ended December 31, 2007, the Company derived approximately \$821.9 million or 86.8% of revenues from customers located in the United States and Puerto Rico, approximately \$124.0 million or 13.1% of revenues from customers located in Canada, and less than

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(16) SEGMENT REPORTING (Continued)**

1.0% of revenues from customers in Mexico. For the year ended December 31, 2006, the Company derived approximately \$712.9 million or 85.9% of revenues from customers located in the United States and Puerto Rico, approximately \$116.2 million or 14.06% of revenues from customers located in Canada, and less than 1.0% of revenues from customers in Mexico.

As of December 31, 2008, the Company had property, plant and equipment, net of depreciation and amortization of \$295.5 million, and permits and other intangible assets of \$71.8 million. Of these totals, \$30.9 million or 10.5% of property, plant and equipment and \$18.8 million or 26.2% of permits and other intangible assets were in Canada, with the balance being in the United States and Puerto Rico (except for insignificant assets in Mexico). As of December 31, 2007, the Company had property, plant and equipment, net of depreciation and amortization of \$262.6 million, and permits and other intangible assets of \$74.8 million. Of these totals, \$31.9 million or 12.2% of property, plant and equipment and \$26.5 million or 35.5% of permits and other intangible assets were in Canada, with the balance being in the United States and Puerto Rico (except for insignificant assets in Mexico).

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

	<u>As of December 31,</u>	
	<u>2008</u>	<u>2007</u>
Property, plant and equipment, net:		
Technical Services . . . . .	\$232,912	\$216,796
Site Services . . . . .	31,982	20,105
Corporate or other assets . . . . .	30,567	25,700
Total Property, plant and equipment, net . . . . .	<u>\$295,461</u>	<u>\$262,601</u>
Intangible assets:		
Technical Services		
Goodwill . . . . .	\$ 22,417	\$ 21,424
Permits and other intangibles, net . . . . .	63,003	69,995
Total Technical Services . . . . .	<u>85,420</u>	<u>91,419</u>
Site Services		
Goodwill . . . . .	2,161	148
Permits and other intangibles, net . . . . .	8,751	4,814
Total Site Services . . . . .	<u>10,912</u>	<u>4,962</u>
Total Intangible assets . . . . .	<u>\$ 96,332</u>	<u>\$ 96,381</u>

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

	<u>As of December 31,</u>	
	<u>2008</u>	<u>2007</u>
Site Services . . . . .	\$ 53,677	\$ 37,710
Technical Services . . . . .	441,422	369,053
Corporate Items . . . . .	403,237	363,125
Total . . . . .	<u>\$898,336</u>	<u>\$769,888</u>

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(16) SEGMENT REPORTING (Continued)**

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

	As of December 31,	
	2008	2007
United States .....	\$771,751	\$631,630
Canada .....	126,585	138,258
Total .....	<u>\$898,336</u>	<u>\$769,888</u>

**(17) QUARTERLY DATA (UNAUDITED)**

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands except per share amounts)			
<b>2008</b>				
Revenues .....	\$242,509	\$265,259	\$273,157	\$249,788
Cost of revenues .....	170,194	178,384	187,063	172,179
Gross Profit .....	72,315	86,875	86,094	77,609
Income from operations .....	20,000	29,847	31,260	26,865
Other income (expense) .....	(104)	59	(104)	30
Net income .....	8,922	15,987	14,628	17,949
Basic income per share .....	0.44	0.71	0.62	0.76
Diluted income per share .....	0.43	0.70	0.61	0.75
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands except per share amounts)			
<b>2007</b>				
Revenues .....	\$205,024	\$238,708	\$245,507	\$257,678
Cost of revenues .....	151,604	165,282	169,007	178,547
Gross Profit .....	53,420	73,426	76,500	79,131
Income from operations .....	10,653	23,627	25,879	25,101
Other income (expense) .....	6	(5)	61	73
Net income .....	3,501	11,188	12,940	16,569
Basic income per share .....	0.17	0.56	0.65	0.83
Diluted income per share .....	0.17	0.54	0.63	0.81

Earnings per share are computed independently for each of the quarters presented. Due to this, the 2008 and 2007 quarterly basic and diluted earnings per share do not equal the total computed for the year.

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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 material subsidiaries organized in the United States. As of December 31, 2008, the principal balance of the outstanding senior secured notes was \$23.0 million. The notes are not guaranteed by the Company's Canadian, Mexican and Puerto Rican 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 December 31, 2008 (in thousands):

	<u>Clean Harbors, Inc.</u>	<u>U.S. Guarantor Subsidiaries</u>	<u>Foreign Non-Guarantor Subsidiaries</u>	<u>Consolidating Adjustments</u>	<u>Total</u>
<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 . . . . .	<u>\$575,562</u>	<u>\$871,187</u>	<u>\$304,236</u>	<u>\$(852,649)</u>	<u>\$898,336</u>
<b>Liabilities and Stockholders'</b>					
<b>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 . . . . .	<u>429,046</u>	<u>519,952</u>	<u>158,884</u>	<u>(678,837)</u>	<u>429,045</u>
Total liabilities and stockholders' equity . . . . .	<u>\$575,562</u>	<u>\$871,187</u>	<u>\$304,236</u>	<u>\$(852,649)</u>	<u>\$898,336</u>

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(18) GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)**

Following is the condensed consolidating balance sheet at December 31, 2007 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
<b>Assets:</b>					
Cash and cash equivalents . . . . .	\$ 35,925	\$ 32,301	\$ 51,312	\$ —	\$119,538
Intercompany receivables . . . . .	2,521	—	80,521	(83,042)	—
Other current assets . . . . .	12,287	220,060	28,553	—	260,900
Property, plant and equipment, net . . . . .	—	230,449	32,152	—	262,601
Investments in subsidiaries . . . . .	344,953	140,298	91,654	(576,905)	—
Intercompany note receivable . . .	—	121,445	3,701	(125,146)	—
Other long-term assets . . . . .	22,631	68,396	35,822	—	126,849
Total assets . . . . .	<u>\$418,317</u>	<u>\$812,949</u>	<u>\$323,715</u>	<u>\$(785,093)</u>	<u>\$769,888</u>
<b>Liabilities and Stockholders'</b>					
<b>Equity:</b>					
Current liabilities . . . . .	\$ 43,504	\$143,672	\$ 23,677	\$ —	\$210,853
Intercompany payables . . . . .	—	83,042	—	(83,042)	—
Closure, post-closure and remedial liabilities, net . . . . .	—	145,752	19,878	—	165,630
Long-term debt . . . . .	120,712	—	—	—	120,712
Capital lease obligations, net . . .	—	1,174	346	—	1,520
Intercompany note payable . . . . .	3,701	—	121,445	(125,146)	—
Other long-term liabilities . . . . .	47,503	—	20,773	—	68,276
Total liabilities . . . . .	215,420	373,640	186,119	(208,188)	566,991
Stockholders' equity . . . . .	<u>202,897</u>	<u>439,309</u>	<u>137,596</u>	<u>(576,905)</u>	<u>202,897</u>
Total liabilities and stockholders' equity . . . . .	<u>\$418,317</u>	<u>\$812,949</u>	<u>\$323,715</u>	<u>\$(785,093)</u>	<u>\$769,888</u>

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(18) GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)**

Following is the consolidating statement of income for the year ended December 31, 2008 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues . . . . .	\$ —	\$886,880	\$150,299	\$ (6,466)	\$1,030,713
Cost of revenues . . . . .	—	622,351	91,935	(6,466)	707,820
Selling, general and administrative expenses . . . . .	22	138,078	21,574	—	159,674
Accretion of environmental liabilities . . . . .	—	9,718	1,058	—	10,776
Depreciation and amortization . . . . .	—	39,527	4,944	—	44,471
Income from operations . . . . .	(22)	77,206	30,788	—	107,972
Other income (expense) . . . . .	—	(121)	2	—	(119)
Loss on early extinguishment of debt . . . . .	(5,473)	—	—	—	(5,473)
Interest income (expense), net . . . . .	(9,026)	(658)	1,281	—	(8,403)
Equity in earnings of subsidiaries . . . . .	91,282	23,137	—	(114,419)	—
Intercompany dividend income (expense) . . . . .	10,160	—	12,913	(23,073)	—
Intercompany interest income (expense) . . . . .	—	12,457	(12,457)	—	—
Income before provision for income taxes . . . . .	86,921	112,021	32,527	(137,492)	93,977
Provision for income taxes . . . . .	29,435	283	6,773	—	36,491
Net income . . . . .	<u>\$57,486</u>	<u>\$111,738</u>	<u>\$ 25,754</u>	<u>\$(137,492)</u>	<u>\$ 57,486</u>

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(18) GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)**

Following is the consolidating statement of income for the year ended December 31, 2007 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues . . . . .	\$ —	\$814,600	\$137,926	\$ (5,609)	\$946,917
Cost of revenues . . . . .	—	580,331	89,718	(5,609)	664,440
Selling, general and administrative expenses . . . . .	—	121,754	27,426	—	149,180
Accretion of environmental liabilities . . . . .	—	9,439	1,008	—	10,447
Depreciation and amortization . . .	—	31,531	6,059	—	37,590
Income from operations . . . . .	—	71,545	13,715	—	85,260
Other income (expense) . . . . .	—	142	(7)	—	135
Interest income (expense), net . . . .	(13,794)	(794)	1,431	—	(13,157)
Equity in earnings of subsidiaries . .	82,517	11,126	—	(93,643)	—
Intercompany dividend income (expense) . . . . .	—	—	12,803	(12,803)	—
Intercompany interest income (expense) . . . . .	—	12,376	(12,376)	—	—
Income before provision for income taxes . . . . .	68,723	94,395	15,566	(106,446)	72,238
Provision for income taxes . . . . .	24,525	954	2,561	—	28,040
Net income . . . . .	<u>\$ 44,198</u>	<u>\$ 93,441</u>	<u>\$ 13,005</u>	<u>\$(106,446)</u>	<u>\$ 44,198</u>

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(18) GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)**

Following is the consolidating statement of income for the year ended December 31, 2006 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues . . . . .	\$ —	\$712,263	\$122,916	\$ (5,370)	\$829,809
Cost of revenues . . . . .	—	511,141	79,064	(5,370)	584,835
Selling, general and administrative expenses . . . . .	—	103,036	22,003	—	125,039
Accretion of environmental liabilities . . . . .	—	9,329	891	—	10,220
Depreciation and amortization . . .	—	30,478	4,861	—	35,339
Income from operations . . . . .	—	58,279	16,097	—	74,376
Other income (expense) . . . . .	—	(404)	(43)	—	(447)
Loss on early extinguishment of debt . . . . .	(8,529)	—	—	—	(8,529)
Interest income (expense), net . . . .	(14,439)	1,274	718	—	(12,447)
Equity in earnings of subsidiaries . .	71,515	12,597	—	(84,112)	—
Intercompany dividend income (expense) . . . . .	—	—	12,068	(12,068)	—
Intercompany interest income (expense) . . . . .	—	11,644	(11,644)	—	—
Income before provision for income taxes . . . . .	48,547	83,390	17,196	(96,180)	52,953
Provision for income taxes . . . . .	1,872	433	4,034	—	6,339
Equity interest of joint venture . . .	—	(61)	—	—	(61)
Net income . . . . .	<u>\$ 46,675</u>	<u>\$ 83,018</u>	<u>\$ 13,162</u>	<u>\$(96,180)</u>	<u>\$ 46,675</u>

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(18) GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)**

Following is the condensed consolidating statement of cash flows for the year ended December 31, 2008 (in thousands):

	<u>Clean Harbors, Inc.</u>	<u>U.S. Guarantor Subsidiaries</u>	<u>Foreign Non-Guarantor Subsidiaries</u>	<u>Total</u>
Net cash from operating activities . . . . .	\$(31,148)	\$112,187	\$ 28,551	\$109,590
Cash flows from investing activities:				
Additions to property, plant and equipment . . . . .	—	(47,688)	(9,774)	(57,462)
Acquisitions, net of cash acquired . . . . .	(27,628)	—	—	(27,628)
Purchase of available-for-sale securities . . . . .	(2,000)	—	(529)	(2,529)
Proceeds from insurance claims . . . . .	—	—	346	346
Sales of marketable securities . . . . .	4,350	—	—	4,350
Proceeds from sale of fixed assets and assets held for sale . . . . .	—	522	15	537
Costs to obtain or renew permits . . . . .	—	(2,119)	(10)	(2,129)
Net cash from investing activities . . . . .	<u>(25,278)</u>	<u>(49,285)</u>	<u>(9,952)</u>	<u>(84,515)</u>
Cash flows from financing activities:				
Change in uncashed checks . . . . .	—	1,922	591	2,513
Proceeds from exercise of stock options . . . . .	2,082	—	—	2,082
Proceeds from exercise of warrants . . . . .	2,789	—	—	2,789
Remittance of shares . . . . .	(483)	—	—	(483)
Excess tax benefit from stock-based compensation . .	3,504	—	—	3,504
Proceeds from employee stock purchase plan . . . . .	1,820	—	—	1,820
Payments on capital leases . . . . .	—	(398)	(87)	(485)
Proceeds from issuance of common stock, net . . . . .	173,541	—	—	173,541
Principal payments on debt . . . . .	(68,486)	—	—	(68,486)
Intercompany financing . . . . .	27,628	(27,628)	—	—
Dividends (paid) received . . . . .	—	(11,326)	11,326	—
Interest (payments) / received . . . . .	—	10,161	(10,161)	—
Net cash from financing activities . . . . .	<u>142,395</u>	<u>(27,269)</u>	<u>1,669</u>	<u>116,795</u>
Effect of exchange rate change on cash . . . . .	—	—	(11,884)	(11,884)
Increase in cash and cash equivalents . . . . .	85,969	35,633	8,384	129,986
Cash and cash equivalents, beginning of year . . . . .	35,925	32,301	51,312	119,538
Cash and cash equivalents, end of year . . . . .	<u>\$121,894</u>	<u>\$ 67,934</u>	<u>\$ 59,696</u>	<u>\$249,524</u>

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(18) GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)**

Following is the condensed consolidating statement of cash flows for the year ended December 31, 2007 (in thousands):

	<u>Clean Harbors, Inc.</u>	<u>U.S. Guarantor Subsidiaries</u>	<u>Foreign Non-Guarantor Subsidiaries</u>	<u>Total</u>
Net cash from operating activities . . . . .	\$31,443	\$ 24,789	\$ 23,763	\$ 79,995
Cash flows from investing activities:				
Additions to property, plant and equipment . . . . .	—	(29,627)	(6,901)	(36,528)
Acquisitions, net of cash acquired . . . . .	(7,410)	—	—	(7,410)
Purchase of available-for-sale securities . . . . .	(2,225)	(85)	—	(2,310)
Proceeds from insurance claims . . . . .	—	—	944	944
Sales of marketable securities . . . . .	3,200	—	—	3,200
Proceeds from sale of fixed assets and assets held for sale . . . . .	—	305	310	615
Costs to obtain or renew permits . . . . .	—	(1,296)	(6)	(1,302)
Net cash from investing activities . . . . .	<u>(6,435)</u>	<u>(30,703)</u>	<u>(5,653)</u>	<u>(42,791)</u>
Cash flows from financing activities:				
Change in uncashed checks . . . . .	—	(3,846)	(2,070)	(5,916)
Proceeds from exercise of stock options . . . . .	1,647	—	—	1,647
Dividend payments on preferred stock . . . . .	(206)	—	—	(206)
Excess tax benefit from stock-based compensation . . . . .	6,386	—	—	6,386
Deferred financing costs incurred . . . . .	(32)	—	—	(32)
Proceeds from employee stock purchase plan . . . . .	1,169	—	—	1,169
Proceeds from exercise of warrants . . . . .	1,200	—	—	1,200
Redemption of Series B preferred stock . . . . .	—	—	—	—
Payments on capital leases . . . . .	—	(1,239)	(216)	(1,455)
Dividends (paid) received . . . . .	—	(11,777)	11,777	—
Other . . . . .	(69)	—	—	(69)
Interest (payments) / received . . . . .	—	10,223	(10,223)	—
Net cash from financing activities . . . . .	<u>10,095</u>	<u>(6,639)</u>	<u>(732)</u>	<u>2,724</u>
Effect of exchange rate change on cash . . . . .	—	—	6,060	6,060
Increase (decrease) in cash and cash equivalents . . . . .	35,103	(12,553)	23,438	45,988
Cash and cash equivalents, beginning of year . . . . .	822	44,854	27,874	73,550
Cash and cash equivalents, end of year . . . . .	<u>\$35,925</u>	<u>\$ 32,301</u>	<u>\$ 51,312</u>	<u>\$119,538</u>

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(18) GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)**

Following is the condensed consolidating statement of cash flows for the year ended December 31, 2006 (in thousands):

	<u>Clean Harbors, Inc.</u>	<u>U.S. Guarantor Subsidiaries</u>	<u>Foreign Non-Guarantor Subsidiaries</u>	<u>Total</u>
Net cash from operating activities . . . . .	\$ 69,517	\$ (18,092)	\$ 9,957	\$ 61,382
Cash flows from investing activities:				
Additions to property, plant and equipment . . . . .	—	(35,507)	(5,161)	(40,668)
Acquisition of Teris LLC . . . . .	(51,492)	—	—	(51,492)
Proceeds from sale of restricted investments . . . . .	3,469	—	—	3,469
Purchase of available-for-sale securities . . . . .	(11,750)	(43,878)	—	(55,628)
Proceeds from insurance claims . . . . .	384	—	—	384
Sales of marketable securities . . . . .	1,650	43,738	—	45,388
Proceeds from sale of fixed assets and assets held for sale . . . . .	—	2,010	—	2,010
Costs to obtain or renew permits . . . . .	—	(2,348)	—	(2,348)
Net cash from investing activities . . . . .	<u>(57,739)</u>	<u>(35,985)</u>	<u>(5,161)</u>	<u>(98,885)</u>
Cash flows from financing activities:				
Change in uncashed checks . . . . .	—	1,942	1,186	3,128
Proceeds from exercise of stock options . . . . .	2,354	—	—	2,354
Dividend payments on preferred stock . . . . .	(276)	—	—	(276)
Excess tax benefit from stock-based compensation . .	5,239	—	—	5,239
Deferred financing costs incurred . . . . .	(983)	—	—	(983)
Proceeds from employee stock purchase plan . . . . .	801	—	—	801
Payments on capital leases . . . . .	—	(1,850)	(261)	(2,111)
Dividends (paid) received . . . . .	—	(11,810)	11,810	—
Proceeds from term loan . . . . .	30,000	—	—	30,000
Principal payments on debt) . . . . .	(58,482)	—	—	(58,482)
Net cash from financing activities . . . . .	<u>(21,347)</u>	<u>(11,718)</u>	<u>12,735</u>	<u>(20,330)</u>
Effect of exchange rate change on cash . . . . .	—	—	(1,066)	(1,066)
Increase (decrease) in cash and cash equivalents . . . . .	(9,569)	(65,795)	16,465	(58,899)
Cash and cash equivalents, beginning of year . . . . .	10,391	110,649	11,409	132,449
Cash and cash equivalents, end of year . . . . .	<u>\$ 822</u>	<u>\$ 44,854</u>	<u>\$27,874</u>	<u>\$ 73,550</u>

**CLEAN HARBORS, INC. AND SUBSIDIARIES**  
**SCHEDULE II**  
**VALUATION AND QUALIFYING ACCOUNTS**  
**For the Three Years Ended December 31, 2008**  
**(in thousands)**

<u>Allowance for Doubtful Accounts</u>	<u>Balance Beginning of Period</u>	<u>Additions Charged to Operating Expense</u>	<u>Deductions from Reserves(a)</u>	<u>Balance End of Period</u>
2006 .....	\$2,419	\$1,089	\$ 978	\$2,530
2007 .....	\$2,530	\$ 141	\$1,721	\$ 950
2008 .....	\$ 950	\$ 244	\$ 189	\$1,005

(a) Amounts deemed uncollectible, net of recoveries.

<u>Sales Allowance</u>	<u>Balance Beginning of Period</u>	<u>Additions Charged to Revenue</u>	<u>Deductions from Reserves</u>	<u>Balance End of Period</u>
2006 .....	\$2,845	\$11,069	\$12,173	\$1,741
2007 .....	\$1,741	\$18,644	\$15,230	\$5,155
2008 .....	\$5,155	\$16,265	\$15,702	\$5,718

<u>Valuation Allowance on Deferred Tax Assets</u>	<u>Balance Beginning of Period</u>	<u>Additions (Deductions) Charged to (from) Income Tax Expense</u>	<u>Other Changes to Reserves</u>	<u>Balance End of Period</u>
2006 .....	\$30,522	\$(14,082)	\$(4,037)	\$12,403
2007 .....	\$12,403	\$ (765)	\$(1,613)	\$10,025
2008 .....	\$10,025	\$ 786	\$ —	\$10,811

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

None.

### **ITEM 9A. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and its Chief Financial Officer, management evaluated the effectiveness of the Company's disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, as of December 31, 2008. The Company's Chief Executive Officer and its Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2008.

#### **Management's Annual Report on Internal Control Over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as that term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of its internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on their evaluation under the framework in *Internal Control—Integrated Framework*, the Company's management concluded that the Company maintained effective internal control over financial reporting as of December 31, 2008 based on the criteria in the *Internal Control—Integrated Framework* and that the material weakness in the internal control over financial reporting related to the income tax accounting process identified in the Form 10-K for the year ended December 31, 2007 has been remediated.

Deloitte & Touche LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements, has issued an attestation report on the Company's internal control over financial reporting as of December 31, 2008, which is included below in this Item 9A of this Annual Report on Form 10-K.

#### **Changes in Internal Control over Financial Reporting**

Except as otherwise discussed below, there have not been any changes in the Company's internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act during the Company's fiscal quarter ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

#### **Remediation of Material Control Weakness**

As previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2007 and quarterly reports on Form 10-Q for the quarters ended September 30, 2008, June 30, 2008, and March 31, 2008, the Company's management concluded that the Company's internal control over financial reporting relating to its income tax accounting process was not effective as of December 31, 2007. Errors were detected in the annual tax accounting calculations resulting from: (i) historical tax accounting analyses not being prepared in sufficient detail, (ii) current period tax accounting calculations not being accurately prepared, and (iii) reviews of tax accounting calculations not being performed with sufficient precision.

During the year ended December 31, 2008, the Company implemented the following measures to address this material weakness: (i) hired an experienced Tax Director and Tax Manager; (ii) assessed the adequacy of internal resources; hired additional resources and continued to recruit additional staff; (iii) strengthened the oversight and review of tax calculations and compliance documentation; and (iv) engaged consultants to simplify, enhance and test the tax provision process, including identification of contemporaneous documentation.

The Company's management believes these actions have strengthened the Company's internal control over financial reporting and addressed the material weakness identified above. Based on the Company's testing of the enhanced procedures, management determined that, as of December 31, 2008, the Company has remediated the material weakness in internal control over financial reporting as disclosed in the Annual Report on Form 10-K for the year ended December 31, 2007.

#### **Limitations on the Effectiveness of Controls**

The Company's management, including the Chief Executive Officer and Chief Financial Officer, does not expect that the Company's disclosure controls and procedures or the Company's internal control over financial reporting will prevent all errors and all fraud.

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

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

Further, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations of controls and procedures and internal control over financial reporting, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders  
of Clean Harbors, Inc.  
Norwell, Massachusetts

We have audited the internal control over financial reporting of Clean Harbors, Inc. and subsidiaries (the "Company") as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Annual Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2008 of the Company and our report dated March 2, 2009 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP

Boston, Massachusetts

March 2, 2009

**ITEM 9B. OTHER INFORMATION**

Not applicable.

**PART III**

Except for the information set forth below under Item 12 with respect to securities authorized for issuance under the registrant's equity compensation plans, the information called for by Item 10 (Directors, Executive Officers and Corporate Governance), Item 11 (Executive Compensation), Item 12 (Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters), Item 13 (Certain Relationships and Related Transactions, and Director Independence), and Item 14 (Principal Accountant Fees and Services) is incorporated herein by reference to the registrant's definitive proxy statement for its 2009 Annual Meeting of Stockholders, which definitive proxy statement will be filed with the Securities and Exchange Commission by April 30, 2009.

For the purpose of calculating the aggregate market value of the voting stock of the registrant held by non-affiliates as shown on the cover page of this report, it has been assumed that the directors and executive officers of the registrant, as will be set forth in the Company's definitive proxy statement for its 2009 Annual Meeting of Stockholders, are the only affiliates of the registrant. However, this should not be deemed to constitute an admission that all of such persons are, in fact, affiliates or that there are not other persons who may be deemed affiliates of the registrant.

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

In addition to the information about the security ownership of certain beneficial owners and management and related stockholder matters which is incorporated herein by reference to the Company's definitive proxy statement for the Company's 2009 Annual Meeting of Stockholders, the following table includes information as of December 31, 2008 regarding shares of common stock authorized for issuance under the Company's equity compensation plans. The Company's stockholders previously approved each of the plans.

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights(a)</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights(b)</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))(c)</u>
Equity compensation plans approved by security holders(1) . . . . .	219,943	\$20.45	527,653

(1) Includes: (i) the Company's 1992 Equity Incentive Plan (the "1992 Plan") which expired in 2002, but under which there were outstanding on December 31, 2008, options for an aggregate of 33,500 shares; and (ii) the Company's 2000 Stock Incentive Plan under which there were on December 31, 2008, outstanding options for an aggregate of 186,443 shares, and 527,653 shares were available for grant of future options or restricted stock awards.

In addition, the Company has an Employee Stock Purchase Plan (the "ESPP"), which is a qualified employee stock purchase plan under Section 423 of the Internal Revenue Code of 1986, as amended, through which the Company's employees are given the opportunity to purchase shares of common stock at 85% of the lower of the market price at the beginning and end of each quarter. On December 31, 2008, there were 482,340 shares reserved for future issuance under the ESPP.

Note 15, "Employee Benefit Plans," to the financial statements appearing in Item 8, "Financial Statements and Supplementary Data," of this report presents further information about the plans summarized above.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

*(a) Documents Filed as a Part of this Report*

	<u>Page</u>
1. Financial Statements:	
Reports of Independent Registered Public Accounting Firms . . . . .	56
Consolidated Balance Sheets as of December 31, 2008 and 2007 . . . . .	57
Consolidated Statements of Income for the Three Years Ended December 31, 2008 . . . . .	59
Consolidated Statements of Cash Flows for the Three Years Ended December 31, 2008 . . . . .	60
Consolidated Statements of Stockholders' Equity for the Three Years Ended December 31, 2008 . . . . .	62
Notes to Consolidated Financial Statements . . . . .	64
2. Financial Statement Schedule:	
Schedule II Valuation and Qualifying Accounts for the Three Years Ended December 31, 2008 . . . . .	120

All other schedules are omitted because they are not applicable, not required, or because the required information is included in the financial statements or notes thereto.

3. Exhibits:

Exhibits to this annual report on Form 10-K have been included only with the copies of the Form 10-K filed with the Securities and Exchange Commission. Upon request to the Company and payment of a reasonable fee, copies of the individual exhibits will be furnished. The Company undertakes to furnish to the Commission upon request copies of instruments (in addition to the exhibits listed below) relating to the Company's acquisitions and long-term debt.

Item No.	Description	Location
2.1	Acquisition Agreement by and between Safety-Kleen Services, Inc., as Seller, and Clean Harbors, Inc., as Purchaser, dated as of February 22, 2002	(1)
2.2	First Amendment to Acquisition Agreement by and between Safety-Kleen Services, Inc., as Seller, and Clean Harbors, Inc., as Purchaser, dated as of March 8, 2002	(2)
2.3	Second Amendment to Acquisition Agreement by and between Safety-Kleen Services, Inc. as Seller, and Clean Harbors, Inc. as Purchaser, dated as of April 30, 2002	(3)
2.4	Third Amendment to Acquisition Agreement by and between Safety-Kleen Services, Inc., as Seller, and Clean Harbors, Inc., as Purchaser, dated as of September 6, 2002	(4)
2.5	Fourth Amendment to Acquisition Agreement by and between Safety-Kleen Services, Inc., as Seller and Clean Harbors, Inc., as Purchaser, dated as of July 14, 2003	(5)
3.1A	Restated Articles of Organization of Clean Harbors, Inc.	(6)
3.4B	Amended and Restated By-Laws of Clean Harbors, Inc.	(7)

Item No.	Description	Location
4.28B	Amended and Restated Loan and Security Agreement dated June 30, 2004, and amended and restated as of December 1, 2005 by and among Credit Suisse, as administrative agent for the LC Facility (as defined therein), Bank of America, N.A., as administrative agent for the Revolving Facility (as defined therein) and as syndication agent for the LC Facility, Banc of America Securities LLC, as sole arranger under the Revolving Facility, Credit Suisse, as sole bookrunner under the LC Facility, Credit Suisse and Banc of America Securities LLC, as joint lead arrangers under the LC Facility, Clean Harbors, Inc., the Canadian Borrowers (as defined therein), and the other subsidiaries of Clean Harbors, Inc. from time to time a party thereto	(8)
4.28C	Revolving Term Note dated December 1, 2005 executed by Clean Harbors, Inc.	(8)
4.28D	Amendment No. 1 dated as of April 4, 2006, to (a) the Amended and Restated Loan and Security Agreement dated as of December 1, 2005 by and among Credit Suisse, as administrative agent for the LC Facility (as defined therein), Bank of America, N.A., as administrative agent for the Revolving Facility (as defined therein) and as syndication agent for the LC Facility, Banc of America Securities LLC, as sole arranger under the Revolving Facility, Credit Suisse, as sole bookrunner under the LC Facility, Credit Suisse and Banc of America Securities LLC, as joint lead arrangers under the LC Facility, Clean Harbors, Inc., the Canadian Borrowers (as defined therein), and the other subsidiaries of Clean Harbors, Inc. from time to time a party thereto, and (b) the Amended and Restated Security Agreement, dated as of December 1, 2005, among Clean Harbors, Inc., various subsidiaries of Clean Harbors, Inc., U.S. Bank National Association, as trustee for the second lien note creditors (as defined therein), and Credit Suisse, as collateral agent and administrative agent for the LC Facility	(9)
4.28E	Amendment No. 2 dated as of July 20, 2006, to the Amended and Restated Loan and Security Agreement dated as of December 1, 2005 by and among Credit Suisse, as administrative agent for the LC Facility (as defined therein), Bank of America, N.A., as administrative agent for the Revolving Facility (as defined therein) and as syndication agent for the LC Facility, Banc of America Securities LLC, as sole arranger under the Revolving Facility, Credit Suisse, as sole bookrunner under the LC Facility, Credit Suisse and Banc of America Securities LLC, as joint lead arrangers under the LC Facility, Clean Harbors, Inc., the Canadian Borrowers (as defined therein), and the other subsidiaries of Clean Harbors, Inc. from time to time a party thereto	(10)
4.28F	Term Loan Supplement dated as of August 18, 2006 among Clean Harbors, Inc. and the Subsidiaries party thereto, the Term Loan Lenders party thereto, Credit Suisse Securities (USA) LLC, as Arranger, Credit Suisse, as LC Facility Administrative Agent and LC Facility Collateral Agent, and the Guarantors party thereto	(11)

<u>Item No.</u>	<u>Description</u>	<u>Location</u>
4.28G	Joinder Agreement dated as of August 18, 2006, made by Clean Harbors El Dorado, LLC, and Clean Harbors Wilmington, LLC, in favor of (a) Credit Suisse, as LC Facility Collateral Agent and LC Facility Administrative Agent, and (b) Bank of America, N.A., as Administrative Agent for the Revolving Facility	(11)
4.28H	Assumption Agreement dated as of August 18, 2006 made by Clean Harbors El Dorado, LLC, and Clean Harbors Wilmington, LLC, in favor of Credit Suisse, as Collateral Agent and LC Facility Agent	(11)
4.28I	Amendment No. 3 dated as of October 16, 2006, to the Amended and Restated Loan and Security Agreement dated as of December 1, 2005 by and among Credit Suisse, as administrative agent for the LC Facility (as defined therein), Bank of America, N.A., as administrative agent for the Revolving Facility (as defined therein) and as syndication agent for the LC Facility, Banc of America Securities LLC, as sole arranger under the Revolving Facility, Credit Suisse, as sole bookrunner under the LC Facility, Credit Suisse and Banc of America Securities LLC, as joint lead arrangers under the LC Facility, Clean Harbors, Inc., the Canadian Borrowers (as defined therein), and the other subsidiaries of Clean Harbors, Inc. from time to time a party thereto	(12)
4.28J	Joinder Agreement dated as of March 21, 2008, made by Clean Harbors Recycling Services of Ohio, LLC, Clean Harbors Recycling Services of Chicago, LLC and Clean Harbors Development, LLC, in favor of (a) Credit Suisse, as LC Facility Collateral Agent and LC Facility Administrative Agent, and (b) Bank of America, N.A., as Administrative Agent for the Revolving Facility	(13)
4.28K	Assumption Agreement dated as of March 21, 2008, made by Clean Harbors Recycling Services of Ohio, LLC, Clean Harbors Recycling Services of Chicago, LLC and Clean Harbors Development, LLC, in favor of Credit Suisse, as Collateral Agent and LC Facility Agent	(13)
4.28L	Amendment No. 4 dated as of June 25, 2008, to the Amended and Restated Loan and Security Agreement dated as of December 1, 2005 by and among Credit Suisse, as administrative agent for the LC Facility (as defined therein), Bank of America, N.A., as administrative agent for the Revolving Facility (as defined therein) and as syndication agent for the LC Facility, Banc of America Securities LLC, as sole arranger under the Revolving Facility, Credit Suisse, as sole bookrunner under the LC Facility, Credit Suisse and Banc of America Securities LLC, as joint lead arrangers under the LC Facility, Clean Harbors, Inc., the Canadian Borrowers (as defined therein), and the other subsidiaries of Clean Harbors, Inc. from time to time a party thereto	(13)
4.28M	Joinder Agreement dated as of Febuary 27, 2009 made by EnviroSORT Inc., in favor of (a) Credit Suisse, as LC Facility Collateral Agent and LC Facility Administrative Agent, and (b) Bank of America, N.A., as administrative agent for the Revolving Facility, and Bank of America, N.A. (Canada Branch), as Canadian Collateral Agent	Filed herewith

<u>Item No.</u>	<u>Description</u>	<u>Location</u>
4.29A	Amended and Restated Security Agreement dated as of June 30, 2004 and amended and restated as of December 1, 2005, among Clean Harbors, Inc., various subsidiaries of Clean Harbors, Inc. in favor of Credit Suisse, as collateral agent (and as administrative agent under the LC Facility (as defined therein), for the benefit of the Secured Creditors (as defined therein), and acknowledged and agreed to by U.S. Bank National Association, solely in its capacity as trustee under the Senior Second Lien Notes Indenture (as defined therein) and not individually	(8)
4.32	Indenture dated as of June 30, 2004 by and among Clean Harbors, Inc., the Guarantors party thereto and U.S. Bank National Association as Trustee	(13)
4.32A	Supplemental Indenture dated as of August 18, 2006, among Clean Harbors, Inc., Clean Harbors El Dorado, LLC, Clean Harbors Wilmington, LLC, and U.S. Bank National Association, as Trustee	(11)
4.32B	Supplemental Indenture dated as of March 21, 2008, among Clean Harbors, Inc., Clean Harbors Recycling Services of Chicago, LLC, Clean Harbors Recycling Services of Ohio, LLC, Clean Harbors Development, LLC, and U.S. Bank National Association, as Trustee	(15)
10.35	Stock Purchase Agreement among Clean Harbors, Inc., Southdown Environmental Treatment Systems, Inc. and Southdown, Inc. dated as of June 23, 1992	(14)
10.36	Stock Purchase Agreement among Clean Harbors, Inc., Southdown Environmental Treatment Systems, Inc. and Southdown, Inc. dated as of February 16, 1993	(16)
10.38*	Clean Harbors, Inc. 1992 Equity Incentive Plan	(17)
10.39	Asset Purchase Agreement among Clean Harbors of Chicago, Inc., Clean Harbors, Inc., CWM Chemical Services, Inc. and Chemical Waste Management, Inc. dated as of January 30, 1995	(18)
10.40	Asset Purchase Agreement among Clean Harbors Technology Corporation, Clean Harbors Inc. and Ecova Corporation dated as of March 31, 1995	(19)
10.42*	Clean Harbors, Inc. 2000 Stock Incentive Plan	(20)
10.42A*	Standard form of Non-Qualified Stock Option Agreement for employees	(21)
10.42B*	Form of Non-Qualified Stock Option Agreement for employees who are principal executive officers	(21)
10.42C*	Form of Non-Qualified Stock Option Agreement for non-employee directors	(21)
10.42D*	First Amendment to Clean Harbors, Inc. 2000 Stock Incentive Plan	(22)
10.42E*	Form of Restricted Stock Award Agreement	(23)
10.42F*	Form of Performance-Based Restricted Stock Award	(9)
10.43*	Key Employee Retention Plan	(24)
10.45	Bill of Sale and Assignment dated as of September 10, 2002 by Safety-Kleen Services, Inc. and its Subsidiaries named therein, as Sellers, and Clean Harbors, Inc., as Purchaser, and its Subsidiaries named therein, as Purchasing Subs	(4)

<u>Item No.</u>	<u>Description</u>	<u>Location</u>
10.46	Assumption Agreement made as of September 10, 2002 by Clean Harbors, Inc. in favor of Safety-Kleen Services, Inc. and its Subsidiaries named therein	(4)
10.50*	Accepted offer letter, severance agreement, and relocation package and agreement, effective August 1, 2005, between the Company and James M. Rutledge	(25)
10.51	Purchase and Sale Agreement by and between SITA U.S.A. Inc. and Clean Harbors, Inc. for all of the outstanding ownership interests in Teris L.L.C. dated as of May 3, 2006	(9)
10.52*	Clean Harbors, Inc. Management Incentive Plan	(26)
21	Subsidiaries	Filed herewith
23	Consent of Independent Registered Public Accounting Firm	Filed herewith
24	Power of Attorney	Filed herewith
31	Rule 13a-14a/15d-14(a) Certifications	Filed herewith
32	Section 1350 Certifications	Filed herewith

(\*) A "management contract or compensatory plan or arrangement" filed as an exhibit to this report pursuant to Item 15(f) of Form 10-K.

- (1) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on February 28, 2002.
- (2) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-K Annual Report for the Year ended December 31, 2001.
- (3) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-Q Quarterly Report for the Quarterly Period ended March 31, 2002.
- (4) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on September 25, 2002.
- (5) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-Q Quarterly Report for the Quarterly Period ended June 30, 2003.
- (6) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on May 19, 2005.
- (7) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on April 4, 2005.
- (8) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on December 2, 2005.
- (9) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-Q Quarterly Report for the Quarterly Period ended March 31, 2006.
- (10) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-Q Quarterly Report for the Quarterly Period ended June 30, 2006.
- (11) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on August 18, 2006.
- (12) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-Q Quarterly Report for the Quarterly Period ended September 30, 2006.

- (13) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-Q Quarterly Report for the Quarterly Period ended March 31, 2008.
- (14) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-Q Quarterly Report for the Quarterly Period ended June 30, 2004.
- (15) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-Q Quarterly Report for the Quarterly Period ended June 30, 2008.
- (16) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-K Annual Report for the Year ended December 31, 1993.
- (17) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-K Annual Report for the Year ended December 31, 1992.
- (18) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-K Annual Report for the Year ended December 31, 1994.
- (19) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-Q Quarterly Report for the Quarterly Period Ended June 30, 1995.
- (20) Incorporated by reference to the Company's definitive Proxy Statement filed on April 28, 2000.
- (21) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-K Annual Report for the Year ended December 31, 2004.
- (22) Incorporated by reference to the similarly numbered exhibit to the Company's definitive Proxy Statement filed on April 15, 2005.
- (23) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-K Annual Report for the year ended December 31, 2005.
- (24) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-Q Quarterly Report for the Quarterly Period ended March 31, 1999.
- (25) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on August 1, 2005.
- (26) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on December 15, 2008.



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# SHAREHOLDER

## Information



### Form 10-K

Copies of the Company's annual report on Form 10-K for the year ended December 31, 2008, filed with the Securities and Exchange Commission on March 2, 2009, may be obtained without charge online at [www.cleanharbors.com](http://www.cleanharbors.com), or by writing to the Company at 42 Longwater Drive P.O. Box 9149 Norwell, MA 02061-9149 Attention: Investor Relations 781.792.5100

### Annual Shareholders Meeting

Monday, May 11, 2009  
10:00 a.m.  
Clean Harbors Environmental Services, Inc.  
42 Longwater Drive  
P.O. Box 9149  
Norwell, MA 02061-9149

### Auditors

Deloitte & Touche LLP  
200 Berkeley Street  
Boston, MA 02116

### Secretary of the Corporation

C. Michael Malm, Esq.  
Davis, Malm & D'Agostine P.C.

### Corporate Counsel

Davis, Malm & D'Agostine P.C.  
One Boston Place  
Boston, MA 02108

### Transfer Agent

American Stock Transfer & Trust Company  
59 Maiden Lane, Plaza Level  
New York, NY 10038  
800.937.5449

### Corporate Headquarters

Clean Harbors Environmental Services, Inc.  
42 Longwater Drive  
P.O. Box 9149  
Norwell, MA 02061-9149  
781.792.5000  
[www.cleanharbors.com](http://www.cleanharbors.com)

*Clean Harbors is an  
Affirmative Action/Equal  
Opportunity Employer.*

### Stock Listing

Effective December 15, 2008, the Company's common stock began trading on the New York Stock Exchange under the symbol CLH. Prior to that time, our stock was traded on The NASDAQ Global Select Market under the symbol CLHB. The following table sets forth the high and low sales prices of our common stock for the indicated periods as reported by the New York Stock Exchange and The NASDAQ Global Select Market.

2008	High	Low	2007	High	Low
First Quarter	\$67.58	\$49.67	First Quarter	\$54.54	\$44.16
Second Quarter	77.79	61.76	Second Quarter	50.43	44.55
Third Quarter	82.99	63.62	Third Quarter	53.83	42.52
Fourth Quarter	67.45	44.11	Fourth Quarter	56.48	44.23

On February 20, 2009, there were 451 stockholders of record of our common stock, excluding stockholders whose shares were held in nominee, or "street," name. We estimate that approximately 23,000 additional stockholders held shares in street name at that date.

We have never declared nor paid any cash dividends on our common stock, and we do not intend to pay any dividends on our common stock in the foreseeable future.

### Safe Harbor Statement

Any statements contained herein that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, and involve risks and uncertainties. These forward-looking statements 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. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. The Company undertakes no obligation to revise or publicly release the results of any revision to these forward-looking statements other than through its various filings with the Securities and Exchange Commission. Furthermore, all financial information in this press release is based on preliminary data and is subject to the final closing of the Company's books and records.

A variety of factors beyond the control of the Company may affect the Company's performance, including, but not limited to:

- The Company's ability to manage the significant environmental liabilities that it assumed in connection with past acquisitions;
- The availability and costs of liability insurance and financial assurance required by governmental entities relating to the Company's facilities;
- The effects of general economic conditions in the United States, Canada and other territories and countries where the Company does business;
- The effect of economic forces and competition in specific marketplaces where the Company competes;
- The possible impact of new regulations or laws pertaining to all activities of the Company's operations;
- The outcome of litigation or threatened litigation or regulatory actions;
- The effect of commodity pricing on overall revenues and profitability;
- Possible fluctuations in quarterly or annual results or adverse impacts on the Company's results caused by the adoption of new accounting standards or interpretations or regulatory rules and regulations;
- The effect of weather conditions or other aspects of the forces of nature on field or facility operations;
- The effects of industry trends in the environmental services and waste handling marketplace; and
- The effects of conditions in the financial services industry on the availability of capital and financing.

Any of the above factors and numerous others not listed nor foreseen may adversely impact the Company's financial performance. Additional information on the potential factors that could affect the Company's actual results of operations is included in its filings with the Securities and Exchange Commission, which may be viewed on [www.cleanharbors.com/investor\\_relations](http://www.cleanharbors.com/investor_relations).

## Clean Harbors' Vision

To be recognized as  
the **premier provider**  
of environmental  
services and solutions

## Corporate Headquarters

Clean Harbors  
Environmental Services, Inc.

42 Longwater Drive  
P.O. BOX 9149  
Norwell, MA 02061-9149  
781.792.5000

[www.cleanharbors.com](http://www.cleanharbors.com)

