

CLEAN HARBORS INC  
Form 10-K  
March 06, 2013  
Table Of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

---

FORM 10-K

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

For the fiscal year ended December 31, 2012

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
COMMISSION FILE NO. 001-34223

---

CLEAN HARBORS, INC.  
(Exact name of registrant as specified in its charter)

---

Massachusetts  
(State or other jurisdiction of incorporation or organization) 04-2997780  
(IRS Employer Identification No.)

42 Longwater Drive, Norwell, MA 02061-9149  
(Address of principal executive offices) (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 S 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 S

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 S No £

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes S 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):

Edgar Filing: CLEAN HARBORS INC - Form 10-K

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

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

On June 29, 2012 (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 \$2.7 billion, based on the closing price of such common stock as of that date on the New York Stock Exchange. Reference is made to Part III of this report for the assumptions on which this calculation is based.

On March 1, 2013, there were outstanding 60,482,056 shares of Common Stock, \$.01 par value.

**DOCUMENTS INCORPORATED BY REFERENCE**

Certain portions of the registrant's definitive proxy statement for its 2013 annual meeting of stockholders (which will be filed with the Commission not later than April 30, 2013) are incorporated by reference into Part III of this report.

---

Table Of Contents

CLEAN HARBORS, INC.  
ANNUAL REPORT ON FORM 10-K  
YEAR ENDED DECEMBER 31, 2012  
TABLE OF CONTENTS

	Page No
<u>Part I</u>	
<u>Item 1. Business</u>	<u>1</u>
<u>Item 1A. Risk Factors</u>	<u>14</u>
<u>Item 1B. Unresolved Staff Comments</u>	<u>23</u>
<u>Item 2. Properties</u>	<u>23</u>
<u>Item 3. Legal Proceedings</u>	<u>26</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>26</u>
<u>Part II</u>	
<u>Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>27</u>
<u>Item 6. Selected Financial Data</u>	<u>28</u>
<u>Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>32</u>
<u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>51</u>
<u>Item 8. Financial Statements and Supplementary Data</u>	<u>52</u>
<u>Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>109</u>
<u>Item 9A. Controls and Procedures</u>	<u>109</u>
<u>Item 9B. Other Information</u>	<u>111</u>
<u>Part III</u>	
<u>Item 10. Directors, Executive Officers and Corporate Governance</u>	<u>111</u>
<u>Item 11. Executive Compensation</u>	<u>111</u>
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>111</u>
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u>	<u>111</u>
<u>Item 14. Principal Accountant Fees and Services</u>	<u>111</u>
<u>Part IV</u>	
<u>Item 15. Exhibits and Financial Statement Schedules</u>	<u>113</u>
<u>SIGNATURES</u>	<u>114</u>

## Table Of Contents

### 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 2013.

### PART I

#### ITEM 1. BUSINESS

##### General

Clean Harbors, Inc. and its subsidiaries (collectively, "we," "Clean Harbors" or the "Company") is a leading provider of environmental, energy and industrial services throughout North America.

During 2012, we reported our business in four reportable segments, consisting of:

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

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

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

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

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

During the quarter ended March 31, 2012, we re-assigned certain departments among our Technical Services, Field Services, Industrial Services and Oil and Gas Field Services segments to support management reporting changes.

Accordingly, we re-allocated shared departmental costs among our segments.

Clean Harbors, Inc. was incorporated in Massachusetts in 1980 and our principal office is located in Norwell, Massachusetts. 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 our 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.

##### Acquisition of Safety-Kleen

On December 28, 2012, we acquired 100% of the outstanding common shares of Safety-Kleen, Inc. for approximately \$1.3 billion. The purchase price consisted of an all-cash purchase price of \$1.25 billion, plus a \$7.3 million adjustment for the amount by which the estimated net working capital (excluding cash) of Safety-Kleen, Inc. and its subsidiaries (collectively, "Safety-Kleen") on the closing date exceeded \$50.0 million. The purchase price is subject to adjustment upon finalization of Safety-Kleen's net working capital balance (excluding cash) as of the closing date. We financed

the purchase through a

1

---

## Table Of Contents

combination of approximately \$300.0 million of existing cash, \$369.5 million in net proceeds from our public offering of 6.9 million shares of our common stock, and approximately \$589.0 million in net proceeds from our private debt offering of \$600.0 million of 5.125% senior unsecured notes due 2021.

Safety-Kleen, headquartered in Richardson, Texas, is the largest re-refiner and recycler of used oil in North America and a leading provider of parts cleaning and environmental services to commercial, industrial and automotive customers. In conjunction with the transaction, Safety-Kleen, Inc. and its subsidiaries became wholly-owned subsidiaries of Clean Harbors.

We believe Safety-Kleen is a good strategic fit, enabling us to (i) penetrate the small quantity waste generator market, (ii) broaden our waste treatment capabilities to include re-refining waste oil and expanded recycling capabilities, (iii) drive a substantial increase in waste volumes into our existing waste disposal treatment network, (iv) capitalize on the growing demand for recycled products including re-refined oil, (v) enhance our commitment to sustainability, (vi) leverage the combined sales forces to maximize cross-selling opportunities, (vii) add an immediately accretive (exclusive of transaction costs) business to accelerate growth, (viii) leverage operating efficiencies through the combined company and (ix) add to our cash flow.

Prior to the acquisition, Safety-Kleen reported its business in two reportable segments, consisting of:

• **Oil Re-Refining Services**—processes used oil at two owned and operated oil re-refineries into high quality base and blended lubricating oils, which are then sold to third party customers.

• **Environmental Services**—provides a broad range of environmental services, such as parts cleaning, containerized waste services, oil collection, recycling of oil in excess of Safety-Kleen's current re-refining capacity into recycled fuel oil which is then sold to third parties, and other complimentary products and services, including vacuum services, allied products, total project management and other environmental services.

As stated in Item 8, "Financial Statements and Supplementary Data," no revenue, expense, income or loss of Safety-Kleen is included in our consolidated results of operations for the year ended December 31, 2012 due to the immateriality of the operating results subsequent to the December 28, 2012 acquisition date. Safety-Kleen's balance sheet amounts have been reported in total for purposes of our consolidated balance sheet and the segment disclosures as of December 31, 2012. With the acquisition, we are reviewing our consolidated operations and organizational structure on a go forward basis. We expect to adjust our reportable segments and reporting units in the first quarter of our 2013 fiscal year after completion of our review.

### Health & Safety

Health & Safety is our #1 priority—companywide. Employees at all levels of the Company share this philosophy and are committed to ensuring our safety goals are met. Our commitment to health and safety benefits everyone—our employees, our customers, the community, and the environment. Through the efforts of all our employees, we have implemented a successful health and safety-based culture that has continued to lower our Total Recordable Incident Rate ("TRIR"); Days Away, Restricted Activity and Transfer Rate ("DART"); and Experience Modification Rate ("EMR").

In order to protect our employees, continue to lower our incident rates, and satisfy our customers' demands to retain the best service providers with the lowest TRIR, DART and EMR rates, we are fully committed to continuously improving our health and safety performance. To meet all of these requirements we implemented SafetyFirst!, a comprehensive program companywide. SafetyFirst! is an employee-based program. All employees recognize the importance of protecting themselves, their fellow employees, their customers, and all those around them from harm. They demonstrate through their words and actions that they will reinforce acceptable safety practices and stop unsafe acts before those acts become a statistic. SafetyFirst! is not just a slogan—it's our commitment to keep the protection of our fellow workers in the forefront of everything we do.

### Compliance

We regard compliance with applicable environmental regulations as a critical component of our overall operations. We strive to maintain the highest professional standards in our compliance 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 compliance staff. The compliance staff is responsible for facilities permitting and regulatory compliance, compliance training,

transportation compliance, and related record keeping. To ensure the effectiveness of our regulatory compliance program, our compliance staff 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 owned by other companies which we utilize.

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 of our facilities is currently in substantial

## Table Of Contents

compliance with applicable requirements. Each of our major facilities and service centers has a full-time compliance representative to oversee the implementation of our compliance program at the facility or service center.

### Protecting the Environment and Environmental Sustainability

As reflected in Clean Harbors' tagline "People and Technology Creating a Safer, Cleaner Environment," our core business is to provide industry, government and the public a wide range of environmental, energy and industrial services that protect and restore North America's natural environment.

As North America's premier provider of environmental as well as energy and industrial services, our first goal is to help our customers prevent the release of hazardous wastes into the environment. We are also the leading service provider in situations involving the recovery and decontamination of pollutants that have been released to the environment. This includes the safe destruction or disposal of those hazardous materials in a manner that ensures these materials are no longer a danger to the environment. When providing these services, we are committed to the recycling, reuse and reclamation of these wastes whenever possible using a variety of methods more fully explained below in the sections describing our general operations. Our acquisition of Safety-Kleen in December 2012, in particular Safety-Kleen's operations related to recycling and re-refining of used oil, will significantly enhance our recycling, reuse and reclamation efforts.

We have also become the leading North American provider of services to protect the ozone layer from the destructive effects of chlorofluorocarbons ("CFCs"), which are 5,000 to 10,000 times more destructive to the ozone layer than other greenhouse gases. Clean Harbors has the most U.S. Environmental Protection Agency (the "EPA") approved CFC disposal capacity regulated under the Montreal Protocol, and we destroyed approximately 575,000 pounds of CFCs in 2012. The destruction of this volume of CFCs at the Company's El Dorado, Arkansas facility led to the registration of over 1.6 million metric tons of avoided carbon dioxide emissions with the Climate Action Reserve, a green house gas registry affiliated with the State of California.

One of our most highly visible public programs for various governmental and community entities involves the removal of thousands of tons of hazardous wastes, from households throughout the United States and Canada, that might otherwise be improperly disposed of or become dangerous to the communities where they are stored.

As we provide these wide-ranging services throughout North America, we are committed to ensuring that our own operations are environmentally responsible. Through our efforts to implement numerous energy efficiency improvements, green purchasing, company-wide recycling programs, and various transportation initiatives including greater rail utilization and limits on the speeds and idling time of our many vehicles, we are making our operations more environmentally sustainable.

Recent initiatives involving our remediation activities include the use of solar-powered probes to recover groundwater at a site undergoing groundwater monitoring. A more comprehensive project was the installation of a 1.5Mw solar array at a closed and capped landfill located in New Jersey to provide electric power for a continuously operating groundwater decontamination pump and treatment system at the site. The solar array was installed and became operable in the second quarter of 2011. The solar array provides virtually all of the power needed to operate the system with a sustainable supply of renewable electric energy, and is an adaptive re-use of an otherwise unusable Brownfield site.

### Strategy

Our strategy is to develop and maintain ongoing relationships with a diversified group of customers which have recurring needs for environmental, energy or industrial services. We strive to be recognized as the premier supplier of a broad range of value-added services based upon quality, responsiveness, customer service, information technologies, breadth of service offerings and cost effectiveness.

The principal elements of our business strategy are to:

**Expand Service Offerings and Geographic Coverage**—We believe our Technical and Field Services segments have a competitive advantage, particularly in areas where service locations are located at or near a treatment, storage and disposal facility ("TSDF"). By opening additional service locations in close proximity to our TSDFs, we believe that we can, with minimal capital expenditures, increase our market share within the Field Services segment. We believe this will drive additional waste to our existing facilities, thereby increasing utilization and enhancing overall profitability. Furthermore, we believe we can expand our Industrial and Oil and Gas Field Services segments across a



broader geographic area, thereby providing additional services to new markets.

Cross-Sell Across Segments—We believe the breadth of our service offerings allows us to provide additional services to existing customers. In particular, we believe we can provide energy and industrial services to customers which traditionally have only used our environmental services and environmental services to customers which traditionally

3

---

## Table Of Contents

have only used our energy and industrial services. We believe leveraging our ability to cross-sell environmental and energy and industrial services will drive increased revenue within our existing customer base.

**Capture Large-Scale Projects**—We provide turnkey offsite transportation and landfill or incineration disposal services for soil and other contaminated media generated from remediation activities. We also assist remediation contractors and project managers with support services including groundwater disposal, investigation derived waste disposal, rolloff container management, and many other related services. We believe this will drive incremental waste volume to our existing facilities, thereby increasing utilization and enhancing overall profitability.

**Expand Throughput Capacity of Existing Waste Facilities**—We operate an extensive network of hazardous waste management facilities and have made substantial investments in these facilities, which 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 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.

**Pursue Selective Acquisitions**—We actively pursue accretive acquisitions in certain services or market sectors where we believe such acquisitions can enhance and expand our business such as our acquisition of Safety-Kleen on December 28, 2012. 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.

- **Focus on Cost, Pricing and Productivity Initiatives**—We continually seek to increase efficiency and to reduce costs in our business through enhanced technology, process efficiencies and stringent expense management.

### Competitive Strengths

**Leading Provider of Environmental, Energy and Industrial Services**—We are one of the largest providers of environmental, energy and industrial services and the largest operator of non-nuclear hazardous waste treatment facilities in North America. We 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. Based on 2009 industry data, we service approximately 69% of North America's commercial hazardous incineration volume and 21% of North America's hazardous landfill volume.

**Large and Diversified Customer Base**—Our customers range from Fortune 500 companies to midsize and small public and private entities that span multiple industries and business types, including governmental entities. This diversification limits our credit exposure to any one customer or industry. The top ten industries we serviced as a percentage of our 2012 revenues were oil and gas production (27%), oil and gas exploration (26%), chemical (14%), general manufacturing (8%), refineries and upgraders (7%), brokers (5%), utilities (4%), terminals and pipelines (3%), engineering and consulting (3%) and government (3%).

**Stable and Recurring Revenue Base**—We have long-standing relationships with our customers. 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 many of 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 United States and Canadian 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 that 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.

**Integrated Network of Assets**—We believe we operate, in the aggregate, the largest number of hazardous waste incinerators, landfills, treatment facilities and TSDFs in North America. Our broad service 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. As our processing of wastes increases, 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.

Regulatory Compliance—We continue to make capital investments in our facilities to ensure that they are in compliance with current federal, state, provincial and local regulations. Companies that rely on in-house disposal may

## Table Of Contents

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 transport and process with internal resources the substantial majority of all hazardous waste that we manage for our customers. Finally, we are committed to reducing costs, and managing headcount and other operating costs. Our Adjusted EBITDA Margin (our Adjusted EBITDA expressed as a percentage of our revenues) increased from 14.7% for the year ended December 31, 2009 to 17.1% for the year ended December 31, 2012, and our selling, general and administrative expenses as a percentage of sales decreased from 15.2% to 12.5% over the same period.

**Proven and Experienced Management Team**—Our executive management team provides depth and continuity. Our 17 executive officers collectively have over 310 years of experience in the environmental, energy and industrial services industries. Our Chief Executive Officer founded our Company in 1980, and the average experience of the 16 other members of the executive management team exceeds 17 years.

## Operations

### General

During 2012, we reported our business in the previously discussed four operating segments, which are Technical Services, Field Services, Industrial Services and Oil and Gas Field Services.

**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. Accordingly, reduced volumes of waste are received at our facilities and higher operating costs are 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.

Conversely, typically during the first quarter of each year there is more demand for energy and industrial services due to the cold weather, particularly in Alberta, Canada, and less demand during the warmer months. The main reason for this is that the areas we service in Alberta are easier to access when the cold conditions make the terrain more suitable for companies to deploy their equipment. During the warmer months, thawing and mud conditions may impede deployment of equipment.

**Geographical Information.** For the year ended December 31, 2012, we generated \$1,254.2 million or 57.3% of revenues in the United States and Puerto Rico, \$933.0 million or 42.6% of revenues in Canada, and less than 1.0% of revenues in other international locations. For the year ended December 31, 2011, we generated \$1,149.4 million or 57.9% of revenues in the United States and Puerto Rico, \$833.6 million or 42.0% of revenues in Canada, and less than 1.0% of revenues in other international locations. For additional information about the geographical areas from which our revenues are derived and in which our assets are located, see Note 18, "Segment Reporting," to our consolidated financial statements included in Item 8, "Financial Statements and Supplementary Data," in this report.

### Technical Services

These services involve the collection, transport, treatment and disposal of hazardous and non-hazardous wastes, and include resource recovery, physical treatment, 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 are dispatched to pick up customers' waste either on a predetermined schedule or on-demand, and to deliver the waste to permitted facilities, which are usually Company-owned. Our service centers can also dispatch chemists to a customer location for the collection of chemical and laboratory waste for disposal.

**Collection, Transportation and Logistics Management.** As an integral part of our services, we collect industrial wastes from customers and transport such wastes 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 containers. 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.

5

---

Table Of Contents

**Treatment and Disposal.** We recycle, treat and dispose of hazardous and non-hazardous industrial wastes. 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 wastes which cannot be otherwise economically recycled or reused. The wastes we handle come in solid, sludge, liquid and gas form.

We operate a network of TSDFs that collect, temporarily store and/or consolidate compatible waste streams for more efficient transportation to final recycling, treatment or disposal destinations. These facilities hold special permits, such as Part B permits under the Resource Conservation and Recovery Act ("RCRA") in the United States, which allows them to process waste through various technologies including recycling, incineration, and landfill and wastewater treatment.

**Resource Recovery and Fuels Blending.** We operate recycling systems for the reclamation and reuse of certain wastes, particularly solvent-based wastes generated by industrial cleaning operations, metal finishing and other manufacturing processes. 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.

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. We also operate a recycling facility that recycles refinery waste and spent catalyst. The recycled oil and recycled catalyst are sold to third parties.

**Incineration.** Incineration is the preferred method for the treatment of organic hazardous waste, because it effectively destroys the contaminants at high temperatures. 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 polychlorinated biphenyls ("PCBs") and dioxins.

As of December 31, 2012, we had five 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 58,808 tons and three solids and liquids capable incineration facilities with a combined estimated annual capacity of 327,400 tons. We also operate one hazardous waste liquid injection incinerator in Canada with total annual capacity of approximately 94,000 tons. In the fourth quarter of 2011, we temporarily idled for approximately 18 months our additional hazardous waste incinerator in Ville Mercier, Quebec. Factors influencing the decision included additional disposal capacity acquired in 2011, declining local market conditions in Quebec, and our ability to transfer waste streams to our other facilities. 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. Our Deer Park facility has two kilns and a rotary reactor. Our El Dorado incineration facility specializes in the treatment of bulk and containerized hazardous liquids, solids and sludge through two rotary kilns. Our incineration facilities in Kimball and Deer Park have on-site landfills for the disposal of ash 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 wastes. 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.

**Landfills.** Landfills are used primarily for the disposal of inorganic wastes. In the United States and Canada, we operate nine commercial landfills. Seven of our commercial landfills are designed and permitted for the disposal of

hazardous wastes and two of our 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, 2012, the useful economic lives of these landfills include approximately 25.4 million cubic yards of remaining capacity. This estimate of the useful economic lives of these landfills includes permitted airspace and

Table Of Contents

unpermitted airspace that our 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 33.1 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 the hazardous waste landfills, we operate two non-hazardous industrial landfills with 3.5 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. Many of our landfills perform physical treatment of waste prior to final disposal. Physical treatment methods include separation and stabilization. These methods are used to reduce the volume or toxicity of waste material.

**Wastewater Treatment.** We operate seven 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. Our wastewater treatment facilities treat a broad range of industrial liquid and semi-liquid wastes containing heavy metals, organics and suspended solids.

**Field Services**

These services provide customers with highly skilled experts who utilize specialty equipment and resources to perform services at any chosen location. 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, 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. Other services include filtration and water treatment services.

We are a leader in providing response services for environmental emergencies of any scale from man-made disasters, such as oil spills and natural disasters such as hurricanes.

**Industrial Services**

These services include a wide range of industrial maintenance services and specialty industrial services provided at refineries, mines, upgraders, chemical plants, pulp and paper mills, manufacturing, and power generation facilities. We provide these services throughout North America, including a presence in the oil sands region in Alberta, Canada. Our crews handle as-needed in-plant services to support ongoing in-plant cleaning and maintenance services, including liquid/dry vacuum, hydro-blasting, steam cleaning and chemical hauling. We provide a variety of specialized industrial services including plant outage and turnaround services, decoking and pigging, catalyst handling, chemical cleaning, high and ultra-high pressure water cleaning, and large tank and surface impoundment cleaning. Our lodging services primarily consist of providing premier industrial lodges and drill camp accommodations for companies operating in the Alberta oil sands and other regions.

**Oil and Gas Field Services**

These services support exploration, drilling and production programs for oil and gas companies. Some of the core services we offer include geospatial data imaging, seismic surveying and line clearing, and heli-portable and track drilling. Our surface rental services provide a variety of oilfield equipment to support access to well-sites, well-site equipment, and well production equipment. We also offer directional boring services to support oil and gas companies and municipalities by installing pipeline, fiber optic, cable, gas, and water and sewer lines.

**Seismic Services.** These services provide turnkey project management and are a one-stop-shop for customers' complete surveying, cutting, and drilling needs. With the depth of our in-house resources of manpower and equipment, we have the ability to scale our teams to meet customer demands. Our teams lay out, cut, and survey source and receiver lines, and perform seismic drilling. Our techniques maximize efficiencies and minimize environmental impact. From planning to equipment utilization, our experienced professionals deliver quality service.

**Oil & Gas & Completion Support.** These services support oil and gas companies' drilling and well completion. We provide fracking water-treatment and disposal and drilling fluids and solids disposal, along with the rental of rolloffs,



frack tanks and access and rig mats. Key to our services is our ability to provide solids control to support the drilling process. Our technologies help to manage liquids, solids and semi-solid material during the drilling operation, and include centrifuges, tanks,

7

---

## Table Of Contents

and drilling fluid recovery. We also provide surface rentals to support drill sites, by providing well-site trailers, wastewater treatment systems and holding tanks, EnviroBins, light towers, generators and handling tools, and hauling of fluids.

### Safety-Kleen Services

Through our Safety-Kleen subsidiary, acquired in December 2012, we provide a range of environmentally-responsible products and services including used oil recycling and re-refining, parts cleaning and environmental solutions.

**Oil Re-Refining Services.** We collect used oil from sources including automobile and truck dealers, automotive garages, oil change outlets, fleet service locations, and industrial plants, and process or re-refine in our two oil re-refining facilities a portion of the collected used oil into a variety of products, including base and blended lubricating oils. We then sell a portion of our base oils to other producers of blended lubricating oils as a "green" alternative to base oil produced from virgin crude oil. These producers are then able to offer products to their customers that are made from a sustainable and environmentally friendly source. We formulate the remainder of our base oils into blended lubricating oils by adding performance additives in accordance with our proprietary formulations and American Petroleum Institute licenses. We then either sell the finished products to customers, which resell under private labels, or directly under our own branded EcoPower label.

**Environmental Services.** We offer a range of environmental services and the sale of complementary products to diverse range of customers including automobile repair stations, car and truck dealers, engine repair shops, fleet maintenance shops and other automotive, retail and industrial customers.

We are the largest provider of parts cleaning services in North America, providing specially designed parts washers at our customers' premises and then, on a recurring basis, deliver clean solvent or aqueous-based washing fluid, clean and service the parts washers, and remove the used solvent or aqueous fluid. We also sell allied products including degreasers, glass and floor cleaners, hand cleaners, absorbents, antifreeze, windshield washer fluid, and mats and spill kits.

Utilizing our collection network, we provide the pickup and transportation of hazardous and non-hazardous containerized waste for recycling or disposal, primarily through the Clean Harbors network of recycling and waste treatment and disposal facilities. As described above, a portion of such collected wastes consists of used oil which serves as feedstock for our oil re-refineries. To the extent the remainder of such collected used oil is not suitable for re-refining or we do not currently have sufficient re-refining capacity to process all of such collected oil, we process that remainder into recycled fuel oil, or "RFO," by dehydrating, chemically treating and filtering it to remove contaminants. We then sell our RFO to asphalt plants, industrial plants, blenders, pulp and paper companies, and vacuum gas oil (VGO) and marine diesel oil (MDO) producers.

Our vacuum services provide the removal of solids, residual oily water and sludge and other fluids from our customers' oil/water separators, sumps and collection tanks. We also remove and collect waste fluids found at large and small industrial locations, including metal fabricators, auto maintenance providers, and general manufacturers. We provide total project management services in areas such as chemical packing, on-site waste management, remediation, compliance training and emergency spill response, leveraging the Clean Harbors network of Technical and Field Services centers and capabilities.

### Competition

The hazardous 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 national and regional waste services companies and hundreds of privately-owned firms. Philip Services Corp. (PSC), Veolia Environmental Services, and Waste Management, Inc. (WM) are the principal national firms with which we compete. Each of these competitors is able to provide one or more of the environmental services offered by us.

Under federal and state environmental laws in the United States, generators of hazardous waste remain liable for improper disposal of such wastes. Although generators may hire companies that have the proper permits and licenses, because of the generators' potential liability, they are very interested in the reputation and financial strength of the companies they use for the 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.

We believe that the depth of our recycling, treatment and disposal capabilities and 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.

8

---

Table Of Contents

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

The energy and industrial services industry in which we compete is also highly competitive. The sources of competition vary by locality and by type of service rendered, with competition coming from national and regional service providers, and hundreds of privately-owned firms that offer energy or industrial services. CEDA International Corporation and Newalta in Canada, and Philip Services Corp. and Veolia Environmental Services in the United States, are the principal national firms with which we compete. Each of these competitors is able to provide one or more of the energy or industrial services offered by us. We believe the availability of specialized equipment, skilled technical professional personnel, quality of performance, diversity of services and price are the key competitive factors in this industry.

The principal methods of competition for all of our services are price, quality, reliability of service rendered and technical proficiency. We believe that we offer a more comprehensive range of environmental, energy and industrial services than our competitors in major portions of our service territory.

**Employees**

As of December 31, 2012, we employed approximately 13,180 active full-time employees, of which 1,359 employees (10%) are represented by labor unions. We believe that our relationship with our employees is satisfactory.

	Clean Harbors	Safety-Kleen	Total Number of Employees
Unions in the United States:			
International Brotherhood of Teamsters	196	—	196
International Union of Operating Engineers	33	—	33
United Steelworkers' Union	322	—	322
Unions in Canada:			
Communication, Energy and Paper Workers Union	96	—	96
International Brotherhood of Teamsters	592	—	592
International Union of Operating Engineers	22	—	22
International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers	72	—	72
Machinists Union	—	10	10
Syndicat National Des Travailleuses et Travailleurs De L'Environnement	—	9	9
Canadian Brotherhood of Teamsters	—	7	7
Non-union employees	7,629	4,192	11,821
	8,962	4,218	13,180

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 leading technologies and incorporate these technologies into the services we offer and provide to our customers. With the acquisition of Safety-Kleen, we hold a total of 60 U.S. and 122 foreign patents (which will expire between 2013 and 2030), and 69 U.S. and 184 foreign trademarks. We also 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

9

---

Table Of Contents

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 in each of the United States and Canada. 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 in the United States and a \$0.5 million deductible in Canada.

Federal and state regulations require liability insurance coverage for all facilities that treat, store or dispose of hazardous waste. RCRA, the Toxic Substances Control Act, 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. Safety-Kleen maintains a casualty insurance program that includes general liability (including products liability), workers' compensation, automobile liability and general health insurance utilizing high deductibles and self-insured retentions. The casualty program has aggregate limits of \$77.0 million for General Liability, \$80.0 million for auto liability and \$77.0 million for Employers Liability. The General Liability is subject to \$0.5 million self-insured retention followed by a \$1.5 million deductible, the Auto Liability is subject to a \$5.0 million deductible and the Employers Liability is subject to a \$1.0 million deductible. Safety-Kleen purchases pollution legal liability insurance to cover sudden and non-sudden pollution events that occur at facilities owned or operated by Safety-Kleen with limits of \$20.0 million per accident and \$60.0 million in the aggregate.

Our international operations are insured under locally placed insurance policies for insurance that are compulsory to place in a specific country. In addition, we have a global foreign liability policy that will provide excess and difference in condition coverage in all international countries.

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 calculation 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 facility. As of December 31, 2012, our total estimated closure and post-closure costs requiring financial assurance by regulators (other than for Safety-Kleen's facilities acquired as part of our acquisition of Safety-Kleen on December 28, 2012) were \$343.1 million for our U.S. facilities and \$22.4

Table Of Contents

million for our Canadian facilities. We have obtained all of the required financial assurance for our facilities (other than those acquired as part of the Safety-Kleen acquisition) from a qualified insurance company, Zurich Insurance N.A., and its affiliated companies. The closure and post-closure obligations of our U.S. facilities (other than those acquired as part of the Safety-Kleen acquisition) are insured by an insurance policy written by Steadfast Insurance Company (a unit of Zurich Insurance N.A.), which will expire in 2013. Our Canadian facilities (other than those acquired as part of the Safety-Kleen acquisition) utilize surety bonds provided through Zurich Insurance Company (Canada), which expire at various dates throughout 2013. In connection with obtaining such insurance and surety bonds, we have provided to Steadfast Insurance Company \$73.5 million of letters of credit which we obtained from our lenders under our revolving credit agreement.

As of December 31, 2012, Safety-Kleen's total estimated closure, post-closure costs and corrective action costs requiring financial assurance by regulators were \$46.8 million for Safety-Kleen's U.S. facilities and \$5.3 million for Safety-Kleen's Canadian facilities. Safety-Kleen has obtained all of the required U.S. financial assurance for its facilities from a qualified insurance company, XL Insurance Company, and its affiliated companies, which will expire in 2013, except for Safety-Kleen's Pennsylvania facilities which utilize letters of credit. In connection with obtaining such insurance for its U.S. facilities, Safety-Kleen has provided to XL Insurance Company a \$5.0 million letter of credit which Safety-Kleen obtained from its lenders under its revolving credit agreement. Safety-Kleen's Canadian facilities utilize surety bonds provided through Travelers Insurance Company (Canada), which will expire in 2014, and letters of credit.

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.

United States Hazardous Waste Regulation

Federal Regulations. 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 Toxic Substances Control Act ("TSCA").

RCRA. RCRA is the principal federal statute governing hazardous waste generation, treatment, transportation, storage and disposal. Pursuant to RCRA, 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 (the Part B permitting process). RCRA also 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 Note 9, "Closure and Post-Closure Liabilities," and Note 10, "Remedial Liabilities," to our consolidated financial statements included in Item 8, "Financial Statements and Supplementary Data," 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 17, "Commitments and Contingencies," to our

Table Of Contents

consolidated financial statements included in Item 8, "Financial Statements and Supplementary Data," for a description of the principal such proceedings in which we are involved.

**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 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.

**TSCA.** We also operate a network of collection, treatment and field services (remediation) activities throughout North America that are regulated under provisions of TSCA. TSCA established a national program for the management of substances classified as polychlorinated biphenyls ("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.

**State and Local Regulations.** Pursuant to the EPA's authorization of their RCRA equivalent programs, a number of U.S. 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 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

Table Of Contents

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.** Most of Canada's industrial development and the major part of its population are located in four provinces: Ontario, Quebec, Alberta and British Columbia. These provinces have the most detailed environmental regulations. 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 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.

Effective June 30, 2011, the Province of Quebec enacted the Clean Air Regulation to establish particulate and gas emissions standards, opacity standards, air quality standards and measures to prevent, eliminate or reduce the emissions of contaminants into the atmosphere. The regulation applies to every source of emissions in the Province and the requirements applicable to the Company's operations are phased in over a one-year period. The Company's current operations will require an upgrade to an air pollution control system which is not expected to require material cost.

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 Canadian 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.



## Table Of Contents

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 discussed in Note 9, "Closure and Post-Closure Liabilities," and Note 10, "Remedial Liabilities," to our consolidated financial statements included in Item 8, "Financial Statements and Supplementary Data," we have accrued environmental liabilities as of December 31, 2012, of \$221.5 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, one of the two solvent recycling facilities we purchased from Safety-Kleen Systems, Inc. in 2008, and the remaining Safety-Kleen facilities acquired as part of our acquisition of Safety-Kleen in 2012. For the years ended December 31, 2012 and 2011, we spent \$11.2 million and \$11.3 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.

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 primarily through a qualified insurance company, Steadfast Insurance Company (a unit of Zurich N.A.).

As described in Note 17, "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 effect on our business and future prospects.

**ITEM 1A. RISK FACTORS**

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

14

---

Table Of Contents

Risks Affecting Both Our Environmental Services and Energy and Industrial Services Businesses

Our businesses are subject to operational and safety risks.

Provision of both environmental services and energy and industrial services to our customers involves risks such as equipment defects, malfunctions and failures, and natural disasters, which could potentially result in releases of hazardous materials, injury or death of our employees, or a need to shut down or reduce operation of our facilities while remedial actions are undertaken. Our employees often work under potentially hazardous conditions. These risks expose us to potential liability for pollution and other environmental damages, personal injury, loss of life, business interruption, and property damage or destruction. We must also maintain a solid safety record in order to remain a preferred supplier to our major customers.

While we seek to minimize our exposure to such risks through comprehensive training programs, vehicle and equipment maintenance programs, and insurance, such programs and insurance may not be adequate to cover all of our potential liabilities and such insurance may not in the future be available at commercially reasonable rates. If we were to incur substantial liabilities in excess of policy limits or at a time when we were not able to obtain adequate liability insurance on commercially reasonable terms, our business, results of operations and financial condition could be adversely affected to a material extent. Furthermore, should our safety record deteriorate, we could be subject to a potential reduction of revenues from our major customers.

Our businesses are subject to significant competition.

We compete with a large number of companies, which range from large public companies to small operators that provide most of the same or similar services to those we offer. The 2008-2010 downturn in economic conditions, particularly with respect to manufacturing and oil and gas exploration and production, caused increased competition for market share. This competition resulted during that period and could in the future result in lower prices and reduced gross margins for our services and negatively affect our ability to grow or sustain our current revenue and profit levels in the future.

Our businesses are subject to numerous statutory and regulatory requirements, which may increase in the future. Our businesses are subject to numerous statutory and regulatory requirements, and our ability to continue to hold licenses and permits required for our businesses is subject to maintaining satisfactory compliance with such requirements. These requirements may increase in the future as a result of statutory and regulatory changes. Although we are very committed to compliance and safety, we may not, either now or in the future, be in full compliance at all times with such statutory and regulatory requirements. Consequently, we could be required to incur significant costs to maintain or improve our compliance with such requirements.

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 review our long-lived tangible and intangible assets other than goodwill for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. We also test our goodwill assets for impairment at least annually on December 31, or when events or changes in the business environment indicate that the carrying value of a reporting unit may exceed its fair value. During and as of the end of each of 2012, 2011 and 2010, we determined that no asset write-downs were required; however, if conditions in either the environmental services or energy and industrial services businesses 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.

Fluctuations in foreign currency exchange could affect our financial results.

We earn revenues, pay expenses, own assets and incur liabilities in countries using currencies other than the U.S. dollar. In fiscal 2012, we recorded 44% of our revenues outside of the United States, primarily in Canada. Because our consolidated financial statements are presented in U.S. dollars, we must translate revenues, income and expenses as well as assets and liabilities into U.S. dollars at exchange rates in effect during or at the end of each reporting period. Therefore, increases or decreases in the value of the U.S. dollar against other currencies in countries where we operate will affect our results of operations and the value of balance sheet items denominated in foreign currencies. These risks are non-cash exposures. We manage these risks through normal operating and financing activities. We cannot be



certain, however, that we will be successful in reducing the risks inherent in exposures to foreign currency fluctuations.

## Table Of Contents

If we are unable to successfully integrate the businesses and operations of Safety-Kleen and our other recent and any future acquisitions and realize synergies in the expected time frame, our future results would be adversely affected.

We have in the past significantly increased the size of our Company and the types of services we offer to our customers through acquisitions. Since December 31, 2008, we have acquired two public companies (Eveready Inc., or "Eveready," in July 2009, and Peak Energy Services Ltd., or "Peak," in June 2011) and 15 private companies (including six private companies acquired during 2010, 2011 and 2012). The largest was our acquisition of Safety-Kleen, Inc., a private company, and its subsidiaries (collectively, "Safety-Kleen"), which we purchased on December 28, 2012 for approximately \$1.3 billion. We anticipate that we will likely make additional acquisitions in the future.

Much of the potential benefit of such completed and potential future acquisitions, including the recent acquisition of Safety-Kleen, will depend on our integration of the businesses and operations of the acquired companies into our business and operations through implementation of appropriate management and financial reporting systems and controls. We may experience difficulties in such integration, and the integration process may be costly and time-consuming. Such integration will require the focused attention of both Clean Harbors' and their management teams, including a significant commitment of their time and resources. The need for both Clean Harbors' and their managements to focus on integration matters could have a material impact on the revenues and operating results of the combined company. The success of the acquisitions will depend, in part, on the combined company's ability to realize the anticipated benefits from combining the businesses of Clean Harbors and the acquired businesses through cost reductions in overhead, greater efficiencies, increased utilization of support facilities and the adoption of mutual best practices. To realize these anticipated benefits, however, the businesses of Clean Harbors and the acquired companies must be successfully combined.

If the combined company is not able to achieve these objectives, the anticipated benefits to us of the acquisitions may not be realized fully or at all or may take longer to realize than expected. It is possible that the integration processes could result in the loss of key employees, as well as the disruption of each company's ongoing businesses, failure to implement the business plan for the combined company, unanticipated issues in integrating operating, logistics, information, communications and other systems, unanticipated changes in applicable laws and regulations, operating risks inherent in our business or inconsistencies in standards, controls, procedures and policies or other unanticipated issues, expenses and liabilities, any or all of which could adversely affect our ability to maintain relationships with our and the acquired companies' customers and employees or to achieve the anticipated benefits of the acquisitions.

Our acquisitions of Safety-Kleen and other companies may expose us to unknown liabilities.

Because we have acquired, and expect to acquire, all the outstanding common shares of most of our acquired companies, including our acquisition in December 2012 of all of the outstanding shares of Safety-Kleen, Inc., our investment in those companies are or will be subject to all of their liabilities other than their respective debts which we paid or will pay at the time of the acquisitions. If there are unknown liabilities or other obligations, including contingent liabilities, arising from our acquisitions of Safety-Kleen and other companies, our business could be materially affected. We may learn additional information about Safety-Kleen and the other acquired companies that adversely affects us, such as unknown liabilities or other issues relating to internal controls over financial reporting, issues that could affect our ability to comply with the Sarbanes-Oxley Act or issues that could affect our ability to comply with other applicable laws.

### Risks Particularly Affecting Our Environmental Services Business

We assumed significant environmental liabilities as part of our past acquisitions and may assume additional such liabilities as part of future acquisitions. Our financial condition, results of operations and cash flows would be adversely affected if we were required to pay such liabilities more rapidly or in greater amounts than we now estimate

or may estimate in connection with future acquisitions.

We have accrued environmental liabilities valued as of December 31, 2012, at \$221.5 million, substantially all of which we assumed in connection with our acquisitions of substantially all of the assets of the Chemical Services Division, or "CSD," of Safety-Kleen Corp. in 2002, Teris LLC in 2006, one of two solvent recycling facilities we purchased from Safety-Kleen Services, Inc. in 2008, and the remaining Safety-Kleen facilities acquired as part of our acquisition of Safety-Kleen in 2012. We calculate our environmental liabilities on a present value basis in accordance with generally accepted accounting principles, which take 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 our environmental 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

Table Of Contents

payments be made earlier or in greater amounts than now estimated, which could adversely affect our financial condition and results of operations.

We may also assume additional environmental liabilities as part of further acquisitions. Although we will endeavor to accurately estimate and limit environmental liabilities presented by the businesses or facilities to be acquired, some liabilities, including ones that may exist only because of the past operations of an acquired business or facility, may prove to be more difficult or costly to address than we then estimate. It is also possible that government officials responsible for enforcing environmental laws may believe an environmental liability is more significant than we then estimate, or that we will fail to identify or fully appreciate an existing liability before we become legally responsible to address it.

If we are unable to obtain at reasonable cost the insurance, surety bonds, letters of credit and other forms of financial assurance required for our facilities and operations, our business and results of operations would be adversely affected.

We are required to provide substantial amounts of financial assurance to governmental agencies for closure and post-closure care of our licensed hazardous waste treatment facilities should those facilities cease operation, and we are also occasionally required to post surety, bid and performance bonds in connection with certain projects. As of December 31, 2012, our total estimated closure and post-closure costs requiring financial assurance by regulators (other than for Safety-Kleen's facilities acquired as part of our acquisition of Safety-Kleen on December 28, 2012) were \$343.1 million for our U.S. facilities and \$22.4 million for our Canadian facilities. We have obtained all of the required financial assurance for our facilities (other than those acquired as part of the Safety-Kleen acquisition) from a qualified insurance company, Zurich Insurance N.A., and its affiliated companies. The closure and post-closure obligations of our U.S. facilities (other than those acquired as part of the Safety-Kleen acquisition) are insured by an insurance policy written by Steadfast Insurance Company (a unit of Zurich Insurance N.A.), which will expire in 2013. Our Canadian facilities (other than those acquired as part of the Safety-Kleen acquisition) utilize surety bonds provided through Zurich Insurance Company (Canada), which expire at various dates throughout 2013. In connection with obtaining such insurance and surety bonds, we have provided to Steadfast Insurance Company \$73.5 million of letters of credit which we obtained from our lenders under our revolving credit agreement.

As of December 31, 2012, Safety-Kleen's total estimated closure, post-closure costs and corrective action costs requiring financial assurance by regulators were \$46.8 million for Safety-Kleen's U.S. facilities and \$5.3 million for Safety-Kleen's Canadian facilities. Safety-Kleen has obtained all of the required U.S. financial assurance for its facilities from a qualified insurance company, XL Insurance Company, and its affiliated companies, which will expire in 2013, except for Safety-Kleen's Pennsylvania facilities which utilize letters of credit. In connection with obtaining such insurance for its U.S. facilities, Safety-Kleen has provided to XL Insurance Company a \$5.0 million letter of credit which Safety-Kleen obtained from its lenders under its revolving credit agreement. Safety-Kleen's Canadian facilities utilize surety bonds provided through Travelers Insurance Company (Canada), which will expire in 2014, and letters of credit.

Our ability to continue operating our facilities and conducting our other operations would be adversely affected if we became unable to obtain sufficient insurance, surety bonds, letters of credit and other forms of financial assurance at reasonable cost to meet our regulatory and other business requirements. The availability of insurance, surety bonds, letters of credit and other forms of financial assurance is affected by our insurers', sureties' and lenders' assessment of our risk and by other factors outside of our control such as general conditions in the insurance and credit markets. The environmental services industry in which we participate is subject to significant economic and business risks. The future operating results of our environmental services business 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 consolidation, 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 our field 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. Our 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 environmental services business depends upon the demand for cleanup of major spills and other remedial projects and regulatory developments over which we have no control.

Our operations are significantly affected by the commencement and completion of cleanup of major spills and other events, customers' decisions to undertake remedial projects, seasonal fluctuations due to weather and budgetary cycles

Table Of Contents

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 demand for remedial services, 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. In particular, our participation in oil spill response efforts in Yellowstone, Montana generated third party revenues for the year ended December 31, 2011 of \$43.6 million, which accounted for approximately 2% of total revenues, and our participation in oil spill response efforts in both the Gulf of Mexico and Michigan generated third party revenues for the year ended December 31, 2010 of \$253.0 million, which accounted for approximately 15% of total revenues. We cannot expect such event revenue to reoccur in 2013.

The extensive environmental regulations to which we are subject may increase our costs and potential liabilities and limit our ability to expand our facilities.

Our operations and those of others in the environmental services industry are subject to extensive federal, state, provincial and local environmental requirements in both the United States and Canada, including those relating to emissions to air, discharged wastewater, storage, treatment, transport and disposal of regulated materials and cleanup of soil and groundwater contamination. For example, any failure to comply with governmental regulations governing the transport of hazardous materials could negatively impact our ability to collect, process and ultimately dispose of hazardous wastes generated by our customers. While increasing environmental regulation often presents new business opportunities for us, it often also 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 on current and former owners and operators of facilities that release regulated materials or that generate those materials and arrange for their disposal or treatment at contaminated sites. Such liabilities can relate to required cleanup of releases of regulated materials and 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 impact on our 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.

Some environmental laws and regulations impose liability and responsibility on present and former owners, operators or users of facilities and sites for contamination at such facilities and sites without regard to causation or knowledge of contamination. In the past, practices have resulted in releases of regulated materials at and from certain of our facilities, or the disposal of regulated materials at third party sites, which may require investigation and remediation, and potentially result in claims of personal injury, property damage and damages to natural resources. In addition, we occasionally evaluate various alternatives with respect to our facilities, including possible dispositions or closures. Investigations undertaken in connection with these activities may lead to discoveries of contamination that must be remediated, and closures of facilities might trigger compliance requirements that are not applicable to operating facilities. We are currently conducting remedial activities at certain of our facilities and paying a portion of the remediation costs at certain sites owned by third parties. While, based on available information, we do not believe

these remedial activities will result in a material effect upon our operations or financial condition, these activities or the discovery of previously unknown conditions could result in material costs.

In addition to the costs of complying with environmental laws and regulations, we incur costs defending against environmental litigation brought by governmental agencies and private parties. We are now, and may in the future be, a defendant in lawsuits brought by parties alleging environmental damage, personal injury, and/or property damage, which may result in our payment of significant amounts of liabilities.

Environmental and land use laws also impact our ability to expand our facilities. In addition, we are required to obtain governmental permits to operate our facilities, including all of our landfills. Even if we were to comply with all applicable environmental laws, there is no guarantee that we would be able to obtain the requisite permits from the applicable

## Table Of Contents

governmental authorities, and, even if we could, that permit (and any existing permits we currently hold) will be extended or modified as needed to fit out business needs.

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 United States Environmental Protection Agency, or "EPA," promulgated Interim Standards of the Hazardous Waste Combustor Maximum Achievable Control Technology, or "MACT," 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 \$29.6 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 our Kimball, Nebraska facility 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 \$30.0 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 expansion airspace in our calculation 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 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.

### Risks Particularly Affecting Our Energy and Industrial Services Business

A large portion of our energy and industrial services business is dependent on the oil and gas industry in Western Canada, and declines in oil and gas exploration and production in that region could adversely affect our business. Our energy and industrial services business generates well over 50% of its total revenues from customers in the oil and gas industry operating in Western Canada, although a majority of the services we provide to such customers relate to industrial maintenance and oil and gas production and refining which are less volatile than oil and gas exploration. We also provide significant services to customers in the oil and gas industry operating in the United States or internationally and to customers in other industries such as forestry, mining and manufacturing. However, a major portion of the total revenues of our energy and industrial services business remains dependent on customers in the oil and gas industry operating in Western Canada.

Accordingly, declines in the general level of oil and gas exploration, production and refining in Western Canada could potentially have significant adverse effects on our total revenues and profitability. Such declines occurred in 2008-2009 and could potentially occur in the future if reductions in the commodity prices of oil and gas result in reduced oil and gas exploration, production and refining. Such future declines could also be triggered by technological and regulatory changes, such as those affecting the availability and cost of alternative energy sources, and other changes in industry and worldwide economic and political conditions.

Many of our major customers in the oil and gas industry conduct a significant portion of their operations in the Alberta oil sands. The Alberta oil sands contain large oil deposits, but extraction may involve significantly greater cost and environmental concerns than conventional drilling. While we believe our major involvement in the oil sands region will provide significant future growth opportunities, such involvement also increases the risk that our business



will be adversely affected if future economic activity in the Alberta oil sands were to decline considerably. Major factors that could cause such a decline might include a prolonged reduction in the commodity price of oil, future changes in environmental restrictions and regulations, and technological and regulatory changes relating to production of oil from the oil sands. Due to the downturn in worldwide economic conditions and in the commodity price of oil and gas which occurred in 2008-2009, certain of our customers delayed a number of large projects in the planning and early development phases within the oil sands region. In addition, customers are revisiting their operating budgets and challenging their suppliers to reduce costs and achieve better efficiencies in their work programs.

## Table Of Contents

Our energy and industrial services business is subject to workforce availability.

Our ability to provide high quality services to our customers is dependent upon our ability to attract and retain well-trained, experienced employees. Prior to 2008, the oil and gas services industry in Western Canada experienced for several years high demand for, and a corresponding shortage of, quality employees resulting, in particular, in employment of a significant number of employees from Eastern Canada on a temporary basis. Although the 2008-2009 downturn in the oil and gas industry increased the pool of quality employees available to meet our customer commitments, the subsequent improvement during 2010-2011 of conditions in the oil and gas industry has increased, and any such improvement which may occur in the future would likely increase, competition for experienced employees.

### Additional Risks Relating to Our Recent Acquisition of Safety-Kleen

In addition to the risks described above which are applicable to our environmental services and energy and industrial services businesses (as those businesses were expanded by our acquisition of Safety-Kleen on December 28, 2012), our acquisition of Safety-Kleen resulted in our becoming subject to certain additional risks, including in the particular the following:

Safety-Kleen's revenues are relatively concentrated among a small number of its largest customers.

In 2012, Safety-Kleen's ten largest customers accounted for approximately 24% of its total revenues and its largest customer accounted for approximately 7% of its total revenues. If one or more of Safety-Kleen's significant customers were to cease doing business with Safety-Kleen or significantly reduce or delay the purchase of products or services from it, our business, financial condition and results of operations could be materially and adversely affected. In addition, Safety-Kleen is subject to credit risk associated with the concentration of its accounts receivable from its customers. None of Safety-Kleen's accounts receivable are covered by collateral or credit insurance. If one or more of its significant customers or if any material portion of Safety-Kleen's other customers were to fail to pay Safety-Kleen on a timely basis, our business, financial condition and results of operations could be materially and adversely affected. Additionally, future consolidation of Safety-Kleen's customers or additional concentration of market share among its customers may increase its credit risk.

Fluctuations in oil prices may have a negative effect on Safety-Kleen's future results of operations derived from its oil re-refining and recycling business.

A significant portion of Safety-Kleen's business involves collecting used oil from certain of its customers, re-refining a portion of such used oil into base and blended lubricating oils, and then selling both such re-refined oil and the excess recycled oil which Safety-Kleen does not currently have the capacity to re-refine, or "RFO," to other customers. The prices at which Safety-Kleen sells its re-refined oil and RFO are affected by changes in the reported spot market prices of oil. If applicable rates increase or decrease, Safety-Kleen typically will charge a higher or lower corresponding price for its re-refined oil and RFO. The price at which Safety-Kleen sells its re-refined oil and RFO is affected by changes in certain indices measuring changes in the price of heavy fuel oil, with increases and decreases in the indices typically translating into a higher or lower price for Safety-Kleen's RFO. The cost to collect used oil, including the amounts Safety-Kleen must pay to obtain used oil and the fuel costs of its oil collection fleet, typically also increases or decreases when the relevant indices increase or decrease. However, even though the prices Safety-Kleen can charge for its re-refined oil and RFO and the costs to collect and re-refine used oil and process RFO typically increase and decrease together, there is no assurance that when Safety-Kleen's costs to collect and re-refine used oil and process RFO increase it will be able to increase the prices it charges for its re-refined oil and RFO to cover such increased costs or that the costs to collect and re-refine used oil and process RFO will decline when the prices it can charge for re-refined oil and RFO decline. These risks are exacerbated when there are rapid fluctuations in these oil indices. The price at which Safety-Kleen purchases used oil from its large customers through its oil collection services is generally fixed for a period of time by contract, in some cases for up to 90 days. Because the price Safety-Kleen pays for a majority of its used oil is fixed for a period of time and it can take up to eight weeks to transport, re-refine and blend collected used oil into Safety-Kleen's finished blended lubricating oil products, Safety-Kleen typically experiences margin contraction during periods when the applicable index rates decline. If the index rates decline rapidly, Safety-Kleen may be locked into paying higher than market prices for used oil during these contracted periods

while the prices it can charge for its finished oil products decline. If the prices Safety-Kleen charges for its finished oil products and the costs to collect and re-refine used oil and process RFO do not move together or in similar magnitudes, Safety-Kleen's profitability may be materially and negatively impacted.

Safety-Kleen has entered into several commodity derivatives since 2011, which are comprised of cashless collar contracts related to crude oil prices, in each case, where Safety-Kleen sold a call option to a bank and then purchased a put option from the same bank, in order to manage against significant fluctuations in crude oil prices, which are closely correlated with indices

Table Of Contents

discussed above. However, these commodity derivatives are designed to only mitigate Safety-Kleen's exposure to declines in these oil indices below a price floor, and Safety-Kleen will not be protected and its profitability may be materially and negatively impacted by declines above the price floor. In addition, these commodity derivatives will limit Safety-Kleen's potential benefit when these oil indices increase above a price cap because Safety-Kleen will be required to make payments in that circumstance. Furthermore, Safety-Kleen's current commodity derivatives expire at various intervals, and there is no assurance that we will be able to enter into commodity derivatives in the future with acceptable terms.

Environmental laws and regulations have adversely affected and may adversely affect Safety-Kleen's parts cleaning and other solvent related services.

In connection with its parts cleaning and other solvent related services, Safety-Kleen has been subject to fines and certain orders requiring it to take environmental remedial action. In fiscal years 2012 and 2011, Safety-Kleen paid a total of approximately \$365,000 and \$190,000, respectively, for such fines, including fines arising in previous years. In 2009, Safety-Kleen recorded as an expense a \$15.0 million settlement with the South Coast Air Quality Management District, or "SCAQMD," in southern California and other regulatory agencies for alleged civil violations of SCAQMD Rule 1171, which prohibits the use of solvent, except for certain exempt uses, in the district. Safety-Kleen paid this settlement and is currently in compliance with SCAQMD Rule 1171. However, in the future, Safety-Kleen may be subject to monetary fines, civil or criminal penalties, remediation, cleanup or stop orders, injunctions, orders to cease or suspend certain practices or denial of permits required for the operation of its facilities. The outcome of any proceeding and associated costs and expenses could have a material adverse impact on Safety-Kleen's financial condition and results of operations.

Recent and potential changes in environmental laws and regulations may also adversely affect in the future Safety-Kleen's parts cleaning and other solvent related services. In particular, there has been a regulatory-driven shift away from solvents having higher volatile organic compounds, or "VOC," as evidenced by the recent move of the Ozone Transport Commission representing several states to reduce the VOC limits for various products, including solvent used for parts cleaning or with paint-gun cleaning equipment. Interpretation or enforcement of existing laws and regulations, or the adoption of new laws and regulations, may require Safety-Kleen to modify or curtail its operations or replace or upgrade its facilities or equipment at substantial costs, which we may not be able to pass on to our customers, and we may choose to indemnify our customers from any fines or penalties they may incur as a result of these new laws and regulations. On the other hand, in some cases if new laws and regulations are less stringent, Safety-Kleen's customers or competitors may be able to manage waste more effectively themselves, which could decrease the need for Safety-Kleen's services or increase competition, which could adversely affect Safety-Kleen's results of operations.

Safety-Kleen is subject to existing and potential product liability lawsuits.

Safety-Kleen has been named as a defendant in various product liability lawsuits in various courts and jurisdictions throughout the United States from time to time. As of December 31, 2012, Safety-Kleen was involved in approximately 64 proceedings (including cases which have been settled but not formally dismissed) wherein persons claimed personal injury resulting from the use of its parts cleaning equipment or cleaning products. These proceedings typically involve allegations that the solvent used in Safety-Kleen's parts cleaning equipment contains contaminants or that Safety-Kleen's recycling process does not effectively remove the contaminants that become entrained in the solvent during their use. In addition, certain claimants assert that Safety-Kleen failed to warn adequately the product user of potential risks, including a historic failure to warn that solvent contains trace amounts of toxic or hazardous substances such as benzene. Although Safety-Kleen maintains insurance that we believe will provide coverage for these claims (over amounts accrued for self-insured retentions and deductibles in certain limited cases), this insurance may not provide coverage for potential awards of punitive damages against Safety-Kleen. Although Safety-Kleen vigorously defends itself and the safety of its products against all of these claims (and we intend to continue defending these claims), these matters are subject to many uncertainties and outcomes are not predictable with assurance. Safety-Kleen may also be named in similar, additional lawsuits in the future, including claims for which insurance

coverage may not be available. If one or more of these claims is decided unfavorably against Safety-Kleen and the plaintiffs are awarded punitive damages, or if the claim is one for which insurance coverage may not be available, our financial condition and results of operations could be materially and adversely affected. Additionally, if one or more of these claims were decided unfavorably against Safety-Kleen, such outcome may encourage even more lawsuits against us.

Safety-Kleen is dependent on third parties for the manufacturing of the majority of its equipment.

Safety-Kleen does not manufacture the majority of the equipment, including parts washers, that Safety-Kleen places at customer sites. Accordingly, Safety-Kleen relies on a limited number of third party suppliers for manufacturing this equipment. The supply of third party equipment could be interrupted or halted by a termination of Safety-Kleen's relationships, a failure of quality control or other operational problems at such suppliers or a significant decline in their financial condition. If Safety-Kleen is not able to retain these providers or obtain its requests from these providers, Safety-Kleen may not be able to obtain

Table Of Contents

alternate providers in a timely manner or on economically attractive terms, and as a result, Safety-Kleen may not be able to compete successfully for new business, complete existing engagements profitably or retain its existing customers. Additionally, if Safety-Kleen's third party suppliers provide it with defective equipment, it may be subject to reputational damage or product liability claims which may negatively impact its reputation, financial condition and results of operations. Further, Safety-Kleen generally does not have long term contracts with its third party suppliers, and as a result these suppliers may increase the price of the equipment they provide to Safety-Kleen, which may hurt Safety-Kleen's results of operations.

Risks Relating to Our Level of Debt, Letters of Credit and Senior Unsecured Notes

Our substantial levels of outstanding debt and letters of credit could adversely affect our financial condition and ability to fulfill our obligations.

As of December 31, 2012, we had outstanding \$1.4 billion of senior unsecured notes and \$132.6 million of letters of credit (which total includes \$46.0 million of back-up letters of credit we obtained under our revolving credit facility in connection with our December 28, 2012 acquisition of Safety-Kleen). Our substantial levels of outstanding debt 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 or to repurchase the notes from holders upon any change of control;

- require us to dedicate a substantial portion of our cash flow to the payment of interest on our debt and fees on our letters of credit, which reduces the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes;

- subject us to the risk of increased sensitivity to interest rate increases based upon variable interest rates, including 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, reduce 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.

Our ability to make scheduled payments of principal or interest with respect to our debt, including our outstanding notes, any revolving loans and our capital leases, and to pay fee obligations with respect to our letters of credit, will depend on our ability to generate cash and on our future financial results. 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 might be required to refinance all or a portion of our existing debt and letter of credit facilities or to obtain new or additional such facilities. However, we might not be able to obtain any such new or additional facilities on favorable terms or at all.

Despite our substantial levels of outstanding debt and letters of credit, we could incur substantially more debt and letter of credit obligations in the future.

Although our revolving credit agreement and the indentures governing the notes contain restrictions on the incurrence of additional indebtedness (including, for this purpose, reimbursement obligations under outstanding letters of credit), these restrictions are subject to a number of qualifications and exceptions and the additional amount of indebtedness which we might incur in the future in compliance with these restrictions could be substantial. In particular, we had available at December 31, 2012 up to an additional approximately \$117.4 million for purposes of additional borrowings and letters of credit, and on January 17, 2013 we increased our \$250.0 million revolving credit facility to a \$400.0 million revolving credit facility, thereby increasing our approximately \$117.4 million of availability at December 31, 2012 to approximately \$267.4 million. The revolving credit agreement and the indentures governing our outstanding notes also allow us to borrow significant amounts of money from other sources. These restrictions would also not prevent us from incurring obligations (such as operating leases) that do not constitute "indebtedness" as defined in the relevant agreements. To the extent we incur in the future additional debt and letter of credit obligations,

the related risks will increase.

22

---

## Table Of Contents

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

Our revolving credit agreement and the indentures governing our outstanding 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 facility requires, and our future credit facilities may require, us to maintain certain financial ratios and satisfy certain other 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 facility or future credit facilities. Upon the occurrence of an event of default, 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 the notes.

Our revolving credit agreement and the indentures governing our outstanding notes also contain cross-default and cross-acceleration provisions. Under these provisions, a default or acceleration under one instrument governing our debt may constitute a default under our other debt instruments that contain cross-default and cross-acceleration provisions, which could result in the related debt and the debt issued under such 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 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.

### Other Risks Relating to Our Common Stock

The Massachusetts Business Corporation Act and our By-Laws contain certain anti-takeover provisions. Sections 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 137,000 square feet is leased under arrangements expiring in 2022. There are also regional administrative offices in Texas, South Carolina and Alberta, Canada.

Table Of Contents

Our principal property, plant and equipment consist of land, landfill assets and buildings (primarily incinerators, wastewater treatment plants, TSDFs and oil re-refining facilities), vehicles and equipment (including environmental remediation equipment). We have 51 active permitted hazardous waste or nonhazardous waste management properties, two oil re-refining facilities, and other properties more fully described under “Other Facilities and Properties” below. Our most significant properties are our incinerators, landfills and TSDFs which are included in our Technical Services segment and our oil re-refining facilities which we acquired as part of our 2012 acquisition of Safety-Kleen. Our properties are sufficient and suitable to our needs. The following tables set forth certain information as of December 31, 2012 regarding our properties. Our principal owned operating properties located in the United States are mortgaged as collateral under our revolving credit facility.

**Hazardous Waste Management Properties**

Included in our 51 active hazardous waste management properties are five incineration locations, nine commercial landfills, seven 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. Incinerators. As of December 31, 2012, we owned five operating incineration facilities containing a total of eight incinerators as follows:

	# of Incinerators	Practical Capacity (Tons)	Utilization Rate Year Ended December 31, 2012	
Arkansas	2	95,072	90.8	%
Nebraska	1	58,808	76.7	%
Utah	1	66,815	87.2	%
Texas	3	165,500	95.1	%
Ontario, Canada	1	93,696	92.2	%
	8	479,891	90.3	%

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 one active hazardous waste liquid injection incinerator. In the fourth quarter of 2011, we temporarily idled for approximately 18 months an additional hazardous waste incinerator which we own in Ville Mercier, Quebec. The incinerator in Ville Mercier is not reflected in the numbers shown above. Factors influencing the decision included additional disposal capacity acquired in 2011, declining local market conditions in Quebec, and our ability to transfer waste streams to our other facilities.

Landfills. In the United States and Canada, we operate nine commercial landfills as described in the following table:

	# of Facilities	Remaining Highly Probable Airspace (cubic yards, in thousands)	Remaining Lives (Years)
California	2	10,797	29 and 64
Colorado	1	2,123	42
North Dakota	1	2,700	11
Oklahoma	1	3,323	16
Texas	1	848	13
Utah	1	2,130	24
Alberta, Canada	1	758	4
Ontario, Canada	1	6,284	64
	9	28,963	

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.

Table Of Contents

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

	# of Facilities	Owned	Leased
Connecticut	1	1	—
Louisiana	2	1	1
Ohio	1	1	—
Tennessee	1	1	—
Alberta, Canada	1	—	1
Ontario, Canada	1	1	—
	7	5	2

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

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

	# of Facilities	Owned	Leased
Arizona	1	1	—
California	2	2	—
Florida	1	—	1
Kansas	1	1	—
Louisiana	1	1	—
Maryland	1	1	—
Massachusetts	1	1	—
North Carolina	1	1	—
Ohio	1	1	—
Texas	2	2	—
British Columbia, Canada	1	1	—
Manitoba, Canada	1	1	—
Nova Scotia, Canada	1	1	—
Ontario, Canada	3	2	1
Quebec, Canada	2	2	—
	20	18	2

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.

Table Of Contents

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

	# of Facilities	Owned	Leased
California	1	1	—
Georgia	1	1	—
Kansas	1	1	—
Maine	1	1	—
Massachusetts	1	—	1
Ohio	2	1	1
Pennsylvania	1	1	—
	8	6	2

These facilities are the most significant properties relating to our Field 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 173 additional service centers and satellite or support locations, which occasionally move to other locations as operations and space requirements change, of which 25 are owned and 148 are leased.

Safety-Kleen. In addition to the two oil re-refineries mentioned above, as part of the acquisition of Safety-Kleen we also acquired: (i) 155 branches which serve as principal sales and service centers from which we provide parts cleaning services, containerized waste services, oil collection services and other environmental services; ten accumulation centers used for accumulating waste from the branches; nine recycling centers used to recycle used solvent and process other chemicals and waste streams picked up from customers; 19 oil terminals which collect or process used oil prior to delivery to refineries or distribution as RFO; five distribution centers used to distribute new products and redistribute recycled products; and one manufacturing facility used to manufacture parts cleaning machines. The leased properties include 55 branches, two accumulation centers, one recycling center, six oil terminals and three distribution centers. The facilities are located in 45 U.S. states, four Canadian provinces, and Puerto Rico. We own the two oil re-refineries and refine approximately 160 million gallons per year of used oil into high quality base oils. One refinery is located in East Chicago, Indiana and the other is located in Breslau, Ontario.

Inactive Facilities. In addition to the active facilities and properties described above, we own a total of 19 properties 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. We gave notice to the regulators and stopped accepting wastes at Plaquemine in 2006. Additionally, as noted above, in the fourth quarter of 2011, we temporarily idled for approximately 18 months our hazardous waste incinerator in Ville Mercier, Quebec.

#### ITEM 3. LEGAL PROCEEDINGS

See Note 17, "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. MINE SAFETY DISCLOSURES

Not applicable.

Table Of Contents

## PART II

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

## Common Stock

Our common stock trades on the New York Stock Exchange under the symbol CLH. 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. The data included in the following table reflects the retroactive effect of our two-for-one stock split effective July 16, 2011.

2012	High	Low
First Quarter	\$71.63	\$60.18
Second Quarter	69.25	54.03
Third Quarter	61.99	47.61
Fourth Quarter	61.72	46.94
2011	High	Low
First Quarter	\$50.94	\$40.28
Second Quarter	53.05	46.80
Third Quarter	59.35	46.00
Fourth Quarter	64.68	45.05

On February 14, 2013, the closing price of our common stock on the New York Stock Exchange was \$51.59 and there were 373 stockholders of record of our common stock, excluding stockholders whose shares were held in nominee, or "street," name. We estimate that approximately 34,000 additional stockholders beneficially held the shares in street name on 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 and indentures limit the amount of cash dividends we could pay 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 our common stock, the NYSE Composite Index, and an index of environmental services companies (custom peer group) compiled by CoreData. 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, 2007, when our common stock closed at \$25.85 per share.

Table Of Contents

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN  
AMONG CLEAN HARBORS, INC.,  
NYSE COMPOSITE INDEX, AND CUSTOM PEER GROUP  
ASSUMES \$100 INVESTED ON JAN. 01, 2008  
ASSUMES DIVIDEND REINVESTED

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 and year ended December 31, 2012, 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 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.

Table Of Contents

	For the Year Ended December 31,				
	2012 (1)	2011	2010	2009	2008
	(in thousands except per share amounts)				
<b>Income Statement Data:</b>					
Revenues	\$2,187,908	\$1,984,136	\$1,731,244	\$1,074,220	\$1,030,713
Cost of revenues (exclusive of items shown separately below)	1,540,621	1,379,991	1,210,740	753,483	707,820
Selling, general and administrative expenses	273,520	254,137	205,812	163,157	159,674
Accretion of environmental liabilities	9,917	9,680	10,307	10,617	10,776
Depreciation and amortization	161,646	122,663	92,473	64,898	44,471
Income from operations	202,204	217,665	211,912	82,065	107,972
Other (expense) income	(802 )	6,402	2,795	259	(119 )
Loss on early extinguishment of debt	(26,385 )	—	(2,294 )	(4,853 )	(5,473 )
Interest expense, net	(47,287 )	(39,389 )	(27,936 )	(15,999 )	(8,403 )
Income from continuing operations before (benefit) provision for income taxes	127,730	184,678	184,477	61,472	93,977
(Benefit) provision for income taxes (2)	(1,944 )	57,426	56,756	26,225	36,491
Income from continuing operations	129,674	127,252	127,721	35,247	57,486
Income from discontinued operations, net of tax	—	—	2,794	1,439	—
Net income	\$129,674	\$127,252	\$130,515	\$36,686	\$57,486
<b>Earnings per share: (3)</b>					
Basic	\$2.41	\$2.40	\$2.48	\$0.74	\$1.28
Diluted	\$2.40	\$2.39	\$2.47	\$0.74	\$1.26
<b>Cash Flow Data:</b>					
Net cash from operating activities	\$324,365	\$179,531	\$224,108	\$93,270	\$109,590
Net cash from investing activities	(1,572,636 )	(480,181 )	(125,687 )	(118,391 )	(84,515 )
Net cash from financing activities	1,217,868	258,740	(32,230 )	3,584	116,795
<b>Other Financial Data:</b>					
Adjusted EBITDA (4)	\$373,767	\$350,008	\$314,692	\$157,580	\$163,219
	At December 31,				
	2012 (1)	2011	2010	2009	2008
	(in thousands)				
<b>Balance Sheet Data:</b>					
Working capital	\$517,741	\$510,126	\$446,253	\$386,930	\$307,679
Goodwill	593,771	122,392	60,252	56,085	24,578
Total assets	3,825,806	2,085,803	1,602,475	1,401,068	898,336
Long-term obligations (including current portion) (5)	1,407,971	538,888	278,800	301,271	53,630
Stockholders' equity (3)	1,432,072	900,987	780,827	613,825	429,045

Includes Safety-Kleen which was acquired on December 28, 2012 - see Note 3, "Business Combinations," to the (1) consolidated financial statements. Due to the immateriality of the amounts, no revenue, expense, income or loss of Safety-Kleen is included in our results of operations for the year ended December 31, 2012.

(2) For fiscal year 2012, the benefit includes a decrease in unrecognized tax benefits of \$52.4 million as a result of the expiration of statute of limitation periods related to an historical Canadian debt restructure. For fiscal year 2011, the provision includes a decrease in unrecognized tax benefits of \$6.5 million of which \$5.7 million was due to expiring statute of limitation periods related to an historical Canadian business combination and the remaining \$0.8 million was related to the conclusion of examinations with state taxing authorities, the expiration of various state statutes of limitation periods, and a change in estimate of a previous liability. For fiscal year 2010, the provision includes a decrease in unrecognized tax benefits of \$14.3 million. Approximately \$13.2 million was due



to the expiration of statute of limitation periods related to an historical Canadian business combination and the remaining \$1.1 million was

Table Of Contents

related to the conclusion of examinations with state taxing authorities and the expiration of various state statute of limitation periods.

We issued: (i) 5.75 million (stock-split adjusted) 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; (ii) 4.8 million (stock-split adjusted) shares of common stock in July 2009 to the former holders of Eveready common shares as partial consideration for our acquisition of Eveready; and (iii) 6.9 million shares of our common stock in December 2012 upon the closing of a public offering for aggregate net proceeds (after deducting the underwriters' discount and offering expenses payable by us) of \$368.0 million. Basic and diluted earnings per share based on income from continuing operations for 2010 were \$2.43 and 2.42 per share, respectively, and for 2009, they were both \$0.71 per share.

For all periods presented, "Adjusted EBITDA" consists of net income plus accretion of environmental liabilities, depreciation and amortization, net interest expense, and provision for income taxes. We also exclude loss on early extinguishment of debt, other (income) expense, and income from discontinued operations, net of tax as these amounts are not considered part of usual business operations. 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 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.

We use Adjusted EBITDA to enhance our understanding of our operating performance, which represents our views concerning our performance in the ordinary, ongoing and customary course of our operations. We historically have found it helpful, and believe that investors have found it helpful, to consider an operating measure that excludes expenses such as debt extinguishment and related costs relating to transactions not reflective of our core operations. The information about our operating performance provided by this financial measure is used by our management for a variety of purposes. We regularly communicate Adjusted EBITDA results to our lenders and to our board of directors and discuss with the board our interpretation of such results. We also compare our Adjusted EBITDA performance against internal targets as a key factor in determining cash bonus compensation for executives and other employees, largely because we believe that this measure is indicative of the how the fundamental business is performing and is being managed.

We also provide information relating to our Adjusted EBITDA so that analysts, investors and other interested persons have the same data that we use to assess our core operating performance. We believe that Adjusted EBITDA should be viewed only as a supplement to the GAAP financial information. We also believe, however, that providing this information in addition to, and together with, GAAP financial information permits the foregoing persons to obtain a better understanding of our core operating performance and to evaluate the efficacy of the methodology and information used by management to evaluate and measure such performance on a standalone and a comparative basis. The following is a reconciliation of net income to Adjusted EBITDA for the following periods (in thousands):

	Year Ended December 31,				
	2012	2011	2010	2009	2008
Net income	\$ 129,674	\$ 127,252	\$ 130,515	\$ 36,686	\$ 57,486
Accretion of environmental liabilities	9,917	9,680	10,307	10,617	10,776
Depreciation and amortization	161,646	122,663	92,473	64,898	44,471
Other expense (income)	802	(6,402)	(2,795)	(259)	119
Loss on early extinguishment of debt	26,385	—	2,294	4,853	5,473
Interest expense, net	47,287	39,389	27,936	15,999	8,403
(Benefit) provision for income taxes	(1,944)	57,426	56,756	26,225	36,491
Income from discontinued operations, net of tax	—	—	(2,794)	(1,439)	—
Adjusted EBITDA	\$ 373,767	\$ 350,008	\$ 314,692	\$ 157,580	\$ 163,219



Table Of Contents

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,				
	2012	2011	2010	2009	2008
Adjusted EBITDA	\$373,767	\$350,008	\$314,692	\$157,580	\$163,219
Interest expense, net	(47,287 )	(39,389 )	(27,936 )	(15,999 )	(8,403 )
Benefit (provision) for income taxes	1,944	(57,426 )	(56,756 )	(26,225 )	(36,491 )
Income from discontinued operations, net of tax	—	—	2,794	1,439	—
Allowance for doubtful accounts	1,213	759	1,043	1,006	267
Amortization of deferred financing costs and debt discount	1,793	1,572	2,921	1,997	1,915
Change in environmental liability estimates	(8,458 )	(2,840 )	(8,328 )	(4,657 )	(2,047 )
Deferred income taxes	34,163	37,836	4,919	4,830	3,197
Stock-based compensation	7,494	8,164	7,219	968	3,565
Excess tax benefit of stock-based compensation	(2,556 )	(3,352 )	(1,751 )	(481 )	(3,504 )
Income tax benefits related to stock option exercises	2,546	3,347	1,739	474	3,534
Eminent domain compensation	—	3,354	—	—	—
Gain on sale of businesses	—	—	(2,678 )	—	—
Prepayment penalty on early extinguishment of debt	(21,044 )	—	(900 )	(3,002 )	(3,552 )
Environmental expenditures	(11,191 )	(11,319 )	(10,236 )	(8,617 )	(14,268 )
Changes in assets and liabilities, net of acquisitions					
Accounts receivable	54,373	(65,210 )	(49,411 )	(11,429 )	17,221
Inventories and supplies	(12,871 )	(11,696 )	(3,129 )	(14,512 )	(4,542 )
Other current assets	9,334	(25,065 )	(7,421 )	15,605	10,071
Accounts payable	5,930	(8,116 )	38,553	5,050	(17,763 )
Other current liabilities	(64,785 )	(1,096 )	18,774	(10,757 )	(2,829 )
Net cash from operating activities	\$324,365	\$179,531	\$224,108	\$93,270	\$109,590

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

Table Of Contents

## 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 our quarterly reports on Form 10-Q to be filed during 2013.

## General

We are a leading provider of environmental, energy and industrial services throughout North America. During 2012, we reported our business in four reportable segments, consisting of:

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

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

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

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

During the quarter ended March 31, 2012, we re-assigned certain departments among our Technical Services, Field Services, Industrial Services and Oil and Gas Field Services segments to support management reporting changes. We have recast the 2011 and 2010 segment information presented below to conform to our 2012 segmentation reporting. On December 28, 2012, we acquired 100% of the outstanding common shares of Safety-Kleen, Inc. for approximately \$1.3 billion (see Recent Developments below). Prior to the acquisition, Safety-Kleen and its wholly-owned subsidiaries (collectively, "Safety-Kleen") reported its business in two reportable segments, consisting of:

**Oil Re-Refining Services**—processes used oil at two owned and operated oil re-refineries into high quality base and blended lubricating oils, which are then sold to third party customers.

**Environmental Services**—provides a broad range of environmental services, such as parts cleaning, containerized waste services, oil collection, recycling of oil in excess of current re-refining capacity into recycled fuel oil which is then sold to third parties, and other complimentary products and services, including vacuum services, allied products, total project management and other environmental services.

As stated in Item 8, "Financial Statements and Supplementary Data," no revenue, expense, income or loss of Safety-Kleen is included in our consolidated results of operations for the year ended December 31, 2012 due to the immateriality of the operating results subsequent to the December 28, 2012 acquisition date. Safety-Kleen's balance sheet amounts have been reported in total for purposes of our consolidated balance sheet and the segment disclosures as of December 31, 2012. With the acquisition, we are reviewing our consolidated operations and organizational structure on a go forward basis. We expect to adjust our reportable segments and reporting units in the first quarter of our 2013 fiscal year after completion of our review.

## Table Of Contents

### Recent Developments

#### Acquisition of Safety-Kleen

On December 28, 2012, we acquired 100% of the outstanding common shares of Safety-Kleen, Inc. for approximately \$1.3 billion. The purchase price consisted of an all-cash purchase price of \$1.25 billion, plus a \$7.3 million adjustment for the amount by which the estimated net working capital (excluding cash) of Safety-Kleen, Inc. and its subsidiaries (collectively "Safety-Kleen") on the closing date exceeded \$50.0 million. The purchase price is subject to adjustment upon finalization of Safety-Kleen's net working capital balance (excluding cash) as of the closing date. We financed the purchase through a combination of approximately \$300.0 million of existing cash, \$369.5 million in net proceeds from our public offering of 6.9 million shares of our common stock, and approximately \$589.0 million in net proceeds from our private debt offering of \$600.0 million of 5.125% senior unsecured notes due 2021. Safety-Kleen, headquartered in Richardson, Texas, is the largest re-refiner and recycler of used oil in North America and a leading provider of parts cleaning and environmental services to commercial, industrial and automotive customers. In conjunction with the transaction, Safety-Kleen, Inc. and its subsidiaries became wholly-owned subsidiaries of Clean Harbors. We acquired Safety-Kleen because we believe Safety-Kleen is a good strategic fit, enabling us to (i) penetrate the small quantity waste generator market, (ii) broaden our waste treatment capabilities to include re-refining waste oil and expanded recycling capabilities, (iii) drive a substantial increase in waste volumes into our existing waste disposal treatment network, (iv) capitalize on the growing demand for recycled products including re-refined oil, (v) enhance our commitment to sustainability, (vi) leverage the combined sales forces to maximize cross-selling opportunities, (vii) add an immediately accretive (exclusive of transaction costs) business to accelerate growth, (viii) leverage operating efficiencies through the combined company and (ix) add to our cash flow.

#### Public Offering of 6.9 Million Common Shares

On December 3, 2012, we issued 6.9 million shares of our common stock, including 900,000 shares of common stock issued upon exercise of the underwriters' option, at a public offering price of \$56.00 per share. After deducting the underwriter discount and offering expenses, we received net proceeds of \$369.5 million from the issuance which we used to pay a portion of the purchase price to acquire Safety-Kleen on December 28, 2012.

#### \$600.0 Million Private Debt Offering

On December 7, 2012, we issued through a private placement \$600.0 million aggregate principal amount of 5.125% senior unsecured notes due 2021 ("2021 Notes"). The 2021 Notes bear interest at a rate of 5.125% per annum and mature on June 1, 2021. Interest is payable semi-annually on June 1 and December 1 of each year, commencing on June 1, 2013. We may redeem some or all of the 2021 Notes before maturity at stated redemption prices. See Note 11, "Financing Arrangements," to our consolidated financial statements included in Item 8, "Financial Statements and Supplementary Data," for a more detailed description of the 2021 Notes. After deducting the initial purchasers' discount and offering expenses, we received net proceeds of approximately \$589.0 million from the issuance which we used to pay a portion of the purchase price to acquire Safety-Kleen on December 28, 2012.

#### \$800.0 Million Private Debt Offering

On July 30, 2012, we issued \$800.0 million aggregate principal amount of 5.25% senior unsecured notes due 2020 ("2020 Notes"). The 2020 Notes bear interest at a rate of 5.25% per annum and mature on August 1, 2020. Interest is payable semi-annually on August 1 and February 1 of each year, commencing on February 1, 2013. We may redeem some or all of the 2020 Notes before maturity at stated redemption prices. See Note 11, "Financing Arrangements," to our consolidated financial statements included in Item 8, "Financial Statements and Supplementary Data," for a more detailed description of the 2020 Notes. After deducting the initial purchaser's discount and offering expenses, we received net proceeds of \$752.8 million from the issuance, of which we used \$490.0 million to finance the purchase and redemption of all of the then outstanding \$490.0 million aggregate principal amount of our 7.625% senior secured notes, with the remaining net proceeds used to finance our 2012 acquisitions and for general corporate purposes.

#### Revolving Credit Facility

On January 17, 2013, we increased our previous \$250.0 million revolving credit facility to a \$400.0 million revolving credit facility as described further in Note 11, "Financing Arrangements," to our consolidated financial statements

included in Item 8, "Financial Statements and Supplementary Data."

Other 2012 Acquisitions

We acquired (i) during the second quarter of 2012, all of the outstanding stock of a privately owned Canadian company which provides workforce accommodations, camp catering and fresh food services; (ii) during the third quarter of 2012, certain

33

---

## Table Of Contents

assets of a privately owned U.S. company that is engaged in the business of materials handling services that includes a variety of support equipment to provide customers with a sole source for any dredging and dewatering project; and (iii) during the fourth quarter of 2012, the shares and assets of certain subsidiaries of a privately owned company that is engaged in the business of providing catalyst loading and unloading services in the United States and Canada. The combined purchase price for these acquisitions was approximately \$107.5 million, including the assumption and payment of debt of \$7.7 million and post-closing adjustments of \$0.7 million based upon the assumed target amounts of working capital.

### Summary of Operations

During the year ended December 31, 2012, our revenues increased 10% to \$2.19 billion compared with \$1.98 billion during the year ended December 31, 2011. Revenues for the year ended December 31, 2012 included our emergency response efforts related to Hurricane Sandy of approximately \$11.7 million. Revenues for the prior year included revenue from our emergency response efforts related to the Yellowstone River oil spill in Montana of \$43.6 million. Our Field Services revenues accounted for 11% of our total revenues for the year ended December 31, 2012.

Exclusive of our emergency response efforts during the years ended December 31, 2012 and 2011, the year-over-year increase in Field Services revenues of approximately 5% resulted primarily from large-scale project work and ongoing maintenance work.

Our Technical Services revenues accounted for 43% of our total revenues for the year ended December 31, 2012. In our Technical Services segment, we achieved year-over-year revenue growth of 6%. Incinerator utilization was 90% for the year ended December 31, 2012, compared to 89% in 2011, and landfill volumes increased 58% year-over-year. Our Industrial Services revenues accounted for 26% of our total revenues for the year ended December 31, 2012. The year-over-year increase in revenue of 24% was primarily due to continued investment in the oil sands region of Canada, incremental revenues from refinery turnaround work, revenues associated with our acquisitions, and high utilization rates at the camps in our lodging business.

Our Oil and Gas Field Services revenues accounted for 20% of our total revenues for the year ended December 31, 2012. The year-over-year increase of 16% was primarily due to contributions from our acquisitions.

Our costs of revenues increased from \$1.38 billion for the year ended December 31, 2011 to \$1.54 billion for the year ended December 31, 2012 primarily due to costs associated with our acquisitions in 2012 and 2011 and because of our increased revenues. Our gross profit margin was 29.6% for the year ended December 31, 2012, which is down slightly from 30.4% in the same period last year.

### Environmental Liabilities

The net reductions in our estimated environmental liabilities during each of 2012, 2011 and 2010 were due primarily to changes in estimates. The benefits over the past few years were primarily due to the successful introduction of new technology for remedial activities, favorable results from environmental studies of the on-going remediation, including favorable regulatory approvals, and lower project costs realized by utilizing internal labor and equipment. The principal changes in estimates were from the following items:

In 2012, the net reduction of \$8.5 million primarily related to five sites. Updates to the scope of future work at two sites led to a reduction in the related remedial liabilities; and installation of new technology at a third site and favorable environmental studies at a fourth site also led to a reduction in remedial liabilities. The estimated savings from these four sites were partially offset by an increase in non-landfill retirement liabilities of \$1.1 million primarily related to one site where the timing of the closure was accelerated.

In 2011, the net reduction of \$2.8 million primarily related to four sites. Installation of a solar array system led to lower estimated future utility costs at one site; favorable environmental studies and regulatory approvals were achieved at a second and third site; and utilization of internal labor rather than external contractors at the fourth site enabled us to reduce our estimate of remediation costs. The estimated savings from the four sites were partially offset by an increase in remedial liabilities recorded at a fifth site due to a change in estimated costs following finalization of the corrective action plan.

In 2010, the net reduction of \$8.3 million primarily related to three sites. Favorable environmental studies at one site led to favorable regulatory approvals and a reduction in the remediation period; and implementation of solar sippers at a second site and installation of additional equipment at a third site resulted in reductions to the estimated future utility



costs due to increased efficiencies.

34

---

Table Of Contents

## Critical Accounting Policies and Estimates

The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts of our 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, allowance for doubtful accounts, accounting for landfills, non-landfill closure and post-closure liabilities, remedial liabilities, goodwill, permits and other intangible assets, insurance accruals, legal matters, and provision for income taxes. Our management reviews critical accounting estimates with the Audit Committee of our Board of Directors on an ongoing basis and as needed prior to the release of our annual financial statements. See also Note 2, "Significant Accounting Policies," in Item 8, "Financial Statements and Supplementary Data," of this 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 we provide, customers may withhold payments and attempt to renegotiate amounts invoiced. In addition, for some of the services we provide, our invoices are based on quotes that can either generate credits or debits when the actual revenue amount is known. Based on our industry knowledge and historical trends, we record a revenue allowance accordingly. Increases in overall sales volumes and the expansion of our customer base in recent years have also increased the volume of additions and deductions to the allowance during the year, as well as increased the amount of the allowance at the end of the year.

Our revenue allowance is intended to cover the net amount of revenue adjustments that may need to be credited to customers' accounts in future periods. We determine the appropriate total revenue allowance by evaluating the following factors on a customer-by-customer basis as well as on a consolidated level: historical collection trends, age of outstanding receivables, existing economic conditions and other information as deemed applicable. Revenue allowance estimates can differ materially from the actual adjustments, but historically our revenue allowance has been sufficient to cover the net amount of the reserve adjustments issued in subsequent reporting periods.

**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. A considerable amount of judgment is required to make this assessment, based on detailed analysis of the aging of our receivables, the creditworthiness of our customers, our historical bad debts and other adjustments and current economic trends. Accounts receivable written off in subsequent periods can differ materially from the allowance for doubtful accounts provided, but historically our provision has been adequate.

**Landfill Accounting.** 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 of the landfill assets. Additionally, where appropriate, as discussed below, we include probable expansion airspace that has yet to be permitted in the calculation of the total remaining useful life of the landfill. If it is determined that expansion capacity should no longer be considered in calculating the recoverability of a landfill asset, we may be required to recognize an asset impairment or incur significantly higher amortization expense. If at any time we make the decision to abandon the expansion effort, the capitalized costs related to the expansion effort are expensed immediately.

**Landfill Assets—**Landfill assets include the costs of landfill site acquisition, permits and cell construction incurred to date. These amounts are amortized under the units-of-consumption method such that the asset is completely amortized when the landfill ceases accepting waste.

**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. Our management applies the following criteria for evaluating the probability of obtaining a permit for future expansion airspace at existing sites, which provides management a basis to evaluate the likelihood of success of unpermitted expansions:

- 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.

Management expects to submit the application within the next year and to receive all necessary approvals to accept waste within the next five years.

## Table Of Contents

At the time the expansion is included in management'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 Company or other owner of the landfill has a legal right to use or obtain the right to use the land associated with the expansion plan.

There are no significant known political, technical, legal or business restrictions or other issues that could impair the success of such expansion.

A financial feasibility analysis has been completed and the results demonstrate that the expansion will have 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 are approved through a landfill-specific approval process that includes approval from our Chief Financial Officer and review by the Audit Committee of our Board of Directors. As of December 31, 2012, there was one unpermitted expansion at one location included in management's landfill calculation, which represented 20.96% of our remaining airspace at that date. As of December 31, 2012 and 2011, none of the unpermitted expansions were considered exceptions to management's established criteria described above. If actual expansion airspace is significantly different from management's estimate of expansion airspace, the amortization rates used for the units-of-consumption method would change, therefore impacting our profitability. If we determine that there is less actual expansion airspace at a landfill, this would increase amortization expense recorded and decrease profitability, while if we determine a landfill has more actual expansion airspace, amortization expense would decrease and profitability would increase.

**Landfill Final Closure and Post-Closure Liabilities**—The balance of landfill final closure and post-closure liabilities at December 31, 2012 and 2011 was \$26.7 million and \$25.8 million, respectively. We have 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. We develop estimates for the cost of these activities based on our evaluation of site-specific facts and circumstances, such as the existence of structures and other landfill improvements that would need to be dismantled, the amount of groundwater monitoring and leachate management expected to be performed, and the length of the post-closure period as determined by the applicable regulatory agency. Included in our cost estimates are our 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. We perform zero-based reviews of these estimated liabilities at least every five years or sooner if the occurrence of a significant event is likely to change the timing or amount of the currently estimated expenditures. We consider a significant event to be a new regulation or an amendment to an existing regulation, a new permit or modification to an existing permit, or a change in the market price of a significant cost item. Our cost estimates are calculated using internal sources as well as input from third party experts. These costs are measured at estimated fair value using present value techniques, and therefore changes in the estimated timing of closure and post-closure activities would affect the liability, the value of the related asset, and our results of operations.

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 or provincial regulatory agency. These costs generally include the costs required to cap the final cell of the landfill (if not included in cell closure), to dismantle certain structures for landfills and other landfill improvements and regulation-mandated groundwater monitoring, and for 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.

Non-Landfill Closure and Post-Closure Liabilities. The balance of our non-landfill closure and post-closure liabilities at December 31, 2012 and 2011 was \$27.6 million and \$9.1 million, respectively. We base estimates for non-landfill closure and post-closure liabilities on our interpretations of existing permit and regulatory requirements for closure and post-closure maintenance and monitoring. Our cost estimates are calculated using internal sources as well as input from third party experts. We use probability scenarios to estimate when future operations will cease and inflate the current cost of closing the non-landfill facility on a probability weighted basis using the appropriate inflation rate and then discounting the future value to arrive at an estimated present value of closure and post-closure costs. The estimates for non-landfill 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. We review non-landfill closure and post-closure

Table Of Contents

liabilities for changes to key assumptions that would impact the amount of the recorded liabilities. Changes that would prompt us to revise a liability estimate include changes in legal requirements that impact our expected closure plan or scope of work, in the market price of a significant cost item, in the probability scenarios as to when future operations at a location might cease, or in the expected timing of the cost expenditures. Changes in estimates for non-landfill closure and post-closure events immediately impact the required liability and the value of 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 an asset that has not been fully consumed, the adjustment to the asset is recognized in income prospectively as a component of amortization. Historically, material changes to non-landfill closure and post-closure estimates have been infrequent.

**Remedial Liabilities.** The balance of our remedial liabilities at December 31, 2012 and 2011 was \$167.2 million and \$135.3 million, respectively. See Note 10, "Remedial Liabilities," to our consolidated financial statements for the three years ended December 31, 2012, for the changes to the remedial liabilities during the years ended December 31, 2012 and 2011. Remedial liabilities are obligations to investigate, alleviate and/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 remediation obligations can be further characterized as Long-term Maintenance, One-Time Projects, Legal and Superfund. 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 a site owned by a third party. As described in Note 17, "Commitments and Contingencies," to our consolidated financial statements for the three years ended December 31, 2012, 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 (the "CSD assets") of Safety-Kleen Corp. Long-term Maintenance liabilities include the costs of groundwater monitoring, treatment system operations, permit fees and facility maintenance for inactive operations. One-Time Projects liabilities 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 determined by internal engineers and operational personnel and incorporate input from external third parties. The estimates consider such factors as the nature and extent of environmental contamination (if any); 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; the cost of performing anticipated cleanup activities based upon current technology; and in the case of Superfund and other sites where other parties will also be responsible for a portion of the clean up costs, the likely allocation of such costs and the ability of such other parties to pay their share. Each quarter, our management discusses if any events have occurred or milestones have been met that would warrant the creation of a new remedial liability or the revision of an existing remedial liability. Such events or milestones include identification and verification as a PRP, receipt of a unilateral administrative order under Superfund or requirement for RCRA interim corrective measures, completion of the feasibility study under Superfund or the corrective measures study under RCRA, new or modifications to existing permits, changes in property use, or a change in the market price of a significant cost item. Remedial liabilities are inherently difficult to estimate and there is a risk that the actual quantities of contaminants could differ from the results of the site investigation, which could materially impact the amount of our liability. It is also possible that chosen methods of remedial solutions will not be successful and funds will be required for alternative solutions.

Remedial liabilities are discounted only when the timing of the payments is estimable and the amounts are determinable. With the exception of remedial liabilities assumed as part of an acquisition that are measured at fair value, our experience has been that the timing of payments for remedial liabilities is usually not estimable and therefore the amounts of remedial liabilities are generally not discounted.

We establish reserves for estimated environmental liabilities based on acceptable technologies when we determine the liability is appropriate. Introductions of new technologies are subject to successful demonstration of the effectiveness of the alternative technology and regulatory approval. We routinely review and evaluate the sites for which we have established estimated environmental liabilities reserves to determine if there should be changes in the established reserves. The changes in estimates are reflected as adjustments in the ordinary course of business in the period when we determine that an adjustment is appropriate as new information becomes available. Upon demonstration of the effectiveness of the alternative technology and applicable regulatory approval, we update our estimated cost of remediating the affected sites.

Table Of Contents

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 tests for impairment by comparing the fair value of each reporting unit 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 a reporting unit exceeds its fair value, the second step of the goodwill test is performed to measure the amount of impairment loss.

When the fair value of the respective reporting units significantly exceeds the carrying value, we utilize the income method only as we believe the income approach more appropriately captures the specific growth and risk profile of the reporting units; whereas the market approach requires a qualitative assessment of a reporting unit's risk profile and growth prospects to selected, reasonably similar guideline publicly-traded companies which we believe is less specific to our business. We corroborate our approach by considering other factors such as the fair value of comparable companies to our reporting units, and also perform a reconciliation of the fair value of all our reporting units to our overall market capitalization.

We determine our reporting units by identifying the components of each operating segment, and then aggregate components having similar economic characteristics based on quantitative and / or qualitative factors. At December 31, 2012, we had five reporting units consisting of Technical Services, Field Services, Industrial Services, Lodging and Oil and Gas Field Services. We utilized the income approach (a discounted cash flow analysis) to determine the fair value of the Technical Services, Field Services, Industrial Services and Lodging reporting units as the fair value for these reporting units in 2012 significantly exceeded their respective carrying values. We corroborated our approach by considering other factors such as the fair value of comparable companies to our reporting units, and also performed a reconciliation of the fair value of all our reporting units to our overall market capitalization.

The fair value of the Oil and Gas Field Services reporting unit in 2012 was determined using a weighted average of the income approach and the market approach (a comparison to guideline companies), weighted primarily on the income approach. We utilized a weighted-average of the income approach and the market approach as the fair value under the income approach did not significantly exceed the carrying value due to lower than anticipated financial results of the reporting unit in the third quarter of 2012. The lower than anticipated results were primarily due to the repositioning of certain assets and rental equipment in the second and third quarters of 2012 to meet changing market conditions and unfavorable rain and weather conditions in Western Canada. These changes in the business negatively affected our revenues and profitability. The fair value of the reporting unit exceeded its carrying value by more than 10% at December 31, 2012. The financial performance of this reporting unit, which has a goodwill balance of approximately \$39.8 million at December 31, 2012, is affected by fluctuations in oil and gas prices, and we have been closely monitoring its performance. As previously disclosed in our report on Form 10-Q for the third quarter of 2012, we assessed the performance of our Oil and Gas Field Services reporting unit in the third quarter of 2012 due to its lower than anticipated financial results. We performed an interim sensitivity analysis of the impact of the lower than anticipated results on the reporting unit's fair value in the third quarter, and concluded the fair value of the reporting unit more likely than not exceeds its carrying value at September 30, 2012. During 2013, we will continue to assess this reporting unit's performance.

As of December 31, 2011, the fair value of all our reporting units was determined using an income approach as the fair value for all reporting units significantly exceeded the respective carrying value. We corroborated our approach by considering other factors such as the fair value of comparable companies to our reporting units, and also performed a reconciliation of the fair value of all our reporting units to our overall market capitalization.

As of December 31, 2010, for the Industrial Services and Exploration Services reporting units, the estimated fair value was determined using a weighted average of the income approach and the market approach weighted primarily on the income approach. For the Technical Services, Field Services and Lodging reporting units, as of December 31, 2010,



we utilized only the income approach to determine the fair value because the fair value for those reporting units has historically significantly exceeded the carrying value and there were no changes or events in the current year to indicate otherwise. We corroborated our approach by considering other factors such as the fair value of comparable companies to our reporting units, and also performed a reconciliation of the fair value of all our reporting units to our overall market capitalization.

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. We believe that the assumptions used in our impairment analyses are reasonable, but variations in any of the assumptions may result in different calculations of fair

Table Of Contents

values that could result in a material impairment charge. The impairment analysis performed during the year ended December 31, 2012 utilized 2013 annual budgeted amounts. The discount rate assumptions were based on an assessment of our weighted average cost of capital ("WACC"). We did not record an impairment charge as a result of our goodwill impairment tests in 2012, 2011 and 2010 for our reporting units. We will continue to monitor the performance of our reporting units and if the business experiences adverse changes in these key assumptions, we will perform an interim goodwill impairment analysis.

**Permits and Other Intangible Assets.** Our long-lived assets, including permits, are carried on our financial statements based on their cost less accumulated depreciation or amortization. We review the carrying value of our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In order to assess whether a potential impairment exists, the assets' carrying values are compared with their undiscounted expected future cash flows. Estimating future cash flows requires significant judgment about factors such as general economic conditions and projected growth rates, and our estimates often vary from the cash flows eventually realized. Impairments are measured by comparing the fair value of the asset to its carrying value. Fair value is generally determined by considering (i) internally developed discounted projected cash flow analysis of the asset; (ii) actual third-party valuations; and/or (iii) information available regarding the current market environment for similar assets. If the fair value of an asset is determined to be less than the carrying amount of the asset, an impairment in the amount of the difference is recorded in the period that the events or changes in circumstances that indicated the carrying value of the assets may not be recoverable occurred. In the fourth quarter of 2011, we temporarily idled for approximately 18 months our hazardous waste incinerator in Ville Mercier, Quebec, which had a carrying value, including the permits, of \$8.6 million as of December 31, 2012. We temporarily idled this facility due to additional disposal capacity acquired in 2011 and the declining local market conditions in Quebec. We performed an analysis of the carrying value of those long-lived assets in 2011 and 2012 and concluded that there was no impairment as the projected undiscounted cash flows substantially exceeded the carrying value of the assets.

There were no impairment charges during the years ended December 31, 2011 and 2010.

**Insurance Accruals.** 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 17, "Commitments and Contingencies," to the financial statements included in Item 8, "Financial Statements and Supplementary 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, 2012, we had reserves of \$38.6 million (substantially all of which we had established as part of the purchase price for the CSD assets) consisting of (i) \$34.5 million related to pending legal or administrative proceedings, including Superfund liabilities, which were included in the \$221.5 million accrued environmental liabilities as of December 31, 2012 for closure, post-closure and remediation, as described above, and (ii) \$4.1 million primarily related to federal and state enforcement actions, which were included in accrued expenses on the consolidated balance sheets. We also estimate that it is "reasonably possible," as that term is defined ("more than remote but less than likely"), that the amount of such total liabilities could be as much as \$3.5 million more. Actual expenses incurred in future periods could differ materially from accruals established.

**Provision for Income Taxes.** Our income tax expense, deferred tax assets and liabilities and reserves for unrecognized tax benefits reflect management's best estimate of future taxes to be paid. We are subject to income taxes in both the United States and in foreign jurisdictions. Significant judgments and estimates are required in determining the consolidated income tax expense.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which

they arise, we consider all available positive and negative evidence. 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.

A liability for uncertain tax positions is recorded to the extent a tax position taken or expected to be taken in a tax return does not meet certain recognition or measurement criteria. We record interest and penalties on these uncertain tax positions as applicable as a component of income tax expense.

Table Of Contents

## 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,						
	2012	2011	2010	2009	2008		
Revenues	100.0	% 100.0	% 100.0	% 100.0	% 100.0	% 100.0	%
Cost of revenues (exclusive of items shown separately below)	70.4	69.5	69.9	70.2	68.7		
Selling, general and administrative expenses	12.5	12.8	11.9	15.2	15.5		
Accretion of environmental liabilities	0.5	0.5	0.6	1.0	1.0		
Depreciation and amortization	7.4	6.2	5.4	6.0	4.3		
Income from operations	9.2	11.0	12.2	7.6	10.5		
Other (expense) income	—	0.3	0.2	—	—		
Loss on early extinguishment of debt	(1.2 )	—	(0.1 )	(0.4 )	(0.5 )		)
Interest expense, net	(2.2 )	(2.0 )	(1.6 )	(1.5 )	(0.8 )		)
Income from continuing operations before provision for income taxes	5.8	9.3	10.7	5.7	9.2		
(Benefit) provision for income taxes	(0.1 )	2.9	3.3	2.4	3.6		
Income from continuing operations	5.9	6.4	7.4	3.3	5.6		
Income from discontinued operations, net of tax	—	—	0.1	0.1	—		
Net income	5.9	% 6.4	% 7.5	% 3.4	% 5.6		%

## 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, 2012 and 2011 and the years ended December 31, 2011 and 2010. See footnote 4 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 that 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. Certain income or expenses of a non-recurring or unusual nature are not included in the operating segment's Adjusted EBITDA contribution.

During the quarter ended March 31, 2012, we re-assigned certain departments among our segments to support management reporting changes. Accordingly, we re-allocated shared departmental costs among our segments. We have recast the 2011 and 2010 segment information presented in the tables below to conform to the current year presentation. These tables and subsequent discussions should be read in conjunction with Item 8, "Financial Statements and Supplementary Data," of this report and in particular Note 18, "Segment Reporting," to such financial statements.

Table Of Contents

Year ended December 31, 2012 versus Year ended December 31, 2011

	Summary of Operations (in thousands)			
	December 31,			
	2012	2011	\$ Change	% Change
<b>Direct Revenues:</b>				
Technical Services	\$937,754	\$885,374	\$52,380	5.9 %
Field Services	239,968	260,312	(20,344)	(7.8)
Industrial Services	581,648	469,950	111,698	23.8
Oil and Gas Field Services	428,932	369,190	59,742	16.2
Corporate Items	(394)	(690)	296	(42.9)
Total	2,187,908	1,984,136	203,772	10.3
<b>Cost of Revenues (exclusive of certain items shown separately)(1):</b>				
Technical Services	615,346	572,496	42,850	7.5
Field Services	187,949	196,285	(8,336)	(4.2)
Industrial Services	407,667	335,538	72,129	21.5
Oil and Gas Field Services	319,991	266,591	53,400	20.0
Corporate Items	9,668	9,081	587	6.5
Total	1,540,621	1,379,991	160,630	11.6
<b>Selling, General &amp; Administrative Expenses:</b>				
Technical Services	77,419	77,204	215	0.3
Field Services	26,932	24,875	2,057	8.3
Industrial Services	34,058	30,877	3,181	10.3
Oil and Gas Field Services	33,132	26,216	6,916	26.4
Corporate Items	101,979	94,965	7,014	7.4
Total	273,520	254,137	19,383	7.6
<b>Adjusted EBITDA(2):</b>				
Technical Services	244,989	235,674	9,315	4.0
Field Services	25,087	39,152	(14,065)	(35.9)
Industrial Services	139,923	103,535	36,388	35.1
Oil and Gas Field Services	75,809	76,383	(574)	(0.8)
Corporate Items	(112,041)	(104,736)	(7,305)	7.0
Total	\$373,767	\$350,008	\$23,759	6.8 %

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

(2) See footnote 4 under Item 6, "Selected Financial Data," for a discussion of Adjusted EBITDA.

**Revenues**

Technical Services revenues increased 5.9%, or \$52.4 million, in the year ended December 31, 2012 from the comparable period in 2011 primarily due to an increase in volumes being processed through our incinerators and landfills.

Field Services revenues decreased 7.8%, or \$20.3 million, in the year ended December 31, 2012 from the comparable period in 2011. Field Services performed \$43.6 million of emergency response work related to the Yellowstone River oil spill in Montana during the year ended December 31, 2011 and performed approximately \$11.7 million of emergency response work associated with Hurricane Sandy during the year ended December 31, 2012.

Industrial Services revenues increased 23.8%, or \$111.7 million, in the year ended December 31, 2012 from the comparable period in 2011 primarily due to an increase in our lodging business (\$78.6 million), growth in the oil sands region of Canada, and an increase in a broad array of our specialty services. These increases resulted partially

from revenues associated with our acquisitions in 2012 and 2011, including Peak in June 2011.

41

---

Table Of Contents

Oil and Gas Field Services revenues increased 16.2%, or \$59.7 million, in the year ended December 31, 2012 from the comparable period in 2011 primarily due to fluids handling and surface rentals activity related to our acquisition of Peak in June 2011 (\$38.4 million) and increased exploration activities partially from revenues associated with an acquisition in July 2011 (\$26.3 million), offset partially by a reduction in the energy services business (\$12.3 million). 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, the general conditions of the oil and gas industries, competitive industry pricing, and the effects of fuel prices on our fuel recovery fees.

**Cost of Revenues**

Technical Services cost of revenues increased 7.5%, or \$42.9 million, in the year ended December 31, 2012 from the comparable period in 2011 primarily due to increases in salary and labor expenses (\$11.6 million), outside disposal and rail costs (\$6.1 million), materials for reclaim costs (\$4.1 million), chemicals and consumables expenses (\$3.0), subcontractor fees (\$2.8 million), outside transportation costs (\$2.8 million), vehicle and equipment repair costs (\$1.8 million), and changes in environmental estimates (\$1.0 million), offset partially by a decrease in utilities costs (\$1.7 million).

Field Services cost of revenues decreased 4.2%, or \$8.3 million, in the year ended December 31, 2012 from the comparable period in 2011 primarily due to decreased emergency response work. During the year ended December 31, 2011 Field Services performed emergency response work on the Yellowstone River oil spill in Montana. This reduction was partially offset by emergency response work performed during the year ended December 31, 2012 associated with Hurricane Sandy.

Industrial Services cost of revenues increased 21.5%, or \$72.1 million, in the year ended December 31, 2012 from the comparable period in 2011 primarily due to increased salary and labor expenses (\$41.2 million), material and supplies expenses (\$16.5 million), catering costs associated with the increased lodging services revenues (\$6.9 million) and equipment rental fees (\$4.1 million). These increases resulted partially from costs associated with our acquisitions in 2012 and 2011, including Peak in June 2011.

Oil and Gas Field Services cost of revenues increased 20.0%, or \$53.4 million, in the year ended December 31, 2012 from the comparable period in 2011 primarily due to salary and labor expenses (\$26.6 million), subcontractor fees (\$7.4 million), travel costs (\$4.3 million), vehicle expenses (\$4.2 million), rent expense (\$3.9 million), equipment repair expenses (\$2.9 million) and equipment rental fees (\$2.3 million), offset partially by decreases in foreign exchange costs (\$2.3 million). These net increases resulted partially from costs associated with our acquisitions in 2011.

We believe that our ability to manage operating costs is important to 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 0.3%, or \$0.2 million, in the year ended December 31, 2012 from the comparable period in 2011 primarily due to increased salaries expense.

Field Services selling, general and administrative expenses increased 8.3%, or \$2.1 million, in the year ended December 31, 2012 from the comparable period in 2011 primarily due to increased salaries expense.

Industrial Services selling, general and administrative expenses increased 10.3%, or \$3.2 million, in the year ended December 31, 2012 from the comparable period in 2011 primarily due to our 2012 acquisitions resulting in increased salaries expense.

Oil and Gas Field Services selling, general and administrative expenses increased 26.4%, or \$6.9 million, in the year ended December 31, 2012 from the comparable period in 2011. The increase was primarily due to our 2011 acquisitions resulting in increases in salaries and travel expense.

Corporate Items selling, general and administrative expenses increased 7.4%, or \$7.0 million, for the year ended December 31, 2012, as compared to the same period in 2011 primarily due to increases in professional fees primarily

related to acquisition fees (\$6.7 million), salaries (\$2.4 million), travel costs related primarily to a national sales meeting held in April (\$1.8 million), and employee benefits (\$1.3 million), offset partially by decreased incentive compensation (\$4.0 million).



Table Of Contents

## Depreciation and Amortization

	Year Ended December 31, (in thousands)	
	2012	2011
Depreciation of fixed assets	\$127,175	\$99,860
Landfill and other amortization	34,471	22,803
Total depreciation and amortization	\$161,646	\$122,663

Depreciation and amortization increased 31.8%, or \$39.0 million, for the year ended December 31, 2012 compared to the comparable period in 2011. Depreciation of fixed assets increased primarily due to acquisitions and other increased capital expenditures in recent periods. Landfill and other amortization increased primarily due to the increase in volumes at our landfill facilities and additional amortization resulting from an increase in other intangibles recorded for recent acquisitions.

## Other Income

Other income decreased \$7.2 million during the year ended December 31, 2012 compared to the comparable period in 2011. Other income in the year ended December 31, 2011 included compensation of \$3.4 million received from the Santa Clara Valley Transit Authority for the release by eminent domain of certain rail rights in connection with our hazardous waste facility located in San Jose, California, as well as a \$1.9 million gain on remeasurement of the value of marketable securities as a result of the Peak acquisition. We remeasured the value of our previously held common shares in Peak at their fair value and recognized the resulting gain in other income.

## Loss on Early Extinguishment of Debt

During the third quarter of 2012, we recorded a \$26.4 million loss on early extinguishment of debt in connection with a redemption and repurchase of our \$520.0 million previously outstanding senior secured notes. This loss consisted of \$21.1 million of purchase, consent and redemption fees and non-cash expenses of \$5.3 million, of which \$8.8 million related to unamortized financing costs offset partially by \$3.5 million of unamortized net premium.

## Interest Expense, Net

	Year Ended December 31, (in thousands)	
	2012	2011
Interest expense	\$48,133	\$40,187
Interest income	(846)	(798)
Interest expense, net	\$47,287	\$39,389

Interest expense, net increased 20.1%, or \$7.9 million, for the year ended December 31, 2012 compared to the comparable period in 2011. The increase in interest expense was primarily due to the issuance of \$800.0 million of 5.25% senior unsecured notes in July 2012 and \$600.0 million of 5.125% senior unsecured notes in December 2012, which was partially offset by our redemption and repurchase during the third quarter of 2012 of \$520.0 million of previously outstanding 7.625% senior secured notes. The transactions resulted in an additional principal amount of notes outstanding during 2012 than for the comparable prior period, but at a more favorable interest rate.

Table Of Contents

Year ended December 31, 2011 versus Year ended December 31, 2010

	Summary of Operations (in thousands)			
	December 31,			
	2011	2010	\$ Change	% Change
Direct Revenues:				
Technical Services	\$885,374	\$763,345	\$122,029	16.0 %
Field Services	260,312	414,786	(154,474)	(37.2)
Industrial Services	469,950	362,259	107,691	29.7
Oil and Gas Field Services	369,190	192,694	176,496	91.6
Corporate Items	(690)	(1,840)	1,150	(62.5)
Total	1,984,136	1,731,244	252,892	14.6
Cost of Revenues (exclusive of certain items shown separately)(1):				
Technical Services	572,496	504,678	67,818	13.4
Field Services	196,285	284,368	(88,083)	(31.0)
Industrial Services	335,538	262,017	73,521	28.1
Oil and Gas Field Services	266,591	153,782	112,809	73.4
Corporate Items	9,081	5,895	3,186	54.0
Total	1,379,991	1,210,740	169,251	14.0
Selling, General & Administrative Expenses:				
Technical Services	77,204	68,108	9,096	13.4
Field Services	24,875	26,853	(1,978)	(7.4)
Industrial Services	30,877	23,669	7,208	30.5
Oil and Gas Field Services	26,216	8,055	18,161	225.5
Corporate Items	94,965	79,127	15,838	20.0
Total	254,137	205,812	48,325	23.5
Adjusted EBITDA(2):				
Technical Services	235,674	190,559	45,115	23.7
Field Services	39,152	103,565	(64,413)	(62.2)
Industrial Services	103,535	76,573	26,962	35.2
Oil and Gas Field Services	76,383	30,857	45,526	147.5
Corporate Items	(104,736)	(86,862)	(17,874)	20.6
Total	\$350,008	\$314,692	\$35,316	11.2 %

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

(2) See footnote 4 under Item 6, "Selected Financial Data," for a discussion of Adjusted EBITDA.

## Revenues

Technical Services revenues increased 16.0%, or \$122.0 million, in the year ended December 31, 2011 from the comparable period in 2010 primarily due to changes in product mix and increases in pricing (\$45.5 million), increases in volumes being processed through our treatment, storage and disposal facilities and waste water treatment plants (\$16.8 million), the strengthening of the Canadian dollar (\$4.9 million), an increase due to an acquisition in August 2011 and an increase in our base business. These increases were partially offset by reductions in volumes being processed through our solvent recycling facilities, incinerators and landfills (\$3.2 million).

Field Services revenues decreased 37.2%, or \$154.5 million, in the year ended December 31, 2011 from the comparable period in 2010. Field Services performed emergency response work related to the Yellowstone River oil spill in Montana during the year ended December 31, 2011 and in the Gulf of Mexico and Michigan during the year ended December 31, 2010 which accounted for \$43.6 million and \$253.0 million, respectively, of our third party

revenues. Excluding those oil spill project revenues, Field Services revenues increased for the year ended December 31, 2011 from the comparable period in 2010 primarily due to our large remedial project business (\$6.9 million). The remaining increase related primarily to growth in our base business.

Table Of Contents

Industrial Services revenues increased 29.7%, or \$107.7 million, in the year ended December 31, 2011 from the comparable period in 2010 primarily due to an increase in our lodging business (\$53.9 million), an increase in shutdown work performed at our refinery customers in Western Canada, the strengthening of the Canadian dollar (\$10.8 million), and growth in the oil sands region of Canada. These increases resulted partially from revenues associated with recent acquisitions including Peak in June 2011.

Oil and Gas Field Services revenues increased 91.6%, or \$176.5 million, in the year ended December 31, 2011 from the comparable period in 2010 primarily due to fluids handling and surface rentals activity related to our acquisition of Peak in June 2011 (\$78.9 million), increased exploration activities partially from revenues associated with an acquisition in July 2011 and from increased oil prices (\$69.3 million), and an increase in the energy services business (\$34.5 million), offset partially by intersegment expenses incurred.

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, the effects of unseasonable weather conditions in the first quarter, the general conditions of the oil and gas industries particularly in the Alberta oil sands and other parts of Western Canada, competitive industry pricing, and the effects of fuel prices on our fuel recovery fees.

Cost of Revenues

Technical Services cost of revenues increased 13.4%, or \$67.8 million, in the year ended December 31, 2011 from the comparable period in 2010 primarily due to increases in salary and labor expenses (\$15.6 million), fuel costs (\$11.5 million), vehicle expenses and equipment repairs (\$6.9 million), outside disposal and rail expenses (\$6.3 million), materials for reclaim costs (\$6.7 million), outside transportation costs (\$5.0 million), chemicals and consumables costs (\$3.8 million), materials and supplies costs (\$4.2 million), turnaround and downtime costs (\$3.6 million), equipment rentals and leased equipment costs (\$2.6 million), subcontractor, temporary and owner operator fees (\$2.1 million), and the strengthening of the Canadian dollar (\$3.1 million), offset partially by a reduction in insurance costs (\$2.0 million) and a year-over-year increase in favorable changes in environmental liability estimates (\$0.7 million).

Field Services cost of revenues decreased 31.0%, or \$88.1 million, in the year ended December 31, 2011 from the comparable period in 2010 primarily due to decreased subcontractor fees, materials and supplies costs, equipment rental costs, fuel costs, travel and other costs associated with our large event business (\$119.0 million). This decrease resulted largely from the level of work performed on the Yellowstone oil spill project during the year ended December 31, 2011 being significantly less than that of the oil spill project business in the Gulf of Mexico and Michigan that occurred during the comparable period of 2010. Excluding those oil spill project costs, Field Services cost of revenues increased \$29.6 million for the year ended December 31, 2011 from the comparable period in 2010 primarily due to increases in materials for reclaim or resale (\$4.1 million), labor and related expenses (\$4.6 million), outside disposal costs (\$3.8 million), materials and supplies costs (\$2.9 million), equipment rental fees (\$3.3 million), fuel costs (\$2.1 million), subcontractor fees (\$2.6 million), outside transportation costs (\$2.1 million), travel costs (\$1.8 million) and vehicle expenses (\$0.8 million), offset partially by a reduction in chemicals and consumables costs (\$1.2 million).

Industrial Services cost of revenues increased 28.1%, or \$73.5 million, in the year ended December 31, 2011 from the comparable period in 2010 primarily due to salary and labor expenses (\$41.4 million), material and supplies expenses (\$9.8 million), catering costs associated with the increased lodging services revenues (\$8.4 million), vehicle expenses (\$7.7 million), equipment rental fees (\$5.3 million), fuel costs (\$5.2 million), subcontractor fees (\$4.8 million), travel costs related to shutdown activity (\$3.3 million), chemicals and consumables costs (\$1.6 million), utilities costs (\$1.4 million), insurance costs (\$1.6 million), rent expense (\$0.9 million), royalty fees (\$1.2 million), and telephone costs (\$0.8 million), and the strengthening of the Canadian dollar (\$7.7 million), offset partially by decreases in lease operator expense due to buyout of leases (\$23.7 million) and leased equipment costs (\$2.0 million). These increases resulted partially from costs associated with recent acquisitions including Peak in June 2011.

Oil and Gas Field Services cost of revenues increased 73.4%, or \$112.8 million, in the year ended December 31, 2011 from the comparable period in 2010 primarily due to increases in salary and labor expenses (\$50.3 million), fuel costs (\$9.7 million), vehicle expenses (\$9.2 million), subcontractor fees (\$9.5 million), materials and supplies costs (\$6.9 million), travel costs (\$6.7 million), equipment repair expenses (\$5.2 million), rent expense (\$4.6 million), equipment rental fees (\$4.0 million), temporary fees (\$2.8 million), insurance costs (\$1.2 million), and chemicals and

consumables costs (\$0.7 million), and the strengthening of the Canadian dollar (\$6.3 million), offset partially by decreases in lease operator expense due to buyout of leases (\$2.6 million) and leased equipment costs (\$1.0 million). These increases resulted partially from costs associated with recent acquisitions including Peak in June 2011. Corporate Items cost of revenues increased \$3.2 million for the year ended December 31, 2011, as compared to the comparable period in 2010 primarily due to increased health insurance related costs (\$1.1 million), salary and labor expenses

Table Of Contents

(\$1.0 million), fuel and vehicle expenses (\$0.7 million) and travel costs (\$0.4 million), offset partially by a reduction in insurance costs (\$1.5 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 13.4%, or \$9.1 million, in the year ended December 31, 2011 from the comparable period in 2010 primarily due to an unfavorable change in environmental liability estimates in 2011 compared to a favorable change in environmental liability estimates in 2010 and from increased salaries, commissions and bonuses.

Field Services selling, general and administrative expenses decreased 7.4%, or \$2.0 million, in the year ended December 31, 2011 from the comparable period in 2010 primarily due to a decrease in commissions and bonus expense.

Industrial Services selling, general and administrative expenses increased 30.5%, or \$7.2 million, in the year ended December 31, 2011 from the comparable period in 2010 primarily due to the recent acquisitions resulting in increases in salaries, commissions and bonus expense, professional fees and travel costs.

Oil and Gas Field Services selling, general and administrative expenses increased 225.5%, or \$18.2 million, in the year ended December 31, 2011 from the comparable period in 2010 primarily due to the recent acquisitions resulting in increases in salaries, commissions and bonus expense, professional fees, travel costs, and due to the recovery in 2010 of \$2.2 million of pre-acquisition receivables for which an allowance was previously recorded.

Corporate Items selling, general and administrative expenses increased 20.0%, or \$15.8 million, for the year ended December 31, 2011, as compared to the same period in 2010 primarily due to increases in salaries and bonuses (\$5.2 million), professional fees primarily related to acquisition costs (\$4.4 million), stock-based compensation (\$1.3 million), health insurance related costs (\$1.2 million), employer contribution costs related to U.S. and Canadian retirement savings plans (\$1.2 million), rent expense (\$1.1 million), year-over-year severance costs (\$0.9 million), computer expenses (\$0.5 million), and travel costs (\$0.4 million), offset partially by a reduction in marketing and branding costs (\$1.8 million).

**Depreciation and Amortization**

	Year Ended December 31, (in thousands)	
	2011	2010
Depreciation of fixed assets	\$99,860	\$72,917
Landfill and other amortization	22,803	19,556
Total depreciation and amortization	\$122,663	\$92,473

Depreciation and amortization increased 32.6%, or \$30.2 million, for the year ended December 31, 2011 compared to the comparable period in 2010. Depreciation of fixed assets increased primarily due to acquisitions and other increased capital expenditures in recent periods. Landfill and other amortization increased primarily due to the increase in other intangibles resulting from recent acquisitions.

**Other Income**

Other income increased \$3.6 million during the year ended December 31, 2011 compared to the comparable period in 2010. Other income in the year ended December 31, 2011 included compensation of \$3.4 million received from the Santa Clara Valley Transit Authority for the release by eminent domain of certain rail rights in connection with our hazardous waste facility located in San Jose, California, as well as a \$1.9 million gain on remeasurement of marketable securities as a result of the Peak acquisition. We remeasured our previously held common shares in Peak at their fair value and recognized the resulting gain in other income. Other income in the year ended December 31, 2010 included a gain on sale of certain other marketable securities of \$2.4 million.



Table Of Contents

## Interest Expense, Net

	Year Ended December 31, (in thousands)	
	2011	2010
Interest expense	\$40,187	\$28,810
Interest income	(798	) (874
Interest expense, net	\$39,389	\$27,936

Interest expense, net increased 41.0%, or \$11.5 million, for the year ended December 31, 2011 compared to the comparable period in 2010. The increase in interest expense was primarily due to the issuance of \$250.0 million in senior secured notes in March 2011 and the amendment of our revolving credit facility in May 2011.

## Income Taxes

Our effective tax rate for fiscal years 2012, 2011 and 2010 was (2)%, 31% and 31%, respectively. Our effective tax rate is affected by recurring items, such as tax rates in Canada and the relative amount of income we earn in Canada, which has increased due to our Canadian acquisitions. In addition, the interest and penalties accrual for uncertain tax positions has a material impact on our effective rate. 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 items had the most significant impact on the differences in our effective tax rate and in our U.S. federal income tax rate:

## 2012

• A \$52.4 million (41.0%) reduction resulting from the release of unrecognized tax benefits including accrued interest and penalties.

▲ \$8.6 million (6.7%) reduction resulting from rate differences between Canada and the U.S.

• A \$1.7 million (1.3%) increase resulting from the annual calculation of accrued interest and penalties for uncertain tax positions.

• A \$2.2 million (1.7%) increase resulting from non-deductible transaction costs relating to the 2012 acquisitions.

## 2011

• A \$6.0 million (3.2%) reduction resulting from the release of unrecognized tax benefits including interest and penalties.

▲ \$10.2 million (5.5%) reduction resulting from rate differences between Canada and the U.S.

• A \$2.2 million (1.2%) increase resulting from the annual calculation of accrued interest and penalties for uncertain tax positions.

▲ \$2.2 million (1.2%) reduction resulting from a federal solar tax credit.

▲ \$1.1 million (0.6%) reduction resulting from the partial release of a valuation allowance on our foreign tax credits.

## 2010

• A \$14.3 million (7.6%) reduction resulting from the release of unrecognized tax benefits including interest and penalties.

▲ \$6.8 million (3.6%) reduction resulting from rate differences between Canada and the U.S.

• A \$2.6 million (1.4%) increase resulting from the annual calculation of accrued interest and penalties for uncertain tax positions.

▲ \$2.1 million (1.1%) increase resulting from net Canadian withholding tax expense on interest payments.

Income tax benefit for the year ended December 31, 2012 was \$1.9 million compared to an income tax expense of \$57.4 million for the comparable period in 2011. The benefit in 2012 was primarily due to a decrease in unrecognized tax benefits of \$52.4 million (net of interest and penalties of \$29.3 million) resulting from expiring statute of limitation periods related to an historical Canadian debt restructuring transaction. The income tax expense for the year ended December 31, 2011 decreased \$0.4 million to \$57.4 million from \$57.8 million for the comparable period in 2010.

A valuation allowance is required to be established when, based on an evaluation of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. At December 31, 2012 and December 31, 2011, we had a remaining valuation allowance of \$25.6 million and \$11.5 million, respectively. The



Safety-Kleen acquisition accounted for \$12.5 million of the increase in the valuation allowance, which consisted of \$7.8 million of foreign tax credits and \$4.7 million of foreign net operating loss carryforwards. The total allowance as of December 31, 2012 consisted of \$17.6 million of foreign tax credits, \$1.4 million of state net operating loss carryforwards and \$6.6 million of foreign net operating

Table Of Contents

loss carryforwards. The allowance as of December 31, 2011 consisted of \$10.2 million of foreign tax credits, \$1.1 million of state net operating loss carryforwards and \$0.2 million of foreign net operating loss carryforwards. Our accounting policy is to recognize interest and penalties related to income tax matters as a component of income tax expense. The liability for unrecognized tax benefits as of December 31, 2012 and 2011 included accrued interest and penalties of \$1.4 million and \$26.8 million, respectively. Tax expense for the years ended December 31, 2012, 2011, and 2010 included interest and penalties, net of federal benefit, of \$1.7 million, \$3.4 million and \$2.9 million, respectively.

## Liquidity and Capital Resources

## Highlights:

During the second and third quarters of 2012, we redeemed and repurchased all of the \$520.0 million aggregate principal amount of our previously outstanding \$7.625% senior secured notes due 2016;

On July 30, 2012, we issued \$800.0 million aggregate principal amount of 5.25% senior unsecured notes due 2020;

In each of the second, third and fourth quarters of 2012, we completed an acquisition (excluding Safety-Kleen) for combined cash consideration of approximately \$107.5 million;

On December 3, 2012, we sold in a public offering of 6.9 million shares of our common stock at a public offering price of \$56.00 per share. After deducting the underwriters' discount and offering expenses payable by us, the net proceeds of the offering were approximately \$369.5 million.

On December 7, 2012, we issued \$600.0 million aggregate principal amount of 5.125% senior unsecured notes due 2021; and

On December 28, 2012, we acquired Safety-Kleen for a cash purchase price of approximately \$1.3 billion. We intend to use our remaining existing cash and cash equivalents, marketable securities and cash flow from operations to provide for our working capital needs and to fund capital expenditures and for potential future acquisitions. We anticipate that our cash flow provided by operating activities will provide the necessary funds on both a short- and long-term basis to meet operating cash requirements.

At December 31, 2012, cash and cash equivalents totaled \$229.8 million, compared to \$260.7 million at December 31, 2011. At December 31, 2012, cash and cash equivalents held by foreign subsidiaries totaled \$53.9 million and were readily convertible into other foreign currencies including U.S. dollars. At December 31, 2012, the cash and cash equivalents balance for our U.S. operations was \$175.9 million, and our U.S. operations had net operating cash flows from operations of \$133.8 million for the year ended December 31, 2012. Additionally, we have available a \$400.0 million revolving credit facility of which approximately \$267.4 million was available to borrow at January 17, 2013. Based on the above and on our current plans, we believe that our U.S. operations have adequate financial resources to satisfy their liquidity needs without being required to repatriate earnings from foreign subsidiaries. Accordingly, although repatriation to the U.S. of foreign earnings would generally be subject to U.S. income taxation, net of any available foreign tax credits, we have not recorded any deferred tax liability related to such repatriation since we intend to permanently reinvest foreign earnings outside the U.S.

We had accrued environmental liabilities as of December 31, 2012 of approximately \$221.5 million, substantially all of which we assumed in connection with our acquisition of the CSD assets in September 2002, Teris LLC in 2006, one of the two solvent recycling facilities we purchased from Safety-Kleen Systems, Inc. in 2008, and the remaining Safety-Kleen facilities acquired as part of our acquisition of Safety-Kleen in 2012. We anticipate our environmental 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, interest payments and investments in line with our business strategy. We believe our future operating cash flows will be sufficient to meet our future operating and investing cash needs. Furthermore, the existing cash balances and the availability of additional borrowings under our revolving credit facility provide additional potential sources of liquidity should they be required.

Cash Flows for 2012

Cash from operating activities for the year ended December 31, 2012 was \$324.4 million, an increase of 80.7%, or \$144.8 million, compared with cash from operating activities for the year ended December 31, 2011. The change was primarily the result of a net decrease in working capital items.

Table Of Contents

Cash used for investing activities for the year ended December 31, 2012 was \$1,572.6 million, an increase of 227.5%, or \$1,092.5 million, compared with cash used for investing activities for the year ended December 31, 2011. The increase was due primarily to the approximately \$1.3 billion of cash paid to acquire Safety-Kleen on December 28, 2012.

Cash from financing activities for the year ended December 31, 2012 was \$1,217.9 million, compared to cash used for financing activities of \$258.7 million for the year ended December 31, 2011. The increase in cash provided from financing activities was due primarily to the issuance of \$600.0 million of 5.125% senior unsecured notes due 2021 and sale of 6.9 million shares of our common stock at a public offering price of \$56.00 per share to fund the acquisition of Safety-Kleen, and the issuance of \$800.0 million of 5.25% senior unsecured notes due 2020 used to fund a substantial portion of the \$520.0 million of 7.625% senior secured notes redeemed and repurchased in 2012, with the balance used for acquisitions and other general corporate purposes. The \$258.7 million of cash from financing activities in 2011 was due primarily to the net proceeds received from the issuance of \$250.0 million of 7.625% senior secured notes due 2016 for a price of 104.5%.

Cash Flows for 2011

Cash from operating activities for the year ended December 31, 2011 was \$179.5 million, a decrease of 19.9%, or \$44.6 million, compared with cash from operating activities for the year ended December 31, 2010. The change was primarily the result of a net increase in working capital items, offset partially by increases in depreciation and amortization expense and deferred income taxes.

Cash used for investing activities for the year ended December 31, 2011 was \$480.2 million, an increase of 282.0%, or \$354.5 million, compared with cash used for investing activities for the year ended December 31, 2010. The increase was due primarily from higher year-over-year costs associated with acquisitions and additions to property, plant and equipment.

Cash from financing activities for the year ended December 31, 2011 was \$258.7 million, compared to cash used for financing activities of \$32.2 million for the year ended December 31, 2010. The change was primarily the result of the issuance of \$250.0 million aggregate principal amount of 7.625% senior secured notes on March 24, 2011 and redemption of debt in the third quarter of 2010.

Financing Arrangements

The financing arrangements and principal terms of our \$800.0 million principal amount of 5.25% senior unsecured notes due 2020 and \$600.0 million principal amount of 5.125% senior unsecured notes due 2021 which were outstanding at December 31, 2012, and our amended \$400.0 million revolving credit facility, are discussed further in Note 11, "Financing Arrangements," to our consolidated financial statements included in Item 8 of this report.

As of December 31, 2012, we were in compliance with the covenants of all of our debt agreements, and we believe it is reasonably likely that we will continue to meet such covenants.

Liquidity Impacts of Uncertain Tax Positions

As discussed in Note 12, "Income Taxes," to our consolidated financial statements included in Item 8 of this report, we have recorded as of December 31, 2012, \$4.9 million of unrecognized tax benefits including \$1.4 million of potential interest. These liabilities are classified as "unrecognized tax benefits and other long-term liabilities" in our consolidated balance sheets. We are not able to reasonably estimate when we would make any cash payments to settle these liabilities. 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, 2012 and our ability to meet such obligations (in thousands):

Contractual Obligations	Total	Payments Due by Period			
		Less than 1 year	1-3 years	4-5 years	After 5 years
Closure, post-closure and remedial liabilities	\$506,973	\$25,947	\$49,342	\$32,857	\$398,827
Long-term debt	1,400,000	—	—	—	1,400,000
Interest on long-term obligations	577,313	72,750	145,500	145,500	213,563

Edgar Filing: CLEAN HARBORS INC - Form 10-K

Capital leases	8,525	5,475	3,050	—	—
Operating leases	193,462	46,253	67,323	39,463	40,423
Total contractual obligations	\$2,686,273	\$150,425	\$265,215	\$217,820	\$2,052,813

49

---

Table Of Contents

As we are not able to reasonably estimate when we would make any cash payments to settle uncertain tax position liabilities of \$3.5 million, such amounts have not been included in the table above. In addition, we have recorded a liability for interest of \$1.4 million relating to such uncertain tax positions but have not included such amounts in the table above. The undiscounted value of closure, post closure and remedial liabilities of \$507.0 million is equivalent to the present value of \$221.5 million based on discounting of \$196.9 million and the undiscounted remainder of \$88.6 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, 2012 and our ability to meet these obligations (in thousands):

Other Commercial Commitments	Total	Payments Due by Period			
		Less than 1 year	1-3 years	4-5 years	After 5 years
Standby letters of credit	\$ 132,572	\$ 132,572	\$—	\$—	\$—

We obtained substantially all of the standby letters of credit described in the above table as security for financial assurances 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 11, "Financing Arrangements," to our consolidated financial statements included in Item 8 of this report for further discussion of our standby letters of credit and other 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 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 2013 capital spending will be between \$260.0 million to \$270.0 million of which approximately \$0.6 million will relate to complying with environmental regulations. However, changes in environmental regulations could require us to make significant capital expenditures for our facilities and adversely affect our results of operations and cash flow.

**Auction Rate Securities**

As of December 31, 2012, our long-term investments included \$4.4 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. The auction rate securities are secured by student loans substantially insured by the Federal Family Education Loan Program, maintain the highest credit rating of AAA, and 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 sell our auction rate securities in the foreseeable future. During 2011, we liquidated \$1.0 million of auction rate securities at par. 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 a 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 were unable to sell these securities in the market or they were 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 unobservable inputs. As of December 31, 2012, we have recorded an unrealized pre-tax loss of \$0.3 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 December 3, 2012, we completed a public offering of 6.9 million shares of our common stock at a public offering price of \$56.00 per share. After deducting the underwriters' discount and offering expenses payable by us, the net proceeds of the offering were approximately \$369.5 million.

During the year ended December 31, 2012, the Compensation Committee of our Board of Directors granted a total of 70,511 performance share awards that are subject to achieving predetermined revenue, EBITDA margin and total recordable incident rate goals by December 31, 2013 and also include continued service conditions. As of December 31, 2012, based on the year-to-date results of operations during 2012 and the 2013 budget, management determined that one of the three performance criteria was considered probable to be achieved during 2013 and we therefore recognized cumulative expense

Table Of Contents

through sales, general and administrative expenses for the year ended December 31, 2012 with respect to the performance stock awards granted in 2012.

During the year ended December 31, 2011, the Compensation Committee of our Board of Directors granted a total of 73,499 performance share awards that were subject to achieving predetermined revenue and EBITDA margin goals by December 31, 2012 and also included continued service conditions. As of December 31, 2011, based on the year-to-date results of operations, management determined that the performance targets for the 2011 performance awards had been achieved and recognized cumulative expense during the years ended December 31, 2011 and 2012 through sales, general and administrative expenses.

**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, certain commodity prices, and certain foreign currency rates, primarily the Canadian dollar. 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. We therefore have not entered into derivative or hedging transactions relating to interest rate risk, 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, 2012 (in thousands):

Scheduled Maturity Dates	2013	2014	2015	2016	2017	Thereafter	Total
Senior unsecured notes due 2020	\$—	\$—	\$—	\$—	\$—	\$800,000	\$800,000
Senior unsecured notes due 2021	—	—	—	—	—	600,000	600,000
Capital lease obligations	5,092	2,530	349	—	—	—	7,971
	\$5,092	\$2,530	\$349	\$—	\$—	\$1,400,000	\$1,407,971
Weighted average interest rate on fixed rate borrowings	5.2	% 5.2	% 5.2	% 5.2	% 5.2	%	

In addition to the fixed rate borrowings described in the above table, we had at December 31, 2012 variable rate instruments that included a revolving credit facility with maximum borrowings of up to \$400.0 million (with a \$325.0 million sub-limit for letters of credit). On January 17, we increased our revolving credit facility to provide for maximum borrowings of up to \$400.0 million (with a \$325.0 million sub-limit for letters of credit). Commencing in 2013, we will begin remitting interest payments, in the amount of \$21.0 million each related to the \$800.0 million senior unsecured notes payable semi-annually on February 1 and August 1 of each year, and in the amount of \$15.4 million each related to the \$600.0 million senior unsecured notes payable semi-annually on June 1 and December 1 of each year.

We view our investment in our foreign subsidiaries as long-term; thus, we have not entered into any hedging transactions between any two foreign currencies or between any of the foreign currencies and the U.S. dollar. During 2012, the Canadian subsidiaries transacted approximately 2.4% of their business in U.S. dollars and at any period end have cash on deposit in U.S. dollars and outstanding U.S. dollar accounts receivable related to these transactions. These cash and receivable accounts are vulnerable to foreign currency transaction 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 or weaker against the U.S. dollar, we would have reported increased or decreased net income of \$2.3 million and \$4.2 million for the year ended December 31, 2012 and 2011, respectively.

At December 31, 2012, \$4.4 million of our long-term investments were auction rate securities. While we are uncertain as to when the liquidity issues relating to these investments will improve, we believe these issues will not materially impact our ability to fund our working capital needs, capital expenditures, or other business requirements.

In connection with the operations of our Technical Services, Field Services, Industrial Services and Oil and Gas Field Services segments, 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 or providing energy and industrial services. In connection with the operations of Safety-Kleen, which we acquired in December 2012, we are exposed to market risk from changes in certain oil and oil derivative commodity prices and indices, specifically the ICIS-LOR rate and 6-oil



index. Safety-Kleen entered into several commodity derivatives during 2011 which are comprised of cashless collar contracts related to crude oil prices. Pursuant to each such contract, Safety-Kleen sold a call option to a bank and then purchased a put option from the same bank in order to manage against significant fluctuations in crude oil prices, which are closely correlated with the ICIS-LOR rate and the 6-oil index. These commodity derivatives are designed to mitigate, although not eliminate, our exposure to declines in these oil indices below a price floor, but they also will limit our potential upside related to increases in these oil indices above a price cap. We do not believe that our exposure will be material. These commodity derivatives are not classified as hedges and expire at various intervals in 2013 and 2014. For additional information, see Note 2, "Significant Accounting Policies - Derivative Financial Instruments," to our consolidated financial statements included in Item 8, "Financial Statements and Supplementary Data," in this report.

Table Of Contents

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, 2012 and 2011, and the related statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2012. 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 these 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, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the 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.

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, 2012, 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 6, 2013 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Boston, Massachusetts

March 6, 2013

Table Of Contents

CLEAN HARBORS, INC. AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS  
 (dollars in thousands)

	As of December 31,	
	2012	2011
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$229,836	\$260,723
Marketable securities	11,778	111
Accounts receivable, net of allowances aggregating \$11,125 and \$12,683, respectively	541,423	449,553
Unbilled accounts receivable	27,072	29,385
Deferred costs	6,888	5,903
Prepaid expenses and other current assets	75,778	73,349
Inventories and supplies	171,441	56,242
Deferred tax assets	22,577	16,602
Total current assets	1,086,793	891,868
Property, plant and equipment, net	1,531,763	903,947
Other assets:		
Long-term investments	4,354	4,245
Deferred financing costs	21,657	13,607
Goodwill	593,771	122,392
Permits and other intangibles, net	572,817	139,644
Other	14,651	10,100
Total other assets	1,207,250	289,988
Total assets	\$3,825,806	\$2,085,803
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of capital lease obligations	\$5,092	\$8,310
Accounts payable	256,468	178,084
Deferred revenue	50,942	32,297
Accrued expenses	232,429	147,992
Current portion of closure, post-closure and remedial liabilities	24,121	15,059
Total current liabilities	569,052	381,742
Other liabilities:		
Closure and post-closure liabilities, less current portion of \$8,791 and \$3,885, respectively	45,457	30,996
Remedial liabilities, less current portion of \$15,330 and \$11,174, respectively	151,890	124,146
Long-term obligations	1,400,000	524,203
Capital lease obligations, less current portion	2,879	6,375
Deferred taxes, unrecognized tax benefits and other long-term liabilities	224,456	117,354
Total other liabilities	1,824,682	803,074
Commitments and contingent liabilities		
Stockholders' equity:		
Common stock, \$.01 par value:		
Authorized 80,000,000 shares; issued and outstanding 60,385,453 and 53,182,859 shares, respectively	604	532

Edgar Filing: CLEAN HARBORS INC - Form 10-K

Shares held under employee participation plan	(469	) (469	)
Additional paid-in capital	880,979	497,919	
Accumulated other comprehensive income	49,632	31,353	
Accumulated earnings	501,326	371,652	
Total stockholders' equity	1,432,072	900,987	
Total liabilities and stockholders' equity	\$3,825,806	\$2,085,803	

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

53

---

Table Of Contents

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

	For the years ended December 31,			
	2012	2011	2010	
Revenues	\$2,187,908	\$1,984,136	\$1,731,244	
Cost of revenues (exclusive of items shown separately below)	1,540,621	1,379,991	1,210,740	
Selling, general and administrative expenses	273,520	254,137	205,812	
Accretion of environmental liabilities	9,917	9,680	10,307	
Depreciation and amortization	161,646	122,663	92,473	
Income from operations	202,204	217,665	211,912	
Other (expense) income	(802	) 6,402	2,795	
Loss on early extinguishment of debt	(26,385	) —	(2,294	)
Interest expense, net of interest income of \$846, \$798, and \$874, respectively	(47,287	) (39,389	) (27,936	)
Income from continuing operations before provision for income taxes	127,730	184,678	184,477	
(Benefit) provision for income taxes	(1,944	) 57,426	56,756	
Income from continuing operations	129,674	127,252	127,721	
Income from discontinued operations, net of tax	—	—	2,794	
Net income	\$129,674	\$127,252	\$130,515	
Earnings per share:				
Basic	\$2.41	\$2.40	\$2.48	
Diluted	\$2.40	\$2.39	\$2.47	
Weighted average common shares outstanding	53,884	52,961	52,622	
Weighted average common shares outstanding plus potentially dilutive common shares	54,079	53,324	52,932	

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

Table Of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

	For the years ended December 31,		
	2012	2011	2010
Net income	\$129,674	\$127,252	\$130,515
Other comprehensive income (loss):			
Unrealized gains (losses) on available-for-sale securities (net of taxes of \$177, \$174 and \$59, respectively)	1,008	686	(551 )
Reclassification adjustment for gains on available-for-sale securities included in net income (net of taxes of \$379)	—	(1,493 )	—
Foreign currency translation adjustments	17,925	(18,264 )	24,536
Unfunded pension liability (net of taxes of \$231, \$58 and \$24, respectively)	(654 )	(335 )	(55 )
Other comprehensive income (loss)	18,279	(19,406 )	23,930
Comprehensive income	\$147,953	\$107,846	\$154,445

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

Table Of Contents

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

	For the years ended December 31,		
	2012	2011	2010
Cash flows from operating activities:			
Net income	\$ 129,674	\$ 127,252	\$ 130,515
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	161,646	122,663	92,473
Allowance for doubtful accounts	1,213	759	1,043
Amortization of deferred financing costs and debt discount	1,793	1,572	2,921
Accretion of environmental liabilities	9,917	9,680	10,307
Changes in environmental liability estimates	(8,458)	) (2,840	) (8,328
Deferred income taxes	34,163	37,836	4,919
Other (expense) income	802	(3,048	) (2,795
Stock-based compensation	7,494	8,164	7,219
Excess tax benefit of stock-based compensation	(2,556)	) (3,352	) (1,751
Income tax benefit related to stock option exercises	2,546	3,347	1,739
Gains on sale of businesses	—	—	(2,678
Write-off of deferred financing costs and debt (premium) discount	5,341	—	1,394
Environmental expenditures	(11,191)	) (11,319	) (10,236
Changes in assets and liabilities:			
Accounts receivable	54,373	(65,210	) (49,411
Inventories and supplies	(12,871)	) (11,696	) (3,129
Other current assets	9,334	(25,065	) (7,421
Accounts payable	5,930	(8,116	) 38,553
Other current and long-term liabilities	(64,785)	) (1,096	) 18,774
Net cash from operating activities	324,365	179,531	224,108
Cash flows from investing activities:			
Additions to property, plant and equipment	(197,397)	) (148,513	) (116,450
Proceeds from sales of fixed assets and assets held for sale	8,125	6,794	16,053
Acquisitions, net of cash acquired	(1,373,921)	) (336,960	) (14,646
Additions to intangible assets including costs to obtain or renew permits	(4,046)	) (2,927	) (4,204
Purchase of marketable securities	(10,517)	) —	(2,127
Purchase of investment securities	—	—	(10,506
Proceeds from sales of marketable securities	—	425	3,557
Proceeds from insurance settlement	—	—	1,336
Proceeds from sale of long-term investments	—	1,000	1,300
Other	5,120	—	—
Net cash used in investing activities	(1,572,636)	) (480,181	) (125,687
Cash flows from financing activities:			
Change in uncashed checks	(12,070)	) 9,822	(1,266
Proceeds from exercise of stock options	288	1,350	862
Remittance of shares, net	(2,912)	) (4,061	) (399
Excess tax benefit of stock-based compensation	2,556	3,352	1,751
Deferred financing costs paid	(19,056)	) (8,463	) (353
Proceeds from employee stock purchase plan	6,196	3,516	2,449

Edgar Filing: CLEAN HARBORS INC - Form 10-K

Payments on capital leases	(6,599	) (7,837	) (5,126	)
Proceeds from issuance of common stock, net	369,520	—	—	
Principal payments on debt	(520,000	) —	(30,000	)
Distribution of cash earned on employee participation plan	(55	) (189	) (148	)
Issuance of senior unsecured notes, at par	1,400,000	—	—	
Issuance of senior secured notes, including premium	—	261,250	—	
Net cash from financing activities	1,217,868	258,740	(32,230	)
Effect of exchange rate change on cash	(484	) 423	2,473	
(Decrease) increase in cash and cash equivalents	(30,887	) (41,487	) 68,664	
Cash and cash equivalents, beginning of year	260,723	302,210	233,546	
Cash and cash equivalents, end of year	\$229,836	\$260,723	\$302,210	
Supplemental information:				
Cash payments for interest and income taxes:				
Interest paid	\$41,817	\$31,201	\$26,985	
Income taxes paid	13,179	48,725	56,015	
Non-cash investing and financing activities:				
Property, plant and equipment accrued	29,788	18,682	7,844	
Accrued working capital adjustments	(750	) 3,694	—	
Assets acquired through capital lease	154	1,807	10,130	
Issuance of acquisition-related common stock, net	—	—	1,015	

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



Table Of ContentsCLEAN HARBORS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands)

	Common Stock Number of Shares	\$0.01 Par Value	Treasury Stock	Shares Held Under Employee Participation Plan	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Earnings	Total Stockholders' Equity
Balance at December 31, 2009	52,462	\$524	\$(2,068)	(1,150)	\$475,805	\$26,829	\$113,885	\$613,825
Net income	—	—	—	—	—	—	130,515	130,515
Other comprehensive income	—	—	—	—	—	23,930	—	23,930
Stock-based compensation	48	—	—	—	6,518	—	—	6,518
Issuance of restricted shares, net of shares remitted	(12 )	—	(399 )	—	—	—	—	(399 )
Shares held under employee participation plan	—	—	—	373	—	—	—	373
Exercise of stock options	142	4	—	—	858	—	—	862
Issuance of acquisition related common stock, net of issuance costs	32	—	—	—	1,015	—	—	1,015
Net tax benefit on exercise of stock options	—	—	—	—	1,739	—	—	1,739
Employee stock purchase plan	100	—	—	—	2,449	—	—	2,449
Balance at December 31, 2010	52,772	\$528	\$(2,467)	\$(777)	\$488,384	\$50,759	\$244,400	\$780,827

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

Table Of Contents

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

	Common Stock			Shares Held		Accumulated	Accumulated	Total
	Number of	\$0.01 Par	Treasury	Under	Additional	Other	Earnings	Stockholders'
	Shares	Value	Stock	Employee	Paid-in	Comprehensive		Equity
				Participation	Capital	Income		
				Plan				
Balance at December 31, 2010	52,772	\$ 528	\$(2,467)	\$(777 )	\$488,384	\$ 50,759	\$ 244,400	\$ 780,827
Net income	—	—	—	—	—	—	127,252	127,252
Elimination of treasury stock	—	—	2,467	—	(2,467 )	—	—	—
Other comprehensive loss	—	—	—	—	—	(19,406 )	—	(19,406 )
Stock-based compensation	322	—	—	—	7,854	—	—	7,854
Issuance of restricted shares, net of shares remitted	(76 )	—	—	—	(4,061 )	—	—	(4,061 )
Shares held under employee participation plan	—	—	—	308	—	—	—	308
Exercise of stock options	71	4	—	—	1,346	—	—	1,350
Net tax benefit on exercise of stock-based awards	—	—	—	—	3,347	—	—	3,347
Employee stock purchase plan	94	—	—	—	3,516	—	—	3,516
Balance at December 31, 2011	53,183	532	—	(469 )	497,919	31,353	371,652	900,987
Net income	—	—	—	—	—	—	129,674	129,674
Other comprehensive income	—	—	—	—	—	18,279	—	18,279
Stock-based compensation	168	—	—	—	7,494	—	—	7,494
Issuance of restricted shares, net of shares remitted	(48 )	—	—	—	(2,912 )	—	—	(2,912 )
Issuance of common stock, net of issuance costs	6,900	69	—	—	369,451	—	—	369,520
Exercise of stock options	47	3	—	—	285	—	—	288
Net tax benefit on exercise of stock-based awards	—	—	—	—	2,546	—	—	2,546
Employee stock purchase plan	135	—	—	—	6,196	—	—	6,196
Balance at December 31, 2012	60,385	\$ 604	\$—	\$(469 )	\$880,979	\$ 49,632	\$ 501,326	\$ 1,432,072

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

Table Of Contents

CLEAN HARBORS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) OPERATIONS

Clean Harbors, Inc., through its subsidiaries (collectively, the "Company"), is a leading provider of environmental, energy and industrial services throughout North America. On December 28, 2012, the Company acquired 100% of the outstanding common shares of Safety-Kleen, Inc. and its subsidiaries (collectively, "Safety-Kleen"), which are the premier provider of used oil recycling and re-refining, parts cleaning and other environmental services for the small quantity generator market.

The Company has a network of more than 400 service locations, including service centers, branches, active hazardous waste management properties and used oil processing facilities. The service centers and branches are the principal sales and service centers from which the Company provides its environmental, energy and industrial services. The hazardous waste management properties include incineration facilities, commercial landfills, wastewater treatment facilities, treatment, storage and disposal facilities ("TSDFs"), solvent recycling facilities, locations specializing in polychlorinated biphenyls ("PCB") management, and oil storage and recycling facilities. The oil processing facilities include oil accumulation centers, oil terminals and oil re-refineries. Some of the Company's properties offer multiple capabilities. In addition, the Company has satellite and support locations, and corporate and regional offices.

(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 intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of 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 disclosure, if any, of contingent assets and liabilities and reported amounts of revenues and expenses. Actual results could differ from those estimates and judgments.

Reclassifications

During the quarter ended March 31, 2012, the Company re-assigned certain departments among its Technical Services, Industrial Services and Oil and Gas Field Services segments to support management reporting changes. Accordingly, the Company re-allocated shared departmental costs among its segments. The Company has recast the prior period segment information to conform to the current year presentation.

The Company reclassified inventories and supplies from other current assets within the statement of cash flows to conform all prior years to the current year presentation.

Cash, Cash Equivalents and Uncashed Checks

The Company classifies all highly liquid instruments purchased with maturities of three months or less as cash equivalents.

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 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, at the Company's discretion, either 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



Table of Contents

CLEAN HARBORS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

unreleased checks. 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 as part of accounts payable 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 other comprehensive income.

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.

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 and internationally. The Company maintains strict policies over credit extension that include credit evaluations, credit limits and collection monitoring procedures on a customer-by-customer basis. However, the Company generally does not require collateral before services are performed. The Company establishes an allowance for doubtful accounts each month based on specific review of particular balances and customers, the credit risk applicable to particular customers, historical collection trends, age of outstanding receivables, existing economic conditions and other information as deemed applicable. Past-due receivable balances are written-off when the Company's internal collection efforts have been deemed unsuccessful in collecting the outstanding balance due. As of December 31, 2012 and 2011, no individual customer accounted for more than 10% of net accounts receivable. During each of the years ended December 31, 2012, 2011 and 2010, no individual customer accounted for more than 10% of total revenues.

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.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist primarily of prepayments for various services, refundable deposits, and income taxes receivable. Included in the balance as of December 31, 2012 and 2011 were \$27.4 million and \$30.5 million, respectively, in income taxes receivable.

Inventories and Supplies

Inventories are stated at the lower of cost or market. The cost of oil and oil products is principally determined on a first-in, first-out ("FIFO") basis. The cost of supplies and drums, solvent and solution and other inventories is determined on a FIFO basis or a weighted-average cost basis. Costs for oil and oil products, solvent and repair parts include purchase costs, fleet and fuel costs, direct labor, transportation costs and production related costs. The Company periodically reviews its inventories for obsolete or unsalable items and adjusts its carrying value to reflect estimated realizable values.

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 or usefulness 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, \$0.5 million and \$0.5 million was capitalized to fixed assets during the years ended December 31, 2012, 2011 and 2010, respectively. Depreciation and amortization expense was \$127.2 million, \$99.9 million and \$72.9 million for the years ended December 31, 2012, 2011 and 2010, respectively.



Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Land, leasehold and building improvements have a weighted average life of 8.3 years.

Camp equipment consists of industrial lodging facilities that are utilized to provide lodging services to downstream oil and gas companies in Western Canada.

Solar equipment consists of a solar array that is used to provide electric power for a continuously operating groundwater decontamination pump and treatment system at a closed and capped landfill located in New Jersey.

The 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. In the fourth quarter of 2011, the Company temporarily idled for approximately 18 months the Company's hazardous waste incinerator in Ville Mercier, Quebec, which had a carrying value, including the property, plant and equipment, of \$8.6 million at December 31, 2012. The Company temporarily idled this facility due to additional disposal capacity acquired in 2011 and the declining local market conditions in Quebec. The Company performed an analysis of the carrying value of those long-lived assets in 2011 and 2012 and concluded that there was no impairment as the projected undiscounted cash flows substantially exceeded the carrying value of the assets.

For the years ended December 31, 2012, 2011 and 2010, the Company did not record impairment charges related to long-lived assets. The Company will continue to assess all of its long-lived assets for impairment as necessary.

**Goodwill and Intangible Assets**

Goodwill is comprised of the purchase price of business acquisitions in excess of the fair value assigned at acquisition to the net tangible and identifiable intangible assets acquired. Goodwill is not amortized but is reviewed for impairment annually, or when events or changes in the business environment indicate that the carrying value of the reporting unit may exceed its fair value.

Permits are recorded at historical cost and other intangible assets are recorded at fair value. Permits relating to landfills are amortized on a units-of-consumption 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 has capitalized legal costs incurred in connection with the defense of the Company's right to accept a new type of waste at one of its facilities under a validly issued permit. Other intangible assets consist of customer and supplier relationships, acquired trademark and trade names, and non-compete agreements. Other intangible assets are amortized on a straight-line basis over their respective useful lives, which range from 3 to 20 years. Amortization expense was \$17.2 million, \$12.4 million and \$10.9 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Long-lived tangible and intangible assets with definitive lives are reviewed for impairment whenever events or changes in circumstances indicate that their carrying value may not be entirely recoverable. When such factors and circumstances exist, management compares the projected undiscounted future cash flows associated with the related

asset or group of assets over their estimated useful lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying

61

---



Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

amount over the fair value of those assets and is recorded in the period in which the determination was made. Any resulting impairment losses recorded by the Company could have an adverse impact on the Company's results of operations by either decreasing net income or increasing net loss.

The Company also assesses goodwill for impairment at least on an annual basis as of December 31, or when events or changes in the business environment indicate that the carrying value of the reporting unit may exceed its fair value, by comparing the fair value of each reporting unit to its carrying value, including goodwill. As of September 30, 2012, the Company assessed the performance of its Oil and Gas Field Services reporting unit in the third quarter of 2012 due to its lower than anticipated financial results. The lower than anticipated results were primarily due to the repositioning of certain assets and rental equipment in the second and third quarters of 2012 to meet changing market conditions and unfavorable rain and weather conditions in Western Canada. These changes in the business negatively affected the Company's revenues and profitability. The Company performed an interim sensitivity analysis of the impact of the lower than anticipated results on the reporting unit's fair value in the third quarter, and concluded the fair value of the reporting unit more likely than not exceeds its carrying value at September 30, 2012. The financial performance of this reporting unit, which has a goodwill balance of approximately \$39.8 million at December 31, 2012, is affected by fluctuations in oil and gas prices. The Company has been closely monitoring its performance, and will continue to assess this reporting unit's performance. There can be no assurance that future events will not result in an impairment of goodwill. The Company conducted its annual impairment test of goodwill for all of its five reporting units as of December 31, 2012 and determined that no adjustment to the carrying value of goodwill for any reporting unit was necessary because the fair value of the reporting units exceeded their respective carrying values. The fair value of the Technical Services, Field Services, Industrial Services and Lodging reporting units significantly exceeded their respective carrying values at December 31, 2012. The fair value of the Oil and Gas Field Services reporting unit exceeded its carrying value by more than 10% at December 31, 2012.

The Company also reviewed the goodwill recorded in connection with its acquisition of Safety-Kleen for impairment on December 31, 2012. The Company determined that no adjustment to the carrying value of such goodwill was necessary.

**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.

**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 of the landfill assets. Additionally, where appropriate, as described below, the Company includes probable expansion airspace that has yet to be permitted in the calculation of the total remaining useful life of the landfill. If it is determined that expansion capacity should no longer be considered in calculating the recoverability of a landfill asset, the Company may be required to recognize an asset impairment or incur significantly higher amortization expense. If at any time the Company makes the decision to abandon the expansion effort, the capitalized costs related to the expansion effort are expensed immediately.

**Landfill assets**—Landfill assets include the costs of landfill site acquisition, permits and cell construction incurred to date. 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 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 \$17.3 million, \$10.4 million and \$8.7 million for the years ended December 31, 2012, 2011 and 2010, respectively. Changes in estimated costs to complete construction are applied prospectively to the amortization rate.

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

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

probable of ultimately being permitted based on established criteria. The Company applies the following criteria for evaluating the probability of obtaining a permit for future expansion airspace at existing sites, which provides management a basis to evaluate the likelihood of success of unpermitted expansions:

- Personnel are actively working to obtain the permit or permit modifications (land use, state, provincial and federal) necessary for expansion of an existing landfill, and progress is being made on the project.

- Management expects to submit the application within the next year and 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 Company or other owner of the landfill has a legal right to use or obtain the right to use the 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 will have 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 Company's Board of Directors. As of December 31, 2012, there was one unpermitted expansion at one location included in the Company's landfill accounting model, which represented 20.96% of the Company's remaining airspace at that date. As of December 31, 2012 and 2011, the unpermitted expansion was not considered an exception to the Company's established criteria.

As of December 31, 2012, 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)		Total
			Permitted	Unpermitted	
Altair	Texas	13	848	—	848
Buttonwillow	California	29	8,065	—	8,065
Deer Park	Texas	9	371	—	371
Deer Trail	Colorado	42	2,123	—	2,123
Grassy Mountain	Utah	24	2,130	—	2,130
Kimball	Nebraska	12	309	—	309
Lambton	Ontario	64	72	6,212	6,284
Lone Mountain	Oklahoma	16	3,323	—	3,323
Ryley	Alberta	4	758	—	758
Sawyer	North Dakota	11	2,700	—	2,700
Westmorland	California	64	2,732	—	2,732
			23,431	6,212	29,643

At December 31, 2011, the Company had 1.5 million cubic yards of permitted but not highly probable airspace which the Company did not expect to utilize. At December 31, 2012, the Company expected to utilize such airspace which is included in the above table. Accordingly, the Company had no cubic yards of permitted, but not highly probable, airspace as of December 31, 2012.



Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following table presents the remaining highly probable airspace from January 1, 2010 through December 31, 2012 (in thousands of cubic yards):

	2012	2011	2010
Remaining capacity at January 1,	27,557	28,557	25,765
Addition of highly probable airspace	3,598	102	3,905
Consumed	(1,512	) (1,102	) (1,113
Remaining capacity at December 31,	29,643	27,557	28,557

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 balance of landfill final closure and post-closure liabilities at December 31, 2012 and 2011 was \$26.7 million and \$25.8 million, respectively. The Company has material financial commitments for the costs associated with requirements of the Environmental Protection Agency ("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. The Company develops estimates for the cost of these activities 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.

Cell closure, final closure and post closure costs (also referred to as "asset retirement obligations") are calculated by estimating the total obligation in current dollars, adjusted for inflation (1.02% and 1.01% during 2012 and 2011, respectively) and discounted at the Company's credit-adjusted risk-free interest rate. New asset retirement obligations incurred in the period January through July 2012 were discounted at the credit-adjusted risk-free rate of 8.56%.

Subsequent to the Company's \$800.0 million senior unsecured notes offering which was completed on July 30, 2012,

the Company recalculated its credit-adjusted risk-free rate. Beginning in August 2012, new asset retirement obligations were discounted at the rate of 6.66%. New asset retirement obligations incurred in 2011 were discounted at the credit-adjusted risk-free rate of 8.79%.

**Non-Landfill Closure and Post-Closure Liabilities**

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

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 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.

The balance of non-landfill closure and post-closure liabilities at December 31, 2012 and 2011 was \$27.6 million and \$9.1 million, respectively. Management bases estimates for non-landfill closure and post-closure liabilities on its interpretation of existing permit and regulatory requirements for closure and post-closure maintenance and monitoring. The Company's cost estimates are calculated using internal sources as well as input from third party experts. Management uses probability scenarios to estimate when future operations will cease and inflates the current cost of closing the non-landfill facility on a probability weighted basis using the appropriate inflation rate and then discounting the future value to arrive at an estimated present value of closure and post-closure costs. The estimates for non-landfill 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. Management reviews non-landfill closure and post-closure liabilities for changes to key assumptions that would impact the amount of the recorded liabilities. Changes that would prompt management to revise a liability estimate include changes in legal requirements that impact the Company's expected closure plan or scope of work, in the market price of a significant cost item, in the probability scenarios as to when future operations at a location might cease, or in the expected timing of the cost expenditures. Changes in estimates for non-landfill closure and post-closure events immediately impact the required liability and the value of 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 an asset that has not been fully consumed, the adjustment to the asset is recognized in income prospectively as a component of amortization. Historically, material changes to non-landfill closure and post-closure estimates have been infrequent.

**Remedial Liabilities**

The balance of remedial liabilities at December 31, 2012 and 2011 was \$167.2 million and \$135.3 million, respectively. 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 ten 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 119 Superfund sites as of December 31, 2012. 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,



Table of Contents

CLEAN HARBORS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are risks that the actual quantities of contaminants differ from the results of the site investigation, and 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 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. Management's experience has been that the timing of payments for remedial liabilities is not usually estimable, and therefore the amounts of remedial liabilities are not generally discounted. In the case of remedial liabilities assumed in connection with acquisitions, acquired liabilities are recorded under purchase accounting at fair value. 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, and then discounting the amount of the payments to their 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 1.01% 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 2.88% 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.

**Derivative Financial Instruments**

A derivative is typically defined as an instrument whose value is "derived" from an underlying instrument or index, including cashless collar contracts. The Company acquired several commodity derivatives with the Safety-Kleen acquisition on December 28, 2012. The Company uses commodity derivatives to manage against significant fluctuations in oil and oil derivative commodity prices and indices, specifically the ICIS-LOR rate and 6-oil index. All commodity derivatives are comprised of cashless collar contracts related to crude oil prices, pursuant to which the Company sells a call to a bank and then purchases a put from the same bank. The derivative instruments are not designated as hedges and expire in 2013 and 2014. The following table presents the fair value for those assets and liabilities measured at fair value as of December 31, 2012 (fair value amounts in thousands):

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Institution	Trade Date	Start Date	End Date	Barrels of oil per Month	Commodity	Floor	Cap	Upfront Costs	Fair Value as of December 31, 2012
JP Morgan	03/05/12	05/01/13	05/31/13	50,000	Brent	\$75.00	\$153.50	\$—	\$8
JP Morgan	04/10/12	06/01/13	06/30/13	148,810	Brent	75.00	146.75	—	30
JP Morgan	09/11/12	11/01/13	11/30/13	148,810	Brent	75.00	137.50	—	60
Bank of America	02/07/12	04/01/13	04/30/13	50,000	Brent	75.00	143.50	—	1
Bank of America	05/03/12	07/01/13	07/31/13	148,810	Brent	75.00	141.25	—	40
Bank of America	12/28/12	04/01/13	04/30/13	50,000	Brent	75.00	143.50	—	1
Bank of America	12/28/12	05/01/13	05/31/13	50,000	Brent	75.00	154.00	—	12
Bank of America	2/28/12	04/01/13	04/30/13	48,810	Brent	75.00	144.50	—	1
Bank of America	12/28/12	05/01/13	05/31/13	48,810	Brent	75.00	153.50	—	12
Total derivative instrument asset									\$165
JP Morgan	01/18/12	01/01/13	03/31/13	75,000	Brent	\$75.00	\$135.00		\$16
JP Morgan	12/07/12	02/01/14	02/28/14	148,810	Brent	75.00	124.70		144
Bank of America	01/18/12	01/01/13	03/31/13	25,000	Brent	75.00	135.00		5
Bank of America	08/03/12	10/01/13	10/31/13	148,810	Brent	75.00	130.00		58
Bank of America	10/04/12	12/01/13	12/31/13	148,810	Brent	75.00	127.50		96
Bank of America	11/09/12	01/01/14	01/31/14	148,810	Brent	75.00	130.00		37
Bank of America	12/28/12	01/01/13	03/31/13	48,810	Brent	75.00	135.00		10
Bank of America	12/28/12	09/01/13	09/30/13	148,810	Brent	75.00	117.80		408
Bank of America	12/28/12	08/01/13	08/31/13	148,810	Brent	75.00	116.25		468
Total derivative instrument liability									\$1,242

Total derivative instrument asset and total derivative instrument liability as noted in the table above are included in the consolidated balance sheets as a component of prepaid expenses and other current assets and accrued expenses, respectively.

## Letters of Credit

The Company utilizes letters of credit primarily as security for financial assurance which it has been required to provide to regulatory bodies for its hazardous waste facilities and which would be called only in the event that the Company fails to satisfy closure, post-closure and other obligations under the permits issued by those regulatory bodies for such licensed facilities. See Note 11, "Financing Arrangements," for further discussion of financing arrangements. As of December 31, 2012 and 2011, the Company had outstanding letters of credit in an aggregate amount of \$132.6 million and \$82.6 million, respectively, under the Company's revolving credit facility.

## Accumulated Other Comprehensive Income

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

	December 31,		
	2012	2011	2010
Cumulative translation adjustment of foreign currency statements	\$50,627	\$32,702	\$50,966
Unrealized gain (loss) on long-term investments (net of taxes of (\$72), \$155 and (\$50), respectively)	660	(348)	) 459
Unfunded pension liability (net of taxes of \$514, \$283 and \$225, respectively)	(1,655)	) (1,001)	) (666)

\$49,632

\$31,353

\$50,759

67

---

Table of Contents

CLEAN HARBORS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currency

During the year ended December 31, 2012, the Company had operations in Canada and Mexico, and also operated an international location in Trinidad. During the year ended December 31, 2011, the Company also operated international locations in Bulgaria, China, Singapore, Sweden, Thailand and the United Kingdom. The functional currencies of Canada, Mexico, Trinidad, Singapore, Sweden, Thailand and the United Kingdom are their respective local currencies. The functional currencies of Bulgaria and China are the Euro and the U.S. dollar, respectively. 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 certain foreign subsidiaries into U.S. dollars are included in stockholders' equity as a component of accumulated 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 the statements of income.

Revenue Recognition and Deferred Revenue

During 2012, the Company provided environmental, energy and industrial services through four segments: Technical Services, Field Services, Industrial Services and Oil and Gas Field Services. 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. Revenue is generated by short-term projects, most of which are governed by master service agreements that are long-term in nature. The master service agreements are typically entered into with the Company's larger customers and outline the pricing and legal frameworks for such arrangements.

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.

Technical Services revenue is generated from fees charged for hazardous material management and disposal services including onsite environmental management services, collection and transportation, packaging, recycling, treatment and disposal of hazardous and non-hazardous waste. Services are provided based on purchase orders or agreements with the customer and include prices based upon units of volume of waste, and transportation and other fees. Collection and transportation, and packaging revenues are recognized when the transported waste is received at the disposal facility. Revenues for treatment and disposal of hazardous waste are recognized upon completion of wastewater treatment, final disposition in a landfill or incineration of the waste, all at Company-owned sites, or when the waste is shipped to a third party for processing and disposal. Revenues from recycled oil and recycled catalyst are recognized upon shipment to the customer. Revenue for all other Technical Services is recognized when services are rendered. The Company, at the request of a customer, periodically enters into bundled arrangements for the collection and transportation and disposal of waste. The Company accounts for such arrangements as multiple-element arrangements with separate units of accounting. The Company measures and allocates the consideration from the arrangement to the separate units, based on evidence of the estimated relative selling price for each deliverable. Revenues from waste that is not yet completely processed and disposed and the related costs are deferred and included in prepaid expenses and other current assets in the accompanying consolidated balance sheet and expensed when the related services are completed.

Field Services provides cleanup services on customer sites or other locations on a scheduled or emergency response basis, as well as oil and oil products recycling. The Company's services are provided based on purchase orders or agreements with the customer and include prices based upon daily, hourly or job rates for equipment, materials and personnel. Revenues are recorded as services are performed. Revenue is recognized on contracts with retainage when

services have been rendered and collectability is reasonably assured.

Industrial Services provides industrial and specialty services, such as high-pressure and chemical cleaning, catalyst handling, decoking, pigging and industrial lodging services to refineries, chemical plants, oil sands facilities, pulp and paper mills, and other industrial facilities. These services are provided based on purchase orders or agreements with the customer and include prices based upon daily, hourly or job rates for equipment, materials and personnel.

Revenues are recognized over the term of the agreements or as services are performed. Revenue for lodging services is recognized in the period each room is

Table of Contents

CLEAN HARBORS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

used by the customer based on the related lodging agreements. Revenue from the sale of camp accommodations is recognized upon delivery.

Oil and Gas Field Services provides fluid handling, fluid hauling, production servicing, surface rentals, seismic services, and directional boring services to the energy sector serving oil and gas exploration, production, and power generation. These services are provided based on purchase orders or agreements with the customer and include prices based upon daily, hourly or job rates for equipment, materials and personnel. Revenues for such services are recognized over the term of the agreements or as services are performed. Oil and Gas Field Services also provides equipment rentals to support drill sites. Revenue from rentals is recognized ratably over the rental period.

**Stock-Based Compensation**

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. 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. The fair value of stock options is calculated using the Black-Scholes option-pricing model. 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.

Any reduction in taxes payable resulting from tax deductions that exceed the recognized tax benefit associated with compensation expense (excess tax benefits) are credited to additional paid-in capital and windfalls are classified as financing cash flows.

**Income Taxes**

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 expense or benefit is the result of changes between deferred tax assets and liabilities. Deferred tax assets and liabilities are determined based upon the temporary differences between the financial statement basis and tax basis of assets and liabilities as well as from net operating loss and tax credit carryforwards as measured by the enacted tax rates, which will be in effect when these differences reverse. The Company evaluates the recoverability of future tax deductions and credits and a valuation allowance is established by tax jurisdiction 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.

The Company recognizes and measures a tax benefit from uncertain tax positions when it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Company recognizes a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. The Company adjusts these liabilities when its judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the current estimate. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined.

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.

**Income from Discontinued Operations, Net of Tax**

Income from discontinued operations, net of tax consists of income from operations that were sold during the year ended December 31, 2010. In April 2010, the Company divested the Pembina Area Landfill, located near Dayton Valley, Alberta. In connection with this sale, the Company recognized a pre-tax gain of \$1.3 million which, along with the net income for the Pembina Area Landfill, was recorded in income from discontinued operations for the year ended December 31, 2010. From January 1, 2010 to April 30, 2010, the Pembina Area Landfill generated \$2.2 million of revenues and \$2.5 million of pre-tax income which were included in income from discontinued operations. In

addition, the Company sold in the second quarter of 2010 its mobile industrial health business and recognized a \$1.4 million pre-tax gain on sale which was recorded in income from discontinued operations.

Table of Contents

CLEAN HARBORS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Business Combinations

For all business combinations (whether partial, full or step acquisitions), the Company records 100% of all assets and liabilities of the acquired business, including goodwill, at their fair values. Acquisition-related costs are expensed in the period in which the costs are incurred and the services are received.

Recent Accounting Pronouncements

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

In June 2011, the FASB issued ASU 2011-5 Comprehensive Income (Topic 220) — Presentation of Comprehensive Income. The new guidance revises the manner in which entities present comprehensive income in their financial statements. ASU 2011-5 requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The ASU does not change the items that must be reported in other comprehensive income. This guidance required a change in the presentation of the financial statements and required retrospective application. The Company retrospectively adopted this guidance utilizing two separate but consecutive statements to report the components of other comprehensive income, and recast the financial statements for the years ending 2011, 2010 and 2009 in the Company's current Report on Form 8-K filed on July 16, 2012. The standard had no impact on the Company's financial position, results of operations or cash flows.

(3) BUSINESS COMBINATIONS

Safety-Kleen, Inc.

On December 28, 2012, the Company acquired 100% of the outstanding common shares of Safety-Kleen for approximately \$1.3 billion. The purchase price consisted of an all-cash purchase price of \$1.25 billion, plus a \$7.3 million adjustment for the amount by which the estimated net working capital (excluding cash) of Safety-Kleen on the closing date exceeded \$50.0 million. The purchase price is subject to adjustment upon finalization of Safety-Kleen's net working capital balance (excluding cash) as of the closing date. The Company incurred acquisition-related costs of approximately \$6.3 million in connection with the transaction which are included in selling, general and administrative expenses in the consolidated statements of income for the year ended December 31, 2012. The Company financed the purchase through a combination of approximately \$300.0 million of existing cash, \$369.5 million in net proceeds from the Company's public offering of 6.9 million shares of Clean Harbors common stock, and approximately \$589.0 million in net proceeds from the Company's private debt offering of \$600.0 million of 5.125% senior unsecured notes due 2021. Safety-Kleen, headquartered in Richardson, Texas, is the largest re-refiner and recycler of used oil in North America and a leading provider of parts cleaning and environmental services to commercial, industrial and automotive customers. In conjunction with the transaction, Safety-Kleen, Inc. and its subsidiaries became wholly-owned subsidiaries of Clean Harbors.

The Company believes Safety-Kleen is a good strategic fit, enabling Clean Harbors to (i) penetrate the small quantity waste generator market, (ii) broaden its waste treatment capabilities to include re-refining waste oil and expanded recycling capabilities, (iii) drive a substantial increase in waste volumes into its existing waste disposal treatment network, (iv) capitalize on the growing demand for recycled products including re-refined oil, (v) enhance its commitment to sustainability, (vi) leverage the combined sales forces to maximize cross-selling opportunities, (vii) add an immediately accretive (exclusive of transaction expenses) business to accelerate growth, (viii) leverage operating efficiencies through the combined company, and (ix) add to its cash flow.



The fair value of all the acquired identifiable assets and liabilities summarized below is provisional pending finalization of the Company's acquisition accounting. Measurement period adjustments reflect new information obtained about facts and circumstances that existed as of the acquisition date. The Company believes that such preliminary allocations provide a reasonable basis for estimating the fair values of assets acquired and liabilities assumed but the Company is waiting for additional information

70

---

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (3) BUSINESS COMBINATIONS (Continued)

necessary to finalize fair value. The Company expects to finalize the valuation and complete the purchase price allocation as soon as practicable but no later than one year from the acquisition date. Final determination of the fair value may result in further adjustments to the values presented below. The following table summarizes the recognized amounts of identifiable assets acquired and liabilities assumed (in thousands).

	At December 28, 2012
Inventories and supplies	\$ 102,339
Other current assets (i)	152,245
Property, plant and equipment	514,712
Permits and other intangibles	421,400
Other assets	4,985
Current liabilities	(192,652 )
Closure and post-closure liabilities, less current portion	(15,774 )
Remedial liabilities, less current portion	(38,370 )
Deferred taxes, unrecognized tax benefits and other long-term liabilities	(128,375 )
Total identifiable net assets	820,510
Goodwill (ii)	436,749
Total	\$ 1,257,259

(i) The fair value of the assets acquired includes customer receivables with a preliminary aggregate fair value of \$132.9 million. Combined gross amounts due were \$142.8 million.

Goodwill represents the excess of the fair value of the net assets acquired over the purchase price. Goodwill of (ii) \$436.7 million will be assigned to specific operating segments and reporting units in the first quarter of the Company's 2013 fiscal year. None of the goodwill related to this acquisition will be deductible for tax purposes.

No revenue, expense, income or loss of Safety-Kleen was included in the Company's consolidated statements of income for the year ended December 31, 2012 due to the immateriality of the operating results subsequent to the December 28, 2012 acquisition date.

Unaudited Pro Forma Financial Information

The following unaudited pro forma combined summary financial information presented below gives effect to the following transactions as if they had occurred as of January 1, 2011, and assumes that there were no material, non-recurring pro forma adjustments directly attributable to: (i) the acquisition of Safety-Kleen, (ii) the sale of 6.9 million shares of the Company's common stock, (iii) the issuance of \$600.0 million aggregate principal amount of 5.125% senior unsecured notes due 2021, and (iv) the payment of related fees and expenses (in thousands).

	2012	2011
Pro forma combined revenues	\$ 3,529,592	\$ 3,245,637
Pro forma combined net income	\$ 125,425	\$ 129,242

This pro forma financial information is not necessarily indicative of the Company's consolidated operating results that would have been reported had the transactions been completed as described herein, nor is such information necessarily indicative of the Company's consolidated results for any future period.

Other 2012 Acquisitions

The Company acquired (i) during the second quarter of 2012, all of the outstanding stock of a privately owned Canadian company which provides workforce accommodations, camp catering and fresh food services; (ii) during the third quarter of 2012, certain assets of a privately owned U.S. company that is engaged in the business of materials handling services that includes a variety of support equipment to provide customers with a sole source for any dredging and dewatering project; and (iii) during the fourth quarter of 2012, the shares and assets of certain subsidiaries of a privately owned company that is engaged in the business



Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (3) BUSINESS COMBINATIONS (Continued)

of providing catalyst loading and unloading services in the United States and Canada. The combined purchase price for these acquisitions was approximately \$107.5 million, including the assumption and payment of debt of \$7.7 million and post-closing adjustments of \$0.7 million based upon the assumed target amounts of working capital. Management has determined the preliminary purchase price allocations based on estimates of the fair values of all tangible and intangible assets acquired and liabilities assumed. Such amounts are subject to adjustment based on the additional information necessary to determine fair values. The Company believes that such information provides a reasonable basis for estimating the fair values of assets acquired and liabilities assumed, but the Company is waiting for additional information necessary to finalize fair value.

Acquisition related costs of \$0.4 million were included in selling, general and administrative expenses in the Company's consolidated statements of income for the year ended December 31, 2012.

The Company has finalized the acquisition accounting of the identified acquired assets and liabilities for the acquisition completed in the third quarter of 2012. The Company has not finalized the acquisition accounting for the acquisition completed in the fourth quarter of 2012 or for the accounts receivable balances acquired in the acquisition completed in the second quarter. The Company expects to finalize the remaining valuations and complete the purchase price allocations as soon as practicable but no later than one year from the acquisition dates. Final determination of the fair value may result in further adjustments to the values presented below (in thousands).

	At Acquisition Dates	Measurement Period Adjustments	At Acquisition Dates (As Adjusted)
Current assets (i)	\$20,215	\$55	\$20,270
Property, plant and equipment	51,162	739	51,901
Customer relationships and other intangibles	21,701	69	21,770
Other assets	53	—	53
Current liabilities	(5,368	) 91	(5,277
Other liabilities	(5,009	) (124	) (5,133
Total identifiable net assets	82,754	830	83,584
Goodwill (ii)	24,759	(803	) 23,956
Total	\$107,513	\$27	\$107,540

(i) The preliminary fair value of the financial assets acquired included customer receivables with an aggregate fair value of \$12.7 million. Combined gross amounts due were \$13.3 million.

Goodwill represents the excess of the fair value of the net assets acquired over the purchase price attributed to (ii) expected operating and cross selling synergies. The goodwill has been assigned to the Industrial Services segment and will not be deductible for tax purposes.

The following unaudited pro forma combined financial data presents information as if the 2012 acquisitions had been acquired as of January 1, 2011 and assumes that there were no material, non-recurring pro forma adjustments directly attributable to those acquisitions. The pro forma financial information does not necessarily reflect the actual results that would have been reported had the Company and those three acquisitions been combined during the periods presented, nor is it necessarily indicative of the future results of operations of the combined companies (in thousands).

	2012	2011
Pro forma combined revenues	\$2,268,621	\$2,112,297
Pro forma combined net income	\$130,322	\$126,768
Third Quarter 2011 Acquisitions		

During the third quarter of 2011, the Company acquired (i) certain assets of a Canadian public company which is engaged in the business of providing geospatial, line clearing and drilling services in Canada and the United States;

(ii) all of the outstanding stock of a privately owned U.S. company which specializes in treating refinery waste

streams primarily in the United States; and (iii) all of the outstanding stock of a privately owned Canadian company which manufactures modular buildings. The combined purchase price for the three acquisitions was approximately \$142.1 million, including the assumption and payment of debt of

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (3) BUSINESS COMBINATIONS (Continued)

\$25.2 million, and preliminary post-closing adjustments of \$4.5 million based upon the assumed target amounts of working capital. These acquisitions (i) enhanced the Company's service offerings to its customers and its reputation as a leading provider of comprehensive field services for the oil and gas sectors; (ii) provided a complement to the Company's catalyst handling, industrial and specialty industrial services for the refinery and petrochemical industry; and (iii) helped expand the Company's growing lodging business, respectively. These acquisitions have been integrated with the Oil and Gas Field Services, Technical Services and Industrial Services segments of the Company's operations and reporting structure.

As of September 30, 2012, the Company finalized the purchase accounting of the identified acquired assets and liabilities, including the completion of the intangible assets, current liabilities and remedial liability valuations. The following table summarizes the recognized amounts of identifiable assets acquired and liabilities assumed (in thousands).

	At Acquisition Dates(As adjusted)	
Current assets (i)	\$41,551	
Property, plant and equipment	62,969	
Customer relationships and other intangibles	23,371	
Other assets	1,671	
Current liabilities	(23,148	)
Asset retirement obligations	(200	)
Other liabilities	(2,419	)
Total identifiable net assets	103,795	
Goodwill (ii)	38,339	
Total	\$ 142,134	

(i) The fair value of the financial assets acquired included customer receivables with an aggregate fair value of \$21.4 million. Combined gross amounts due were \$22.1 million.

Goodwill represents the excess of the fair value of the net assets acquired over the purchase price. Goodwill of \$13.3 million, \$11.1 million and \$13.9 million has been assigned to the Oil and Gas Field Services segment, the (ii) Technical Services segment, and the Industrial Services segment, respectively and will not be deductible for tax purposes.

Acquisition related costs of \$0.8 million were included in selling, general and administrative expenses in the Company's consolidated statements of income for the year ended December 31, 2011.

**Peak**

On June 10, 2011, the Company acquired 100% of the outstanding common shares of Peak Energy Services Ltd. ("Peak") (other than the 3.15% of Peak's outstanding common shares which the Company already owned) in exchange for approximately CDN \$158.7 million in cash (CDN \$0.95 for each Peak share) and the assumption and payment of Peak net debt of approximately CDN \$37.5 million. The total acquisition price, which includes the previous investment in Peak shares referred to above, was approximately CDN \$200.2 million, or U.S. \$205.1 million based on an exchange rate of 0.976 CDN \$ to one U.S. \$ on June 10, 2011.

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



Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (3) BUSINESS COMBINATIONS (Continued)

The following table summarizes the purchase price for Peak at the acquisition date (in thousands).

	At June 10, 2011 (As Adjusted)
Cash paid for Peak common shares	\$ 162,585
Fair value of previously owned common shares (i)	4,117
Peak net debt assumed (ii)	38,431
Total purchase price	\$ 205,133

The Company previously owned a 3.15% interest in Peak which was recorded in marketable securities. On June 10, 2011, the Company acquired the remaining outstanding shares of Peak and as a result, the Company remeasured the fair value of its previously held common shares and recognized the resulting gain of \$1.9 million in other income.

(i) The unrealized gain on the Peak investment was previously recorded in accumulated other comprehensive income. For this purpose, the fair value of the Company's previous investment in Peak was deemed to be \$4.1 million, calculated based on the closing price of Peak's shares on the Toronto Stock Exchange on the date before the acquisition was publicly announced.

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

Acquisition related costs of \$0.7 million were included in selling, general and administrative expenses in the Company's consolidated statements of income for the year ended December 31, 2011.

As of June 30, 2012, the Company finalized the purchase accounting for the acquisition of Peak. The following table summarizes the amounts of identifiable assets acquired and liabilities assumed at June 10, 2011 (in thousands).

	At June 10, 2011 (As adjusted)
Current assets(i)	\$ 45,222
Property, plant and equipment	151,574
Identifiable intangible assets	12,337
Other assets	8,009
Current liabilities	(28,785)
Asset retirement obligations	(103)
Other liabilities	(11,341)
Total identifiable net assets	176,913
Goodwill(ii)	28,220
Total	\$ 205,133

(i) The fair value of the financial assets acquired included customer receivables with a fair value of \$33.3 million. The gross amount due was \$34.7 million.

Goodwill, which is attributable to expected operating and cross-selling synergies, will not be deductible for tax purposes. Goodwill of \$12.9 million and \$15.3 million has been recorded in the Oil and Gas Field Services and Industrial Services segments, respectively.

## (4) FAIR VALUE MEASUREMENTS

The Company's financial instruments consist of cash and cash equivalents, marketable securities, receivables, trade payables, auction rate securities, derivative financial instruments 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 and are deemed to be Level 2 in the fair value hierarchy. The fair value of the Company's unsecured senior notes (due 2020 and 2021) at December 31, 2012 were \$816.0 million and \$623.5 million, respectively, based on quoted market prices or available market data. The fair value of the Company's secured senior notes at December



31, 2011 was \$538.5 million based on quoted market prices. The senior unsecured and senior secured notes fair value is Level 2 in the fair value hierarchy.

74

---

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (4) FAIR VALUE MEASUREMENTS (Continued)

The Company's assets and liabilities measured at fair value on a recurring basis at December 31, 2012 and 2011 were as follows (in thousands):

December 31, 2012

	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, 2012
Assets:				
Auction rate securities (i)	\$—	\$—	\$4,354	\$4,354
Derivative instruments (ii)	\$—	\$165	\$—	\$165
Marketable securities (iii)	\$11,778	\$—	\$—	\$11,778
Liabilities:				
Derivative financial instruments (ii)	\$—	\$1,242	\$—	\$1,242

December 31, 2011

	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, 2011
Assets:				
Auction rate securities (i)	\$—	\$—	\$4,245	\$4,245
Marketable securities (iii)	\$111	\$—	\$—	\$111

The auction rate securities are classified as available-for-sale and the fair value of these securities was estimated utilizing a probability discounted cash flow analysis. As of December 31, 2012, all of the Company's auction rate securities continue to have AAA underlying ratings. The Company attributes the \$0.3 million decline in the fair value of the securities from the original cost basis to external liquidity issues rather than credit issues. The Company assessed the decline in value to be temporary because it does not intend to sell and it is more likely than not that the Company will not have to sell the securities before their maturity. During the year ended December 31, 2012, the Company recorded an unrealized pre-tax gain of \$0.1 million on its auction rate securities which is included in other comprehensive income.

(i) The fair value of derivatives is recorded based on the present value of cash flows using a crude oil forward rate curve.

(ii) The fair value of marketable securities is recorded based on quoted market prices and changes in fair value were included in other comprehensive income.

(iii) The following table presents the changes in the Company's auction rate securities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended December 31, 2012 and 2011 (in thousands):

	2012	2011
Balance at January 1,	\$4,245	\$5,437
Sale of auction rate securities at par	—	(1,000)
Unrealized gain (loss) included in other comprehensive income	109	(192)
Balance at December 31,	\$4,354	\$4,245



Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (5) INVENTORIES AND SUPPLIES

Inventories and supplies consisted of the following (in thousands):

	December 31, 2012	December 31, 2011
Oil and oil products	\$77,735	\$1,231
Supplies and drums	63,540	49,976
Solvent and solutions	9,398	433
Other	20,768	4,602
Total inventories and supplies	\$171,441	\$56,242

## (6) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following (in thousands):

	December 31, 2012	December 31, 2011
Land	\$106,037	\$37,185
Asset retirement costs (non-landfill)	10,450	2,529
Landfill assets	77,952	58,466
Buildings and improvements	329,617	189,445
Camp equipment	135,827	110,242
Vehicles	385,172	231,980
Equipment	1,061,090	729,154
Furniture and fixtures	6,757	3,759
Construction in progress	31,780	24,522
	2,144,682	1,387,282
Less - accumulated depreciation and amortization	612,919	483,335
Total property, plant and equipment, net	\$1,531,763	\$903,947

h

## (7) GOODWILL AND OTHER INTANGIBLE ASSETS

The changes to goodwill for the years ended December 31, 2012 and 2011 were as follows (in thousands):

	2012	2011
Balance at January 1	\$122,392	\$60,252
Acquired from acquisitions	464,581	65,049
Increase from adjustments related to the acquisitions during the measurement period	5,037	—
Foreign currency translation	1,761	(2,909)
Balance at December 31	\$593,771	\$122,392

The increase in goodwill during the year ended December 31, 2012 was primarily attributed to the Company's acquisition of Safety-Kleen and other 2012 acquisitions. The goodwill related to these acquisitions includes estimates that are subject to change based upon final fair value determinations.

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (7) GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

Below is a summary of permits and other intangible assets (in thousands):

	December 31, 2012			Weighted Average Amortization Period (in years)	December 31, 2011			Weighted Average Amortization Period (in years)
	Cost	Accumulated Amortization	Net		Cost	Accumulated Amortization	Net	
Permits	\$ 148,661	\$ 46,282	\$ 102,379	21.8	\$ 106,939	\$ 45,629	\$ 61,310	17.9
Customer and supplier relationships	372,751	27,739	345,012	13.2	83,721	17,650	66,071	7.9
Other intangible assets	22,027	12,121	9,906	3.6	19,321	9,265	10,056	5.3
Total amortizable permits and other intangible assets	543,439	86,142	457,297	13.6	209,981	72,544	137,437	10
Trademarks and trade names	115,520	—	115,520	Indefinite	\$ 2,207	\$ —	\$ 2,207	Indefinite
Total permits and other intangible assets	\$ 658,959	\$ 86,142	\$ 572,817		\$ 212,188	\$ 72,544	\$ 139,644	

The increase in customer and supplier relationships and trademarks and trade names was primarily attributed to the Safety-Kleen and other 2012 acquisitions. Amounts are provisional and subject to change upon completion of final valuations. The total amounts assigned and the weighted average amortization period by major intangible asset classes as it relates to these acquisitions as of December 31, 2012, were as follows:

	Safety-Kleen Total Amount Assigned	Safety-Kleen Weighted Average Amortization Period (in years)	Other 2012 Acquisitions Total Amount Assigned	Other Acquisitions Weighted Average Amortization Period (in years)
Permits	\$ 36,600	30.0	\$ 4,101	30.0
Customer and supplier relationships	271,000	18.0	17,626	7.1
Other intangible assets	—	—	854	1.4
Total Amortizable permits and other intangible assets	307,600	18.9	22,581	7.4
Trademarks and trade names	113,800	Indefinite	—	
Total permits and other intangible assets	\$ 421,400		\$ 22,581	

Below is the expected amortization of the net carrying amount of finite-lived intangible assets at December 31, 2012 (in thousands):

Years Ending December 31,	Expected Amortization
2013	\$33,990
2014	32,879
2015	32,103
2016	31,354

Edgar Filing: CLEAN HARBORS INC - Form 10-K

2017	30,387
Thereafter	296,584
	\$457,297

77

---

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (8) ACCRUED EXPENSES

Accrued expenses consisted of the following (in thousands):

	December 31, 2012	December 31, 2011
Insurance	\$48,243	\$21,712
Interest	20,061	15,434
Accrued disposal costs	1,835	2,455
Accrued compensation and benefits	70,250	56,029
Income, real estate, sales and other taxes	35,640	14,863
Other	56,400	37,499
	\$232,429	\$147,992

## (9) CLOSURE AND POST-CLOSURE LIABILITIES

The changes to closure and post-closure liabilities (also referred to as "asset retirement obligations") from January 1, 2011 through December 31, 2012 were as follows (in thousands):

	Landfill Retirement Liability	Non-Landfill Retirement Liability	Total	
Balance at January 1, 2011	\$29,756	\$8,923	\$38,679	
Liabilities assumed in acquisitions	—	202	202	
New asset retirement obligations	2,469	—	2,469	
Accretion	2,255	1,126	3,381	
Changes in estimates recorded to statement of income	(822	) (580	) (1,402	)
Changes in estimates recorded to balance sheet	(4,232	) 292	(3,940	)
Expenditures	(3,597	) (935	) (4,532	)
Currency translation and other	(65	) 89	24	
Balance at December 31, 2011	25,764	9,117	34,881	
Liabilities assumed in Safety-Kleen acquisition	—	17,753	17,753	
New asset retirement obligations	3,257	—	3,257	
Accretion	2,897	1,096	3,993	
Changes in estimates recorded to statement of income	133	1,061	1,194	
Changes in estimates recorded to balance sheet	(3,086	) 15	(3,071	)
Expenditures	(2,382	) (1,463	) (3,845	)
Currency translation and other	75	11	86	
Balance at December 31, 2012	\$26,658	\$27,590	\$54,248	

All of the landfill facilities included in the above were active as of December 31, 2012. The changes in estimates for non-landfill retirement liabilities in 2012 were primarily related to one site where the timing of the closure was accelerated.

New asset retirement obligations incurred in the period January through July 2012 were discounted at the credit-adjusted risk-free rate of 8.56%. Subsequent to the Company's \$800.0 million senior unsecured notes offering which was completed on July 30, 2012, the Company recalculated its credit-adjusted risk-free rate. Beginning in August 2012, new asset retirement obligations were discounted at the rate of 6.66%. The Company has used a consistent inflation rate of 1.02% through the 2012 year. New asset retirement obligations incurred in 2011 were discounted at the credit-adjusted risk-free rate of 8.79% and inflated at a rate of 1.01%.





Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (9) 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):

Year ending December 31,		
2013	\$9,501	
2014	9,830	
2015	7,663	
2016	5,216	
2017	5,850	
Thereafter	261,385	
Undiscounted closure and post-closure liabilities	299,445	
Less: Discount at credit-adjusted risk-free rate	(156,559)	)
Less: Undiscounted estimated closure and post-closure liabilities relating to airspace not yet consumed	(88,638)	)
Present value of closure and post-closure liabilities	\$54,248	

## (10) REMEDIAL LIABILITIES

The changes to remedial liabilities from January 1, 2011 through December 31, 2012 were as follows (in thousands):

	Remedial Liabilities for Landfill Sites	Remedial Liabilities for Inactive Sites	Remedial Liabilities (Including Superfund) for Non-Landfill Operations	Total
Balance at January 1, 2011	\$5,511	\$82,354	\$49,748	\$137,613
Liabilities assumed in acquisitions	—	—	100	100
Accretion	271	3,780	2,247	6,298
Changes in estimates recorded to statement of income	(55	) (3,825	) 2,442	(1,438
Expenditures	(71	) (3,852	) (2,864	) (6,787
Currency translation and other	(56	) (8	) (402	) (466
Balance at December 31, 2011	5,600	78,449	51,271	135,320
Liabilities assumed in Safety-Kleen acquisition	—	—	42,543	42,543
Accretion	276	3,456	2,192	5,924
Changes in estimates recorded to statement of income	(31	) (5,978	) (3,643	) (9,652
Expenditures	(82	) (4,851	) (2,413	) (7,346
Currency translation and other	66	3	362	431
Balance at December 31, 2012	\$5,829	\$71,079	\$90,312	\$167,220

In 2012, the benefit resulting from the changes in estimates for inactive sites primarily related to three sites. Updates to the scope of work at two sites and favorable environmental studies at a third site led to reductions in related remedial liabilities. The benefit resulting from the changes in estimates for non-landfill sites was primarily due to the implementation of a new technology to replace the traditional pump and treat method of handling wastewater at one site.

In 2011, the benefit resulting from the changes in estimates for inactive sites primarily related to four sites. Installation of a solar array system led to lower estimated future utility costs at one site; favorable environmental studies and regulatory approvals were achieved at a second and third site; and utilization of internal labor rather than external

contractors at a fourth site enabled the Company to reduce its estimate of remediation costs. The increase in remedial liabilities due to changes in estimates for non-landfill sites was primarily due to the finalization of the corrective action plan at one site.

79

---

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (10) REMEDIAL LIABILITIES (Continued)

Anticipated payments at December 31, 2012 (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):

Year ending December 31,		
2013	\$ 16,446	
2014	16,348	
2015	15,501	
2016	12,456	
2017	9,334	
Thereafter	137,442	
Undiscounted remedial liabilities	207,527	
Less: Discount	(40,307)	)
Total remedial liabilities	\$ 167,220	

Based on 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, 2012 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 \$167.2 million. The Company also estimates that it is reasonably possible that the amount of such total liabilities could be as much as \$21.5 million more. Future changes in either available technology or applicable laws or regulations could affect such estimates of remedial 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 remedial 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.

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

Type of Facility or Site	Remedial Liability	% of Total	Reasonably Possible Additional Liabilities(1)
Facilities now used in active conduct of the Company's business (29 facilities)	\$ 81,883	49.0	% \$ 10,932
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)	71,079	42.5	9,118
Superfund sites owned by third parties (29 sites)	14,258	8.5	1,426
Total	\$ 167,220	100.0	% \$ 21,476

(1) Amounts represent the high end of the range of management's best estimate of the reasonably possible additional liabilities.

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (10) REMEDIAL LIABILITIES (Continued)

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

Location	Type of Facility or Site	Remedial Liability	% of Total	Reasonably Possible Additional Liabilities(1)
Baton Rouge, LA(2)	Closed incinerator and landfill	\$32,176	19.2	% \$4,721
Bridgeport, NJ	Closed incinerator	21,593	12.9	2,811
Mercier, Quebec(2)	Idled incinerator and legal proceedings	14,611	8.7	1,562
Various(2)	All other incinerators, landfills, wastewater treatment facilities and service centers (43 facilities)	84,582	50.7	10,956
Various(2)	Superfund sites (each representing less than 5% of total liabilities) owned by third parties (29 sites)	14,258	8.5	1,426
Total		\$167,220	100.0	% \$21,476

(1) Amounts represent the high end of the range of management's best estimate of the reasonably possible additional liabilities.

(2) \$34.5 million of the \$167.2 million remedial liabilities and \$3.5 million of the \$21.5 million reasonably possible additional liabilities include estimates of remediation liabilities related to the legal and administrative proceedings discussed in Note 17, "Commitments and Contingencies," as well as other such estimated remedial liabilities.

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.

## (11) FINANCING ARRANGEMENTS

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

	December 31, 2012	December 31, 2011
Senior unsecured notes, at 5.25%, due August 1, 2020	\$800,000	\$—
Senior unsecured notes, at 5.125%, due June 1, 2021	600,000	—
Senior secured notes, at 7.625%, due August 15, 2016	—	520,000
Revolving credit facility, due May 31, 2016	—	—
Unamortized notes premium and discount, net	—	4,203
Long-term obligations	\$1,400,000	\$524,203

Senior Unsecured Notes, at 5.25%, due August 1, 2020. During 2012, the Company redeemed and repurchased the \$520 million aggregate principal amount of 7.625% senior secured notes due 2016 ("2016 Notes"). The Company financed that purchase and redemption of the 2016 Notes through a private placement of \$800.0 million aggregate principal amount of 5.25% senior unsecured notes due 2020 ("2020 Notes") which the Company completed on July 30, 2012. The Company used the remaining net proceeds from such private placement of the 2020 Notes to finance a portion of the purchase price for its 2012 acquisitions and for general corporate purposes. On November 16, 2012, the Company completed an exchange offer for the unregistered 2020 Notes originally issued for an equivalent amount of 2020 Notes the Company had registered under the Securities Act of 1933, as amended, pursuant to a registration statement which became effective in October 2012.



Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (11) FINANCING ARRANGEMENTS (Continued)

The principal terms of the 2020 Notes are as follows:

The 2020 Notes will mature on August 1, 2020. The notes bear interest at a rate of 5.25% per annum, computed on the basis of a 360-day year composed of twelve 30-day months. Interest is payable semi-annually on February 1 and August 1 of each year, commencing on February 1, 2013. The Company may redeem some or all of the 2020 Notes at any time on or after August 1, 2016 upon not less than 30 nor more than 60 days' notice, at the following redemption prices (expressed as percentages of the principal amount) if redeemed during the twelve-month period commencing on August 1 of the year set forth below, plus, in each case, accrued and unpaid interest, if any, to the date of redemption:

Year	Percentage	
2016	102.625	%
2017	101.313	%
2018 and thereafter	100.000	%

At any time, or from time to time, prior to August 1, 2015, the Company may also redeem up to 35% of the aggregate principal amount of all the 2020 Notes issued under the indenture at a redemption price of 105.25% of the principal amount, plus accrued and unpaid interest, using proceeds from certain equity offerings, provided that after such redemption the aggregate principal amount of outstanding 2020 Notes must equal at least 65% of the aggregate principal amount of 2020 Notes issued under the indenture. Additionally, at any time, or from time to time, prior to August 1, 2016, the Company may also redeem some or all of the 2020 Notes at a redemption price of 100% of the principal amount plus a make-whole premium and any accrued and unpaid interest. Holders may require the Company to repurchase the 2020 Notes at a purchase price equal to 101% of the principal amount, plus any accrued and unpaid interest, upon a change of control of the Company.

The 2020 Notes and the related indenture contain various customary non-financial covenants and are guaranteed by substantially all the Company's current and future domestic restricted subsidiaries. The 2020 Notes are the Company's and the guarantors' senior unsecured obligations ranking equally with the Company's and the guarantors' existing and future senior unsecured obligations and senior to any future indebtedness that is expressly subordinated to the 2020 Notes and the guarantees. The 2020 Notes and the guarantees rank effectively junior in right of payment to the Company's and the guarantors' secured indebtedness (including loans and reimbursement obligations in respect of outstanding letters of credit) under the Company's revolving credit facility and capital lease obligations to the extent of the value of the assets securing such secured indebtedness. The 2020 Notes are not guaranteed by the Company's Canadian or other foreign subsidiaries, and the 2020 Notes are structurally subordinated to all indebtedness and other liabilities, including trade payables, of the Company's subsidiaries that are not guarantors of the 2020 Notes.

Senior Unsecured Notes, at 5.125%, due June 1, 2021. On December 7, 2012, the Company issued through a private placement \$600.0 million aggregate principal amount of 5.125% senior unsecured notes due 2021 (the "2021 Notes"). The Company used the net proceeds from such private placement of the 2021 Notes to fund a portion of the purchase price to acquire Safety-Kleen on December 28, 2012.

The principal terms of the 2021 Notes are as follows:

The 2021 Notes will mature on June 1, 2021. The notes bear interest at a rate of 5.125% per annum. Interest is payable semi-annually on June 1 and December 1 of each year, commencing on June 1, 2013. The Company may redeem some or all of the 2021 Notes at the following redemption prices (expressed as percentages of the principal amount) if redeemed.

Year	Percentage	
2016	102.563	%
2017	101.281	%
2018 and thereafter	100.000	%

At any time, or from time to time, prior to December 1, 2015, the Company may also redeem up to 35% of the aggregate principal amount of all of the 2021 Notes issued under the indenture at a redemption price equal to

105.125% of the principal amount, plus accrued and unpaid interest, using proceeds from certain equity offerings, provided that after such redemption the aggregate principal amount of outstanding 2021 Notes must equal at least 65% of the aggregate principal amount of 2021 Notes issued under the indenture. Additionally, at any time, or from time to time, prior to December 1, 2016, the Company may

82

---

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (11) FINANCING ARRANGEMENTS (Continued)

redeem some or all of the 2021 Notes at a price equal to 100% of the principal amount plus a make-whole premium and accrued and unpaid interest. Holders may require the Company to repurchase the notes under certain circumstances if the Company experiences a change of control.

The 2021 Notes and the related indenture contain various customary non-financial covenants and are guaranteed by substantially all the Company's current and future domestic restricted subsidiaries. The 2021 Notes are the Company's and the guarantors' senior unsecured obligations ranking equally with the Company's and the guarantors' existing and future senior unsecured obligations and senior to any future indebtedness that is expressly subordinated to the 2021 Notes and the guarantees. The 2021 Notes are effectively subordinated to all of the Company's and the Company's subsidiaries secured indebtedness under the Company's revolving credit facility and capital lease obligations to the extent of the value of the assets securing such secured indebtedness. The 2021 Notes are not guaranteed by the Company's existing and future Canadian or other foreign subsidiaries, and the 2021 Notes are structurally subordinated to all indebtedness and other liabilities, including trade payables, of the Company's subsidiaries that are not guarantors of the 2021 Notes.

**Revolving Credit Facility.** On January 17, 2013, the Company entered into an amendment and restatement of the previously existing revolving credit facility with Bank of America, N.A. ("BofA"), as agent for the lenders under the facility. The principal changes to the terms of the facility were to:

- (i) increase the maximum amount of borrowings and letters of credit which the Company may obtain under the facility from \$250.0 million to \$400.0 million (with a \$325.0 million sub-limit for letters of credit);
- (ii) provide that of such \$400.0 million maximum amount, \$300.0 million (with a \$250.0 million sub-limit for letters of credit) will be available for Clean Harbors, Inc. and its domestic subsidiaries and \$100.0 million (with a \$75.0 million sub-limit for letters of credit) will be available for the Company's Canadian subsidiaries;
- (iii) reduce the interest rate on borrowings under the facility, in the case of LIBOR loans, from LIBOR plus an applicable margin ranging (depending primarily on the Company's fixed charge coverage ratio for the most recently completed four fiscal quarters) from 1.75% to 2.25% per annum to LIBOR plus an applicable margin ranging from 1.50% to 2.00% per annum, and, in the case of base rate loans, from BofA's base rate plus an applicable margin ranging from 0.75% to 1.25% per annum to BofA's base rate plus an applicable margin ranging from 0.50% to 1.00% per annum, and with such reduced applicable margin for LIBOR loans also to be the annual fee for outstanding letters of credit; and
- (iv) extend the term of the facility so that it will expire on January 17, 2018.

At December 31, 2012 and 2011, the revolving credit facility had no outstanding loan balances, \$117.4 million and \$167.4 million, respectively, available to borrow and \$132.6 million and \$82.6 million, respectively, of letters of credit outstanding. That total of outstanding letters of credit at December 31, 2012 includes \$46.0 million of back-up letters of credit obtained under the Company's revolving credit facility in connection with the Company's December 28, 2012 acquisition of Safety-Kleen.

## (12) INCOME TAXES

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

	For the Year Ended December 31,		
	2012	2011	2010
Domestic	\$90,240	\$128,201	\$161,969
Foreign	37,490	56,477	26,388
Total	\$127,730	\$184,678	\$188,357



Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (12) INCOME TAXES (Continued)

The (benefit) provision for income taxes consisted of the following (in thousands):

	For the Year Ended December 31,			
	2012	2011	2010	
Current:				
Federal (i)	\$ (29,401	) \$ 16,285	\$ 48,974	
State	(10,736	) 6,002	10,397	
Foreign	4,030	(2,697	) (5,687	)
	(36,107	) 19,590	53,684	
Deferred				
Federal	23,521	22,455	1,207	
State	2,865	2,710	(647	)
Foreign	7,777	12,671	3,598	
	34,163	37,836	4,158	
Net (benefit) provision for income taxes	\$ (1,944	) \$ 57,426	\$ 57,842	

The 2012 benefit includes decrease in unrecognized tax benefits of \$52.4 million (net of interest and penalties of (i) \$29.3 million) resulting from expiring statute of limitation periods related to an historical Canadian debt restructuring transaction.

The Company's effective tax rate (including taxes on income from discontinued operations in 2010) for fiscal years 2012, 2011 and 2010 was (2) percent, 31 percent and 31 percent, respectively. The effective income tax rate varied from the amount computed using the statutory federal income tax rate as follows (in thousands):

	For the Year Ended December 31,			
	2012	2011	2010	
Tax expense at statutory rate	\$44,705	\$64,637	\$65,925	
State income taxes, net of federal benefit	3,526	5,788	6,966	
Foreign rate differential	(8,607	) (10,229	) (6,752	)
Non-deductible transaction costs	2,229	416	—	
Uncertain tax position releases	(52,424	) (6,156	) (14,282	)
Uncertain tax position interest and penalties	1,658	2,240	2,636	
Other	6,969	730	3,349	
Net (benefit) provision for income taxes	\$ (1,944	) \$ 57,426	\$ 57,842	

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (12) INCOME TAXES (Continued)

The components of the total net deferred tax assets and liabilities at December 31, 2012 and 2011 were as follows (in thousands):

	2012	2011
Deferred tax assets:		
Workers compensation accrual	\$4,961	\$5,011
Provision for doubtful accounts	7,451	4,803
Closure, post-closure and remedial liabilities	52,382	31,082
Accrued expenses	20,102	13,635
Accrued compensation	5,000	2,279
Net operating loss carryforwards(1)	92,623	23,663
Tax credit carryforwards(2)	31,939	19,977
Uncertain tax positions accrued interest and federal benefit	350	11,462
Stock-based compensation	844	1,884
Other	1,121	4,421
Total deferred tax assets	216,773	118,217
Deferred tax liabilities:		
Property, plant and equipment	(220,086	) (114,115
Permits and other intangible assets	(155,214	) (20,547
Total deferred tax liabilities	(375,300	) (134,662
Total net deferred tax liability before valuation allowance	(158,527	) (16,445
Less valuation allowance	(25,635	) (11,473
Net deferred tax liabilities	\$(184,162	) \$(27,918

(1) As of December 31, 2012, the net operating loss carryforwards included (i) state net operating loss carryovers of \$150.1 million which begin to expire in 2019, (ii) federal net operating loss carryforwards of \$212.1 million which begin to expire in 2025, and (iii) foreign net operating loss carryforwards of \$53.9 million which begin to expire in 2026.

(2) As of December 31, 2012, foreign tax credit carryforwards of \$31.9 million expire between 2013 and 2022 as follows:

Years Ending December 31,	Expected Amount
2013	\$4,656
2014	3,603
2015	889
2016	1,164
2017	1,192
Thereafter	20,435
	\$31,939

During 2012, the Company decreased taxes payable for adjustments related to realized and recognized tax benefits of \$8.5 million related to exercises of non-qualified stock options and the vesting of restricted stock of which \$5.9 million resulted in an increase to additional 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, 2012 and 2011, the amount of earnings for which no repatriation tax has been provided was \$143.4 million



Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (12) INCOME TAXES (Continued)

and \$105.4 million, respectively. It is not practicable to estimate the amount of additional tax that might be payable on those earnings if repatriated.

A valuation allowance is required to be established when, based on an evaluation of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Accordingly, as of December 31, 2012, 2011 and 2010, the Company had a valuation allowance of \$25.6 million, \$11.5 million and \$12.9 million, respectively. The Safety-Kleen acquisition accounted for \$12.5 million of the increase in the valuation allowance, which consisted of \$7.8 million of foreign tax credits and \$4.7 million of foreign net operating loss carryforwards. The total allowance as of December 31, 2012 consisted of \$17.6 million of foreign tax credits, \$1.4 million of state net operating loss carryforwards and \$6.6 million of foreign net operating loss carryforwards and credits. The allowance as of December 31, 2011 consisted of \$10.2 million of foreign tax credits, \$1.1 million of state net operating loss carryforwards and \$0.2 million of foreign net operating loss carryforwards. The allowance as of December 31, 2010 consisted of \$11.3 million of foreign tax credits, \$1.4 million of state net operating loss carryforwards and \$0.2 million of foreign net operating loss carryforwards.

Included in the balance of liabilities for uncertain tax positions at December 31, 2012 and 2011 was \$4.9 million and \$63.0 million, respectively, of unrecognized tax benefits (including interest and penalties) 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 at December 31, 2012 included accrued interest of \$1.4 million. Interest expense that is recorded as a tax expense against the liability for unrecognized tax benefits for the years ended December 31, 2012, 2011 and 2010 included interest and penalties of \$2.8 million, \$3.4 million and \$4.1 million, respectively.

The changes to unrecognized tax benefits (excluding related penalties and interest) from January 1, 2010 through December 31, 2012, were as follows (in thousands):

	2012	2011	2010	Description
Unrecognized tax benefits as of January 1	\$36,217	\$39,709	\$48,178	
Gross adjustments in tax positions	—	(302)	498	Additional Canadian liabilities
Gross increases due to current year acquisitions	2,652	376	—	Additional U.S. and Canadian liabilities
Settlements	—	(75)	—	Required payments
Expiration of statute of limitations	(35,328)	(3,436)	(8,929)	U.S. and Canadian
Foreign currency translation	2	(55)	(38)	Currency translation adjustment
Unrecognized tax benefits as of December 31	\$3,543	\$36,217	\$39,709	

Total unrecognized tax benefits, other than adjustments for additional accruals for interest and penalties and foreign currency translation, decreased by approximately \$52.4 million. The \$52.4 million (net of interest and penalties of \$29.3 million) was recorded in earnings and therefore impacted the effective income tax rate. Approximately \$52.1 million was due to expiring statute of limitation periods related to a historical Canadian debt restructuring transaction and \$0.3 million was related to the conclusion of examinations with state taxing authorities and the expiration of various state statute of limitation periods.

As of December 31, 2012, the Company had recorded \$3.5 million of liabilities for unrecognized tax benefits and \$1.4 million related to interest. As of December 31, 2011, the Company had recorded \$36.2 million of liabilities for unrecognized tax benefits and \$26.8 million related to interest and penalties.

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 (the "IRS") for calendar years 2009 through 2012. 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 2005 through 2012. The Company is currently not under examination by the IRS. The Company has ongoing U.S. state and local jurisdictional audits, as well as Canadian federal and provincial audits, all of which the Company believes will not result in material liabilities.

Due to expiring statute of limitation periods and the resolution of tax audits, the Company believes that total unrecognized tax benefits, will decrease by approximately \$4.1 million within the next 12 months. The \$4.1 million (which

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (12) INCOME TAXES (Continued)

includes interest and penalties of \$1.3 million) is related to various federal, state and foreign tax laws and will be recorded in earnings and therefore will impact the effective income tax rate, net of tax benefits.

## (13) EARNINGS PER SHARE

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

	Years Ended December 31,		
	2012	2011	2010
Numerator for basic and diluted earnings per share:			
Income from continuing operations	\$ 129,674	\$ 127,252	\$ 127,721
Income from discontinued operations, net of tax	—	—	2,794
Net income	\$ 129,674	\$ 127,252	\$ 130,515
Denominator:			
Basic shares outstanding	53,884	52,961	52,622
Dilutive effect of equity-based compensation awards	195	363	310
Dilutive shares outstanding	54,079	53,324	52,932
Basic earnings per share			
Income from continuing operations	\$ 2.41	\$ 2.40	\$ 2.43
Income from discontinued operations, net of tax	—	—	0.05
Net income	\$ 2.41	\$ 2.40	\$ 2.48
Diluted earnings per share			
Income from continuing operations	\$ 2.40	\$ 2.39	\$ 2.42
Income from discontinued operations, net of tax	—	—	0.05
Net income	\$ 2.40	2.39	2.47

For the year ended December 31, 2012, the dilutive effect of all then outstanding options, restricted stock and performance awards is included in the EPS calculations above except for 65,000 outstanding performance stock awards for which the performance criteria were not attained at that time. For the years ended December 31, 2011 and 2010, there were no anti-dilutive securities.

All shares and per share amounts included in the above table have been adjusted for the two-for-one stock split on July 26, 2011.

## (14) STOCKHOLDERS' EQUITY

## Common Stock

On December 3, 2012, the Company issued 6.9 million shares of common stock, including 900,000 shares of common stock issued upon exercise of the underwriters' option, at a public offering price of \$56.00 per share. After deducting the underwriters' discount and offering expenses, the Company received net proceeds of \$369.5 million from the issuance. The net proceeds from this offering were used to pay a portion of the purchase price to acquire Safety-Kleen on December 28, 2012.

## Stock Split

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



Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (15) STOCK-BASED COMPENSATION

In 2000, the Company adopted a stock incentive plan (the "2000 Plan"), which provided for awards in the form of incentive stock options, non-qualified stock options, restricted stock awards, performance stock awards and common stock awards. The 2000 Plan expired on April 15, 2010, but there were outstanding on December 31, 2012 options granted under the 2000 Plan for an aggregate of 97,200 shares which will remain in effect until such options are either exercised or expire in accordance with their terms.

In 2010, the Company adopted an equity incentive plan (the "2010 Plan"), which provides for awards of up to 6,000,000 shares of Common Stock (subject to certain anti-dilution adjustments) in the form of (i) stock options, (ii) stock appreciation rights, (iii) restricted stock, (iv) restricted stock units, and (v) certain other stock-based awards. The Company ceased issuing stock options in 2008, and all awards issued to date under the 2010 Plan have been in the form of restricted stock awards and performance stock awards as described below.

As of December 31, 2012 and 2011, the Company had the following types of stock-based compensation awards outstanding under the 2000 Plan and the 2010 Plan: 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 generally vest over three to five years subject to continued employment. The performance stock awards vest depending on the satisfaction of certain performance criteria as described below.

Total stock-based compensation cost charged to income from operations for the years ended December 31, 2012, 2011 and 2010 was \$7.5 million, \$8.2 million and \$7.2 million, respectively. The total income tax benefit recognized in the consolidated statements of income from stock-based compensation was \$2.9 million, \$2.4 million and \$2.7 million for the years ended December 31, 2012, 2011 and 2010, respectively.

## Stock Option Awards

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 non-executive employees, executives and directors.

The Company ceased issuing stock option awards in May 2008 and as of December 31, 2012, all remaining options then outstanding had vested.

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

Stock Options	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value as of 12/31/12 (in thousands)
Outstanding at January 1, 2012	144,698	\$12.12	2.32	\$7,469
Exercised	(47,498)	) 6.01		
Outstanding, exercisable and vested at December 31, 2012	97,200	\$15.10	1.96	\$3,880

As of December 31, 2012, there was no unrecognized compensation cost related to stock option awards under the Company's stock incentive plans. The total intrinsic value of options exercised during 2012, 2011 and 2010 was \$2.3 million, \$2.1 million, and \$2.8 million, respectively.





Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (15) STOCK-BASED COMPENSATION (Continued)

## Restricted Stock Awards

The following information relates to restricted stock awards that have been granted to employees and directors under the Company's stock incentive plans. The restricted stock awards are not transferable until vested and the restrictions generally lapse upon the achievement of continued employment over a three-to-five-year period or service as a director until the following annual meeting of shareholders.

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 rate used to calculate compensation expense was 4% for non-executive employees, executives and directors.

The following table summarizes information about restricted stock awards for the year ended December 31, 2012:

Restricted Stock	Number of Shares	Weighted Average Grant-Date Fair Value
Unvested at January 1, 2012	309,051	\$43.36
Granted	165,261	58.12
Vested	(60,177	) 38.83
Forfeited	(61,308	) 48.82
Unvested at December 31, 2012	352,827	\$50.10

As of December 31, 2012, there was \$15.6 million of total unrecognized compensation cost arising from restricted stock awards under the Company's stock incentive plans. This cost is expected to be recognized over a weighted average period of 3.6 years. The total fair value of restricted stock vested during 2012, 2011 and 2010 was \$3.3 million, \$3.7 million and \$1.4 million, respectively.

## Performance Stock Awards

The following information relates to performance stock awards that have been granted to employees under the Company's stock incentive plans. Performance stock awards are subject to performance criteria established by the Compensation Committee of the Company's Board of Directors prior to or at the date of grant. The vesting of the performance stock awards is based on achieving such targets typically based on revenue and Adjusted EBITDA margin and also includes continued service conditions. For the 2012 performance awards, the Company added a performance metric related to Total Recordable Incident Rate.

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 rate used to calculate compensation expense was 4% for non-executive employees, executives and directors.

For the performance stock awards granted in 2012, the Compensation Committee of the Company's Board of Directors established two-year performance targets which could potentially be achieved in either 2012 or 2013. Management determined that one of the three performance criteria was considered probable to be achieved and recognized stock-based compensation expense through sales, general and administrative expenses for the year ended December 31, 2012 with respect to the performance stock awards.

For the performance stock awards granted in 2011, the Compensation Committee of the Company's Board of Directors established two-year performance targets which could potentially be achieved in either 2011 or 2012. Based on the Company's performance during 2011, management determined that those performance targets had been achieved and the Company therefore recognized cumulative expense through sales, general and administrative expenses for the years ended December 31, 2012 and 2011 with respect to the performance stock awards granted in 2011.

For the performance stock awards granted in 2010, the Compensation Committee of the Company's Board of Directors established two-year performance targets which could potentially be achieved in either 2010 or 2011. Based on the Company's performance during 2010, management determined that those performance targets had been

achieved and the Company therefore recognized cumulative expense through sales, general and administrative expenses for the year ended December 31, 2011 and 2010 with respect to the performance stock awards granted in 2010.

89

---

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (15) STOCK-BASED COMPENSATION (Continued)

The following table summarizes information about performance stock awards for the year ended December 31, 2012:

Performance Stock	Number of Shares	Weighted Average Grant-Date Fair Value
Unvested at January 1, 2012	112,923	\$41.09
Granted	70,511	66.98
Vested	(108,306	) 41.12
Forfeited	(9,792	) 54.58
Unvested at December 31, 2012	65,336	\$66.96

As of December 31, 2012, there was \$2.0 million of total unrecognized compensation cost arising from non-vested compensation related to performance stock awards then deemed probable of vesting under the Company's stock incentive plans that will be recognized over the next two years. The total fair value of performance awards vested during 2012, 2011 and 2010 was \$6.0 million, \$16.8 million and \$0.6 million, respectively.

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 2.0 million shares of common stock were originally reserved for offering to employees, in quarterly offerings of 100,000 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 1.0 million in the maximum number of shares which can be issued under the ESPP. As of December 31, 2012, the Company had reserved 517,140 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 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, 2012 and 2011 was \$10.29 and \$8.45, respectively.

Common Stock Awards

In the years ended December 31, 2012 and 2011, the Company did not issue any shares of common stock without restrictions under the Company's 2010 Plan.

(16) EMPLOYEE BENEFIT PLANS

The Company has responsibility for a defined benefit plan that covered 20 active non-supervisory Canadian employees as of December 31, 2012. The Company recognizes 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):

	2012	2011	2010
Service cost	\$218	\$156	\$144
Interest cost	457	462	421
Expected return on fair value of assets	(452	) (502	) (466
Actuarial loss	69	35	31
Net periodic pension cost	\$292	\$151	\$130

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (16) EMPLOYEE BENEFIT PLANS (Continued)

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

	2012	2011	2010	
Discount rate	4.40	% 5.40	% 5.75	%
Expected return on fair value of assets	5.75	% 6.50	% 6.75	%
Rate of compensation increase	3.75	% 3.75	% 3.75	%

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 0.65% adjustment for investment and custodial fees was taken into account. The accumulated benefit obligation was \$9.3 million and \$7.7 million at December 31, 2012 and 2011, 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):

	2012	2011	
Change in benefit obligations:			
Benefit obligation at the beginning of year	\$8,227	\$7,933	
Service cost	218	156	
Interest cost	457	462	
Employee contributions	38	50	
Actuarial gain	1,283	39	
Benefits paid	(511)	(250)	)
Currency translation	197	(163)	)
Benefit obligation at end of year	\$9,909	\$8,227	
	2012	2011	
Change in plan assets:			
Fair value of plan assets at beginning of year	\$7,666	\$7,660	
Actual return on plan assets	785	102	
Employer contributions	471	254	
Employee contributions	38	50	
Benefits paid	(511)	(250)	)
Currency translation	181	(150)	)
Fair value of plan assets at end of year	\$8,630	\$7,666	
	2012	2011	
Unfunded pension liability (included in other long-term liabilities)	\$(1,279)	\$(561)	)

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (16) EMPLOYEE BENEFIT PLANS (Continued)

The Company's pension assets measured at fair value by asset class at December 31, 2012 and 2011 were as follows (in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2012
Canadian equities	\$2,520	\$—	\$—	\$2,520
Canadian corporate and other bonds	—	2,106	—	2,106
United States equities	1,502	—	—	1,502
International equities	1,329	—	—	1,329
Canadian government bonds	716	—	—	716
Cash and cash equivalents	457	—	—	457
Total	\$6,524	\$2,106	\$—	\$8,630
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2011
Canadian equities	\$2,146	\$—	\$—	\$2,146
Canadian corporate and other bonds	—	2,146	—	2,146
United States equities	1,304	—	—	1,304
International equities	1,073	—	—	1,073
Canadian government bonds	690	—	—	690
Cash and cash equivalents	307	—	—	307
Total	\$5,520	\$2,146	\$—	\$7,666

Components of net periodic benefit cost and other amounts recognized in other comprehensive income were as follows at December 31, (in thousands):

	2012	2011	2010
Net loss	\$954	\$427	\$111
Amortization of net loss	(69	) (34	) (32
Total expense recognized in other comprehensive income	\$885	\$393	\$79

Amounts recognized in other comprehensive income during the years ended December 31, 2012, 2011 and 2010 were \$2.5 million, \$1.6 million and \$1.2 million, respectively. The estimated net loss that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is \$133 thousand.

The Company's investment policy targets up to a 55% allocation to equity securities, a 39% allocation to debt securities, and a 6% 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. Management believes that this investment policy fits the long-term nature of the pension obligations.

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (16) EMPLOYEE BENEFIT PLANS (Continued)

The Company's weighted average asset allocations at December 31, 2012 and 2011 were as follows:

	2012	2011	
Canadian equities	29	% 28	%
Canadian corporate bonds	25	% 28	%
United States equities	18	% 17	%
International equities	15	% 14	%
Canadian government bonds	8	% 9	%
Cash and cash equivalents	5	% 4	%
Total	100	% 100	%

The Company expects to contribute \$243 thousand to this pension plan in 2013.

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):

Year	Expected benefit payments
2013	\$307
2014	305
2015	337
2016	370
2017	385
Thereafter	2,207

The Company has profit-sharing plans under Section 401(k) of the Internal Revenue Code covering substantially all U.S. employees and a Canadian Registered Retired Savings Plan covering all Canadian employees. Both plans allow 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 \$4.8 million, \$3.9 million, and \$3.3 million for the years ended December 31, 2012, 2011 and 2010, respectively, related to the U.S. plan and \$2.1 million, \$1.6 million and \$1.3 million for the years ended December 31, 2012, 2011 and 2010, respectively, related to the Canadian plan.

## (17) COMMITMENTS AND CONTINGENCIES

## Legal and Administrative Proceedings

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

At December 31, 2012 and December 31, 2011, the Company had recorded reserves of \$38.6 million and \$30.3 million, respectively, in the Company's financial statements for actual or probable liabilities related to the legal and administrative proceedings in which the Company was then involved, the principal of which are described below. At December 31, 2012 and December 31, 2011, the Company also believed that it was reasonably possible that the amount of these potential liabilities could be as much as \$3.5 million more and \$2.7 million more, respectively. The Company periodically adjusts the aggregate amount of these reserves when these actual or probable liabilities are paid or otherwise discharged, new claims arise, or additional relevant information about existing or probable claims

becomes available. As of December 31, 2012, the \$38.6 million of reserves consisted of (i) \$34.5 million related to pending legal or administrative proceedings, including Superfund



Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (17) COMMITMENTS AND CONTINGENCIES (Continued)

liabilities, which were included in remedial liabilities on the consolidated balance sheets and (ii) \$4.1 million primarily related to federal and state enforcement actions, which were included in accrued expenses on the consolidated balance sheets. The reasonably possible additional liability amounts resulting from the legal or administrative proceedings discussed below included \$3.5 million related to remedial liabilities, and such \$3.5 million was therefore included in the reasonably possible additional liability amounts in the tables under the column heading "Remedial Liabilities (Including Superfund Liabilities) for Non-Landfill Operations" in Note 10, "Remedial Liabilities."

As of December 31, 2012, the principal legal and administrative proceedings in which the Company was involved, or which had been terminated during 2012, were as follows:

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

In 1999, Ville Mercier and three neighboring municipalities filed separate legal proceedings against the Mercier Subsidiary and the Government of Quebec. The lawsuits assert that the defendants are jointly and severally responsible for the contamination of groundwater in the region, which they claim caused each municipality to incur additional costs to supply drinking water for their citizens since the 1970's and early 1980's. The four municipalities claim a Canadian dollar ("CDN") total of \$1.6 million as damages for additional costs to obtain drinking water supplies and seek an injunctive order to obligate the defendants to remediate the groundwater in the region. The Quebec Government also sued the Mercier Subsidiary to recover approximately \$17.4 million (CDN) of alleged past costs for constructing and operating a treatment system and providing alternative drinking water supplies.

On September 26, 2007, the Quebec Minister of Sustainable Development, Environment and Parks issued a Notice pursuant to Section 115.1 of the Environment Quality Act, superseding Notices issued in 1992, which are the subject of the pending litigation. The more recent Notice notifies the Mercier Subsidiary that, if the Mercier Subsidiary does not take certain remedial measures at the site, the Minister intends to undertake those measures at the site and claim direct and indirect costs related to such measures. The Mercier Subsidiary continues to assert that it has no responsibility for the groundwater contamination in the region and will contest any action by the Ministry to impose costs for remedial measures on the Mercier Subsidiary. The Company also continues to pursue settlement options. At December 31, 2012 and December 31, 2011, the Company had accrued \$14.2 million and \$13.3 million, respectively, for remedial liabilities relating to the Ville Mercier legal proceedings. The increase resulted from interest accretion as well as a foreign exchange adjustment due to the strengthening of the Canadian dollar.

**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. On December 16, 2011, the parties to the lawsuits described above reached an Agreement in Principle ("AIP") to resolve all outstanding disputes. The AIP required additional approvals by County and State authorities before a final settlement and dismissal of the lawsuits can be finalized, and the approvals were obtained in November 2012.

**Safety-Kleen Legal Proceedings.** On December 28, 2012, the Company acquired Safety-Kleen and thereby became subject to the legal proceedings in which Safety-Kleen was a party on that date. In addition to certain Superfund proceedings in which Safety-Keen has been named as a potentially responsible party as described below under "Superfund Proceedings," the principal such legal proceedings involving Safety-Kleen which were outstanding as of

December 31, 2012 are as follows:

Product Liability Cases - Safety-Kleen is named as a defendant in various lawsuits that are currently pending in various courts and jurisdictions throughout the United States, including approximately 64 proceedings (including cases which have been settled but not formally dismissed) as of December 31, 2012, wherein persons claim personal injury resulting from the use of Safety-Kleen's parts cleaning equipment or cleaning products. These proceedings typically involve allegations that the solvent used in Safety-Kleen's parts cleaning equipment contains contaminants and/or that Safety-Kleen's recycling process does not effectively remove the contaminants that become entrained in the solvent during their use. In addition, certain

Table of Contents

CLEAN HARBORS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(17) COMMITMENTS AND CONTINGENCIES (Continued)

claimants assert that Safety-Kleen failed to warn adequately the product user of potential risks, including a historic failure to warn that solvent contains trace amounts of toxic or hazardous substances such as benzene. Safety-Kleen maintains insurance that it believes will provide coverage for these claims (over amounts accrued for self-insured retentions and deductibles in certain limited cases), except for punitive damages to the extent not insurable under state law or excluded from insurance coverage. Safety-Kleen believes that these claims lack merit and has historically vigorously defended, and intends to continue to vigorously defend, itself and the safety of its products against all of these claims. Such matters are subject to many uncertainties and outcomes are not predictable with assurance. Consequently, Safety-Kleen is unable to ascertain the ultimate aggregate amount of monetary liability or financial impact with respect to these matters as of December 31, 2012. From December 31, 2011 to December 31, 2012, 27 product liability claims were settled or dismissed. Due to the nature of these claims and the related insurance, Safety-Kleen did not incur any expense as Safety-Kleen's insurance provided coverage in full for all such claims. Safety-Kleen may be named in similar, additional lawsuits in the future, including claims for which insurance coverage may not be available.

**Fee Class Action Claims.** In October 2010, two customers filed a complaint, individually and on behalf of all similarly situated customers in the State of Alabama, in state court in Alabama alleging that Safety-Kleen improperly assessed fuel surcharges and extended area service fees. Safety-Kleen disputes the basis of the claims on numerous grounds, including that Safety-Kleen has contracts with numerous customers authorizing the assessment of such fees and that in cases where no contract exists Safety-Kleen provides customers with a document at the time of service reflecting the assessment of the fee, followed by an invoice itemizing the fee. It is Safety-Kleen's position that it had the right to assess fuel surcharges, that the customers consented to the charges and that the surcharges were voluntarily paid by the customers when presented with an invoice. The lawsuit is still in its initial stages of discovery. The class related fact discovery must now be completed by September 4, 2013, and a hearing on class certification will be held in early to mid-2014. In late June 2012, a nearly identical lawsuit was filed by the same law firm on behalf of a California-based customer. The lawsuit contends, under various state law theories, that Safety-Kleen impermissibly assessed fuel surcharges and late payment fees, and seeks certification of a class of California customers only. Safety-Kleen will assert the same defenses as in the Alabama litigation. In December 2012, a similar suit was filed by the same law firm on behalf of a Missouri-based customer which contends under various state law theories that Safety-Kleen impermissibly assessed fuel surcharges and seeks certification of a class of Missouri customers only. Safety-Kleen will assert the same defenses as in the Alabama and California cases. The Company is unable to ascertain the ultimate aggregate amount of monetary liability or financial impact with respect to these matters as of December 31, 2012, and no reserve has been recorded.

**Superfund Proceedings**

The Company has been notified that either the Company (which, since December 28, 2012, includes Safety-Kleen) 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 119 sites which are subject to or are proposed to become subject to proceedings under federal or state Superfund laws. Of the 119 sites, two involve facilities that are now owned by the Company and 117 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 117 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, six are currently requiring expenditures on remediation, 16 are now settled, and 13 are not currently requiring expenditures on remediation. The status of the two facilities owned by the Company (the Wichita Property and the BR Facility) are further described below.

Table of Contents

CLEAN HARBORS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(17) COMMITMENTS AND CONTINGENCIES (Continued)

The 117 Superfund sites described above include 67 sites for which the Company had been notified it is a PRP or potential PRP prior to the Company's acquisition of Safety-Kleen on December 28, 2012, and an additional 50 sites at which Safety-Kleen had been notified it is a PRP or potential PRP prior to such acquisition. The total number of Superfund sites at which the Company had at December 31, 2012 potential liability and the total dollar amount of such estimated liability relating to those sites as described above have been increased to reflect the additional potential Superfund liabilities to which the Company became subject as a result of the Safety-Kleen acquisition. One of the third party sites (the Marine Shale site) is further described below.

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

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

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

Certain of the former owners of the CSD assets were major customers of Marine Shale, but the Marine Shale site was not included as a Listed Third Party Site in connection with the Company's acquisition of the CSD assets and Clean Harbors was never a customer of Marine Shale. A Safety-Kleen subsidiary was, however, a Marine Shale customer and has been named a PRP. 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. The Company has joined with other parties to form a group (the "Site Group") to retain common counsel and participate in further negotiations with the EPA and the LDEQ directed towards the eventual remediation of the Marine Shale site. The Site Group made a good faith settlement offer to the EPA on November 29, 2007, and negotiations among the EPA, the LDEQ and the Site Group with respect to the Marine Shale site are ongoing. At December 31, 2012 and December 31,

2011, the amount of the Company's reserves relating to the Marine Shale site were \$4.4 million and \$3.8 million, respectively. The increase in the reserve related primarily to the acquisition of Safety-Kleen in December 2012.

**Certain Other Third Party Sites.** At 11 of the 117 third party sites, Clean Harbors has an indemnification agreement with ChemWaste, a former subsidiary of Waste Management, Inc., and at five additional of those third party sites, Safety-Kleen has a similar indemnification agreement with McKesson Corporation. These agreements indemnify the Company (which now includes Safety-Kleen) with respect to any liability at the 16 sites for waste disposed prior to the Company's (or Safety-Kleen's) acquisition of the former subsidiaries of Waste Management or McKesson which had shipped wastes to those sites. Accordingly, Waste Management or McKesson are paying all costs of defending those subsidiaries in those 16 cases, including

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (17) COMMITMENTS AND CONTINGENCIES (Continued)

legal fees and settlement costs. However, there can be no guarantee that the Company's ultimate liabilities for those sites will not exceed the amount recorded or that indemnities applicable to any of these sites will be available to pay all or a portion of related costs. Except for the indemnification agreement which the Company holds from ChemWaste and McKesson, the Company does not have an indemnity agreement with respect to any of the 117 third party sites discussed above. However, except as described above with respect to the 35 Listed Third Party Sites and the Marine Shale site, the Company believes that its potential liability, if any, to contribute to the cleanup of such remaining sites will not, in the aggregate, exceed \$100,000.

## Federal, State and Provincial Enforcement Actions

From time to time, the Company pays fines or penalties in regulatory proceedings relating primarily to waste treatment, storage or disposal facilities. As of December 31, 2012 and 2011, there were four proceedings for which the Company reasonably believed that the sanctions could equal or exceed \$100,000. The Company believes that the fines or other penalties in these or any of the other regulatory proceedings will, individually or in the aggregate, not have a material effect on its financial condition, results of operations or cash flows.

## 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 1 to 20 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, 2012 (in thousands):

Year	Total Capital Leases	Total Operating Leases
2013	\$5,475	\$46,253
2014	2,676	37,502
2015	374	29,821
2016	—	23,182
2017	—	16,281
Thereafter	—	40,423
Total minimum lease payments	8,525	\$193,462
Less: imputed interest at interest rates ranging from 4.0% to 16.0%	554	
Present value of future minimum lease payments	7,971	
Less: current portion of capital lease obligations	5,092	
Long-term capital lease obligations	\$2,879	

During the years ended December 31, 2012, 2011 and 2010, rent expense including short-term rentals, was approximately \$102.9 million, \$86.7 million, and \$71.7 million, respectively.

## Other Contingencies

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 ranges from \$0.25 million to \$0.275 million. The historical deductible per occurrence for the workers' compensation, general liability and vehicle liability is \$0.5 million. The deductible per occurrence for Safety-Kleen for the workers' compensation is \$1.0 million, general liability is \$2.0 million and vehicle liability is \$5.0 million. The retention per claim for the environmental impairment policy is \$1.0 million. At December 31, 2012

and 2011, the Company had accrued \$35.1 million and \$12.9 million, respectively, for its self-insurance liabilities (exclusive of health insurance) using a risk-free discount rate of 0.5% and 0.69%, respectively. Actual expenditures in future periods can differ materially from accruals based on estimates.



Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (17) COMMITMENTS AND CONTINGENCIES (Continued)

Anticipated payments at December 31, 2012 for each of the next five years and thereafter are as follows (in thousands):

Years ending December 31,	
2013	\$10,056
2014	6,824
2015	5,548
2016	3,487
2017	2,407
Thereafter	6,920
Undiscounted self-insurance liabilities	35,242
Less: Discount	125
Total self-insurance liabilities (included in accrued expenses)	\$35,117

## (18) SEGMENT REPORTING

During 2012, the Company's operations were managed in four reportable segments: Technical Services, Field Services, Industrial Services and Oil and Gas Field Services. Performance of the segments is evaluated on several factors, of which the primary financial measure is "Adjusted EBITDA," which consists of net income plus accretion of environmental liabilities, depreciation and amortization, net interest expense, and provision for income taxes. Also excluded are other expense (income), loss on early extinguishment of debt and income from discontinued operations, net of tax as these amounts are not considered part of usual business operations. Transactions between the segments are accounted for at the Company's estimate based on similar transactions with outside customers.

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

As stated in Note 3, "Business Combinations," no revenue, expense, income or loss of Safety-Kleen is included in the Company's consolidated results of operations for the year ended December 31, 2012 due to the immateriality of the operating results subsequent to the December 28, 2012 acquisition date. Safety-Kleen's balance sheet amounts have been reported in total for purposes of the segment disclosures as of December 31, 2012. With the acquisition, the Company is reviewing its consolidated operations and organizational structure on a go forward basis. The Company expects to adjust its reportable segments and reporting units in the first quarter of the Company's 2013 fiscal year after completion of its review.

The following table reconciles third party revenues to direct revenues for the years ended December 31, 2012, 2011 and 2010 (in thousands). Third party revenue is revenue billed to outside customers by a particular segment. Direct revenue is the revenue allocated to the segment performing the provided service. The Company analyzes results of operations based on direct revenues because the Company believes that these revenues and related expenses best reflect the manner in which operations are managed. Intersegment revenues represent the sharing of third party revenues among the segments based on products and services provided by each segment as if the products and services were sold directly to the third party. The intersegment revenues are shown net. The negative intersegment revenues are due to more transfers out of customer revenues to other segments than transfers in of revenues from other segments.

	For the Year Ended December 31, 2012					
	Technical Services	Field Services	Industrial Services	Oil and Gas Field Services	Corporate Items	Totals
Third party revenues	\$907,372	\$256,295	\$605,235	\$417,530	\$1,476	\$2,187,908

Edgar Filing: CLEAN HARBORS INC - Form 10-K

Intersegment revenues, net	28,526	(17,079	) (23,338	) 11,891	—	—
Corporate Items, net	1,856	752	(249	) (489	) \$(1,870	) —
Direct revenues	\$937,754	\$239,968	\$581,648	\$428,932	\$(394	) \$2,187,908

98

---

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (18) SEGMENT REPORTING (Continued)

	For the Year Ended December 31, 2011					
	Technical Services	Field Services (1)	Industrial Services	Oil and Gas Field Services	Corporate Items	Totals
Third party revenues	\$858,954	\$280,269	\$479,376	\$364,486	1,051	\$1,984,136
Intersegment revenues, net	24,171	(20,144 )	(9,175 )	5,148	—	—
Corporate Items, net	2,249	187	(251 )	(444 )	(1,741 )	—
Direct revenues	\$885,374	\$260,312	\$469,950	\$369,190	\$(690 )	\$1,984,136
	For the Year Ended December 31, 2010					
	Technical Services	Field Services (1)	Industrial Services	Oil and Gas Field Services	Corporate Items	Totals
Third party revenues	\$730,404	\$448,386	\$370,569	\$181,872	\$13	\$1,731,244
Intersegment revenues, net	30,097	(32,860 )	(7,929 )	10,692	—	—
Corporate Items, net	2,844	(740 )	(381 )	130	(1,853 )	—
Direct revenues	\$763,345	\$414,786	\$362,259	\$192,694	\$(1,840 )	\$1,731,244

During the year ended December 31, 2011, third party revenues for the Field Services segment included revenues of \$43.6 million associated with the oil spill response efforts in Montana. During the year ended December 31, (1) 2010, third party revenues for the Field Services segment included revenues of \$253.0 million associated with the oil spill response efforts in the Gulf of Mexico and Michigan.

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, other (income) expense, and loss on early extinguishment of debt to segments.

	For the Year Ended December 31,		
	2012	2011	2010
Adjusted EBITDA:			
Technical Services	\$244,989	\$235,674	\$190,559
Field Services	25,087	39,152	103,565
Industrial Services	139,923	103,535	76,573
Oil and Gas Field Services	75,809	76,383	30,857
Corporate Items	(112,041 )	(104,736 )	(86,862 )
Total	373,767	350,008	314,692
Reconciliation to Consolidated Statements of Income:			
Accretion of environmental liabilities	9,917	9,680	10,307
Depreciation and amortization	161,646	122,663	92,473
Income from operations	202,204	217,665	211,912
Other expense (income)	802	(6,402 )	(2,795 )
Loss on early extinguishment of debt	26,385	—	2,294
Interest expense, net of interest income	47,287	39,389	27,936
Income from continuing operations before provision for income taxes	\$127,730	\$184,678	\$184,477

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

For the year ended December 31, 2012, the Company generated \$1,254.2 million or 57.3% of revenues in the United States and Puerto Rico, \$933.0 million or 42.6% of revenues in Canada, and less than 1.0% of revenues in other

international locations. For the year ended December 31, 2011, the Company generated \$1,149.4 million or 57.9% of revenues in the United States and Puerto Rico, \$833.6 million or 42% of revenues in Canada, and less than 1.0% of revenues in other international

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (18) SEGMENT REPORTING (Continued)

locations. For the year ended December 31, 2010, the Company generated \$1,144.1 million or 66.1% of revenues in the United States and Puerto Rico, \$586.4 million or 33.9% of revenues in Canada, and less than 1.0% of revenues in other international locations.

As of December 31, 2012, the Company had property, plant and equipment, net of depreciation and amortization of \$1.5 billion, and permits and other intangible assets of \$572.8 million. Of these totals, \$640.6 million or 41.8% of property, plant and equipment and \$78.8 million or 13.8% 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 other foreign countries). As of December 31, 2011, the Company had property, plant and equipment, net of depreciation and amortization of \$903.9 million, and permits and other intangible assets of \$139.6 million. Of these totals, \$509.6 million or 56.4% of property, plant and equipment and \$74.9 million or 53.7% 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 other foreign countries).

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

	December 31, 2012	December 31, 2011
Property, plant and equipment, net		
Technical Services	\$ 320,707	\$ 308,118
Field Services	35,810	30,296
Industrial Services	318,431	254,469
Oil and Gas Field Services	275,474	267,987
Safety-Kleen	514,664	—
Corporate Items	66,677	43,077
Total property, plant and equipment, net	\$ 1,531,763	\$ 903,947
Intangible assets:		
Technical Services		
Goodwill	\$ 45,404	\$ 44,410
Permits and other intangibles, net	77,773	81,605
Total Technical Services	123,177	126,015
Field Services		
Goodwill	2,232	2,232
Permits and other intangibles, net	2,987	1,204
Total Field Services	5,219	3,436
Industrial Services		
Goodwill	69,624	45,444
Permits and other intangibles, net	37,038	19,701
Total Industrial Services	106,662	65,145
Oil and Gas Field Services		
Goodwill	39,762	30,306
Permits and other intangibles, net	33,619	37,134
Total Oil and Gas Field Services	73,381	67,440
Safety-Kleen		
Goodwill	436,749	—
Permits and other intangibles, net	421,400	—
Total Safety-Kleen	858,149	—
Total	\$ 1,166,588	\$ 262,036

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (18) SEGMENT REPORTING (Continued)

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

	December 31, 2012	December 31, 2011
Technical Services	\$610,692	\$604,904
Field Services	50,210	37,850
Industrial Services	468,699	345,202
Oil and Gas Field Services	369,605	429,938
Safety-Kleen	1,669,361	—
Corporate Items	657,239	667,909
Total	\$3,825,806	\$2,085,803

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

	December 31, 2012	December 31, 2011
United States	\$2,564,609	\$1,119,491
Canada	1,260,421	961,936
Other foreign	776	4,376
Total	\$3,825,806	\$2,085,803

## (19) QUARTERLY DATA (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter (1)	Fourth Quarter (1)
	(in thousands except per share amounts)			
2012				
Revenues	\$572,022	\$523,118	\$533,806	\$558,962
Cost of revenues (2)	400,315	367,623	372,940	399,743
Gross profit	171,707	155,495	160,866	159,219
Income from operations	61,701	47,533	56,739	36,231
Other expense	(299)	) (75)	) (91)	) (337)
Net income	32,015	23,426	12,359	61,874
Basic earnings per share	0.60	0.44	0.23	1.11
Diluted earnings per share	0.60	0.44	0.23	1.11
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands except per share amounts)			
2011				
Revenues	\$434,962	\$447,235	\$556,053	\$545,886
Cost of revenues (1)	312,577	307,754	386,518	373,142
Gross profit	122,385	139,481	169,535	172,744
Income from operations	39,742	51,884	66,792	59,247
Other income	2,899	2,868	164	471
Net income	22,730	29,156	37,133	38,233
Basic earnings per share	0.43	0.55	0.70	0.72
Diluted earnings per share	0.43	0.55	0.70	0.72

The third quarter net income and earnings per share were impacted by a \$26.4 million loss on early extinguishment (1) of debt in connection with a redemption and repurchase of our \$520.0 million previously outstanding senior secured



Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (19) QUARTERLY DATA (UNAUDITED) (Continued)

notes. The fourth quarter 2012 net income and earnings per share were impacted by a decrease in unrecognized tax benefits of \$52.4 million resulting from expiring statute of limitation periods related to an historical Canadian debt restructuring transaction.

(2) Items shown separately on the statements of income consist of (i) accretion of environmental liabilities and (ii) depreciation and amortization.

Earnings per share are computed independently for each of the quarters presented. Accordingly, the quarterly basic and diluted earnings per share may not equal the total computed for the year.

## (20) GUARANTOR AND NON-GUARANTOR SUBSIDIARIES

The 2020 Notes and the 2021 Notes are, and the 2016 Notes were, guaranteed by substantially all of the Company's subsidiaries organized in the United States. Each guarantor for the 2020 Notes and the 2021 Notes is, and for the 2016 Notes was, a 100% owned subsidiary of the Company and its guarantee is, or was, both full and unconditional and joint and several. The 2020 Notes and the 2021 Notes are, and the 2016 Notes were, not guaranteed by the Company's Canadian or other foreign subsidiaries. The following presents supplemental condensed consolidating financial information for the parent company, the guarantor subsidiaries and the non-guarantor subsidiaries, respectively. Following is the condensed consolidating balance sheet at December 31, 2012 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
<b>Assets:</b>					
Cash and cash equivalents	\$35,214	\$140,683	\$53,939	\$—	\$229,836
Intercompany receivables	296,023	17,704	116,571	(430,298 )	—
Other current assets	38,295	526,354	292,308	—	856,957
Property, plant and equipment, net	—	886,032	645,731	—	1,531,763
Investments in subsidiaries	2,528,699	850,011	144,953	(3,523,663 )	—
Intercompany debt receivable	—	508,067	3,701	(511,768 )	—
Other long-term assets	21,141	896,991	289,118	—	1,207,250
<b>Total assets</b>	<b>\$2,919,372</b>	<b>\$3,825,842</b>	<b>\$1,546,321</b>	<b>\$(4,465,729 )</b>	<b>\$3,825,806</b>
<b>Liabilities and Stockholders' Equity:</b>					
Current liabilities	\$32,586	\$402,990	\$133,476	\$—	\$569,052
Intercompany payables	—	412,594	17,704	(430,298 )	—
Closure, post-closure and remedial liabilities, net	—	161,175	36,172	—	197,347
Long-term obligations	1,400,000	—	—	—	1,400,000
Capital lease obligations, net	—	301	2,578	—	2,879
Intercompany debt payable	3,701	—	508,067	(511,768 )	—
Other long-term liabilities	51,013	134,393	39,050	—	224,456
<b>Total liabilities</b>	<b>1,487,300</b>	<b>1,111,453</b>	<b>737,047</b>	<b>(942,066 )</b>	<b>2,393,734</b>
Stockholders' equity	1,432,072	2,714,389	809,274	(3,523,663 )	1,432,072
<b>Total liabilities and stockholders' equity</b>	<b>\$2,919,372</b>	<b>\$3,825,842</b>	<b>\$1,546,321</b>	<b>\$(4,465,729 )</b>	<b>\$3,825,806</b>



Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (20) GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)

Following is the condensed consolidating balance sheet at December 31, 2011 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
<b>Assets:</b>					
Cash and cash equivalents	\$91,581	\$128,071	\$41,071	\$—	\$260,723
Intercompany receivables	319,444	—	126,823	(446,267 )	—
Other current assets	43,687	324,607	262,851	—	631,145
Property, plant and equipment, net	—	392,566	511,381	—	903,947
Investments in subsidiaries	1,064,966	421,648	91,654	(1,578,268 )	—
Intercompany debt receivable	—	472,929	3,701	(476,630 )	—
Other long-term assets	13,228	111,104	165,656	—	289,988
Total assets	\$1,532,906	\$1,850,925	\$1,203,137	\$(2,501,165 )	\$2,085,803
<b>Liabilities and Stockholders' Equity:</b>					
Current liabilities	\$15,612	\$220,968	\$145,162	\$—	\$381,742
Intercompany payables	—	446,267	—	(446,267 )	—
Closure, post-closure and remedial liabilities, net	—	133,773	21,369	—	155,142
Long-term obligations	524,203	—	—	—	524,203
Capital lease obligations, net	—	475	5,900	—	6,375
Intercompany debt payable	3,701	—	472,929	(476,630 )	—
Other long-term liabilities	88,403	7,588	21,363	—	117,354
Total liabilities	631,919	809,071	666,723	(922,897 )	1,184,816
Stockholders' equity	900,987	1,041,854	536,414	(1,578,268 )	900,987
Total liabilities and stockholders' equity	\$1,532,906	\$1,850,925	\$1,203,137	\$(2,501,165 )	\$2,085,803

Following is the consolidating statement of income for the year ended December 31, 2012 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues	\$—	\$1,243,453	\$965,740	\$(21,285 )	\$2,187,908
Cost of revenues (exclusive of items shown separately below)	—	857,813	704,093	(21,285 )	1,540,621
Selling, general and administrative expenses	66	173,190	100,264	—	273,520
Accretion of environmental liabilities	—	8,592	1,325	—	9,917
Depreciation and amortization	—	80,154	81,492	—	161,646
Income from operations	(66 )	123,704	78,566	—	202,204
Other expense	—	(154 )	(648 )	—	(802 )
Loss on early extinguishment of debt	(26,385 )	—	—	—	(26,385 )
Interest (expense) income, net	(46,221 )	—	(1,066 )	—	(47,287 )
Equity in earnings of subsidiaries	187,432	65,452	—	(252,884 )	—
Intercompany dividend income (expense)	10,010	—	13,805	(23,815 )	—
Intercompany interest income (expense)	—	41,636	(41,636 )	—	—
Income before provision for income taxes	124,770	230,638	49,021	(276,699 )	127,730

Edgar Filing: CLEAN HARBORS INC - Form 10-K

Provision for income taxes	(4,904	) (8,852	) 11,812	—	(1,944	)
Net income	129,674	239,490	37,209	(276,699	) 129,674	
Other comprehensive income (loss)	18,279	18,279	7,986	(26,265	) 18,279	
Comprehensive income (loss)	\$ 147,953	\$ 257,769	\$ 45,195	\$(302,964	) \$ 147,953	

103

---

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (20) GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)

Following is the consolidating statement of income for the year ended December 31, 2011 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues	\$—	\$1,141,935	\$ 870,043	\$(27,842 )	\$1,984,136
Cost of revenues (exclusive of items shown separately below)	—	786,771	621,062	(27,842 )	1,379,991
Selling, general and administrative expenses	100	165,882	88,155	—	254,137
Accretion of environmental liabilities	—	8,442	1,238	—	9,680
Depreciation and amortization	—	58,328	64,335	—	122,663
Income from operations	(100 )	122,512	95,253	—	217,665
Other income	—	3,864	2,538	—	6,402
Loss on early extinguishment of debt	—	—	—	—	—
Interest (expense) income, net	(38,755 )	18	(652 )	—	(39,389 )
Equity in earnings of subsidiaries	174,029	84,789	—	(258,818 )	—
Intercompany dividend income (expense)	10,186	—	13,832	(24,018 )	—
Intercompany interest income (expense)	—	37,870	(37,870 )	—	—
Income before provision for income taxes	145,360	249,053	73,101	(282,836 )	184,678
Provision for income taxes	18,108	29,341	9,977	—	57,426
Net income	127,252	219,712	63,124	(282,836 )	127,252
Other comprehensive income (loss)	(19,406 )	(19,406 )	(8,381 )	27,787	(19,406 )
Comprehensive income (loss)	\$107,846	\$200,306	\$ 54,743	\$(255,049 )	\$107,846

Following is the consolidating statement of income for the year ended December 31, 2010 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues	\$—	\$1,136,249	\$ 612,059	\$(17,064 )	\$1,731,244
Cost of revenues (exclusive of items shown separately below)	—	777,607	450,197	(17,064 )	1,210,740
Selling, general and administrative expenses	100	141,746	63,966	—	205,812
Accretion of environmental liabilities	—	9,181	1,126	—	10,307
Depreciation and amortization	—	49,005	43,468	—	92,473
Income from operations	(100 )	158,710	53,302	—	211,912
Other income	—	489	2,306	—	2,795
Loss on early extinguishment of debt	(2,294 )	—	—	—	(2,294 )
Interest (expense) income, net	(28,037 )	226	(125 )	—	(27,936 )
Equity in earnings of subsidiaries	186,377	49,869	—	(236,246 )	—
Intercompany dividend income (expense)	—	—	13,282	(13,282 )	—
Intercompany interest income (expense)	—	32,910	(32,910 )	—	—
Income from continuing operations before provision for income taxes	155,946	242,204	35,855	(249,528 )	184,477

Edgar Filing: CLEAN HARBORS INC - Form 10-K

Provision for income taxes	25,431	37,754	(6,429	) —	56,756
Income from continuing operations	130,515	204,450	42,284	(249,528	) 127,721
Income from discontinued operations, net of tax	—	—	2,794	—	2,794
Net income	130,515	204,450	45,078	(249,528	) 130,515
Other comprehensive income (loss)	23,930	23,930	6,244	(30,174	) 23,930
Comprehensive income (loss)	\$ 154,445	\$ 228,380	\$ 51,322	\$(279,702	) \$ 154,445

104

---

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (20) GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)

Following is the condensed consolidating statement of cash flows for the year ended December 31, 2012 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Total
Net cash from operating activities	\$(45,655 )	\$ 179,425	\$ 190,595	\$ 324,365
Cash flows from investing activities:				
Additions to property, plant and equipment	—	(117,344 )	(80,053 )	(197,397 )
Proceeds from sales of fixed assets	—	3,810	4,315	8,125
Acquisitions, net of cash acquired	(1,257,259 )	(63,351 )	(53,311 )	(1,373,921 )
Costs to obtain or renew permits	—	(712 )	(3,334 )	(4,046 )
Purchase of marketable securities	—	—	(10,517 )	(10,517 )
Other	—	500	4,620	5,120
Net cash from investing activities	(1,257,259 )	(177,097 )	(138,280 )	(1,572,636 )
Cash flows from financing activities:				
Change in uncashed checks	—	(6,761 )	(5,309 )	(12,070 )
Proceeds from exercise of stock options	288	—	—	288
Proceeds from employee stock purchase plan	6,196	—	—	6,196
Remittance of shares, net	(2,912 )	—	—	(2,912 )
Excess tax benefit of stock-based compensation	2,556	—	—	2,556
Deferred financing costs paid	(19,056 )	—	—	(19,056 )
Payments on capital leases	—	(850 )	(5,749 )	(6,599 )
Proceeds from issuance of common stock, net	369,520	—	—	369,520
Principal payments on debt	(520,000 )	—	—	(520,000 )
Distribution of cash earned on employee participation plan	(55 )	—	—	(55 )
Issuance of senior unsecured notes, at par	1,400,000	—	—	1,400,000
Issuance of senior secured notes, including premium	—	—	—	—
Dividends (paid)/received	10,010	(23,815 )	13,805	—
Interest (payments) / received	—	41,710	(41,710 )	—
Net cash from financing activities	1,246,547	10,284	(38,963 )	1,217,868
Effect of exchange rate change on cash	—	—	(484 )	(484 )
(Decrease) increase in cash and cash equivalents	(56,367 )	12,612	12,868	(30,887 )
Cash and cash equivalents, beginning of year	91,581	128,071	41,071	260,723
Cash and cash equivalents, end of year	\$ 35,214	\$ 140,683	\$ 53,939	\$ 229,836

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (20) GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)

Following is the condensed consolidating statement of cash flows for the year ended December 31, 2011 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Total
Net cash from operating activities	\$(17,428 )	\$90,015	\$ 106,944	\$ 179,531
Cash flows from investing activities:				
Additions to property, plant and equipment	—	(92,531 )	(55,982 )	(148,513 )
Acquisitions, net of cash acquired	—	(50,166 )	(286,794 )	(336,960 )
Additions to intangible assets, including costs to obtain or renew permits	—	(465 )	(2,462 )	(2,927 )
Proceeds from sales of fixed assets and assets held for sale	—	657	6,137	6,794
Proceeds from sales of marketable securities	—	—	425	425
Proceeds from sale of long-term investments	—	1,000	—	1,000
Investment in subsidiaries	(258,597 )	178,884	79,713	—
Net cash from investing activities	(258,597 )	37,379	(258,963 )	(480,181 )
Cash flows from financing activities:				
Change in uncashed checks	—	6,558	3,264	9,822
Proceeds from exercise of stock options	1,350	—	—	1,350
Proceeds from employee stock purchase plan	3,516	—	—	3,516
Remittance of shares, net	(4,061 )	—	—	(4,061 )
Excess tax benefit of stock-based compensation	3,352	—	—	3,352
Deferred financing costs paid	(8,463 )	—	—	(8,463 )
Payments of capital leases	—	(820 )	(7,017 )	(7,837 )
Distribution of cash earned on employee participation plan	—	—	(189 )	(189 )
Issuance of senior secured notes, including premium	261,250	—	—	261,250
Dividends (paid) / received	10,186	(24,306 )	14,120	—
Interest (payments) / received	—	35,088	(35,088 )	—
Intercompany debt	—	(140,425 )	140,425	—
Net cash from financing activities	267,130	(123,905 )	115,515	258,740
Effect of exchange rate change on cash	—	—	423	423
(Decrease) increase in cash and cash equivalents	(8,895 )	3,489	(36,081 )	(41,487 )
Cash and cash equivalents, beginning of year	100,476	124,582	77,152	302,210
Cash and cash equivalents, end of year	\$91,581	\$ 128,071	\$ 41,071	\$ 260,723

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (20) GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)

Following is the condensed consolidating statement of cash flows for the year ended December 31, 2010 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Total
Net cash from operating activities	\$(4,666 )	\$ 125,974	\$ 102,800	\$ 224,108
Cash flows from investing activities:				
Additions to property, plant and equipment	—	(55,814 )	(60,636 )	(116,450 )
Acquisitions, net of cash acquired	—	(14,646 )	—	(14,646 )
Additions to intangible assets, including costs to obtain or renew permits	—	(1,534 )	(2,670 )	(4,204 )
Purchase of marketable securities	—	—	(2,127 )	(2,127 )
Purchase of investment securities	(10,506 )	—	—	(10,506 )
Proceeds from sales of fixed assets and assets held for sale	—	1,018	15,035	16,053
Proceeds from sales of marketable securities	—	—	3,557	3,557
Proceeds from sale of long-term investments	—	1,300	—	1,300
Proceeds from insurance settlement	—	—	1,336	1,336
Investment in subsidiaries	(236,700 )	236,700	—	—
Net cash from investing activities	(247,206 )	167,024	(45,505 )	(125,687 )
Cash flows from financing activities:				
Change in uncashed checks	—	(995 )	(271 )	(1,266 )
Proceeds from exercise of stock options	862	—	—	862
Proceeds from employee stock purchase plan	2,449	—	—	2,449
Remittance of shares, net	(399 )	—	—	(399 )
Excess tax benefit of stock-based compensation	1,751	—	—	1,751
Deferred financing costs paid	(353 )	—	—	(353 )
Payments of capital leases	—	(492 )	(4,634 )	(5,126 )
Principal payment on debt	(30,000 )	—	—	(30,000 )
Distribution of cash earned on employee participation plan	—	—	(148 )	(148 )
Interest (payments) / received	—	19,363	(19,363 )	—
Intercompany debt	236,700	(236,700 )	—	—
Net cash from financing activities	211,010	(218,824 )	(24,416 )	(32,230 )
Effect of exchange rate change on cash	—	—	2,473	2,473
(Decrease) increase in cash and cash equivalents	(40,862 )	74,174	35,352	68,664
Cash and cash equivalents, beginning of year	141,338	50,408	41,800	233,546
Cash and cash equivalents, end of year	\$ 100,476	\$ 124,582	\$ 77,152	\$ 302,210

Table Of Contents

CLEAN HARBORS, INC. AND SUBSIDIARIES  
 SCHEDULE II  
 VALUATION AND QUALIFYING ACCOUNTS  
 For the Three Years Ended December 31, 2012  
 (in thousands)

	Balance Beginning of Period	Additions Charged to Operating Expense	Deductions from Reserves(a)	Balance End of Period
2010	\$832	\$1,245	\$(7	) \$2,084
2011	\$2,084	\$759	\$1,013	\$1,830
2012	\$1,830	\$1,213	\$1,797	\$1,246

(a) Amounts deemed uncollectible, net of recoveries.

	Balance Beginning of Period	Additions Charged to Revenue	Deductions from Reserves	Balance End of Period
2010	\$7,423	\$29,497	\$15,300	\$21,620
2011	\$21,620	\$13,846	\$24,613	\$10,853
2012	\$10,853	\$18,847	\$19,821	\$9,879

Due to the nature of the Company's business and the complex invoices that result from the services provided, customers may withhold payments and attempt to renegotiate amounts invoiced. In addition, for some of the services provided, the Company's invoices are based on quotes that can either generate credits or debits when the actual revenue amount is known. Based on industry knowledge and historical trends, the Company records a revenue allowance accordingly. This practice causes the volume of activity flowing through the revenue allowance during the year to be higher than the balance at the end of the year. Increases in overall sales volumes and the expansion of the customer base in recent years have also increased the volume of additions and deductions to the allowance during the year, as well as increased the amount of the allowance at the end of the year.

(b) The revenue allowance is intended to cover the net amount of revenue adjustments that may need to be credited to customers' accounts in future periods. Management determines the appropriate total revenue allowance by evaluating the following factors on a customer-by-customer basis as well as on a consolidated level: historical collection trends, age of outstanding receivables, existing economic conditions and other information as deemed applicable. Revenue allowance estimates can differ materially from the actual adjustments, but historically the revenue allowance has been sufficient to cover the net amount of the reserve adjustments issued in subsequent reporting periods.

	Balance Beginning of Period	Additions (Deductions) Charged to (from) Income Tax Expense	Other Changes to Reserves(a)	Balance End of Period
2010	\$11,242	\$1,677	\$—	\$12,919
2011	\$12,919	\$(1,593	) \$147	\$11,473
2012	\$11,473	\$(196	) \$14,358	\$25,635

(a) The Safety-Kleen acquisition accounted for \$12.5 million of the increase in the valuation allowance as of December 31, 2012.





Table Of Contents

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, 2012. 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, 2012.

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. The Company's management evaluated the effectiveness of Clean Harbors internal control over financial reporting as of December 31, 2012, excluding an assessment of internal control over financial reporting of Safety-Kleen, Inc. and its subsidiaries, which was acquired on December 28, 2012 and whose consolidated financial statements reflect total assets and revenue constituting 44% and 0% respectively, of the Company's consolidated financial statement amounts as of and for the year ended December 31, 2012. 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, 2012 based on the criteria in the Internal Control—Integrated Framework.

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, 2012, which is included below in this Item 9A of this annual report on Form 10-K.

Changes in Internal Control over Financial Reporting

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, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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.

109

---

Table Of Contents

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, 2012, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Annual Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial report at Safety-Kleen, Inc. and its subsidiaries, which was acquired on December 28, 2012 and whose consolidated financial statements reflect total assets and revenues constituting 44% and 0%, respectively, of the consolidated financial statement amounts as of and for the year ended December 31, 2012. Accordingly, our audit did not include the internal control over financial reporting at Safety-Kleen, Inc. and its subsidiaries. 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, 2012, 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, 2012 of the Company and our report dated March 6, 2013 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP

Boston, Massachusetts  
March 6, 2013

110

---

Table Of Contents

## ITEM 9B. OTHER INFORMATION

Subsequent to the issuance of the Company's Form 10-Q for the period ended March 31, 2012, management identified a disclosure error in Note 15, "Guarantor and Non-Guarantor Subsidiaries Financial Information." The previously disclosed guarantor information did not provide the details of comprehensive income by guarantor for the periods ended March 31, 2012 and 2011. While the Form 10-Q for the period ended March 31, 2012, was not materially misstated, the Company will provide the guarantor comprehensive income disclosure within its Form 10-Q for the period ended March 31, 2013. For the period ended March 31, 2012, the other comprehensive income and comprehensive income was \$15.2 million and \$47.2 million, respectively, for Clean Harbors, Inc., \$15.2 million and \$71.8 million, respectively, for the U.S. Guarantors, and \$6.3 million and \$25.6 million, respectively, for the Foreign Non-Guarantors. For the period ended March 31, 2011, the other comprehensive income and comprehensive income was \$16.5 million and \$39.2 million, respectively, for Clean Harbors, Inc., \$16.5 million and \$51.4 million, respectively, for the U.S. Guarantors and \$5.7 million and \$14.9 million, respectively, for the Foreign Non-Guarantors.

## 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 2013 Annual Meeting of Stockholders, which definitive proxy statement will be filed with the Securities and Exchange Commission by April 30, 2013.

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 2013 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 2013 Annual Meeting of Stockholders, the following table includes information as of December 31, 2012 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. All data set forth below has been adjusted to reflect the two-for-one stock split of the Company's common stock effective July 26, 2011.

Plan Category	Number of securities to be issued upon exercise of outstanding options and rights(a)	Weighted average exercise price of outstanding options and rights(b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))(c)
Equity compensation plans approved by security holders(1)	97,200	\$ 15.10	5,551,576

(1)Includes: (i) the Company's 2000 Stock Incentive Plan which expired in 2010, but under which there were on December 31, 2012 outstanding options for an aggregate of 97,200 shares; and (ii) the Company's 2010 Stock Incentive Plan (the "2010 Plan") under which there were on December 31, 2012 no outstanding options but

5,551,576 shares were available for grant of future options, restricted stock awards and certain other forms of equity incentives. As described in Note 15, "Stock-Based Compensation," to the Company's consolidated financial statements included in Item 8, "Financial Statements and Supplementary Data," in this report, during 2010 the Company adopted the 2010 Plan which provides for awards of up to 6,000,000 shares of Common Stock (subject to certain anti-dilution adjustments) in the form of (i) stock options, (ii) stock appreciation rights, (iii) restricted stock, (iv) restricted stock units, and (v) certain other stock-based awards.

Table Of Contents

In addition, as described in Note 15, "Stock-Based Compensation," to the Company's consolidated financial statements included in Item 8, "Financial Statements and Supplementary Data," in this report, 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, 2012, there were 517,140 shares reserved for future issuance under the ESPP.

112

---



Table Of Contents

## PART IV

## ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

## (a) Documents Filed as a Part of this Report

	Page
1. Financial Statements:	
<u>Report of Independent Registered Public Accounting Firm</u>	<u>52</u>
<u>Consolidated Balance Sheets as of December 31, 2012 and 2011</u>	<u>53</u>
<u>Consolidated Statements of Income for the Three Years Ended December 31, 2012</u>	<u>54</u>
<u>Consolidated Statements of Comprehensive Income (loss) for the Three Years Ended December 31, 2012</u>	<u>55</u>
<u>Consolidated Statements of Cash Flows for the Three Years Ended December 31, 2012</u>	<u>56</u>
<u>Consolidated Statements of Stockholders' Equity for the Three Years Ended December 31, 2012</u>	<u>57</u>
<u>Notes to Consolidated Financial Statements</u>	<u>59</u>
2. Financial Statement Schedule:	
<u>Schedule II Valuation and Qualifying Accounts for the Three Years Ended December 31, 2012</u>	<u>108</u>

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:

The list of exhibits filed as part of this annual report on Form 10-K is set forth on the Exhibit Index immediately following the signature page to this report, and such Exhibit Index is incorporated herein by reference.

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.

Table Of Contents

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this amended annual report to be signed on its behalf by the undersigned, thereunto duly authorized on March 6, 2013.

CLEAN HARBORS, INC.

By: /s/ ALAN S. MCKIM  
Alan S. McKim  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ ALAN S. MCKIM Alan S. McKim	Chairman of the Board of Directors and Chief Executive Officer	March 6, 2013
/s/ JAMES M. RUTLEDGE James M. Rutledge	Vice Chairman, President and Chief Financial Officer	March 6, 2013
/s/ JOHN R. BEALS John R. Beals	Senior Vice President, Controller and Chief Accounting Officer	March 6, 2013
* Gene Banucci	Director	March 6, 2013
* John P. DeVillars	Director	March 6, 2013
* Edward G. Galante	Director	March 6, 2013
* John F. Kaslow	Director	March 6, 2013
* Rod Marlin	Director	March 6, 2013
* Daniel J. McCarthy	Director	March 6, 2013
* John T. Preston	Director	March 6, 2013
* Andrea Robertson	Director	March 6, 2013
* Thomas J. Shields	Director	March 6, 2013
*By: /s/ ALAN S. MCKIM		

Alan S. McKim  
Attorney-in-Fact

114

---

Table Of Contents

## EXHIBIT INDEX

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 )
2.6	Agreement and Plan of Merger dated as of October 26, 2012 among Safety-Kleen, Inc., Clean Harbors, Inc., and CH Merger Sub, Inc.	(6 )
3.1A	Restated Articles of Organization of Clean Harbors, Inc.	(7 )
3.1B	Articles of Amendment [as filed on May 9, 2011] to Restated Articles of Organization of Clean Harbors	(8 )
3.4C	Amended and Restated By-Laws of Clean Harbors, Inc.	(9 )
4.33E-1	Fourth Amended and Restated Credit Agreement dated as of January 17, 2013 among Clean Harbors, Inc., as the U.S. Borrower, Clean Harbors Industrial Services Canada, Inc., as the Canadian Borrower, Bank of America, N.A., as Administrative Agent, and the Lenders party thereto	(10 )
4.33F	Guarantee (U.S. Domiciled Loan Parties-U.S. Facility Obligations) dated as of May 31, 2011 executed by the U.S. Domiciled Subsidiaries of Clean Harbors, Inc. named therein in favor of Bank of America, N.A., as Agent for itself and the other U.S. Facility Secured Parties	(11 )
4.33G	Guarantee (Canadian Domiciled Loan Parties-Canadian Facility Obligations) dated as of May 31, 2011 executed by the Canadian Domiciled Subsidiaries of Clean Harbors, Inc. named therein in favor of Bank of America, N.A., as Agent for itself and the other Canadian Facility Secured Parties	(11 )
4.33H	Guarantee (U.S. Domiciled Loan Parties-Canadian Facility Obligations) dated as of May 31, 2011 executed by Clean Harbors, Inc. and the U.S. Domiciled Subsidiaries of Clean Harbors, Inc. named therein in favor of Bank of America, N.A., as Agent for itself and the other Canadian Facility Secured Parties	(11 )
4.33I	Security Agreement (U.S. Domiciled Loan Parties) dated as of January 17, 2013 among Clean Harbors, Inc. , as the U.S. Borrower and a Grantor, the subsidiaries of Clean Harbors, Inc. listed on Annex A thereto or that thereafter become a party thereto as Grantors, and Bank of America, N.A., as Agent	(10 )
4.33J	Security Agreement (Canadian Domiciled Loan Parties) dated as of May 31, 2011 among Clean Harbors Industrial Services Canada, Inc., as the Canadian Borrower and a Grantor, the Canadian subsidiaries of Clean Harbors, Inc. listed on Annex A thereto or that thereafter become a party thereto as Grantors, and Bank of America, N.A., as Agent	(11 )
4.40	Indenture dated as of July 30, 2012, among Clean Harbors, Inc., as Issuer, the Guarantors listed on the signature pages thereto, and U.S. Bank National Association, as Trustee	(12 )
4.42	Indenture dated as of December 7, 2012, among Clean Harbors, Inc., as Issuer, the subsidiaries of Clean Harbors, Inc. named therein as Guarantors, and U.S. Bank National Association, as Trustee	(13 )
4.43	Registration Rights Agreement dated December 7, 2012, between Clean Harbors, Inc., the subsidiaries of Clean Harbors, Inc. named therein as Guarantors, and Goldman Sachs &	(13 )

Edgar Filing: CLEAN HARBORS INC - Form 10-K

10.42*	Co. Clean Harbors, Inc. 2000 Stock Incentive Plan	(14	)
10.42A*	Standard form of Non-Qualified Stock Option Agreement for employees [for use under 2000 Stock Incentive Plan]	(15	)
10.42B*	Form of Non-Qualified Stock Option Agreement for employees who are principal executive officers [for use under 2000 Stock Incentive Plan]	(15	)
10.42C*	Form of Non-Qualified Stock Option Agreement for non-employee directors [for use under 2000 Stock Incentive Plan]	(15	)
10.42D*	Clean Harbors, Inc. 2000 Stock Incentive Plan, as amended February 21, 2007	(16	)
10.42E*	Form of Restricted Stock Award Agreement [for use under 2000 Stock Incentive Plan]	(17	)

115

---

Table Of Contents

Item No.	Description	Location
10.42F*	Form of Performance-Based Restricted Stock Award Agreement [for use under 2000 Stock Incentive Plan]	(18 )
10.42G*	Amendment dated March 9, 2009 to 2000 Stock Incentive Plan, as amended February 21, 2007	(19 )
10.43*	Key Employee Retention Plan	(20 )
10.43A*	Form of Severance Agreement under Key Employee Retention Plan with Confidentiality and Non-Competition Agreement	(21 )
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 )
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	(22 )
10.52B*	Clean Harbors, Inc. Management Incentive Plan [as amended and restated on March 5, 2012]	(23 )
10.53*	Clean Harbors, Inc. Annual CEO Incentive Bonus Plan	(24 )
10.54*	Clean Harbors, Inc. 2010 Stock Incentive Plan [as amended on May 10, 2010]	(25 )
10.54A*	Revised form of Restricted Stock Award Agreement [Non-Employee Director] [for use under 2010 Stock Incentive Plan]	(21 )
10.54B*	Revised form of Restricted Stock Award Agreement [Employee] [for use under Clean Harbors, Inc. 2010 Stock Incentive Plan]	(21 )
10.54C*	Revised form of Performance-Based Restricted Stock Award Agreement [for use under Clean Harbors, Inc. 2010 Stock Incentive Plan]	(21 )
21	Subsidiaries	Filed herewith
23	Consent of Independent Registered Public Accounting Firm	Filed herewith
24	Power of Attorney	Filed herewith
31.1	Rule 13a-14a/15d-14(a) Certification of the CEO Alan S. McKim	Filed herewith
31.2	Rule 13a-14a/15d-14(a) Certification of the CFO James M. Rutledge	Filed herewith
32	Section 1350 Certifications	Filed herewith
101	The following materials from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Stockholders' Equity, and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text	(26 )

(\*) 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 October 31, 2012.

Table Of Contents

- (7) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on May 19, 2005.
  - (8) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on May 12, 2011.
  - (9) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on December 6, 2011.
  - (10) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on January 18, 2013.
  - (11) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on June 3, 2011.
  - (12) Incorporated by reference to the similarly numbered exhibit to the Company's Report on Form 8-K filed on July 30, 2012.
  - (13) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on December 10, 2012.
  - (14) Incorporated by reference to the Company's definitive Proxy Statement filed on April 28, 2000.
  - (15) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-K Annual Report for the Year ended December 31, 2004.
  - (16) Incorporated by reference to the similarly numbered exhibit to the Company's definitive Proxy Statement filed on April 16, 2007.
  - (17) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-K Annual Report for the Year ended December 31, 2005.
  - (18) 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.
  - (19) Incorporated by reference to the similarly numbered exhibit to the Company's Report on Form 8-K filed on March 13, 2009.
  - (20) 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.
  - (21) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-K Annual Report for the Year ended December 31, 2010.
  - (22) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on August 1, 2005.
  - (23) Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 2012 annual meeting of shareholders filed on March 23, 2012.
  - (24) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on May 14, 2009.
  - (25) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on May 14, 2010.
- (26) These interactive data files are furnished herewith and deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.