UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2006 OR

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

FOR THE TRANSTION PERIOD FROM ______ TO ______

Commission File Number 0-16379

CLEAN HARBORS, INC.

(Exact name of registrant as specified in its charter)

Massachusetts (State of Incorporation)	**04-2997780** (IRS Employer Identification No.)
42 Longwater Drive, Norwell, MA (Address of Principal Executive Offices)	**02061-9149** (Zip Code)

(781) 792-5000
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

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

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

Common Stock, $.01 par value	**19,605,075**
(Class)	**(Outstanding at August 8, 2006)**

CLEAN HARBORS, INC.

QUARTERLY REPORT ON FORM 10-Q

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PART I: FINANCIAL INFORMATION

CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

(dollars in thousands)

	June 30, 2006 (unaudited)	December 31, 2005
Current assets:		
Cash and cash equivalents	$ 79,918	$ 132,449
Restricted cash	—	3,469
Marketable securities	11,750	—
Accounts receivable, net of allowance for doubtful accounts of $1,679 and $2,419, respectively	145,197	147,659
Unbilled accounts receivable	9,649	7,049
Deferred costs	5,267	4,937
Prepaid expenses and other current assets	8,975	6,411
Supplies inventories	12,585	12,723
Deferred tax assets	229	219
Income taxes receivable	673	1,462
Properties held for sale	8,236	7,670
Total current assets	282,479	324,048
Property, plant and equipment:		
Land	14,099	14,677
Asset retirement costs (non-landfill)	1,224	1,032
Landfill assets	11,834	7,599
Buildings and improvements	95,945	95,443
Vehicles	18,068	15,478
Equipment	207,625	199,373
Furniture and fixtures	1,112	2,152
Construction in progress	16,239	9,535
	366,146	345,289
Less—accumulated depreciation and amortization	177,262	166,765
	188,884	178,524
Other assets:		
Deferred financing costs	7,098	9,508
Goodwill	19,032	19,032
Permits and other intangibles, net of accumulated amortization of $30,464 and $27,954, respectively	76,970	77,803
Deferred tax assets	794	1,715
Other	3,022	3,734
	106,916	111,792
Total assets	$ 578,279	$ 614,364

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

CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

(dollars in thousands)

	June 30, 2006 (unaudited)	December 31, 2005
Current liabilities:		
Uncashed checks	$ 3,219	$ 7,982
Current portion of long-term debt	16,128	52,500
Current portion of capital lease obligations	1,733	1,893
Accounts payable	74,295	71,372
Accrued disposal costs	2,990	3,109
Deferred revenue	23,226	21,784
Other accrued expenses	44,854	49,779
Current portion of closure, post-closure and remedial liabilities	14,266	10,817
Income taxes payable	3,447	4,458
Total current liabilities	184,158	223,694
Other liabilities:		
Closure and post-closure liabilities, less current portion of $3,502 and $2,894, respectively	21,019	20,728
Remedial liabilities, less current portion of $10,764 and $7,923, respectively	136,840	139,144
Long-term obligations, less current maturities	80,304	95,790
Capital lease obligations, less current portion	3,234	4,108
Other long-term liabilities	15,628	14,417
Accrued pension cost	685	825
Total other liabilities	257,710	275,012
Stockholders' equity:		
Preferred stock, $.01 par value:		
Series B convertible preferred stock; authorized 154,416 shares; issued and outstanding 69,000 shares (liquidation preference of $3.5 million)	1	1
Common stock, $.01 par value:		
Authorized 40,000,000 shares; issued and outstanding 19,593,871 and 19,352,878 shares, respectively	196	194
Additional paid-in capital	144,840	141,079
Accumulated other comprehensive income	11,514	9,745
Restricted stock unearned compensation	—	(1,044)
Accumulated deficit	(20,140)	(34,317)
Total stockholders' equity	136,411	115,658
Total liabilities and stockholders' equity	$ 578,279	$ 614,364

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

CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Unaudited

(in thousands except per share amounts)

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Revenues	$ 199,562	$ 173,910	$ 384,057	$ 338,876
Cost of revenues (exclusive of items shown separately below)	135,964	124,434	267,322	244,981
Selling, general and administrative expenses (including stock-based compensation costs of $1,035 and $1,592 for the quarter and year-to-date ending 2006, respectively)	35,252	25,308	63,607	49,669
Accretion of environmental liabilities	2,543	2,616	5,053	5,250
Depreciation and amortization	7,954	7,145	15,233	14,354
Income from operations	17,849	14,407	32,842	24,622
Other income (expense)	(132)	(109)	(162)	510
Loss on early extinguishment of debt	—	—	(8,290)	—
Interest (expense), net of interest income of $1,006 and $1,775 for the quarter and year-to-date ending 2006 and $258 and $480 for the quarter and year-to-date ending 2005, respectively	(2,876)	(5,946)	(6,049)	(11,907)
Income before provision for income taxes	14,841	8,352	18,341	13,225
Provision for income taxes	3,469	981	4,164	1,013
Net income	11,372	7,371	14,177	12,212
Dividends on Series B Preferred Stock	69	70	138	140
Net income attributable to common stockholders	$ 11,303	$ 7,301	$ 14,039	$ 12,072
Earnings per share:				
Basic income attributable to common stockholders	$ 0.58	$ 0.48	$ 0.72	$ 0.81
Diluted income attributable to common stockholders	$ 0.55	$ 0.43	$ 0.69	$ 0.71
Weighted average common shares outstanding	19,495	15,213	19,441	14,913
Weighted average common shares outstanding plus potentially dilutive common shares	20,549	17,253	20,518	17,142

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

CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

(in thousands)

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Cash flows from operating activities:		
Net income	$ 14,177	$ 12,212
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,233	14,354
Allowance for doubtful accounts	764	(372)
Amortization of deferred financing costs	709	739
Accretion of environmental liabilities	5,053	5,250
Changes in environmental estimates	(1,435)	(7,586)
Amortization of debt discount	46	83
Deferred income taxes	979	—
Stock-based compensation	1,592	47
Gain on sale of fixed assets and assets held for sale	6	54
Impairment of assets held for sale	156	—
Gain on insurance settlement	(184)	—
Write-off of deferred financing costs and debt discount	2,383	—
Foreign currency gain on intercompany transactions	—	(404)
Changes in assets and liabilities:		
Accounts receivable	2,576	(1,465)
Unbilled accounts receivable	(2,543)	(1,567)
Deferred costs	(288)	952
Prepaid expenses and other current assets	(1,527)	2,928
Supplies inventories	195	(837)
Other assets	800	(122)
Accounts payable	(938)	(5,399)
Environmental expenditures	(3,395)	(3,792)
Deferred revenue	1,253	(4,273)
Accrued disposal costs	(181)	(164)
Other accrued expenses	(5,254)	1,366
Income taxes payable, net	267	(2,970)
Net cash provided by operating activities	30,444	9,034
Cash flows from investing activities:		
Additions to property, plant and equipment	(20,417)	(6,980)
Cost to obtain or renew permits	(572)	(892)
Acquisition costs	(98)	—
Proceeds from sales of fixed assets and assets held for sale	530	375
Proceeds from sale of restricted stock outstanding	3,470	—
Proceeds from insurance claim	384	—
Sales of marketable securities	43,600	16,800
Purchase of available-for-sale securities	(55,350)	—
Net cash (used in) provided by investing activities	(28,453)	9,303
Cash flows from financing activities:		
Change in uncashed checks	(4,825)	(1,887)
Proceeds from exercise of stock options	1,685	3,691
Excess tax benefit of stock-based compensation	1,309	—
Deferred financing costs incurred	(85)	(86)
Proceeds from employee stock purchase plan	365	256
Dividend payments on preferred stock	(138)	(140)
Payments on capital leases	(960)	(888)
Principal payments on debt	(52,500)	—
Net cash (used in) provided by financing activities	(55,149)	946
(Decrease) increase in cash and cash equivalents	(53,158)	19,283
Effect of exchange rate change on cash	627	(116)
Cash and cash equivalents, beginning of period	132,449	31,081
Cash and cash equivalents, end of period	$ 79,918	$ 50,248
Supplemental information:		
Cash payments for interest and income taxes:		
Interest paid	$ 10,054	$ 10,696
Income taxes paid	806	1,158
Non-cash investing and financing activities:		
Property, plant and equipment accrued	$ 2,473	$ 189
New capital lease obligations	107	1,107
Acquisition costs included in Accounts payable	898	—

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

CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Unaudited

(in thousands)

	Series B Preferred Stock		Common Stock							
	Number of Shares	$0.01 Par Value	Number of Shares	$0.01 Par Value	Additional Paid-in Capital	Comprehensive Income (Loss)	Accumulated Other Comprehensive Income (Loss)	Restricted Stock Unearned Compen sation	Retained Earnings/ (Accumulated Deficit)	Total Stockholders' Equity
Balance at December 31, 2005	69	$ 1	19,353	$ 194	$ 141,079		$ 9,745	$ (1,044)	$ (34,317)	$ 115,658
Net income	—	—	—	—	—	$ 14,177	—	—	14,177	14,177
Foreign currency translation	—	—	—	—	—	1,769	1,769	—	—	1,769
Comprehensive income	—	—	—	—	—	$ 15,946	—	—	—	—
Stock issuance costs	—	—	—	—	(6)		—	—	—	(6)
Series B preferred stock dividends	—	—	—	—	(138)		—	—	—	(138)
Stock-based compensation	—	—	41	—	1,592		—	—	—	1,592
Adoption of FAS No. 123(R)	—	—	—	—	(1,044)		—	1,044	—	—
Exercise of stock options, including tax benefit of $1,309	—	—	185	2	2,992		—	—	—	2,994
Employee stock purchase plan	—	—	15	—	365		—	—	—	365
Balance at June 30, 2006	69	$ 1	19,594	$ 196	$ 144,840		$ 11,514	$ —	$ (20,140)	$ 136,411

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

CLEAN HARBORS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) BASIS OF PRESENTATION

The accompanying consolidated interim financial statements include the accounts of Clean Harbors, Inc. and its wholly-owned subsidiaries (collectively, “Clean Harbors” or the “Company”) and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission and, in the opinion of management, include all adjustments which, except as described elsewhere herein, are of a normal recurring nature, necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. The results for interim periods are not necessarily indicative of results for the entire year. The financial statements presented herein should be read in connection with the financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2005.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the Company’s management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements. These estimates and assumptions will also affect the reported amounts of certain revenues and expenses during the reporting period. Actual results could differ materially based on any changes in the estimates and assumptions that the Company uses in the preparation of its financial statements. Additionally, the estimates and assumptions used in determining landfill airspace amortization rates per cubic yard, capping, closure and post-closure liabilities as well as environmental remediation liabilities require significant engineering and accounting input. The Company reviews these estimates and assumptions on an ongoing basis. In many circumstances, the ultimate outcome of these estimates and assumptions may not be known for decades into the future. Actual results could differ materially from these estimates and assumptions due to changes in environmental-related regulations or future operational plans, and the inherent imprecision associated with estimating matters so far into the future. See “Management’s Discussion and Analysis” in this report.

Certain reclassifications have been made in the prior period’s Consolidated Financial Statements to conform to the presentation for the period ended June 30, 2006.

(2) SIGNIFICANT ACCOUNTING POLICIES

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

(a) Principles of Consolidation

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

(b) Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable, and collection is reasonably assured.

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

(c) Credit Concentration

Concentration of credit risks in accounts receivable is limited due to the large number of customers comprising the Company's customer base throughout North America. The Company performs periodic credit evaluations of its customers. The Company establishes an allowance for uncollectible accounts based on the credit risk applicable to particular customers, historical trends and other relevant information.

(d) Income Taxes

There are two components of income tax expense, current and deferred. Current income tax expense approximates cash to be paid or refunded for taxes for the applicable period. Deferred tax assets and liabilities are determined based upon the difference between the financial statement and tax basis of assets and liabilities as measured by the enacted tax rates, which will be in effect when these differences reverse. Deferred tax expense or benefit is the result of changes between deferred tax assets and liabilities.

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

(e) 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 unless their inclusion would be anti-dilutive.

(f) Segment Information

The Company's operations are managed in two segments: Technical Services and Site Services. The Company operates within the United States, Puerto Rico, Canada and Mexico and no individual customer accounts for more than 5% of revenues.

(g) Cash and Cash Equivalents

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

The Company's cash management program with its revolving credit lender allows maintenance of a zero balance in the U.S. bank accounts that are used to issue vendor and payroll checks. The checks are covered from availability under the revolving line of credit when the checks are presented for payment. The program can result in checks outstanding in excess of bank balances in the disbursement accounts. When checks are presented to the bank for payment, cash deposits in amounts sufficient to fund the checks are made from funds provided under the terms of the Company's revolving credit facility. Uncashed checks are checks that have been sent to either vendors or employees but have not yet been presented for payment at the Company's bank.

(h) Marketable Securities

As of June 30, 2006, the Company held $11.8 million in marketable securities, which consist primarily of readily marketable auction bond securities and which are held for working capital purposes. Accordingly, the Company has classified these investments as available-for-sale. Available-for-sale securities are carried at fair value, with the unrealized gains and losses, net of tax, reported as a component of stockholders' equity. During the three- and six-month periods ended June 30, 2006, the Company had no unrealized gain or loss on these securities. The Company determines the appropriate classification of its marketable securities at the time of purchase and reevaluates such classification as of each balance sheet date.

(i) Supplies Inventories

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

(j) Property, Plant and Equipment

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, as well as major maintenance activities at incinerators, 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. Once an asset has been completed and placed in service, it is transferred to the appropriate category and depreciation commences. In addition, the Company capitalizes applicable interest costs associated with partially developed landfill sites, which are included in landfill assets. Interest in the amount of $103 thousand was capitalized to landfill assets during the three month period ended June 30, 2006 and $114 thousand during the six-month period ended June 30, 2006 as compared to zero capitalized interest for the comparable periods of 2005. Depreciation and amortization expense was $6.7 million and $13.3 million for the three- and six-month periods ended June 30, 2006, respectively as compared to $5.7 million and $11.6 million for the comparable periods in 2005, respectively.

Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," requires that an impairment in the carrying value of long-lived assets be recognized when the expected future undiscounted cash flows derived from the assets are less than its carrying value. For the three- and six-month periods ended June 30, 2006 and 2005, the Company recorded no impairment charge related to long-lived assets.

Depreciation and amortization of other property, plant and equipment is provided on a straight-line basis over their estimated useful lives, with the exception of landfill and deep injection well assets, which are depreciated on a units-of-consumption basis. Leasehold improvements are capitalized and amortized over the shorter of the life of the lease or the asset.

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

Asset Classification	Estimated Useful Life
Capitalized software	3 years
Buildings and building improvements	Shorter of remaining life or 40 years
Land improvements	5 years
Leasehold improvements	Shorter of lease term or 10 years
Vehicles	3-10 years
Equipment	3-8 years
Furniture and fixtures	5-8 years

Upon retirement or other disposition, the cost and related accumulated depreciation of the assets are removed from the accounts and the resulting gain or loss is reflected in other income (expense).

(k) Intangible Assets

Permits are amortized over periods ranging from 5 to 30 years. Permits relating to landfills are amortized on a consumption unit basis. All other permits are amortized on a straight-line basis. Permits consist of the value of permits acquired through acquisition and environmental cleanup costs that improve facilities, as compared with the condition of that property when originally acquired. Amortization expense was $1.3 million and $1.9 million for the three- and six-month periods ended June 30, 2006, respectively as compared to $1.4 million and $2.8 million for the comparable periods of 2005, respectively. The customer profile database is amortized over five years.

(l) Operating Leases

The Company leases rolling stock, 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. 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 space.

(m) Deferred Financing Costs

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

(n) Closure and Post-closure Liabilities

Closure and post-closure costs incurred are increased for inflation (2.17% and 2.16% for closure and post-closure liabilities incurred in the six-month periods ended June 30, 2006 and 2005, respectively). The Company uses an inflation rate published by the U.S. Department of Labor Bureau of Labor Statistics that excludes the more volatile items of food and energy. Closure and post-closure costs are discounted at the Company's credit-adjusted risk-free interest rate (9.25% and 10.25% for closure and post-closure liabilities incurred in the six-month periods ended June 30, 2006 and 2005, respectively). For the asset retirement obligations incurred in the six-month periods ended June 30, 2006 and 2005, the Company estimated its credit-adjusted risk-free interest rate by adjusting the then current yield based on market prices of its 11.25% Senior Secured Notes then outstanding by the difference between the yield of a U.S. Treasury Note of the same duration as the Senior Secured Notes and the yield on the 30 year U.S. Treasury Bond. Under SFAS No. 143, the cost of financial assurance for the closure and post-closure care periods cannot be accrued but rather is a period cost. Prior to the adoption of SFAS No. 143, the Company accrued the cost of financial assurance relating to both landfill and non-landfill closure and to both landfill and non-landfill post-closure care, as required, under SFAS No. 5, "Accounting for Contingencies." Under SFAS No. 143, financial assurance is no longer included as a component of closure or post-closure costs. SFAS No. 143 requires the cost of financial assurance to be expensed as incurred, and SFAS No. 143 requires the cost of financial assurance to be considered in the determination of the credit-adjusted risk-free interest rate. Under SFAS No. 143, the cost of financial assurance is considered in the determination of the credit-adjusted risk-free interest rate used to discount the closure and post-closure obligations.

Landfill Accounting

Landfill Accounting—The Company utilizes the life cycle method of accounting for landfill costs and the units-of-consumption method to amortize landfill construction and asset retirement costs and record closure and post-closure obligations over the estimated useful life of a landfill. Under this method, the Company includes future estimated construction and asset retirement costs, as well as costs incurred to date, in the amortization base. In addition, the Company includes probable expansion airspace that has yet to be permitted in the calculation of the total remaining useful life of the landfill.

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

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

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

Landfill final closure and post-closure liabilities—The Company has material financial commitments for the costs associated with requirements of the United States Environmental Protection Agency (the "EPA") and the comparable regulatory agency in Canada for landfill final closure and post-closure activities. In the United States, the landfill final closure and post-closure requirements are established under the standards of the EPA, and are implemented and applied on a state-by-state basis. Estimates for the cost of these activities are developed by the Company's engineers, accountants and external consultants, 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 include the costs required to cap the final cell of the landfill (if not included in cell closure) and the costs required to dismantle certain structures for landfills and other landfill improvements. In addition, final closure costs include regulation-mandated groundwater monitoring, leachate management and other costs incurred in the closure process. Post-closure costs include substantially all costs that are required to be incurred subsequent to the closure of the landfill, including, among others, groundwater monitoring and leachate management. Regulatory post-closure periods are generally 30 years after landfill closure. Final closure and post-closure obligations are discounted. 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.

For landfills purchased, the Company assessed and recorded the present value of the estimated closure and post-closure liability based upon the estimated final closure and post-closure costs and the percentage of airspace consumed as of the purchase date. Thereafter, the difference between the liability recorded at the time of acquisition and the present value of total estimated final closure and post-closure costs to be incurred is accrued prospectively on a units-of-consumption basis over the estimated useful economic life of the landfill.

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

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

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

- At the time the expansion is included in the Company’s estimate of the landfill’s useful economic life, it is probable that the required approvals will be received within the normal application and processing time periods for approvals in the jurisdiction in which the landfill is located.

- The owner of the landfill or the Company has a legal right to use or obtain land associated with the expansion plan.

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

- A financial feasibility analysis has been completed and the results demonstrate that the expansion has a positive financial and operational impact such that management is committed to pursuing the expansion.

- Additional airspace and related additional costs, including permitting, final closure and post-closure costs, have been estimated based on the conceptual design of the proposed expansion.

Exceptions to the criteria set forth above may be approved through a landfill-specific approval process that includes approval from the Company’s Chief Financial Officer and review by the Audit Committee of the Board of Directors. As of June 30, 2006, there were four unpermitted expansions included in the Company’s landfill accounting model, which represented 36.4% of the Company’s remaining airspace at that date. Of these expansions, one represents an exception to the Company’s established criteria. In March 2004, the Chief Financial Officer approved and the Audit Committee of the Board of Directors reviewed the inclusion of 7.8 million cubic yards of unpermitted airspace in highly probable airspace because the Company determined that the airspace was highly probable even though the permit application was not submitted within the next year. All of the other criteria were met for the inclusion of this airspace in highly probable airspace. As of June 30, 2006, this airspace still represented an exception to the Company’s permit application criteria. Had the Company not included the 7.8 million cubic yards of unpermitted airspace in highly probable airspace, operating expense for the six-month periods ended June 30, 2006 and 2005 would have been higher by $336 thousand and $271 thousand, respectively.

The following table presents the change in remaining highly probable airspace from December 31, 2005 through June 30, 2006 (in thousands):

	Highly Probable Airspace (Cubic Yards)
Remaining capacity at December 31, 2005	29,001
Consumed during six months ended June 30, 2006	(395)
Remaining capacity at June 30, 2006	28,606

Non-Landfill Closure and Post-Closure

Non-landfill closure costs include costs required to dismantle and decontaminate certain structures and other costs incurred during the closure process. Post-closure costs, if required, include associated maintenance and monitoring costs and financial assurance costs as required by the closure permit. Post-closure periods are generally specified in terms of years in the closure permit, and are usually 30 years.

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. Prior to the implementation of SFAS No. 143, these obligations were expensed in the period that a decision was made to close a facility.

(o) Remedial Liabilities

Remedial liabilities, including Superfund liabilities, include the costs of removal or containment of contaminated material, the treatment of potentially contaminated groundwater and maintenance and monitoring costs necessary to comply with regulatory requirements. SFAS No. 143 applies to asset retirement obligations that arise from normal operations. Almost all of the Company's remedial liabilities were assumed as part of the acquisition of the CSD assets from Safety-Kleen, and the Company believes that the remedial obligations did not arise from normal operations.

Discounting of Remedial Liabilities

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

- Remedial liabilities assumed relating to the acquisition of the CSD assets from Safety-Kleen are and will continue to be inflated using the inflation rate at the time of acquisition (2.4%) until the expected time of payment, then discounted at the risk-free interest rate at the time of acquisition (4.9%).

- Remedial liabilities incurred subsequent to the acquisition and remedial liabilities of the Company that existed prior to the acquisition have been and will continue to be recorded at the estimated current value of the liability which is usually neither increased for inflation nor reduced for discounting.

Claims for Recovery

The Company records claims for recovery from third parties relating to remedial liabilities only when realization of the claim is probable. The gross remedial liability is recorded separately from the claim for recovery on the balance sheet. At June 30, 2006 and December 31, 2005, the Company had recorded no such claims.

(p) Other Comprehensive Income

At June 30, 2006, the components of other comprehensive income (loss) reflected in the Consolidated Statements of Stockholders' Equity were as follows (in thousands):

	Six Months Ended June 30,	
	2006	2005
Cumulative translation adjustment of foreign currency statements	$(1,769)	$ (742)

(q) Foreign Currency

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

(r) Letters of Credit

The Company utilizes letters of credit to provide collateral assurance to regulatory authorities that certain funds will be available for closure of Company facilities. In addition, the Company utilizes letters of credit to provide collateral for casualty insurance programs, to provide collateral for the vehicle lease line and to provide collateral for a transportation permit. As of June 30, 2006 and December 31, 2005, the Company had outstanding letters of credit amounting to $88.8 million and $89.2 million, respectively.

(s) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(t) Stock-based Compensation

On January 1, 2006, the Company adopted SFAS No. 123 (revised 2004), "Share-Based Payment." SFAS No. 123(R) replaces SFAS No. 123, "Accounting for Stock-Based Compensation," and supersedes Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS No. 123(R) requires companies to recognize compensation cost relating to share-based payment transactions in their financial statements. That cost is measured based upon the fair value of the equity or liability instruments issued. The Company adopted SFAS No. 123(R) using the modified prospective method. Under this transition method, new awards are valued and accounted for prospectively upon adoption. Outstanding prior awards that are unvested as of January 1, 2006 will be recognized as compensation cost over the remaining requisite service period. The results of operations of prior periods have not been restated. Accordingly, the Company will continue to provide pro forma financial information for periods prior to the date of adoption to illustrate the effect on net income and earning per share of applying the fair value recognition provisions of SFAS No. 123. See Note 13, "Stock-Based Compensation," for further detail.

(u) Reclassifications

Certain reclassifications have been made in the prior period's consolidated financial statements to conform to the 2006 presentation.

(v) New Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109." FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the financial statements by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on accounting for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. Management is currently evaluating the effect that adoption of this interpretation will have on the Company's consolidated financial position and results of operations.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections." SFAS No. 154 establishes new standards on accounting for changes in accounting principles. All such changes must be accounted for by retrospective application to the financial statements of prior periods unless it is impracticable to do so. SFAS No. 154 completely replaces APB Opinion No. 20, "Accounting Changes," and SFAS No. 3, "Reporting Accounting Changes in Interim Periods." However, it carries forward the guidance in those pronouncements with respect to accounting for changes in estimates, changes in the reporting entity, and the correction of errors. SFAS No. 154 is effective for accounting changes and error corrections made in fiscal years beginning after December 15, 2005.

(3) MARKETABLE SECURITIES

As of June 30, 2006, the Company held $11.8 million in marketable securities, which consisted primarily of auction bond securities readily marketable and which were held for working capital purposes. Accordingly, the Company classified these investments as available-for-sale. Available-for-sale securities are carried at fair value, with the unrealized gains and losses, net of tax, reported as a component of stockholders' equity. For the three- and six-month periods ended June 30, 2006, the Company had no unrealized gain or loss on these securities. The Company determines the appropriate classification of its marketable securities at the time of purchase and reevaluates such classification as of each balance sheet date.

As of December 31, 2004, the Company held $16.8 million in marketable securities. During the six-month period ended June 30, 2005, the Company liquidated these securities realizing no gain or loss.

(4) PROPERTIES HELD FOR SALE

As part of its plan to integrate the activities of the CSD business into its operation, the Company determined that certain acquired properties were no longer needed for its operations. The Company decided to sell these acquired properties; accordingly, the acquired surplus properties were transferred to properties held for sale. In the allocation of the purchase price of the CSD acquisition, the Company valued properties held for sale at the current appraised market value less estimated selling costs. In addition, subsequent to the completion of purchase accounting, the Company identified several additional properties that were no longer needed for its operations. These properties were transferred to properties held for sale at the lower of their net book value or current appraised market value less estimated selling costs. Properties held for sale include only those properties that the Company believes can be sold within the next twelve months based on current market conditions and the asking price. The Company cannot provide assurance that such sales will be completed within that period or that the proceeds from properties held for sale will equal their carrying value.

The following table presents the changes in properties held for sale for the six-month period ended June 30, 2006 (in thousands):

Balance at beginning of period	$7,670
Transfers to properties held for sale	1,269
Assets sold	(555)
Adjustments in estimated carrying value	(156)
Currency translation	8
Balance at end of period	$8,236

During the six-month period ended June 30, 2006, the Company sold two of the properties for $0.6 million, net of selling costs. The sale resulted in a $41 thousand loss, which is included in other income (expense).

(5) FINANCING ARRANGEMENTS

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

	June 30, 2006	December 31, 2005
Revolving Facility with a financial institution, bearing interest at either the U.S. or Canadian prime rate (8.25% and 6.00%, respectively, at June 30, 2006), depending on the currency of the underlying loan, or the Eurodollar rate (5.35% at June 30, 2006) plus 1.50%, collateralized by accounts receivable	$ —	$ —
Senior Secured Notes, bearing interest at 11.25%, collateralized by a second-priority lien on substantially all of the Company’s assets within the United States except for accounts receivable (maturity date of July 15, 2012)	97,500	150,000
Less unamortized issue discount	1,068	1,710
Less obligations classified as current	16,128	52,500
Long-term obligations	$ 80,304	$ 95,790

On June 30, 2006, the Company had outstanding $97.5 million of eight-year Senior Secured Notes due 2012 (the “Senior Secured Notes”), a $70.0 million revolving credit facility (the “Revolving Facility”), and a $50.0 million synthetic letter of credit facility (the “Synthetic LC Facility”).

On January 12, 2006, the Company redeemed $52.5 million principal amount of outstanding Senior Secured Notes and paid prepayment penalties and accrued interest through the redemption date.

The Company issued the Senior Secured Notes on June 30, 2004, and established the Revolving Facility and the Synthetic LC Facility on December 1, 2005, under an amended and restated loan and security agreement (the “Amended Credit Agreement”) which the Company then entered into with the lenders under the Company’s loan and security agreement dated June 30, 2004 (the “Original Credit Agreement”). The principal differences between the Amended Credit Agreement and the Original Credit Agreement are that: (i) the Revolving Facility was increased from $30.0 million under the Original Credit Agreement to $70.0 million under the Amended Credit Agreement; (ii) the maximum amount of the letters of credit which the Company may have issued as part of the Revolving Facility increased from $10.0 million under the Original Credit Agreement to $50.0 million under the Amended Credit Agreement (and further increased to $60.0 million in July 2006); (iii) the Synthetic LC Facility was decreased from $90.0 million under the Original Credit Agreement to a $50.0 million facility under the Amended Credit Agreement; and (iv) the annual rate of the participation fee payable on $50.0 million which the LC Lenders have deposited for purposes of the Synthetic LC Facility was decreased from 5.35% under the Original Credit Agreement to 3.10% under the Amended Credit Agreement (which annual rate was further reduced to 2.85% on January 12, 2006 as described below).

The principal terms of the Senior Secured Notes, the Revolving Facility, and the Synthetic LC Facility are as follows:

Senior Secured Notes. The Senior Secured Notes were issued under an Indenture dated June 30, 2004 (the “Indenture”). The Senior Secured Notes bear interest at 11.25% and mature on July 15, 2012. The $150.0 million original principal amount of the Senior Secured Notes was issued at a $2.0 million discount that resulted in an effective yield of 11.5%. Interest is payable semiannually in cash on each January 15 and July 15, commencing on January 15, 2005.

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

The Indenture provides for certain covenants, the most restrictive of which requires the Company, within 120 days after the close of each twelve-month period ending on June 30 of each year (beginning June 30, 2005 and ending June 30, 2011) to apply an amount equal to 50% of the period’s Excess Cash Flow (as defined below) to either prepay, repay, redeem or purchase its first-lien obligations under the Revolving Facility and Synthetic LC Facility or to make offers (“Excess Cash Flow Offers”) to repurchase all or part of the then outstanding Senior Secured Notes at an offering price equal to 104% of their principal amount plus accrued interest. “Excess Cash Flow” is defined in the Indenture as consolidated earnings before interest, taxes, depreciation and amortization (“EBITDA”) less interest expense, all taxes paid or accrued in the period, capital expenditures made in cash during the period, and all cash spent on environmental monitoring, remediation or relating to environmental liabilities of the Company.

Excess Cash Flow for the twelve months ended June 30, 2006 was $36.0 million. Accordingly, the Company anticipates being required, within 120 days following June 30, 2006, to offer to repurchase the Senior Secured Notes in the amount of 50% of the Excess Cash Flow generated during the twelve-month period ending June 30, 2006 less payments on first lien and capital lease obligations during that twelve month period. To the extent the Note holders do not accept an Excess Cash Flow Offer based on the Excess Cash Flow earned through June 30, 2006, such Excess Cash Flow will not be included in the amount of Excess Cash Flow earned in subsequent periods. However, the Indenture’s requirement to make Excess Cash Flow Offers in respect of Excess Cash Flow earned in subsequent twelve-month periods will remain in effect.

Revolving Facility. The Revolving Facility allows the Company to borrow up to $70.0 million in cash, based upon a formula of eligible accounts receivable. This total is separated into two lines of credit, namely: (i) a line for the Company and its U.S. subsidiaries equal to $70.0 million less the principal balance then outstanding under the line for the Company's Canadian subsidiaries and (ii) a line for the Company's Canadian subsidiaries equal to $5.3 million. The Revolving Facility also provides that Bank of America, N.A. will issue at the Company's request up to $60.0 million of letters of credit, with the outstanding amount of such letters of credit reducing the maximum amount of borrowings available under the Revolving Facility. At June 30, 2006, the Company had no borrowings and $38.9 million of letters of credit outstanding under the Revolving Facility, and the Company had approximately $31.1 million available to borrow. Amounts outstanding under the Revolving Facility bear interest at an annual rate of either the U.S. or Canadian prime rate (depending on the currency of the underlying loan) or the Eurodollar rate plus 1.50%. The Company is required to pay monthly Letter of Credit and quarterly fronting fees at an annual rate of 1.5% and 0.3%, respectively, on the amount of letters of credit outstanding under the Revolving Facility and an annual administrative fee of $25 thousand. The Credit Agreement also requires the Company to pay an unused line fee of 0.125% per annum on the unused portion of the Revolving Facility. The term of the Revolving Facility will expire on December 1, 2010.

Under the Amended Credit Agreement, the Company is required to maintain a maximum Leverage Ratio (as defined below) of no more than 2.45 to 1.0 for the quarter ended June 30, 2006. The maximum Leverage Ratio then reduces to no more than 2.40 to 1.0 for the quarterly periods ending September 30, 2006 through December 31, 2006, respectively. The maximum Leverage Ratio then reduces to no more than 2.35 to 1.0 for the quarters ending March 31, 2007 through December 31, 2007, and to no more than 2.30 to 1.0 for the quarterly periods ending March 31, 2008 through December 31, 2008, and 2.25 to 1.0 for each succeeding quarter. The Leverage Ratio is defined as the ratio of the consolidated indebtedness of the Company to its Consolidated EBITDA (as defined in the Amended Credit Agreement) achieved for the latest four-quarter period. For the quarter ended June 30, 2006, the Leverage Ratio was 0.83 to 1.0.

The Company is also required under the Amended Credit Agreement to maintain a minimum Interest Coverage Ratio (as defined below) of not less than 2.80 to 1.0 for the quarterly periods ending June 30, 2006 and September 30, 2006. The minimum Interest Coverage Ratio then increases to not less than 2.85 to 1.0 for the quarterly periods ending December 31, 2006 through December 31, 2007, and to not less than 3.00 to 1.0 for each succeeding quarter. The Interest Coverage Ratio is defined as the ratio of the Company's Consolidated EBITDA to its consolidated interest expense for the latest four-quarter period. For the quarter ended June 30, 2006, the Interest Coverage Ratio was 5.97 to 1.0.

The Company is also required under the Amended Credit Agreement to maintain a fixed charge coverage ratio of not less than 1.0 to 1.0 for each four-quarter period if, at the end of such four-quarter period, the Company has greater than $5.0 million of loans outstanding under the revolving credit facility. At June 30, 2006, the Company had no loans outstanding under the revolving credit facility and, therefore, the Company was not then required to comply with the fixed charge ratio covenant.

Synthetic LC Facility. The Synthetic LC Facility provides that Credit Suisse (the "LC Facility Issuing Bank") will issue up to $50.0 million of letters of credit at the Company's request. The Synthetic LC Facility requires that the LC Facility Lenders maintain a cash account (the "Credit-Linked Account") to collateralize the Company's outstanding letters of credit. Should any such letter of credit be drawn in the future and the Company fail to satisfy its reimbursement obligation, the LC Facility Issuing Bank would be entitled to draw upon the appropriate portion of the $50.0 million in cash which the LC Facility Lenders have deposited into the Credit-Linked Account. Acting through the LC Facility Agent, the LC Facility Lenders would then have the right to exercise their rights as first-priority lien holders (second-priority as to receivables) on substantially all of the assets of the Company and its U.S. subsidiaries. The Company has no right, title or interest in the Credit-Linked Account established under the Amended Credit Agreement for purposes of the Synthetic LC Facility. Under the Amended Credit Agreement, the Company was required to pay a quarterly participation fee at the annual rate of 3.10% on the $50.0 million facility. Following the redemption of $52.5 million of Senior Secured Notes on January 12, 2006, the annual rate of the quarterly participation fee was reduced to 2.85%. The Company is also required to pay a quarterly fronting fee at the annual rate of 0.30% of the average daily aggregate amount of letters of credit outstanding under the Synthetic LC Facility and an annual administrative fee of $65 thousand. At June 30, 2006, letters of credit outstanding under the Synthetic LC facility were $49.9 million. The term of the Synthetic LC Facility will expire on December 1, 2010.

(6) LEGAL PROCEEDINGS

The Company's waste management services are continuously 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 judicial 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 us and conformity with legal requirements, alleged violations of existing permits and licenses or requirements to clean up contaminated sites. At June 30, 2006, the Company was involved in various proceedings, the principal of which are described below, relating primarily to activities at or shipments to and/or from the Company's waste treatment, storage and disposal facilities.

Legal Proceedings Related to Acquisition of CSD Assets

Effective September 7, 2002 (the "Closing Date"), the Company purchased from Safety-Kleen Services, Inc. and certain of its domestic subsidiaries (collectively, the "Sellers") substantially all of the assets of the Chemical Services Division (the "CSD") of Safety-Kleen Corp. ("Safety-Kleen"). The Company purchased the CSD assets pursuant to a sale order (the "Sale Order") issued by the Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") which had jurisdiction over the Chapter 11 proceedings involving the Sellers, and the Company therefore took title to the CSD assets without assumption of any liability (including pending or threatened litigation) of the Sellers except as expressly provided in the Sale Order. However, under the Sale Order (which incorporated by reference certain provisions of the Acquisition Agreement between the Company and Safety-Kleen Services, Inc.), the Company became subject as of the Closing Date to certain legal proceedings which are now either pending or threatened involving the CSD assets for two reasons as described below. As of June 30, 2006, the Company had reserves of $35.2 million (substantially all of which the Company had established as part of the purchase price for the CSD assets) relating to the Company's estimated potential liabilities in connection with such legal proceedings. At December 31, 2005, the Company estimated that it was "reasonably possible" as that term is defined in SFAS No. 5 ("more than remote but less than likely"), that the amount of such total liabilities could be up to $3.5 million greater than such $35.2 million. The Company periodically adjusts the aggregate amount of such reserves when such potential liabilities are paid or otherwise discharged or additional relevant information becomes available to it. Substantially all of the Company's legal proceedings liabilities are environmental liabilities and, as such, are included in the tables of changes to remedial liabilities disclosed as part of Note 8, "Remedial Liabilities." During the first six months of 2006, legal reserves included in environmental liabilities were increased by $0.9 million.

The first reason for the Company becoming subject to certain legal proceedings which are now either pending or threatened in connection with the acquisition of the CSD assets is that, as part of the CSD assets, the Company acquired all of the outstanding capital stock of certain Canadian subsidiaries (the "CSD Canadian Subsidiaries") formerly owned by the Sellers (which subsidiaries were not part of the Sellers' bankruptcy proceedings), and the Company therefore became subject to the legal proceedings (which include the Ville Mercier Legal Proceedings described below) in which the Canadian Subsidiaries were then and are now involved. The second reason is that, as part of the purchase price for the CSD assets, the Company agreed with the Sellers that it would indemnify the Sellers against certain current and future liabilities of the Sellers under applicable federal and state environmental laws including, in particular, the Sellers' share of certain cleanup costs payable to governmental entities under the Comprehensive Environmental Response, Compensation and Liability Act ("Superfund Act") or analogous state Superfund laws. As described below, the Company and the Sellers are not in complete agreement at this time as to the scope of the Company's indemnity obligations under the Sale Order and the Acquisition Agreement with respect to certain Superfund liabilities of the Sellers.

The principal legal proceedings which are now either pending or threatened related to the Company's acquisition of the CSD assets are as follows. While, as described below, the Company has established reserves for certain of these matters, there can be no guarantee that any ultimate liability the Company may incur for any of these matters will not exceed (or be less than) the amount of the current reserves or that it will not incur other material expenditures.

Ville Mercier Legal Proceedings. One of the CSD Canadian Subsidiaries (the "Mercier Subsidiary") owns and operates a hazardous waste incinerator in Ville Mercier, Quebec (the "Mercier Facility"). A property owned by the Mercier Subsidiary adjacent to the current Mercier Facility is now contaminated as a result of actions dating back to 1968, when the Quebec government issued to the unrelated company which then owned the Mercier Facility 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 certain related companies together with certain former officers and directors, as well as against the Government of Quebec. The lawsuits assert that the defendants are jointly and severally responsible for the contamination of groundwater in the region, which the plaintiffs claim was caused by contamination from the former Ville Mercier lagoons and which they claim caused each municipality to incur additional costs to supply drinking water for their citizens since the 1970's and early 1980's. The four municipalities claim a total of $1.6 million (CDN) as damages for additional costs to obtain drinking water supplies and seek an injunctive order to obligate the defendants to remediate the groundwater in the region. The Quebec Government also sued the Mercier Subsidiary to recover approximately $17.4 million (CDN) of alleged past costs for constructing and operating a treatment system and providing alternative drinking water supplies. The Mercier Subsidiary continues to assert that it has no responsibility for the groundwater contamination in the region.

Because the continuation of such proceedings by the Mercier Subsidiary, which the Company now owns, would require the Company to incur legal and other costs and the risks inherent in any such litigation, the Company, as part of its integration plan for the CSD assets, decided to vigorously review options which will allow the Company to establish harmonious relations with the local communities, resolve the adversarial situation with the Provincial government and spare continued legal costs. Based upon the Company's review of likely settlement possibilities, the Company anticipates that as part of any such settlement it will likely agree to assume at least partial responsibility for remediation of certain environmental contamination and certain prior costs. At June 30, 2006, the Company had accrued $11.6 million for remedial liabilities and associated legal costs relating to the Ville Mercier Legal Proceedings. There was no change in this liability during the first six months of 2006.

Indemnification of Certain CSD Superfund Liabilities. The Company's agreement with the Sellers under the Acquisition Agreement and the Sale Order to indemnify the Sellers against certain cleanup costs payable to governmental entities under federal and state Superfund laws now relate primarily to: (i) two properties included in the CSD assets which are either now subject or proposed to become subject to Superfund proceedings; (ii) certain potential liabilities which the Sellers might incur in the future in connection with an incinerator formerly operated by Marine Shale Processors, Inc. to which the Sellers shipped hazardous wastes; and (iii) 35 active Superfund sites owned by third parties where the Sellers have been designated as Potentially Responsible Parties ("PRPs"). As described below, there are also five other Superfund sites owned by third parties where the Sellers have been named as PRPs or potential PRPs and for which the Sellers have sent demands for indemnity to the Company since the Closing Date. In the case of the two properties referenced above which were included in the CSD assets, the Company is potentially directly liable for cleanup costs under applicable environmental laws because of its ownership and operation of such properties since the Closing Date. In the case of Marine Shale Processors and the 35 other third party sites referenced above, the Company does not have direct liability for cleanup costs but may have an obligation to indemnify the Sellers, to the extent provided in the Acquisition Agreement and the Sale Order, against the Sellers' share of such cleanup costs which are payable to governmental entities.

Federal and state Superfund laws generally impose strict, and in certain circumstances, joint and several liability for the costs of cleaning up Superfund sites not only upon the owners and operators of such sites, but also upon persons or entities which in the past have either generated or shipped hazardous wastes which are present on such sites. The Superfund laws also provide for liability for damages to natural resources caused by hazardous substances at such sites. Accordingly, the Superfund laws encourage PRPs to agree to share in specified percentages of the aggregate cleanup costs for Superfund sites by entering into consent decrees, settlement agreements or similar arrangements. Non-settling PRPs may be liable for any shortfalls in government cost recovery and may be liable to other PRPs for equitable contribution. Under the Superfund laws, a settling PRP's financial liability could increase if the other settling PRPs were to become insolvent or if additional or more severe contamination were discovered at the relevant site. In estimating the amount of those Sellers' liabilities at those Superfund sites where one or more of the Sellers has been designated as a PRP and as to which the Company believes that it has potential liability under the Acquisition Agreement and the Sale Order, the Company therefore reviewed any existing consent decrees, settlement agreements or similar arrangements with respect to those sites and the Sellers' negotiated volumetric share of liability (where applicable), and also took into consideration the Company's prior knowledge of the relevant sites and the Company's general experience in dealing with the cleanup of Superfund sites.

Properties Included in CSD Assets. The CSD assets which the Company acquired include an active service center located at 2549 North New York Street 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 Sellers 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. Also included within the CSD assets which the Company acquired are rights under an indemnification agreement between the Sellers and a prior owner of the Wichita Property, which it anticipates but cannot guarantee will be available to reimburse certain such cleanup costs.

The CSD assets also include a former hazardous waste incinerator and landfill in Baton Rouge, Louisiana ("BR Facility") currently undergoing remediation pursuant to an order issued by the Louisiana Department of Environmental Quality. In December 2003, the Company received an information request from the federal EPA pursuant to the Superfund Act concerning the Devil's Swamp Lake Site ("Devil's Swamp") in East Baton Rouge Parish, Louisiana. On March 8, 2004, the EPA proposed to list Devil's Swamp on the National Priorities List for further investigations and possible remediation. Devil's Swamp includes a lake located downstream of an outfall ditch where wastewaters and stormwaters have been discharged from the BR Facility, as well as extensive swamplands adjacent to it. Contaminants of concern cited by the EPA as a basis for listing the site include substances of the kind found in wastewaters discharged from the BR Facility in past operations. While the Company's ongoing corrective actions at the BR Facility may be sufficient to address the EPA's concerns, there can be no assurance that additional action will not be required and that the Company will not incur material costs. The Company cannot now estimate the Company's potential liability for Devil's Swamp; accordingly, the Company has accrued no liability for remediation of Devil's Swamp beyond what was already accrued pertaining to the ongoing corrective actions and amounts sufficient to cover certain estimated legal fees and related expenses.

Marine Shale Processors. Beginning in the mid-1980s and continuing until July 1996, Marine Shale Processors, Inc., located in Amelia, Louisiana ("Marine Shale"), operated a kiln 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 Resource Conservation Recovery Act ("RCRA") and permitting requirements as a hazardous waste incinerator under applicable federal and state environmental laws. The EPA contended that Marine Shale was a “sham-recycler” subject to the regulation and permitting requirements as a hazardous waste incinerator under RCRA, that its vitrified aggregate by-product was a hazardous waste, and that Marine Shale’s continued operation without required permits was illegal. Litigation between the EPA and Marine Shale began in 1990 and continued until July 1996 when the U.S. Fifth Circuit Court of Appeals ordered Marine Shale to shutdown its operations. During the course of its operation, Marine Shale produced thousands of tons of aggregate, some of which was sold as fill material at various locations in the vicinity of Amelia, Louisiana, but most of which was stockpiled on the premises of the Marine Shale facility. Almost all of this aggregate has since been moved to a nearby site owned by an affiliate of Marine Shale, known as Recycling Park, Inc. In accordance with a court order authorizing the movement of this material to this offsite location, all of the materials located at Recycling Park, Inc. comply with the land disposal restrictions of RCRA. Approximately 7,000 tons of aggregate remain on the Marine Shale site. Moreover, as a result of past operations, soil and groundwater contamination may exist on the Marine Shale facility and the Recycling Park, Inc. site.

Although the Sellers never held an equity interest in Marine Shale, the Sellers were among the largest customers of Marine Shale in terms of overall incineration revenue. Based on a plan to settle obligations that was established at the time of the acquisition, the Company obtained more complete information as to the potential status of the Marine Shale facility and the Recycling Park, Inc. site as a Superfund site or sites, the potential costs associated with possible removal and disposal of some or all of the vitrified aggregate and closure and remediation of the Marine Shale facility and the Recycling Park, Inc. site, and the respective shares of other identified potential PRPs on a volumetric basis. Accordingly, the Company determined in the third quarter of 2003 that the remedial liabilities and associated legal costs were then probable and estimable and recorded liabilities for the Company’s estimate of the Sellers’ proportionate share of environmental cleanup costs potentially payable to governmental entities under federal and/or state Superfund laws. At June 30, 2006, the Company had accrued $13.7 million of reserves relating to potential cleanup costs for the Marine Shale facility and the Recycling Park, Inc. site. There was no material change in this liability during the first six months of 2006.

On December 24, 2003, the Sellers’ plan of reorganization became effective under chapter 11 of the Bankruptcy Code. If the EPA or the Louisiana Department of Environmental Quality (“LDEQ”) were in the future to designate the Marine Shale facility and/or the Recycling Park, Inc. site as a Superfund site or sites, the Sellers might assert that they are not responsible for potential cleanup costs associated with such site or sites, and the Company might assert that under the Sale Order the Company is not obligated to pay or reimburse cleanup and related costs associated with such site or sites. The Company cannot now provide assurances with respect to any such matters which, in the event the EPA or the LDEQ were in the future to designate the Marine Shale facility and/or the Recycling Park, Inc. site as a Superfund site or sites, would need to be resolved by future events, negotiations and, if required, legal proceedings.

Third Party Superfund Sites. Prior to the Closing Date, the Sellers had generated or shipped hazardous wastes, which are present on an aggregate of 35 sites owned by third parties, which have been designated as federal or state Superfund sites and at which the Sellers, along with other parties, had been designated as PRPs. Under the Acquisition Agreement and the Sale Order, the Company agreed with the Sellers that it would indemnify the Sellers against the Sellers’ share of the cleanup costs payable to governmental entities in connection with those 35 sites, which were listed in Exhibit A to the Sale Order (the “Listed Third Party Sites”). At 29 of the Listed Third Party Sites, the Sellers had addressed, prior to the Company’s acquisition of the CSD assets in September 2002, the Sellers’ cleanup obligations to the federal and state governments and to other PRPs by entering into consent decrees or other settlement agreements or by participating in ongoing settlement discussions or site studies and, in accordance therewith, the PRP group is generally performing or has agreed to perform the site remediation program with government oversight. With respect to one of those 29 Listed Third Party Sites, certain developments have occurred since the Company’s purchase of the CSD assets as described in the following two paragraphs. Of the remaining Listed Third Party Sites, the Company on behalf of the Sellers are contesting with the governmental entities and PRP groups involved liability at two sites, have settled the Sellers’ liability at two sites, and plan to fund participation by the Sellers as settling PRPs at two sites. In addition, the Company has confirmed that the Sellers were ultimately not named as PRPs at one site. With respect to the 35 Listed Third Party Sites, the Company had reserves of $18.0 million at June 30, 2006. There was no material change in this liability during the first six months of 2006.

With respect to one of those 35 sites (the “Helen Kramer Landfill Site”), the Sellers had entered (prior to the Sellers commencing their bankruptcy proceeding in June 2000) into settlement agreements with certain members of the PRP group which agreed to perform the cleanup of that site in accordance with a consent decree with governmental entities, in return for which the Sellers received a conditional release from such governmental entities. Following the Sellers’ commencement of their bankruptcy proceeding, the Sellers failed to satisfy their payment obligations to those PRPs under those settlement agreements.

In November 2003, certain of those PRPs made a demand directly on the Company for the Sellers’ share of the cleanup costs incurred by the PRPs with respect to the Helen Kramer Landfill Site. However, at a hearing in the Bankruptcy Court on January 6, 2004 on a motion by those PRPs seeking an order that the Company was liable to such PRPs under the terms of the Sale Order, the Bankruptcy Court declined to hear the motion on the ground that those PRPs (which are not governmental entities) have no right to seek direct payment from the Company for any portion of the cleanup costs which they have incurred in connection with that site. The Company’s legal position is that when the Sellers’ plan of reorganization became effective in

December 2003, the Sellers likely were discharged from their obligations to those PRPs for that site. The Sellers have never made an indemnity request upon the Company for any obligations relating to that site. The PRPs indicated their intention to pursue additional recourse against the Company, but the Company filed in February 2005 a complaint with the Bankruptcy Court seeking declaratory relief that the injunction in the Sale Order is operative against those PRPs' efforts to proceed directly against the Company and seeking sanctions against those PRPs for violating that injunction. In April 2005, the Company's general counsel advised the Company that its exposure to liability for the Sellers' obligations with respect to the Helen Kramer Landfill Site was no longer "probable," and the Company therefore reversed a $1.9 million reserve which it had established with respect to those potential liabilities in connection with its acquisition of the CSD assets. The reversal of the $1.9 million reserve was recorded to selling, general and administrative expenses. In October 2005, the Bankruptcy Court granted the PRPs' motion to dismiss the count of the Company's complaint seeking sanctions against them for contempt, but the remaining counts of the Company's complaint seeking declaratory relief remain to be resolved. In November 2005, the PRPs filed a counterclaim for declaratory relief that the Company is liable to them for the Seller's obligations to them. On March 22, 2006, the PRPs moved for summary judgment on all counts, but the Court declined to grant that motion on July 24, 2006, and requested that the parties confer about setting a status conference to establish a trial date.

By letters to the Company dated between September 2004 and May 2006, the Sellers identified, in addition to the 35 Listed Third Party Sites, five additional sites owned by third parties which the EPA or a state environmental agency has designated as a Superfund site or potential Superfund site and at which one or more of the Sellers have been named as a PRP or potential PRP. In those letters, the Sellers asserted that the Company has an obligation to indemnify the Sellers for their share of the potential cleanup costs associated with such five additional sites. The Company has responded to such letters from the Sellers by stating that, under the Sale Order, the Company has no obligation to reimburse the Sellers for any cleanup and related costs (if any), which the Sellers may incur in connection with such additional sites. The Company intends to assist the Sellers in providing information now in the Company's possession with respect to such five additional sites and to participate in negotiations with the government agencies and PRP groups involved. In addition, at one of those five additional sites, the Company may have some liability independently of the Sellers' involvement with that site, and the Company may also have certain defense and indemnity rights under contractual agreements for prior acquisitions relating to that site. Accordingly, the Company is now investigating that site further. However, the Company now believes that it has no liabilities with respect to the potential cleanup of those five additional sites that are both probable and estimable at this time, and the Company therefore has not established any reserves for any potential liabilities of the Sellers in connection therewith. It is expressly the Company's legal position that it is not liable at any of the five sites for any and/or all of the Sellers' liabilities. In any event, at one site the potential liability of the Seller(s) is de minimis and a settlement has already been offered to the Seller(s) to that effect, and at one site the Company believes that the Seller(s) shipped no wastes or substances into the site and therefore the Seller(s) have no liability. For the other three sites, the Company cannot estimate the amount of the Sellers' liabilities, if any, at this time, and irrespective of whatever liability the Sellers may or may not have, the Company reaffirms its position that the Company does not have any liability for the Sellers at any of the five sites including these three particular sites.

Other Legal Proceedings Related to CSD Assets

Plaquemine, Louisiana Facility. In addition to the legal proceedings related to the acquisition of the CSD assets described above, subsequent to the acquisition in September 2002 various plaintiffs which are represented by the same law firm have filed four lawsuits based in part upon allegations relating to ownership and operation of a deep injection well facility near Plaquemine, Louisiana which Clean Harbors Plaquemine, LLC ("CH Plaquemine"), one of the Company's subsidiaries, acquired as part of the CSD assets. The first such lawsuit was filed in December 2003 in the 18th Judicial District Court in Iberville Parish, Louisiana, against CH Plaquemine under the citizen suit provisions of the Louisiana Environmental Quality Act. The lawsuit alleges that the facility is in violation of state law by disposing of hazardous waste into an underground injection well that the plaintiffs allege is located within the banks or boundaries of a body of surface water within the jurisdiction of the State of Louisiana. The lawsuit also focuses on a "new area of concern" at the facility, which the plaintiffs allege is a source of contamination which will require environmental remediation and/or restoration. The lawsuit also alleges that CH Plaquemine's former facility manager made false representations and failed to disclose material information to the regulators about the facility after CH Plaquemine acquired it in September 2002. The plaintiffs seek an order declaring the facility to be located within the banks or boundaries of a body of surface water under state law, payment of civil penalties of $27,500 per violation per day from and after November 17, 2003, and an additional penalty of $1.0 million for damages to the environment, plus interest. The plaintiffs also seek an order requiring the facility to remove all waste disposed of since September of 2002, and in general, to conduct an investigation into and remediate the alleged contamination at the facility, as well as damages for alleged personal injuries and property damage, natural resources damages, costs of litigation, and attorney's fees. On January 14, 2005, the state district court judge granted the plaintiffs' petition for a preliminary (or temporary) injunction restraining the subsidiary from disposing of hazardous waste in the injection well. On January 18, 2005 (the next day the court was again open for business) CH Plaquemine filed a motion seeking to stay the preliminary injunction, which the same judge granted. The legal effect of the stay order was to allow the facility to continue normal business operations and to continue injecting hazardous waste, pending an appeal. In accordance with the stay order that was granted in favor of the subsidiary, CH Plaquemine has appealed the court's initial ruling granting the preliminary (or temporary) injunction to the Louisiana First Circuit Court of Appeal in Baton Rouge. In June 2006, this appellate court ruled in favor of CH Plaquemine, ruling that the trial court judge had committed reversible error in applying the state law that was allegedly violated by the facility's operations and also had committed reversible error in issuing the preliminary injunction. The injunction was reversed, and the facility is continuing to operate on a business as usual basis..

In February 2005, this same group of plaintiffs sent notice to the Louisiana Department of Environmental Quality that they intended to file a second citizen suit. In April 2005, the second citizen suit petition was filed naming Clean Harbors, Inc. ("CHI"), Clean Harbors Environmental Services, Inc. ("CHESI"), and an employee of CHESI as defendants. The second citizen suit alleges that CHI, CHESI and the CHESI employee are liable for conduct based upon claims that are substantially similar in nature to those filed against CH Plaquemine in the original citizen suit and also alleges that CHI and CHESI are liable for certain aspects of the operations of CH Plaquemine under the lawsuit's so-called "Single Business Entity Doctrine." This second lawsuit seeks civil penalties of $10,000 per day per violation from an unspecified date.

In June 2005, the same plaintiff's lawyers who filed the two lawsuits described immediately above filed a petition to add CHI, CHESI, CH Plaquemine and the two (one former, one current) employee defendants, to a lawsuit commenced in 1996 against the former owner of the site. While the allegations of that suit are slightly different from the two lawsuits described above, CHI and CHESI are again named in the petition as defendants based largely on the so-called "Single Business Entity Doctrine." This third lawsuit also names as defendants certain former owners and operators of the facility and the insurance company that currently provides environmental impairment liability insurance coverage for the facility, and seeks unspecified compensatory and punitive damages and attorney's fees.

In April 2006, the same plaintiff's lawyers who filed the three lawsuits described immediately above notified the Company of a lawsuit originally filed in June 2004 by Claude I. Duncan, on his own behalf and on behalf of the United States of America, against a number of defendants, including the Company, alleging violations of the Federal False Claims Act. The action is based almost entirely on the same environmental law violations concerning the Plaquemine facility which are alleged in the three lawsuits described above. In accordance with the False Claims Act, Mr. Duncan originally filed his lawsuit under seal in order to afford the federal government time to decide whether it wanted to intervene in the action. In April 2006, the federal government gave the plaintiffs notice of its intent not to intervene, at which time the court unsealed a portion of the records and made the action public.

The Company believes that all four of these lawsuits are without merit, and is vigorously defending against the claims made. The Company further believes that, since its acquisition by CH Plaquemine, the Plaquemine facility has been and now is in full compliance with its operating permits and all applicable state laws, and that any alleged contamination in the "new area of concern" complained of by the plaintiffs was and is already being addressed under the corrective action provisions of its RCRA operating permit. In addition, the Company believes that many of the plaintiffs' claims relate to actions or omissions allegedly taken or caused prior to September 2002 by third parties that formerly owned and/or operated, or generated or shipped waste to, the Plaquemine facility for which the Company has no legal responsibility under the Sale Order. As of April 20, 2006, the Company had incurred legal expenses in connection with defending against the first three of these lawsuits that satisfied the $1.0 million deductible on the Company's environmental impairment liability insurance applicable to the Plaquemine facility. Because the Company believes the claims against CH Plaquemine, CHI and CHESI in the four lawsuits are without merit and that the Company has adequate insurance to cover any future liabilities associated with such lawsuits, the Company does not now maintain any reserves associated with the four Plaquemine lawsuits. The Company has previously established and maintains a separate reserve for the ongoing corrective actions at the Plaquemine facility (which is included within the Company's reserves for remedial liabilities for its properties described in Note 8), and has increased the amount of this separate reserve to cover the costs of additional sampling and analytical testing being conducted in the vicinity of the "new area of concern."

Deer Trail, Colorado Facility. On December 21, 2005, the Colorado Department of Public Health and Environment ("CDPHE") granted to Clean Harbors Deer Trail, LLC ("CH Deer Trail") a radioactive materials license ("RAD license") to accept certain low level radioactive materials known as NORM/TENORM wastes for disposal at the CH Deer Trail facility in accordance with the license's terms. On or about January 20, 2006, Adams County Colorado, the county where the CH Deer Trail facility is located, filed Complaints in the Adams County District Court and the Denver County District Court against CDPHE seeking to vacate the CDPHE's grant of the license to CH Deer Trail. On or about February 8, 2006, the Colorado Attorney General representing CDPHE filed motions with both courts petitioning the courts to dismiss the County's complaints on various procedural grounds. On April 5, 2006, attorneys for CH Deer Trail filed motions to intervene in both actions to protect the Company's interest. Both the County and the State of Colorado agreed to CH Deer Trail's motion to intervene.

On or about April 20, 2006, the Company was notified that it had been awarded a contract by the municipality of Canon City Water Treatment Plant to dispose of certain quantities of NORM/TENORM material at the CH Deer Trail facility in accordance with its RAD license. CH Deer Trail notified the State of Colorado that it had received the aforementioned contract and intended to proceed with the project and further requested confirmation that the RAD license issued by CDPHE was valid and in effect during the pendency of the two cases in the above referenced courts. By letter on April 20, 2006, CDPHE notified both the municipality of Canon City and CH Deer Trail that the license was valid and in effect. On April 21, 2006 the Colorado Attorney General notified the courts and the plaintiff county that Deer Trail would accept the Canon City NORM/TENORM material during the week of April 23, 2006. The plaintiff county objected and for the first time provided notice to the State of

Colorado and CH Deer Trail that it had obtained a stay of the RAD license in the Adams County Court on January 20, 2006. No prior notice of such a stay had been served on the State of Colorado or CH Deer Trail. In response thereto, on April 27, 2006, the State of Colorado filed a motion with the Adams County District Court seeking a clarification of the order granting the automatic stay and seeking to narrow the order so as to allow the facility to accept NORM/TENORM materials in accordance with its RAD license.

During the pendency of this motion, CH Deer Trail, with the concurrence of its customer Canon City, Colorado, agreed to delay acceptance of Canon City's NORM/TENORM materials until a hearing on the matter can be held at the Adams County District Court. No stay of the RAD license was granted by the Denver County District Court. On May 5, 2006, the Denver District Court held a hearing to rule on the motions by the State of Colorado and the Company to dismiss the complaint of the plaintiff county. The Court ruled in favor of the State and the Company and issued an order dismissing the plaintiff county's complaint. On July 5, 2006, the Adams County District Court held a hearing on the plaintiff county's appeal and dismissed the county's complaint. The written order dismissing the complaint was executed on July 31, 2006 and it simultaneously vacates the stay which had previously been issued by that court.

Legal Proceedings Not Related to CSD Assets

In addition to the legal proceedings relating to the CSD assets, the Company is also involved in certain legal proceedings related to environmental matters which have arisen for other reasons. The principal such legal proceedings include certain Superfund proceedings relating to sites owned by third parties where the Company (or a predecessor) has been named a PRP, and certain regulatory proceedings.

Superfund Sites Not Related to CSD Acquisition. The Company has been named as a PRP at 29 sites that are not related to the CSD acquisition. Fourteen of these sites involve two subsidiaries, which the Company acquired from ChemWaste, a former subsidiary of Waste Management, Inc. As part of that acquisition, ChemWaste agreed to indemnify the Company with respect to any liability of those two subsidiaries for waste disposed of before the Company acquired them. Accordingly, Waste Management is paying all costs of defending those two subsidiaries in those 14 cases, including legal fees and settlement costs.

The Company's subsidiary which owns the Bristol, Connecticut facility is involved in one of the 29 Superfund sites. As part of the acquisition of that facility, the seller and its now parent company, Cemex, S.A., agreed to indemnify the Company with respect to any liability for waste disposed of before the Company acquired the facility, which would include any liability arising from Superfund sites.

Eleven of the 29 Superfund sites involve subsidiaries acquired by the Company which had been designated as PRPs with respect to such sites prior to its acquisition of such subsidiaries. Some of these sites have been settled, and the Company believes its ultimate liability with respect to the remaining such sites will not be material to its result of operations, cash flow from operations or financial position.

As of June 30, 2006, the Company had reserves of $226 thousand for cleanup of Superfund sites not related to the CSD acquisition at which either the Company or a predecessor has been named as a PRP. However, there can be no guarantee that the Company's ultimate liabilities for these sites will not materially exceed this amount or that indemnities applicable to any of these sites will be available to pay all or a portion of related costs. Furthermore, in July 2006, the Company was informed of its involvement at a state Superfund site in Niagara Falls, New York where it may have incurred liability for past waste shipments. The Company has not yet accrued any amount in respect of this potential liability.

EPA Enforcement Action

Kimball, Nebraska Facility. On April 2, 2003, Region VII of the U.S. Environmental Protection Agency ("EPA Region VII") in Kansas City, Kansas, served a Complaint, Compliance Order and Notice of Opportunity for Hearing ("CCO") on the Company's subsidiary which operates an incineration facility in Kimball, Nebraska. The CCO stems from an inspection of the Kimball facility between April 8 and 10, 2002. Thereafter, EPA Region VII issued a Notice of Violation ("NOV") for certain alleged violations of RCRA. The Company responded to the NOV by letter and contested the allegations. After extensive settlement negotiations, on February 23, 2004, the Company and EPA Region VII executed a Consent Agreement and Final Order that included a Supplemental Environmental Project ("SEP"). The Company will be required to perform and account for the SEP in accordance with the EPA's SEP Policy. The SEP will involve cleaning out chemicals from high school laboratories, art departments and other campus locations, with all such work to be performed by the Company's own trained field chemists. The SEP will also include the proper packaging, labeling, manifesting, transportation, and ultimately disposal, recycling or re-use of these chemicals at the hazardous waste treatment, storage and disposal facilities owned and operated by the Company's subsidiaries, in lieu of the payment of any further civil penalties. The Company will have two years to complete the performance of the SEP, and any remaining amounts then still owed and outstanding will have to be paid in cash at that time, as calculated pursuant to a sliding scale formula that reduces the amount of cash that will be owed as more of the environmental services are rendered over the two-year period. At June 30, 2006, the Company had accrued $132 thousand for its SEP liability. The facility is nearing the end of the two-year time period allowed to perform this SEP, and it will likely pay a final nominal amount of the remaining specified civil penalties in order to comply with the terms and conditions of the Consent Agreement and Final Order.

State and Provincial Enforcement Actions

Kimball, Nebraska Facility. On October 11, 2005, the Company was notified by the Nebraska Department of Environmental Quality ("NDEQ") that the Kimball facility owned by Clean Harbors Environmental Services, Inc. had violated terms of its permit by accepting a prohibited waste stream identified as FO27 on three occasions. The NDEQ also noted a second violation related to failure to make a hazardous waste determination concerning certain rinseate wash water. The NDEQ determined that no further corrective action was required on either of these violations; however, the NDEQ did refer the matter to the Nebraska Attorney General for monetary penalties. The Attorney General originally proposed a payment of $145 thousand but the Company successfully negotiated a settlement payment of $130,000 and certain court costs incurred by the Attorney General in the matter. As a result, this matter is resolved.

Bristol, Connecticut Facility. On February 26, 2006, the Company received a proposed Consent Order from the Connecticut Department of Environmental Protection ("CDEP") for the Clean Harbors of Connecticut, Inc. facility located in Bristol, Connecticut. The CDEP alleged that the facility violated several CDEP operational regulations and permit conditions. The proposed Consent Order included a schedule for correcting the underlying cause of the alleged violations as well as a payment of a civil penalty of $171 thousand and completion of a Supplemental Environmental Project valued at $48 thousand, for a total of $219 thousand. During the course of the negotiations, additional alleged violations were included into the proposed Consent Order. On July 31, 2006, the Company's subsidiary settled all of these matters by agreeing to a final Consent Order requiring it to pay a civil penalty of $83,535 and perform two Supplemental Environmental Projects, one valued at $48,125 for alleged wastewater violations, and the other SEP involves purchasing a mobile emergency response command motor vehicle for the local fire department valued at $153,262. As a result, at June 30, 2006, the Company had accrued $285 thousand related to this Consent Order.

Ashtabula, Ohio Facility. In July 2006, the Ohio Environmental Protection Agency ("Ohio EPA") issued proposed final findings and orders pertaining to alleged air pollution control violations at the Clean Harbors PPM, LLC facility in Ashtabula, Ohio. The Ohio EPA has issued a proposed civil penalty of $108,400 for the emission of the VOCs which are alleged to be in violation of the Title V permit during the specific time period at issue. The Company, through its in-house counsel, has engaged in settlement negotiations with the Ohio EPA in an effort to resolve the matter. However, there can be no guarantee that the results of those negotiations will result in a settlement or a lower penalty than originally imposed. The Company has not accrued for any potential liability at June 30, 2006.

London, Ontario Facility. Clean Harbors Environmental Services, Inc., and one of the Company's Canadian subsidiaries, Clean Harbors Canada, Inc., received a summons from the Provincial Ministry of Labour alleging a number of regulatory offenses under the Ontario Occupational Health and Safety Act as a result of a fire in October 2003 at a Clean Harbors Canada, Inc., waste transfer facility in London, Ontario. A worker at the facility received serious injuries as a result of the fire. The matter is pending in the Ontario Court of Justice in London, Ontario. The initial appearance on this matter occurred on November 22, 2004, and in the spring of 2005 the Company filed a pre-trial motion to quash the charges based on the jurisdictional argument that the Provincial Ministry of Labour lacked jurisdiction to lay charges as the jurisdiction to do so rests with the Federal Government under the Canadian Labour Code. In continuing the pre-trial proceedings, the court decided that the Company would file an affidavit in support of the Company's motion with the Crown in mid-December, 2005 and receive a cross motion from the Crown. The Company expects the hearing on the motions to be held the week of August 14, 2006. The Company has not accrued any liability associated with this matter because any potential liability is not now probable or estimable.

Summons To Respond to Environment Canada. On July 15, 2005 a Summons was received from a Justice of the Peace for the Province of Ontario by the Lambton Facility in Sarnia, Ontario, Canada owned by Clean Harbors Canada, Inc. requiring that subsidiary to appear in the Ontario Court of Justice in Sarnia, Ontario, on September 19, 2005 to answer charges alleging that at various times between January, 2003 and June 2004, the subsidiary failed to provide manifest copies to Environment Canada ("EC") within three days after the manifest is provided to the first authorized carrier and failure to provide an inspector with outstanding manifests; importation of environmentally hazardous waste without an authorized carrier; and failure to submit notice information to the Minister. Such alleged failures if true, would be contrary to: section 7(o) of the Export and Import of Hazardous Waste Regulations; section 272 (1) (a) of the Canadian Environmental Protection Act, 1999, c-33; paragraph 3(1) of the Environmental Emergency Regulations; section 32 (a) of the Export and Import of Hazardous Waste Regulations; section 30(a) of the Export and Import of Hazardous Wastes Regulations.

On April 28, 2006, the Company's subsidiary agreed to resolve the matter by acknowledging violation of two counts of the aforementioned regulations. As part of the resolution, the Company's subsidiary has agreed to contribute $60 thousand (CDN) to two local environmental organizations. On May 3, 2006 the foregoing resolution was accepted by the Court and the balance of the charges were withdrawn. The Company's subsidiary has tendered the contributions to the two local environmental organizations, thereby fulfilling its obligations under the agreement and resolving the matter.

(7) CLOSURE AND POST-CLOSURE LIABILITIES

Reserves for closure and post-closure obligations are as follows (in thousands):

	June 30, 2006	December 31, 2005
Landfill facilities:		
Cell closure	$ 17,226	$ 16,507
Facility closure	619	672
Post-closure	831	889
	18,676	18,068
Non-landfill retirement liability:		
Facility closure	5,845	5,554
	24,521	23,622
Less obligation classified as current	3,502	2,894
Long-term closure and post-closure liabilities	$ 21,019	$ 20,728

All of the landfill facilities included in the table above are active as of June 30, 2006.

Anticipated payments at June 30, 2006 (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):

Periods ending December 31,	
Remaining six months of 2006	$ 1,681
2007	4,445
2008	4,688
2009	2,033
2010	8,649
Thereafter	201,247
Undiscounted closure and post-closure liabilities	222,743
Less: Reserves to be provided (including discount of $115.9 million) over remaining site lives	(198,222)
Present value of closure and post-closure liabilities	$ 24,521

The changes to closure and post-closure liabilities for the six months ended June 30, 2006 are as follows (in thousands):

	December 31, 2005	New Asset Retirement Obligations	Accretion	Benefit from Changes in Estimate Recorded to Statement of Operations	Other Changes in Estimates Recorded to Balance Sheet	Currency Translation, Reclassifications and Other	Payments	June 30, 2006
Landfill retirement liability	$18,068	$524	$1,263	$(528)	$(275)	$41	$(417)	$18,676
Non-landfill retirement liability	5,554	—	385	30	186	9	(319)	5,845
Total	$23,622	$524	$1,648	$(498)	$(89)	$50	$(736)	$24,521

New asset retirement obligations incurred in 2006 are being discounted at the credit-adjusted risk-free rate of 9.25% and inflated at a rate of 2.17%.

(8) REMEDIAL LIABILITIES

Remedial liabilities are obligations to investigate, alleviate or eliminate the effects of a release (or threat of a release) of hazardous substances into the environment and may also include corrective action under RCRA or other applicable laws. The Company's operating subsidiaries' remediation obligations can be further characterized as Legal, Superfund, Long-term Maintenance and One-Time Projects. Legal liabilities are typically comprised of litigation matters that can involve 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 Company activities or operations, or in certain cases, from the actions or inactions of other persons or companies. Superfund liabilities are typically claims alleging that the Company is a potentially responsible party and/or is potentially liable for environmental response, removal, remediation and cleanup costs at/or from either an owned or third party site. As described in Note 6, "Legal Proceedings," Superfund liabilities also include certain Superfund liabilities to governmental entities for which the Company is potentially liable to reimburse the Sellers in connection with the Company's 2002 acquisition of the CSD assets from Safety-Kleen Corp. Long-term Maintenance includes the costs of groundwater monitoring, treatment system operations, permit fees and facility maintenance for discontinued operations. One-Time Projects include the costs necessary to comply with regulatory requirements for the removal or treatment of contaminated materials.

SFAS No. 143 applies to asset retirement obligations that arise from ordinary business operations. The Company became subject to almost all of its remedial liabilities as part of the acquisition of the CSD assets from Safety-Kleen Corp., and the Company believes that the remedial obligations did not arise from normal operations. Remedial liabilities to which the Company became subject in connection with the acquisition of the CSD assets have been and will continue to be inflated using the inflation rate at the time of acquisition (2.4%) until the expected time of payment, then discounted at the risk-free interest rate at the time of acquisition (4.9%). Remedial liabilities incurred subsequent to the acquisition and remedial liabilities that existed prior to the acquisition have been and will continue to be recorded at the estimated current value of the liability, which is usually neither increased for inflation nor reduced for discounting.

The Company records environmental-related accruals for remedial obligations at both its landfill and non-landfill operations. See Note 2 in the Company's Annual Report on Form 10-K for the year ended December 31, 2005 for further discussion of the Company's methodology for estimating and recording these accruals.

Reserves for remedial obligations are as follows (in thousands):

	June 30, 2006	December 31, 2005
Remedial liabilities for landfill sites	$ 5,077	$ 4,901
Remedial liabilities for discontinued facilities not now used in the active conduct of the Company's business	91,214	92,023
Remedial liabilities (including Superfund) for non-landfill open sites	51,313	50,143
	147,604	147,067
Less obligations classified as current	10,764	7,923
Long-term remedial liabilities	$ 136,840	$ 139,144

Anticipated payments at June 30, 2006 (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):

Periods ending December 31,	
Remaining six months of 2006	$ 5,008
2007	11,855
2008	11,308
2009	12,017
2010	10,036
Thereafter	138,877
Undiscounted remedial liabilities	189,101
Less: Discount	(41,497)
Total remedial liabilities	$147,604

The anticipated payments for Long-term Maintenance range from $4.2 million to $6.7 million per year over the next five years. Spending on One-Time Projects for the next five years ranges from $3.6 million to $7.5 million per year with an average expected payment of $4.6 million per year. Legal and Superfund liabilities payments are expected to be between $0.3 million and

$1.6 million per year for the next five years. These estimates are reviewed at least quarterly and adjusted as additional information becomes available.

The changes to remedial liabilities for the six months ended June 30, 2006 are as follows (in thousands):

	December 31, 2005	Accretion	Benefit from Changes in Estimate Recorded to Statement of Operations	Currency Translation, Reclassifications and Other	Payments	June 30, 2006
Remedial liabilities for landfill sites	$ 4,901	$ 118	$ (1)	$ 101	$ (42)	$ 5,077
Remedial liabilities for discontinued sites not now used in the active conduct of the Company's business	92,023	2,138	(1,326)	20	(1,641)	91,214
Remedial liabilities (including Superfund) for non-landfill operations	50,143	1,149	390	607	(976)	51,313
Total	$ 147,067	$ 3,405	$ (937)	$ 728	$ (2,659)	$ 147,604

The net $0.9 million benefit from changes in estimate recorded to selling, general and administrative expenses on the statement of operations was due to: (i) the discounting effect of delays in certain remedial projects, (ii) cost reductions negotiated with vendors and permit fee reductions, and (iii) a pattern of historical spending being less than originally expected.

At December 31, 2005, the Company estimated that it was "reasonably possible" as that term is defined in SFAS No. 5 ("more than remote but less than likely"), that the amount of such remedial liabilities could be up to $22.1 million greater than the above $147.1 million.

(9) LOSS ON EARLY EXTINGUISHMENT OF DEBT

On January 12, 2006, the Company redeemed $52.5 million principal amount of outstanding Senior Secured Notes and paid prepayment penalties and accrued interest through the redemption date. In connection with such redemption, during the period ended June 30, 2006, the Company recorded to loss on early extinguishment of debt an aggregate of $8.3 million, consisting of $1.8 million unamortized financing costs, $0.6 million of unamortized discount on the Senior Secured Notes, and the $5.9 million prepayment penalty required by the Indenture in connection with such redemption.

(10) INCOME TAXES

The income tax expense for the first six months of 2006 was based on the estimated effective tax rate for the year and reflected the reversal of a portion of the valuation allowance for the amount of expected benefit to be realized associated with net operating loss carryforwards. A portion of such net operating loss carryforwards was associated with stock option deductions, which were previously recorded to equity and therefore not part of the current tax provision.

The Company is subject to income taxes in both the U.S. and foreign jurisdictions, and to examination by U.S. federal and state, as well as foreign tax authorities. While it is often difficult to predict the final outcome or timing of resolution of any particular tax matter, the Company believes that its tax reserves reflect the probable outcome of all known tax contingencies. The amount of such contingencies was $14.4 million at December 31, 2005 and was increased by $1.2 million to $15.6 million in the first six months of 2006 as the result of additional statutory interest of $0.6 million and changes in foreign exchange of $0.6 million.

(11) EARNINGS PER SHARE

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

	Three Months Ended June 30, 2006		
	Income (Numerator)	Shares (Denominator)	Per Share
Net income	$ 11,372		
Dividends and accretion on Series B preferred stock	(69)		
Basic income attributable to common stockholders	$ 11,303	19,495	$ 0.58
Basic income attributable to common stockholders before effect of dilutive securities	$ 11,303	19,495	$ 0.58
Effect of dilutive securities	69	1,054	(0.03)
Diluted income attributable to common stockholders	$ 11,372	20,549	$ 0.55

	Three Months Ended June 30, 2005		
	Income (Numerator)	Shares (Denominator)	Per Share
Net income	$ 7,371		
Dividends and accretion on Series B preferred stock	(70)		
Basic income attributable to common stockholders	$ 7,301	15,213	$ 0.48
Basic income attributable to common stockholders before effect of dilutive securities	$ 7,301	15,213	$ 0.48
Effect of dilutive securities	70	2,040	(0.05)
Diluted income attributable to common stockholders	$ 7,371	17,253	$ 0.43

	Six Months Ended June 30, 2006		
	Income (Numerator)	Shares (Denominator)	Per Share
Net income	$ 14,177		
Dividends and accretion on Series B preferred stock	(138)		
Basic income attributable to common stockholders	$ 14,039	19,441	$ 0.72
Basic income attributable to common stockholders before effect of dilutive securities	$ 14,039	19,441	$ 0.72
Effect of dilutive securities	138	1,077	(0.03)
Diluted income attributable to common stockholders	$ 14,177	20,518	$ 0.69

	Six Months Ended June 30, 2005		
	Income (Numerator)	Shares (Denominator)	Per Share
Net income	$ 12,212		
Dividends and accretion on Series B preferred stock	(140)		
Basic income attributable to common stockholders	$ 12,072	14,913	$ 0.81
Basic income attributable to common stockholders before effect of dilutive securities	$ 12,072	14,913	$ 0.81
Effect of dilutive securities	140	2,229	(0.10)
Diluted income attributable to common stockholders	$ 12,212	17,142	$ 0.71

For the three- and six-month periods ended June 30, 2006, the dilutive effect of all outstanding warrants, options and Series B Preferred Stock is included in the above calculations. Because the performance criteria relating to 70 thousand outstanding performance stock awards had not been satisfied for the three-month period ended June 30, 2006, the dilutive effect of such 70 thousand shares is excluded from the above calculation.

For the three-month period ended June 30, 2005, the dilutive effect of all outstanding warrants, options and Series B Preferred Stock is included in the above calculation. Because the effects would be anti-dilutive for the period presented, the above computation of diluted earnings attributable to common shareholders exclude the effect of the assumed exercise of 21 thousand stock options for the six-month period ended June 30, 2005.

(12) STOCKHOLDERS' EQUITY

Dividends on the Company's Series B Convertible Preferred Stock are payable on the 15th day of January, April, July, and October at the rate of $1.00 per share per quarter. Under the terms of the Series B Preferred Stock, the Company can elect to pay dividends in cash or in common stock with a market value equal to the amount of the dividends payable. The dividends due on January 15 and April 15, 2006 and January 15 and April 15, 2005 were paid in cash.

(13) STOCK-BASED COMPENSATION

The adoption of SFAS No. 123(R) reduced the Company's reported net income and earnings per share, since adopting SFAS No. 123(R) results in the Company recording compensation cost for employee stock options, awards of unvested shares vesting over time based on continued employment but without performance criteria ("restricted stock awards"), awards of unvested shares vesting over time based on continued employment but also with performance criteria ("performance stock awards"), awards of common stock for services previously rendered ("common stock awards"), and compensatory employee share purchase plans. The Company elected not to modify previously granted stock-based awards. As a result of the changes in accounting under SFAS No. 123(R) and a desire to design the Company's long-term incentive plans in a manner that creates a stronger link to operating and market performance, the Compensation Committee of the Company's Board of Directors approved a substantial change in the form of awards that it grants under the Company's current equity incentive plan. Beginning in November 2005, stock option grants for key managers were replaced with restricted stock awards or performance stock awards. The Company accordingly expects the number of stock option grants to decrease in future years.

Prior to its adoption of SFAS No. 123(R), the Company accounted for stock-based compensation in accordance with APB Opinion No. 25 which addressed the financial accounting and reporting standards for stock or other equity-based compensation arrangements. Under APB Opinion No. 25, the Company recognized compensation expense based on an award's intrinsic value. For stock options, which were the primary form of stock-based awards granted prior to the Company's adoption of SFAS No. 123(R), this meant that no compensation expense was recognized in connection with the grants, as the exercise price of the options was equal to the fair market value of the Company's common stock on the date of grant and all other provisions were fixed. The Company provided disclosures based on the fair value as permitted by SFAS No. 123. Under the fair value method, compensation cost is measured at the grant date based on the fair value of the award and is recognized over the service period, which is usually the vesting period. Under SFAS No. 123, the Company accounted for forfeitures as they actually occurred. Upon adoption of SFAS No. 123(R), the Company eliminated the remaining unearned deferred compensation balance within stockholders' equity.

The Company included $1.0 million and $1.6 million in total stock-based compensation expense to employees in its statements of operations for the three- and six-month periods ended June 30, 2006, respectively as a result of the adoption of SFAS No. 123(R). None of the compensation expense related to stock-based compensation arrangements was capitalized as part of inventory or fixed assets. Prior to the adoption of SFAS No. 123(R), the Company reported all tax benefits resulting from the exercise of non-qualified stock options as operating cash flows in its consolidated statements of cash flows. SFAS No. 123(R) requires any reduction in taxes payable resulting from tax deductions that exceed the recognized compensation (excess tax benefits) to be classified as financing cash flows in the statement of cash flows. The Company recorded $1.3 million of excess tax benefits from the three- and six-month periods ended June 30, 2006, respectively.

The application of SFAS No. 123(R) had the following effect on reported amounts for the three- and six-month periods ended June 30, 2006 relative to amounts that would have been reported using the intrinsic value method under previous accounting (in thousands, except per share amounts):

	Three Months Ended June 30, 2006		
	Using Previous Accounting	SFAS No. 123(R) Adjustments	As Reported
Income from operations	$ 18,884	$ (1,035)	$ 17,849
Income before income taxes	15,876	(1,035)	14,841
Net income	12,257	(885)	11,372
Basic income per share	0.63	(0.05)	0.58
Diluted income per share	0.59	(0.04)	0.55

	Six Months Ended June 30, 2006		
	Using Previous Accounting	SFAS No. 123(R) Adjustments	As Reported
Income from operations	$ 34,433	$ (1,591)	$ 32,842
Income before income taxes	19,932	(1,591)	18,341
Net income	15,537	(1,360)	14,177
Basic income per share	0.80	(0.08)	0.72
Diluted income per share	0.76	(0.07)	0.69

The stock-based compensation expense related to the Company's stock-based awards for the three- and six-month periods ended June 30, 2006 was as follows (in thousands, except per share data):

	Three Months Ended June 30, 2006	Six Months Ended June 30, 2006
Sales, general and administrative	$ 1,035	$ 1,591
Related income tax benefits	(150)	(231)
Stock-based compensation, net of taxes	$ 885	$ 1,360
Net stock-based compensation expense, per common share:		
Basic	$ 0.05	$ 0.08
Diluted	$ 0.04	$ 0.07

For purposes of determining the disclosures required by SFAS No. 123(R), the fair values of performance stock, restricted stock, stock options, and common stock granted under the Company's stock-based compensation plan were estimated on the date of the grant at the fair value, net of expected forfeitures in the six months ended June 30, 2006. Shares subject to purchase under the compensatory Employee Stock Purchase Plan ("ESPP") in the six months ended June 30, 2006 were estimated at the beginning of the ESPP period using the Black-Scholes option-pricing model, respectively. During the three- and six-month periods ended June 30, 2006, the Company granted 0 shares and 71,292 shares of performance stock awards, respectively. The Company granted 2,600 shares of restricted stock awards, 18,000 shares of stock option awards, and 3,000 shares of common stock in the three-month period ended June 30, 2006. The following assumptions were used in calculating the grant date fair value of performance stock, restricted stock, stock options and common stock awards issued and compensatory ESPP shares purchased for the six months ended June 30, 2006:

	Six Months Ended June 30, 2006
Performance Stock Awards:	
Stock price at grant date	$ 31.73
Expected forfeiture rate—Executives/Directors	2.00%
Expected forfeiture rate—Employees	5.00%
Restricted Stock Awards (service based):	
Stock price at grant date	$ 29.37
Stock price at grant date	34.77
Expected forfeiture rate—Executives/Directors	2.00%
Expected forfeiture rate—Employees	5.00%
Stock Option Awards: (1)	
Stock price at grant date	$ 34.77
Expected forfeiture rate—Executives/Directors	2.00%
Expected forfeiture rate—Employees	5.00%
Dividend yield	none
Expected volatility	86%
Risk-free interest rate	4.84%
Expected life (years)	3.5
Common Stock Awards:	
Stock price at grant date	$ 29.37
Expected forfeiture rate—Executives/Directors	0.00%
Expected forfeiture rate—Employees	0.00%

ESPP: (2)	
Risk-free interest rate	4.68%
Expected dividend yield	0.00%
Expected life of ESPP shares (years)	0.25
Expected volatility of underlying stock	27.00%
Expected forfeitures as percentage of total ESPP shares	0.00%

(1) The risk-free rate for the stock options is the average yield rate of the 3- and 5-year term on the U.S. Treasury Constant Maturities at the inception of each quarterly stock option period. The dividend yield of zero is based on the fact that the Company has never paid cash dividends and has no present intention to pay cash dividends. The expected life of the stock options shares is 3.5 years based on the simplified method as described in Staff Accounting Bulletin No. 107. Expected volatility is based on the historical volatility of the Company's common stock over the period commensurate with the expected life of the stock option shares. Under the true-up provisions of SFAS No. 123(R), additional expense will be recorded related to stock option awards if the actual forfeiture rate is lower than estimated and a recovery of prior expense will be recorded if the actual forfeiture rate is higher than estimated.

(2) The risk-free rate for the ESPP is the yield rate on three-month U.S. Treasury Constant Maturities at the inception of each quarterly ESPP period. The dividend yield of zero is based on the fact that the Company has never paid cash dividends and has no present intention to pay cash dividends. The expected life of the ESPP shares is 0.25 years since shares are purchased through the plan on a quarterly basis. Expected volatility is based on the historical volatility of the Company's common stock over the period commensurate with the expected life of the ESPP shares. The expected forfeitures as a percentage of total ESPP shares are zero due to the short-term nature of the plan. Under the true-up provisions of SFAS No. 123(R), additional expense will be recorded related to performance stock awards if the actual forfeiture rate is lower than estimated and a recovery of prior expense will be recorded if the actual forfeiture rate is higher than estimated.

Compensation expense associated with restricted stock awards and performance stock awards is measured based on the grant-date fair value of the Company's common stock and the probability of achieving performance goals where applicable, and is recognized on a straight-line basis over the required employment period, which is generally the vesting period. Compensation expense is only recognized for those awards that the Company expects to vest, which is estimated upon an assessment of historical forfeitures.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123(R) to stock-based employee compensation in the prior-year period (in thousands except for per share amounts):

	Three Months Ended June 30, 2005	Six Months Ended June 30, 2005
Net income attributable to common stockholders	$ 7,301	$ 12,072
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards net of related tax effects	361	842
Pro forma net income attributable to common stockholders	$ 6,940	$ 11,230
Earnings per share:		
Basic as reported	$ 0.48	$ 0.81
Basic pro forma	0.46	0.75
Diluted as reported	0.43	0.71
Diluted pro forma	0.41	0.66

In 1992 the Company adopted an equity incentive plan (the "1992 Plan"), which provides for a variety of incentive awards, including stock options, and in 2000, the Company adopted a stock incentive plan (the "2000 Plan"), which provides for awards in the form of incentive stock options, non-qualified stock options, restricted stock awards and performance stock awards. In 2002, the Company amended the 2000 Plan to increase the awards that can be issued under the 2000 Plan from 0.8 million shares to 1.5 million shares and in 2005, the Company further amended the 2000 Plan to increase the awards that can be issued under the 2000 Plan to 2.0 million. As of June 30, 2006, the Company had the following types of stock-based compensation awards outstanding under these plans: stock options, restricted stock awards and performance stock awards. As of December 31, 2005, all awards under the 1992 and 2000 Plans were in the form of non-qualified stock options, except for an aggregate of 37,950 restricted stock awards which the Company made in November 2005. 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 granted in November 2005 vest over five years subject to continued employment. During the six months ended June 30, 2006, the Company granted 71,292 shares of performance stock awards, 2,600 shares of restricted stock, 18,000 stock options and 3,000 shares of common stock.

As of June 30, 2006, the Company had reserved 707,239 shares of common stock available for grant under the 2000 Plan, exclusive of shares previously issued (either upon exercise of stock options or pursuant to restricted stock, performance stock or common stock awards) or reserved for options previously granted under the 2000 Plan. The 1992 Plan expired on March 15, 2002, but there were outstanding on June 30, 2006 options for an aggregate of 117,915 shares which shall remain in effect until such options are either exercised or expire in accordance with their terms. In addition, on June 30, 2006, there were outstanding options for an aggregate of 1,750 shares under the Company's 1987 Equity Incentive Plan which had expired in 1997.

Stock Option Awards

Consistent with the Company's valuation method for the disclosure-only provisions of SFAS No. 123, the Company is using the Black-Scholes option pricing model to value the compensation expense associated with its stock option awards under SFAS No. 123(R). In addition, the Company estimates forfeitures when recognizing compensation expense, and will adjust 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 will be recognized through a cumulative catch-up adjustment in the period of change and will also impact the amount of compensation expense to be recognized in future periods.

Activity under the Plans relating to stock options is summarized as follows:

Stock Options	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2002	1,192,518	$ 3.17
Granted at fair value	967,042	12.54
Forfeited	(154,685)	11.23
Exercised	(246,965)	2.10
Outstanding at December 31, 2003	1,757,910	7.76
Granted at fair value	77,833	6.70
Forfeited	(27,310)	8.61
Exercised	(172,665)	2.26
Outstanding at December 31, 2004	1,635,768	8.28
Granted at fair value	21,000	19.02
Forfeited	(134,500)	9.56
Exercised	(701,723)	6.37
Outstanding at December 31, 2005	820,545	9.98
Granted	18,000	34.77
Forfeited	(20,500)	12.98
Exercised	(185,310)	9.86
Outstanding at June 30, 2006	632,735	$ 10.85

Summarized information about stock options outstanding at June 30, 2006 was as follows:

Range of Exercise Prices	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Exercisable: Number of Options	Exercisable: Weighted Average Exercise Price
$1.81- 1.88	45,015	1.92	$ 1.82	45,015	$ 1.82
1.88 - 2.50	51,650	4.12	2.26	44,650	2.26
2.50 - 3.26	20,100	5.44	3.26	100	2.88
3.26 - 6.46	29,100	5.67	5.46	18,500	5.73
6.46 - 8.08	18,833	3.39	7.89	16,833	7.92
8.08 - 9.18	26,667	5.99	9.09	5,667	9.18
9.18 - 11.70	77,000	4.21	10.64	39,000	11.00
11.70 - 12.98	328,370	6.65	12.98	90,320	12.98
12.98 - 34.77	36,000	6.03	26.90	10,000	28.45
Total	632,735		$ 10.85	270,085	$ 8.74

Options exercisable at June 30, 2006 and December 31, 2005, were 270,085 and 289,437, respectively. The weighted average exercise prices for the exercisable options at June 30, 2006 and December 31, 2005, were $8.74 and $6.89, respectively.

As of June 30, 2006, there was $2.4 million of total unrecognized compensation cost arising from non-vested compensation related to stock option awards under the Company's stock incentive plans. This cost is expected to be recognized over a weighted-average period of 1.1 years.

Restricted Stock Awards

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

The fair value of each restricted stock grant is based on the closing price of the Company's stock on the date of grant and is amortized to expense over its vesting period. At June 30, 2006, there were 33,420 shares of restricted stock outstanding.

The following table summarizes information about restricted stock awards for the six months ended June 30, 2006:

Restricted Stock (Non-vested Shares)	Number of Shares	Weighted Average Grant-Date Fair Value
Unvested at December 31, 2005	37,950	$ 28.98
Granted	2,100	34.77
Granted	500	29.37
Vested	(4,130)	28.98
Expired	—	—
Forfeited	(3,000)	28.98
Unvested at June 30, 2006	33,420	$ 29.35

As of June 30, 2006, there was $1.0 million of total unrecognized compensation cost arising from non-vested compensation related to restricted stock awards under the Company's stock incentive plans. This cost is expected to be recognized over a weighted-average period of 4.0 years.

Performance Stock Awards

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

The fair value of each performance stock award is based on the closing price of the Company's stock on the date of grant and is amortized to expense over its vesting period, if performance measures are considered probable. At June 30, 2006, there were 70,189 performance shares outstanding.

The following table summarizes information about performance stock awards for the three months ended June 30, 2006:

Performance Stock	Number of Shares	Weighted Average Grant-Date Fair Value
Unvested at December 31, 2005	—	—
Granted	71,292	$ 31.73
Vested	—	—
Expired	—	—
Forfeited	(1,103)	31.73
Unvested at June 30, 2006	70,189	$ 31.73

As of June 30, 2006, there was $1.7 million of total unrecognized compensation cost arising from non-vested compensation related to performance stock awards under the Company's stock incentive plans. This cost is expected to be recognized over a weighted-average period of 1.5 years.

In the three- and six-month periods ended June 30, 2006, the Company issued an aggregate of 0 and 71,292 performance stock awards, respectively under its stock incentive plans.

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. According to the ESPP, a total of one million shares of common stock were originally reserved for offering to employees, in quarterly offerings of 50,000 shares each plus any shares not issued in any previous quarter, commencing on July 1, 1995 and on the first day of each quarter thereafter. In 2005, the Company's stockholders approved an increase of 500,000 in the maximum number of shares, which can be issued under the ESPP. 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 value of the purchase rights granted under the ESPP during the six months ended June 30, 2006 was $6.18.

Common Stock Awards

In the six-month period ended June 30, 2006, the Company issued 3,000 shares of common stock under the Company's stock incentive plans which vested immediately. The accounting measurement date was determined to be April 26, 2006, the date that a mutual understanding was reached by both the employees and the Company.

(14) SEGMENT REPORTING

Performance of the segments is evaluated on several factors, of which the primary financial measure is operating income before interest, taxes, depreciation, amortization, restructuring, non-recurring severance charges, other non-recurring refinancing-related expenses, (gain) loss on disposal of assets held for sale, other (income) expense, and loss on refinancing ("Adjusted EBITDA Contribution"). Transactions between the segments are accounted for at the Company's estimate of fair value based on similar transactions with outside customers.

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

Technical Services include:

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

These services are provided through a network of service centers where a fleet of trucks, rail or other transport is dispatched to pick up customers' waste either on a pre-determined schedule or on demand, and then to deliver waste to a permitted facility. From the service centers, chemists can also be dispatched to a customer location for the collection of chemical waste for disposal.

Site Services provide highly skilled experts utilizing specialty equipment and resources to perform services, such as industrial maintenance, surface remediation, groundwater restoration, site and facility decontamination, emergency response, site remediation, PCB disposal, oil disposal, analytical testing services, information management services and personnel training. The Company offers outsourcing services for customer environmental management programs as well, and provides analytical testing services, information management and personnel training services.

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

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

The following table reconciles third party revenues to direct revenues for the three and six-month periods ended June 30, 2006 and 2005 (in thousands). The Company analyzes results of operations based on direct revenues because the Company believes that these revenues and related expenses best reflect the manner in which operations are managed.

	For the Three Months Ended June 30, 2006			
	Technical Services	Site Services	Corporate Items	Total
Third party revenues	$135,477	$ 64,839	$ (754)	$199,562
Intersegment revenues	30,950	6,368	86	37,404
Gross revenues	166,427	71,207	(668)	236,966
Intersegment expenses	(27,102)	(11,018)	716	(37,404)
Direct revenues	$139,325	$ 60,189	$ 48	$199,562

	For the Three Months Ended June 30, 2005			
	Technical Services	Site Services	Corporate Items	Total
Third party revenues	$116,632	$ 57,888	$ (610)	$173,910
Intersegment revenues	31,059	6,372	425	37,856
Gross revenues	147,691	64,260	(185)	211,766
Intersegment expenses	(26,576)	(11,198)	(82)	(37,856)
Direct revenues	$121,115	$ 53,062	$ (267)	$173,910

	For the Six Months Ended June 30, 2006			
	Technical Services	Site Services	Corporate Items	Total
Third party revenues	$253,558	$131,427	$ (928)	$384,057
Intersegment revenues	60,436	11,642	232	72,310
Gross revenues	313,994	143,069	(696)	456,367
Intersegment expenses	(51,061)	(22,058)	809	(72,310)
Direct revenues	$262,933	$121,011	$ 113	$384,057

	For the Six Months Ended June 30, 2005			
	Technical Services	Site Services	Corporate Items	Total
Third party revenues	$220,517	$118,419	$ (60)	$338,876
Intersegment revenues	61,443	13,096	352	74,891
Gross revenues	281,960	131,515	292	413,767
Intersegment expenses	(51,246)	(23,409)	(236)	(74,891)
Direct revenues	$230,714	$108,106	$ 56	$338,876

The following table presents information used by management by reported segment (in thousands). Revenues from Technical Services and Site Services consist principally of external revenue from customers. Transactions between the segments are accounted for at the Company's estimate of fair value based on similar transactions with outside customers. Corporate Items revenues consist of revenues for miscellaneous services that are not part of a reportable segment. The Company does not allocate interest expense, income taxes, depreciation, amortization, accretion of environmental liabilities, non-recurring severance charges, (gain) loss on disposal of assets held for sale, other (income) expense, and loss on refinancing to segments. Certain reporting units have been reclassified to conform to the current year presentation.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2006	2005	2006	2005
Direct Revenues:				
Technical Services	$ 139,325	$ 121,115	$ 262,933	$ 230,714
Site Services	60,189	53,062	121,011	108,106
Corporate Items	48	(267)	113	56
Total	199,562	173,910	384,057	338,876
Cost of Revenues:				
Technical Services	90,898	81,798	175,984	162,122
Site Services	42,653	40,000	87,534	80,843
Corporate Items	2,413	2,636	3,804	2,016
Total	135,964	124,434	267,322	244,981
Selling, General & Administrative Expenses:				
Technical Services	14,189	12,235	27,265	23,955
Site Services	5,905	5,141	11,843	10,327
Corporate Items	15,158	7,932	24,499	15,387
Total	35,252	25,308	63,607	49,669
Adjusted EBITDA:				
Technical Services	34,238	27,082	59,684	44,637
Site Services	11,631	7,921	21,634	16,936
Corporate Items	(17,523)	(10,835)	(28,190)	(17,347)
Total	28,346	24,168	53,128	44,226
Reconciliation to Consolidated Statement of Operations:				
Accretion of environmental liabilities	2,543	2,616	5,053	5,250
Depreciation and amortization	7,954	7,145	15,233	14,354
Income from operations	17,849	14,407	32,842	24,622
Other (income) expense	132	109	162	(510)
Loss on early extinguishment of debt	—	—	8,290	—
Interest expense, net of interest income	2,876	5,946	6,049	11,907
Income before provision for income taxes	$ 14,841	$ 8,352	$ 18,341	$ 13,225

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

	June 30, 2006	December 31, 2005
Property, plant and equipment, net		
Technical Services	$ 156,317	$ 143,640
Site Services	14,662	13,271
Corporate or other assets	17,905	21,613
	$ 188,884	$ 178,524
Intangible assets:		
Technical Services		
Goodwill	$ 18,884	$ 18,884
Permits, net	72,039	72,357
Customer profile database, net	1,122	1,582
	92,045	92,823
Site Services		
Goodwill	148	148
Permits, net	3,790	3,838
Customer profile database, net	19	26
	3,957	4,012
	$ 96,002	$ 96,835

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

	June 30, 2006	December 31, 2005
Technical Services	$ 371,379	$ 355,655
Site Services	30,416	25,957
Corporate Items	176,484	232,752
Total	$ 578,279	$ 614,364

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

	June 30, 2006	December 31, 2005
United States	$ 472,469	$ 512,388
Canada	105,810	101,976
Total	$ 578,279	$ 614,364

(15) GUARANTOR AND NON-GUARANTOR SUBSIDIARIES

As further described in Note 5, "Financing Arrangements," on June 30, 2004, $150.0 million of Senior Secured Notes were issued by the parent company, Clean Harbors, Inc., and were guaranteed by all of the parent's material subsidiaries organized in the United States. The Senior Secured Notes are not guaranteed by the Company's Canadian and Mexican subsidiaries. The following presents condensed consolidating financial statements for the parent company, the guarantor subsidiaries and the non-guarantor subsidiaries, respectively.

In addition, as part of the refinancing of the Company's debt in June 2004, one of the parent's Canadian subsidiaries made a $91.7 million (U.S.) investment in the preferred stock of one of the parent's domestic subsidiaries and issued, in partial payment for such investment, a promissory note for $89.4 million (U.S.) payable to one of the parent's domestic subsidiaries. The dividend rate on such preferred stock is 11.125% per annum and the interest rate on such promissory note is 11.0% per annum. The effect of this transaction was to increase stockholders' equity of a U.S. guarantor subsidiary, to increase interest income of a U.S. guarantor subsidiary, to increase debt of a foreign non-guarantor subsidiary, and to increase interest expense of a foreign non-guarantor subsidiary.

As further discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2005, the Company issued on December 13, 2005, 2.3 million shares of common stock upon the closing of a public offering. On January 12, 2006, the Company used the net proceeds from that offering, together with a portion of the $12.5 million of proceeds received in October 2005 from exercise of its previously outstanding common stock purchase warrants, to redeem $52.5 million principal amount of outstanding Senior Secured Notes and pay prepayment penalties and accrued interest through the redemption date. As required by the Indenture, the Company gave on December 13, 2005 to the holders of the Senior Secured Notes a thirty-day notice of such redemption. The $52.5 million principal amount of the Senior Secured Notes which were redeemed on January 12, 2006, was therefore classified as a current liability as of December 31, 2005.

Following is the condensed consolidating balance sheet at June 30, 2006 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Assets:					
Cash and cash equivalents	$ 545	$ 59,928	$ 19,445	$ —	$ 79,918
Marketable securities	10,100	1,650	—	—	11,750
Accounts receivable, net	398	124,338	20,461	—	145,197
Unbilled accounts receivable	—	8,675	974	—	9,649
Intercompany receivables	26,965	—	6,408	(33,373)	—
Deferred costs	—	4,450	817	—	5,267
Prepaid expenses and other current assets	403	7,061	1,511	—	8,975
Supplies inventories	—	11,371	1,214	—	12,585
Income taxes receivable	—	—	673	—	673
Properties held for sale	—	7,990	246	—	8,236
Property, plant and equipment, net	—	162,789	26,095	—	188,884
Deferred financing costs	7,091	—	7	—	7,098
Goodwill	—	19,032	—	—	19,032
Permits and other intangibles, net	—	51,798	25,172	—	76,970
Investments in subsidiaries	216,136	49,100	91,654	(356,890)	—
Deferred tax assets	—	—	1,023	—	1,023
Intercompany note receivable	—	107,623	3,701	(111,324)	—
Other assets	—	1,316	1,706	—	3,022
Total assets	$ 261,638	$ 617,121	$ 201,107	$ (501,587)	$ 578,279
Liabilities and Stockholders' Equity:					
Uncashed checks	$ —	$ 2,352	$ 867	$ —	$ 3,219
Accounts payable	—	65,330	8,965	—	74,295
Accrued disposal costs	—	1,565	1,425	—	2,990
Deferred revenue	—	19,409	3,817	—	23,226
Other accrued expenses	5,647	35,581	3,626	—	44,854
Income taxes payable	1,365	(270)	2,352	—	3,447
Intercompany payables	18,082	12,659	(3)	(30,738)	—
Closure, post-closure and remedial liabilities	—	154,903	17,222	—	172,125
Long-term obligations	96,432	—	—	—	96,432
Capital lease obligations	—	4,278	689	—	4,967
Other long-term liabilities	—	—	15,628	—	15,628
Intercompany note payable	3,701	—	107,623	(111,324)	—
Accrued pension cost	—	—	685	—	685
Total liabilities	125,227	295,807	162,896	(142,062)	441,868
Stockholders' Equity:					
Series B convertible preferred stock	1	—	—	—	1
Common stock	196	—	2,235	(2,235)	196
Additional paid-in capital	144,840	189,471	4,049	(193,520)	144,840
Accumulated other comprehensive income	11,514	20,216	(6,932)	(13,284)	11,514
Accumulated earnings (deficit)	(20,140)	111,627	38,859	(150,486)	(20,140)
Total stockholders' equity	136,411	321,314	38,211	(359,525)	136,411
Total liabilities and stockholders' equity	$ 261,638	$ 617,121	$ 201,107	$ (501,587)	$ 578,279

Following is the condensed consolidating balance sheet at December 31, 2005 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Assets:					
Cash and cash equivalents	$ 10,391	$ 110,649	$ 11,409	$ —	$ 132,449
Restricted cash	3,469	—	—	—	3,469
Accounts receivable, net	292	119,978	27,389	—	147,659
Unbilled accounts receivable	—	5,500	1,549	—	7,049
Intercompany receivables	69,974	—	3,940	(73,914)	—
Deferred costs	—	3,943	994	—	4,937
Prepaid expenses	1,209	4,722	480	—	6,411
Supplies inventories	—	11,443	1,280	—	12,723
Income taxes receivable	—	—	1,462	—	1,462
Properties held for sale	—	7,479	191	—	7,670
Property, plant and equipment, net	—	154,178	24,346	—	178,524
Deferred financing costs	9,498	—	10	—	9,508
Goodwill	—	19,032	—	—	19,032
Permits and other intangibles, net	—	53,125	24,678	—	77,803
Investments in subsidiaries	183,169	45,002	91,654	(319,825)	—
Deferred tax asset	—	—	1,934	—	1,934
Intercompany note receivable	—	102,951	3,701	(106,652)	—
Other assets	—	1,374	2,360	—	3,734
Total assets	$ 278,002	$ 639,376	$ 197,377	$ (500,391)	$ 614,364
Liabilities and Stockholders' Equity:					
Uncashed checks	$ —	$ 6,402	$ 1,580	$ —	$ 7,982
Accounts payable	—	58,412	12,960	—	71,372
Accrued disposal costs	—	1,631	1,478	—	3,109
Deferred revenue	—	17,142	4,642	—	21,784
Other accrued expenses	8,315	36,463	5,001	—	49,779
Income taxes payable	2,038	(206)	2,626	—	4,458
Intercompany payables	—	73,914	—	(73,914)	—
Closure, post-closure and remedial liabilities	—	154,623	16,066	—	170,689
Long-term obligations	148,290	—	—	—	148,290
Capital lease obligations	—	5,220	781	—	6,001
Other long-term liabilities	—	—	14,417	—	14,417
Intercompany note payable	3,701	—	102,951	(106,652)	—
Accrued pension cost	—	—	825	—	825
Total liabilities	162,344	353,601	163,327	(180,566)	498,706
Stockholders' Equity:					
Series B convertible preferred stock	1	—	—	—	1
Common stock	194	—	2,236	(2,236)	194
Additional paid-in capital	141,079	195,485	4,049	(199,534)	141,079
Accumulated other comprehensive income	9,745	15,551	(3,790)	(11,761)	9,745
Restricted stock unearned compensation	(1,044)	—	—	—	(1,044)
Accumulated earnings (deficit)	(34,317)	74,739	31,555	(106,294)	(34,317)
Total stockholders' equity	115,658	285,775	34,050	(319,825)	115,658
Total liabilities and stockholders' equity	$ 278,002	$ 639,376	$ 197,377	$ (500,391)	$ 614,364

Following is the consolidating statement of operations for the three months ended June 30, 2006 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues	$ —	$ 169,814	$ 30,345	$ (597)	$ 199,562
Cost of revenues	—	118,067	18,494	(597)	135,964
Selling, general and administrative expenses	—	30,429	4,823	—	35,252
Accretion of environmental liabilities	—	2,319	224	—	2,543
Depreciation and amortization	—	6,726	1,228	—	7,954
Income from operations	—	12,273	5,576	—	17,849
Other income (expense)	—	(113)	(19)	—	(132)
Loss on early extinguishment of debt	—	—	—	—	—
Interest income (expense)	(3,298)	289	133	—	(2,876)
Equity in earnings of subsidiaries	16,739	4,308	—	(21,047)	—
Intercompany dividend income (expense)	—	—	3,050	(3,050)	—
Intercompany interest income (expense)	—	2,942	(2,942)	—	—
Income before provision for income taxes	13,441	19,699	5,798	(24,097)	14,841
Provision for income taxes	2,069	162	1,238	—	3,469
Net income	$ 11,372	$ 19,537	$ 4,560	$ (24,097)	$ 11,372

Following is the consolidating statement of operations for the three months ended June 30, 2005 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues	$ —	$ 144,794	$ 32,959	$ (3,843)	$ 173,910
Cost of revenues	—	106,173	22,104	(3,843)	124,434
Selling, general and administrative expenses	47	20,051	5,210	—	25,308
Accretion of environmental liabilities	—	2,421	195	—	2,616
Depreciation and amortization	—	6,131	1,014	—	7,145
Income from operations	(47)	10,018	4,436	—	14,407
Other income (expense)	(23)	(94)	8	—	(109)
Interest expense (expense)	(5,923)	4	(27)	—	(5,946)
Equity in earnings of subsidiaries	13,630	3,861	—	(17,491)	—
Intercompany dividend income (expense)	—	—	2,749	(2,749)	—
Intercompany interest income (expense)	—	2,652	(2,652)	—	—
Income before provision for income taxes	7,637	16,441	4,514	(20,240)	8,352
Provision for (benefit from) income taxes	266	139	576	—	981
Net income	$ 7,371	$ 16,302	$ 3,938	$ (20,240)	$ 7,371

Following is the consolidating statement of operations for the six months ended June 30, 2006 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues	$ —	$ 326,542	$ 61,835	$ (4,320)	$ 384,057
Cost of revenues	—	230,946	40,696	(4,320)	267,322
Selling, general and administrative expenses	—	54,112	9,495	—	63,607
Accretion of environmental liabilities	—	4,616	437	—	5,053
Depreciation and amortization	—	12,888	2,345	—	15,233
Income from operations	—	23,980	8,862	—	32,842
Other income (expense)	2	(116)	(48)	—	(162)
Loss on early extinguishment of debt	(8,290)	—	—	—	(8,290)
Interest income (expense)	(6,817)	560	208	—	(6,049)
Equity in earnings of subsidiaries	31,190	6,989	—	(38,179)	—
Intercompany dividend income (expense)	—	—	6,013	(6,013)	—
Intercompany interest income (expense)	—	5,800	(5,800)	—	—
Income before provision for income taxes	16,085	37,213	9,235	(44,192)	18,341
Provision for (benefit from) income taxes	1,908	325	1,931	—	4,164
Net income	$ 14,177	$ 36,888	$ 7,304	$ (44,192)	$ 14,177

Following is the consolidating statement of operations for the six months ended June 30, 2005 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues	$ —	$ 283,390	$ 62,532	$ (7,046)	$ 338,876
Cost of revenues	—	208,395	43,632	(7,046)	244,981
Selling, general and administrative expenses	47	39,672	9,950	—	49,669
Accretion of environmental liabilities	—	4,861	389	—	5,250
Depreciation and amortization	—	12,040	2,314	—	14,354
Income from operations	(47)	18,422	6,247	—	24,622
Other income (expense)	565	(63)	8	—	510
Interest expense (expense)	(11,794)	(66)	(47)	—	(11,907)
Equity in earnings of subsidiaries	24,038	5,938	—	(29,976)	—
Intercompany dividend income (expense)	—	—	5,538	(5,538)	—
Intercompany interest income (expense)	—	5,342	(5,342)	—	—
Income before provision for income taxes	12,762	29,573	6,404	(35,514)	13,225
Provision for (benefit from) income taxes	550	215	248	—	1,013
Net income	$ 12,212	$ 29,358	$ 6,156	$ (35,514)	$ 12,212

Following is the condensed consolidating statement of cash flows for the six months ended June 30, 2006 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net cash (used in) provided by operating activities	$ 96,101	$ (45,440)	$ 830	$ (21,047)	$ 30,444
Cash flows from investing activities:					
Additions to property, plant and equipment	—	(17,791)	(2,626)	—	(20,417)
Increase in permits	—	(572)	—	—	(572)
Acquisition costs	(98)	—	—	—	(98)
Sales of marketable securities	10,100	33,500	—	—	43,600
Purchase of available-for-sale securities	(53,700)	(1,650)	—	—	(55,350)
Proceeds from sale of fixed assets and assets held for sale	—	530	—	—	530
Proceeds from sale of stock outstanding	3,470	—	—	—	3,470
Proceeds from insurance claims	384	—	—	—	384
Investment in subsidiaries	(16,739)	(4,308)	—	21,047	—
Net cash (used in) provided by investing activities	(56,583)	9,709	(2,626)	21,047	(28,453)
Cash flows from financing activities:					
Change in uncashed checks	—	(2,347)	(2,478)	—	(4,825)
Proceeds from exercise of stock options	1,685	—	—	—	1,685
Dividend payments on preferred stock	(138)	—	—	—	(138)
Excess tax benefit from stock-based compensation	1,309	—	—	—	1,309
Deferred financing costs incurred	(85)	—	—	—	(85)
Proceeds from employee stock purchase plan	365	—	—	—	365
Payments of capital leases	—	(833)	(127)	—	(960)
Dividends (paid) received	—	(11,810)	11,810	—	—
Principal payments on debt	(52,500)	—	—	—	(52,500)
Net cash (used in) provided by financing activities	(49,364)	(14,990)	9,205	—	(55,149)
Increase (decrease) in cash and cash equivalents	(9,846)	(50,721)	7,409	—	(53,158)
Effect of exchange rate change on cash	—	—	627	—	627
Cash and cash equivalents, beginning of period	10,391	110,649	11,409	—	132,449
Cash and cash equivalents, end of period	$ 545	$ 59,928	$ 19,445	$ —	$ 79,918

Following is the condensed consolidating statement of cash flows for the six months ended June 30, 2005 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net cash (used in) provided by operating activities	$ 20,442	$ 17,129	$ 1,439	$ (29,976)	$ 9,034
Cash flows from investing activities:					
Additions to property, plant and equipment	—	(5,921)	(1,059)	—	(6,980)
Increase in permits	—	(892)	—	—	(892)
Sales of marketable securities	10,000	6,800	—	—	16,800
Proceeds from sale of fixed assets	—	367	8	—	375
Proceeds from (payment of) return of capital	—	10,265	(10,265)	—	—
Investment in subsidiaries	(24,038)	(5,938)	—	29,976	—
Net cash (used in) provided by investing activities	(14,038)	4,681	(11,316)	29,976	9,303
Cash flows from financing activities:					
Change in uncashed checks	—	(1,955)	68	—	(1,887)
Proceeds from exercise of stock options	3,691	—	—	—	3,691
Dividend payments on preferred stock	(140)	—	—	—	(140)
Deferred financing costs incurred	(86)	—	—	—	(86)
Proceeds from employee stock purchase plan	256	—	—	—	256
Payments of capital leases	—	(786)	(102)	—	(888)
Dividends (paid) received	—	(5,522)	5,522	—	—
Net cash (used in) provided by financing activities	3,721	(8,263)	5,488	—	946
Increase (decrease) in cash and cash equivalents	10,125	13,547	(4,389)	—	19,283
Effect of exchange rate change on cash	—	—	(116)	—	(116)
Cash and cash equivalents, beginning of period	76	20,984	10,021	—	31,081
Cash and cash equivalents, end of period	$ 10,201	$ 34,531	$ 5,516	$ —	$ 50,248

(16) PROPOSED ACQUISITION

On May 3, 2006, the Company entered into a purchase and sale agreement with SITA U.S.A., Inc., a Delaware corporation ("Seller"), pursuant to which the Company has agreed to purchase from Seller all of the membership interests in Teris L.L.C., a Delaware limited liability company ("Teris"). The purchase price is $52.7 million in cash, subject to closing adjustments. The Company anticipates that it will finance the acquisition through available cash and a term loan under the Company's existing credit agreement. The acquisition is expected to close, subject to the satisfaction or waiver of customary closing conditions, during the third quarter of 2006. During the six-month period ended June 30, 2006, the Company recorded $1.6 million in acquisition related costs of which $1.0 million is included in prepaid expenses and other current assets and $0.6 million of integration costs are included in selling, general and administrative expenses.

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

Forward-Looking Statements

In addition to historical information, this quarterly report contains forward-looking statements, which are generally identifiable by use of the words "believes," "expects," "intends," "anticipates," "plans to," "estimates," "projects," or similar expressions. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause such a difference include, but are not limited to, the following:

- Our ability to manage the significant environmental liabilities assumed in connection with the acquisition of the CSD assets;
- The availability and costs of liability insurance and financial assurance required by government entities relating to our facilities;
- The effects of general economic conditions in the United States, Canada and other territories and countries where we do business;
- The effect of spills or other event business on our revenues;
- The effect of economic forces and competition in specific marketplaces where we compete;
- The possible impact of new regulations or laws pertaining to all activities of our operations;
- The outcome of litigation or threatened litigation or regulatory actions;
- The effect of commodity pricing on overall revenues and profitability;
- Possible fluctuations in quarterly or annual results or adverse impacts on our results caused by the adoption of new accounting standards or interpretations or regulatory rules and regulations;
- The effect of weather conditions or other aspects of forces of nature on field or facility operations; and
- The effects of industry trends in the environmental services and waste handling marketplace.

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 carefully review the risk factors described in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 17, 2006 under the heading "Risk Factors" and in other documents we file from time to time with the Securities and Exchange Commission.

Overview

We provide a wide range of environmental services and solutions to a diversified customer base in the United States, Puerto Rico, Mexico and Canada. We seek to be recognized by customers as the premier supplier of a broad range of value-added environmental services based upon quality, responsiveness, customer service, information technologies, breadth of product offerings and cost effectiveness.

Effective September 7, 2002, we purchased from Safety-Kleen Services, Inc. (the "Seller") and certain of the Seller's domestic subsidiaries substantially all of the assets of the Chemical Services Division (the "CSD") of Safety-Kleen Corp. ("Safety-Kleen"). That acquisition broadened our disposal capabilities, geographic reach and significantly expanded our network of hazardous waste disposal facilities. Following the acquisition, we became one of the largest providers of environmental services and the largest operator of hazardous waste treatment and disposal facilities in North America. We believe that the acquisition of hazardous waste facilities in new geographic areas has allowed and will continue to allow us to expand our service area and has resulted and will continue to result in significant cost savings by allowing us to treat and dispose of hazardous waste internally for which we previously paid third parties and to eliminate redundant selling, general and administrative expenses and inefficient transportation costs.

In addition, as part of the acquisition, we assumed certain environmental liabilities, valued in accordance with generally accepted accounting principles in the United States. At June 30, 2006, such liabilities were approximately $172.1 million. We now anticipate such liabilities will be payable over many years and that cash flows generated from operations will be sufficient to fund the payment of such liabilities when required. However, events not now anticipated (such as future changes in environmental laws and regulations) could require that such payments be made earlier or in greater amounts than now anticipated.

Environmental Liabilities

Environmental liabilities are composed of closure and post-closure liabilities and remedial liabilities.

Closure and Post-closure Liabilities

Reserves for closure and post-closure obligations are as follows (in thousands):

	June 30, 2006	December 31, 2005
Landfill facilities:		
Cell closure	$ 17,226	$ 16,507
Facility closure	619	672
Post-closure	831	889
	18,676	18,068
Non-landfill retirement liability:		
Facility closure	5,845	5,554
	24,521	23,622
Less obligation classified as current	3,502	2,894
Long-term closure and post-closure liabilities	$ 21,019	$ 20,728

Anticipated payments at June 30, 2006 (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):

Periods ending December 31,	
Remaining six months of 2006	$ 1,681
2007	4,445
2008	4,688
2009	2,033
2010	8,649
Thereafter	201,247
Undiscounted closure and post-closure liabilities	222,743
Less: Reserves to be provided (including discount of $115.9 million) over remaining site lives	(198,222)
Present value of closure and post-closure liabilities	$ 24,521

The changes to closure and post-closure liabilities for the six months ended June 30, 2006 are as follows (in thousands):

	December 31, 2005	New Asset Retirement Obligations	Accretion	Benefit from Changes in Estimate Recorded to Statement of Operations	Other Changes in Estimates Recorded to Balance Sheet	Currency Translation, Reclassi-fications and Other	Payments	June 30, 2006
Landfill retirement liability	$18,068	$524	$1,263	$(528)	$(275)	$41	$(417)	$18,676
Non-landfill retirement liability	5,554	—	385	30	186	9	(319)	5,845
Total	$23,622	$524	$1,648	$(498)	$(89)	$50	$(736)	$24,521

The following table presents the change in remaining highly probable airspace from December 31, 2005 through June 30, 2006 (in thousands):

	Highly Probable Airspace (Cubic Yards)
Remaining capacity at December 31, 2005	29,001
Consumed during six months ended June 30, 2006	(395)
Remaining capacity at June 30, 2006	28,606

New asset retirement obligations incurred in 2006 are being discounted at the credit-adjusted risk-free rate of 9.25% and inflated at a rate of 2.17%.

As of June 30, 2006, there were four unpermitted expansions included in our landfill accounting model, which represents 36.4% of our remaining airspace at that date. Of these expansions, one represents an exception to our established criteria. In March 2004, the Chief Financial Officer approved and the Audit Committee of the Board of Directors reviewed, the inclusion of 7.8 million cubic yards of unpermitted airspace in highly probable airspace because it was determined that the airspace was highly probable even though the permit application was not submitted within the next year. All of the other criteria were met for the inclusion of this airspace in highly probable airspace. As of June 30, 2006, this airspace still represented an exception to our permit application criteria. Had we not included the 7.8 million cubic yards of unpermitted airspace in highly probable airspace, operating expense for the three- and six-month periods ended June 30, 2006 would have been higher by $173 thousand and $336 thousand, respectively.

Remedial Liabilities

Remedial liabilities are obligations to investigate, alleviate or eliminate the effects of a release (or threat of a release) of hazardous substances into the environment and may also include corrective action under RCRA or other applicable laws. Our operating subsidiaries' remediation obligations can be further characterized as Legal, Superfund, Long-term Maintenance and One-Time Projects. Legal liabilities are typically comprised of litigation matters that can involve 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 and/or is potentially liable for environmental response, removal, remediation and cleanup costs at/or from either an owned or third party site. As described in Note 6, "Legal Proceedings," Superfund liabilities also include certain Superfund liabilities to governmental entities for which we are potentially liable to reimburse the Sellers in connection with our 2002 acquisition of the CSD assets from Safety-Kleen Corp. Long-term Maintenance includes the costs of groundwater monitoring, treatment system operations, permit fees and facility maintenance for discontinued operations. One-Time Projects include the costs necessary to comply with regulatory requirements for the removal or treatment of contaminated materials.

SFAS No. 143 applies to asset retirement obligations that arise from ordinary business operations. We became subject to almost all of our remedial liabilities as part of the acquisition of the CSD assets from Safety-Kleen Corp., and we believe that the remedial obligations did not arise from normal operations. Remedial liabilities to which we became subject in connection with the acquisition of the CSD assets have been and will continue to be inflated using the inflation rate at the time of acquisition (2.4%) until the expected time of payment, then discounted at the risk-free interest rate at the time of acquisition (4.9%). Remedial liabilities incurred subsequent to the acquisition and remedial liabilities that existed prior to the acquisition have been and will continue to be recorded at the estimated current value of the liability, which is usually neither increased for inflation nor reduced for discounting.

We record environmental-related accruals for remedial obligations at both our landfill and non-landfill operations. See Note 2 in our Annual Report on Form 10-K for the year ended December 31, 2005 for further discussion of our methodology for estimating and recording these accruals.

Reserves for remedial obligations are as follows (in thousands):

	June 30, 2006	December 31, 2005
Remedial liabilities for landfill sites	$ 5,077	$ 4,901
Remedial liabilities for discontinued facilities not now used in the active conduct of the Company’s business	91,214	92,023
Remedial liabilities (including Superfund) for non-landfill open sites	51,313	50,143
	147,604	147,067
Less obligations classified as current	10,764	7,923
Long-term remedial liabilities	$ 136,840	$ 139,144

Anticipated payments at June 30, 2006 (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):

Periods ending December 31,	
Remaining six months of 2006	$ 5,008
2007	11,855
2008	11,308
2009	12,017
2010	10,036
Thereafter	138,877
Undiscounted remedial liabilities	189,101
Less: Discount	(41,497)
Total remedial liabilities	$ 147,604

The anticipated payments for Long-term Maintenance range from $4.2 million to $6.7 million per year over the next five years. Spending on One-Time Projects for the next five years ranges from $3.6 million to $7.5 million per year with an average expected payment of $4.6 million per year. Legal and Superfund liabilities payments are expected to be between $0.3 million and $1.6 million per year for the next five years. These estimates are reviewed at least quarterly and adjusted as additional information becomes available.

The changes to remedial liabilities for the six months ended June 30, 2006 are as follows (in thousands):

	December 31, 2005	Accretion	Benefit from Changes in Estimate Recorded to Statement of Operations	Currency Translation, Reclassifications and Other	Payments	June 30, 2006
Remedial liabilities for landfill sites	$4,901	$118	$(1)	$101	$(42)	$5,077
Remedial liabilities for discontinued sites not now used in the active conduct of the Company’s business	92,023	2,138	(1,326)	20	(1,641)	91,214
Remedial liabilities (including Superfund) for non-landfill operations	50,143	1,149	390	607	(976)	51,313
Total	$147,067	$3,405	$(937)	$728	$(2,659)	$147,604

The net $0.9 million benefit from changes in estimate recorded to selling, general and administrative expenses on the statement of operations is due to: (i) the discounting effect of delays in certain remedial projects, (ii) cost reductions negotiated with vendors and permit fee reductions, and (iii) a pattern of historical spending being less than originally expected.

At December 31, 2005, we estimated that it was “reasonably possible” as that term is defined in SFAS No. 5 (“more than remote but less than likely”), that the amount of such remedial liabilities could be up to $22.1 million greater than the above $147.1 million.

Stock-based Compensation

Effective January 1, 2006, we adopted SFAS No. 123(R). We adopted SFAS No. 123(R) using the modified prospective method. Under this transition method, new awards are valued and accounted for prospectively upon adoption. Outstanding prior awards that are unvested as of January 1, 2006 will be recognized as compensation cost over the remaining requisite service period. The results of operations of prior periods have not been restated. Accordingly, we will continue to provide pro forma financial information for periods prior to adoption to illustrate the effect on net income and earning per share of applying the fair value recognition provisions of SFAS No. 123.

We included $1.0 million and $1.6 million in total stock-based compensation expense to employees in our statements of operations for the three- and six-month periods ended June 30, 2006, respectively as a result of the adoption of SFAS No. 123(R). See Note 13, "Stock-based Compensation" to the consolidated financial statements for additional detail.

Consistent with the valuation method for the disclosure-only provisions of SFAS No. 123, we are using the Black-Scholes option pricing model to value the compensation expense associated with our stock option awards under SFAS No. 123(R). Compensation expense associated with restricted stock and performance stock awards is measured based on the grant-date fair value of our common stock and the probability of achieving performance goals where applicable, and is recognized on a straight-line basis over the required employment period, which is generally the vesting period. Compensation expense is only recognized for those awards that we expect to vest, which is estimated upon an assessment of historical forfeitures. Under the true-up provisions of SFAS No. 123(R), additional expense will be recorded related to stock options, restricted stock awards and performance stock awards if the actual forfeiture rate is lower than estimated and a recovery of prior expense will be recorded if the actual forfeiture rate is higher than estimated.

As of June 30, 2006, there were $2.4 million, $1.0 million and $1.7 million of total unrecognized compensation cost arising from non-vested compensation related to stock options, restricted stock awards, and performance stock awards under our stock incentive plans, respectively. These costs are expected to be recognized over the weighted-average periods of 1.1 years, 4.0 years and 1.5 years, respectively, for stock options, restricted stock awards and performance stock awards.

Results of Operations

Our operations are managed as two segments: Technical Services and Site Services.

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

Site Services provide highly skilled experts utilizing specialty equipment and resources to perform services, such as industrial maintenance, surface remediation, groundwater restoration, site and facility decontamination, emergency response, site remediation, PCB disposal and oil disposal at the customer's site or another location. These services are dispatched on a scheduled or emergency basis. We also offer outsourcing services for customer environmental management programs and provide analytical testing services, information management and personnel training services.

The following table sets forth for the periods indicated certain operating data associated with our results of operations. This table and subsequent discussions should be read in conjunction with Item 6, “Selected Financial Data,” and Item 8, “Financial Statements and Supplementary Data,” of our Annual Report on Form 10-K for the year ended December 31, 2005 and Item 1, “Financial Statements,” in this report.

	Percentage of Total Revenues			
	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2006	2005	2006	2005
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of revenues (exclusive of items shown separately below):				
Disposal costs to third parties	3.3	4.5	3.0	4.3
Other cost of revenues	64.8	67.0	66.6	68.0
Total cost of revenues	68.1	71.5	69.6	72.3
Selling, general and administrative expenses	17.7	14.6	16.5	14.7
Accretion of environmental liabilities	1.3	1.5	1.3	1.5
Depreciation and amortization	4.0	4.1	4.0	4.2
Income from operations	8.9	8.3	8.6	7.3
Other income (expense)	(0.1)	(0.1)	—	0.1
Loss on early extinguishment of debt	—	—	(2.2)	—
Interest (expense), net of interest income	(1.4)	(3.4)	(1.6)	(3.5)
Income before provision for income taxes	7.4	4.8	4.8	3.9
Provision for income taxes	1.7	0.6	1.1	0.3
Net income	5.7%	4.2%	3.7%	3.6%

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

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

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

The following is a reconciliation of net income to Adjusted EBITDA for the six-month period ended June 30, 2006:

Net income	$14,177
Accretion of environmental liabilities	5,053
Depreciation and amortization	15,233
Loss on early extinguishment of debt	8,290
Interest expense, net of interest income	6,049
Provision for income taxes	4,164
Other income (expense)	162
Adjusted EBITDA	$53,128

The following reconciles Adjusted EBITDA to cash provided from operations for the six months ended June 30, 2006:

Adjusted EBITDA	$53,128
Interest expense, net	(6,049)
Provision for income taxes	(4,164)
Allowance for doubtful accounts	764
Amortization of deferred financing costs	709
Change in environmental estimates	(1,435)
Gain on insurance settlement	(184)
Amortization of debt discount	46
Deferred income taxes	979
Stock-based compensation	1,592
Loss on early extinguishment of debt	(5,907)
Changes in assets and liabilities	
Accounts receivable	2,576
Unbilled accounts receivable	(2,543)
Deferred costs	(288)
Prepaid expenses	(1,527)
Accounts payable	(938)
Environmental expenditures	(3,395)
Deferred revenue	1,253
Accrued disposal costs	(181)
Other accrued expenses	(5,254)
Income taxes payable, net	267
Other, net	995
Net cash provided by operating activities	$30,444

Segment data

Performance of our segments is evaluated on several factors of which the primary financial measure is Adjusted EBITDA. The following table sets forth certain operating data associated with our results of operations and summarizes Adjusted EBITDA contribution by operating segment for the three- and six-month periods ended June 30, 2006 and 2005 (in thousands). We consider the Adjusted EBITDA contribution from each operating segment to include revenue attributable to each segment less operating expenses, which include cost of revenues and selling, general and administrative expenses. Revenue attributable to each segment is generally external or direct revenue from third party customers. Certain income or expenses of a non-recurring or unusual nature are not included in the operating segment Adjusted EBITDA contribution. This table and subsequent discussions should be read in conjunction with Item 6, "Selected Financial Data," and Item 8, "Financial Statements and Supplementary Data" and in particular Note 22, "Segment Reporting" of our Annual Report on Form 10-K for the year ended December 31, 2005 and Item 1, "Financial Statements" and in particular Note 14, "Segment Reporting" in this report.

	Summary of Operations			
	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2006	2005	2006	2005
Direct Revenues:				
Technical Services	$ 139,325	$ 121,115	$ 262,933	$ 230,714
Site Services	60,189	53,062	121,011	108,106
Corporate Items	48	(267)	113	56
Total	199,562	173,910	384,057	338,876
Cost of Revenues:				
Technical Services	90,898	81,798	175,984	162,122
Site Services	42,653	40,000	87,534	80,843
Corporate Items	2,413	2,636	3,804	2,016
Total	135,964	124,434	267,322	244,981
Selling, General & Administrative Expenses:				
Technical Services	14,189	12,235	27,265	23,955
Site Services	5,905	5,141	11,843	10,327
Corporate Items	15,158	7,932	24,499	15,387
Total	35,252	25,308	63,607	49,669
Adjusted EBITDA:				
Technical Services	34,238	27,082	59,684	44,637
Site Services	11,631	7,921	21,634	16,936
Corporate Items	(17,523)	(10,835)	(28,190)	(17,347)
Total	$ 28,346	$ 24,168	$ 53,128	$ 44,226

Three months ended June 30, 2006 versus the three months ended June 30, 2005

Revenues

Total revenues for the three months ended June 30, 2006 increased $25.5 million to $199.5 million from $174.0 million for the comparable period in 2005. Technical Services revenues for the three months ended June 30, 2006 increased $18.2 million to $139.3 million from $121.1 million for the comparable period in 2005. The primary increases in Technical Services revenues consisted of a $13.1 million increase in the volume of waste processed through our facilities offset by a $5.8 million decrease in the pricing of waste processed through our facilities primarily resulting from increased volumes of large quantity waste projects business. The increase was also attributable to a $3.7 million increase in large waste project transportation business and a $2.9 million increase due to the strengthening of the Canadian dollar. The remaining $4.3 million increase was composed of strong base business and project work across all regions.

Site Services revenues for the three months ended June 30, 2006 increased $7.1 million to $60.2 million from $53.1 million for the comparable period in 2005. In the second quarter of 2006, Site Services performed two major emergency response projects accounting for $1.9 million of outside revenues, offset by intercompany costs of $0.2 million, resulting in direct revenue of $1.7 million, or 2.8% of direct revenue for this segment. In the second quarter of 2005, Site Services performed major emergency response work accounting for $3.2 million, offset by intercompany costs of $0.7 million, resulting in direct revenue of $2.5 million, or 4.7% of direct revenue for this segment. Base Site Services revenue increased $7.9 million from the second quarter of 2005 to the second quarter of 2006. This increase was due to large project work in the Engineering Group, higher PCB/oil volumes and increased oil and metal pricing as well as favorable volumes in the chemical recycling and distribution group. These increases were augmented by strong base and project business in the South and Northeast regions offset by generally slower business levels and a decrease in project work in the Midwest region. Site Services benefited in the second quarter of 2006 $0.2 million as compared to the second quarter of 2005 due to changes in foreign exchange.

There are many factors which have impacted, and will continue to impact, our revenues. These factors include, but are not limited to: economic conditions; competitive industry pricing; continued efforts by generators of hazardous waste to reduce the amount of hazardous waste they produce and significant consolidation among treatment and disposal companies.

Cost of Revenues

Total cost of revenues for the three months ended June 30, 2006 increased $11.5 million to $135.9 million compared to $124.4 million for the comparable period in 2005. Technical Services cost of revenues increased $9.1 million to $90.9 million from $81.8 million for the comparable period in 2005. Cost of revenues for Technical Services increased $1.7 million due to an unfavorable foreign exchange fluctuation relating to the Canadian dollar. Costs also increased by $4.8 million in outside transportation and rail primarily associated with large waste projects, $1.7 million in utilities and fuel, $0.9 million in equipment and vehicle repairs and rentals, $0.8 million in employee labor and related costs, $0.5 million in materials and supplies expense and $0.3 million in major maintenance at the incinerators. These increases were partially offset by a $0.8 million decrease in subcontractors, a $0.6 million decrease in deferred costs associated with waste inventory and $0.4 million decrease in outside disposal.

Site Services cost of revenues increased $2.6 million to $42.6 million from $40.0 million for the comparable period in 2005. Cost of revenues for the first quarter of 2006 related to the performance of major emergency response jobs decreased by $0.9 million in 2006 as compared to the comparable period in 2005. Non-event Site Services cost of revenue increased $1.4 million in materials and supplies, $1.3 million in labor and related costs, $0.8 million in fuel and equipment rental costs, and $0.6 million for subcontractors These increases were offset by decreases of $0.9 million in outside disposal. Foreign exchange costs increased $0.2 million in the second quarter of 2006 as compared to the second quarter of 2005.

We believe that our ability to manage operating costs is an important factor 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 initiatives. We plan to continue to focus on achieving cost savings relating to purchased goods and services through the strategic sourcing initiative. However, we cannot assure that our efforts to manage future operating expenses will be successful.

Selling, General and Administrative Expenses

Total selling, general and administrative expenses for the three months ended June 30, 2006 increased $9.9 million to $35.3 million from $25.4 million for the comparable period in 2005. Technical Services selling, general and administrative expenses for the three months ended June 30, 2006 increased $1.9 million to $14.2 million from $12.3 million for the comparable period in 2005 primarily due to increased headcount and related labor costs associated with strategic and regional management resources. The increase was also attributable to a $0.6 million increase in bonuses, a $0.3 million increase of change in estimate of environmental liabilities, and a $0.2 million increase due to the strengthening of the Canadian dollar. Site Services selling, general and administrative expenses increased $0.8 million to $5.9 million for the three-month period ended June 30, 2006 from $5.1 million for the corresponding period of the preceding year. The increase was primarily due to additional headcount and related labor costs associated with strategic and regional management resources and increased incentive compensation costs. Corporate Items selling, general and administrative expenses for the three months ended June 30, 2006 increased $7.2 million to $15.2 million from $8.0 million for the comparable period in 2005. The increase related to environmental liability changes in estimate benefits being lower than the comparable period in 2005 by $3.2 million, increased salaries expense of $0.7 million related to stock option expense and vacation and sick time accrual adjustments, increased bonus accruals of $2.0 million, acquisition-related consulting costs of $0.6 million, and lease exit accruals and increased lease costs of $1.2 million, offset by other decreased costs of $0.5 million.

Accretion of Environmental Liabilities

Accretion of environmental liabilities for the three-month periods ended June 30, 2006 and 2005 was similar at $2.5 million and $2.6 million, respectively.

Depreciation and Amortization

Depreciation and amortization expense for the three months ended June 30, 2006 increased $0.9 million to $8.0 million from $7.1 million for the comparable period in 2005. The increase was primarily due to a $0.4 million write-off of leasehold improvements resulting from relocating the corporate office to Norwell, MA as well as changes in estimates in landfill lives and an increase in volumes at our landfill sites.

Other Income (Expense)

For the quarter ended June 30, 2006, other income (expense) of $(0.1) million consisted primarily of a loss on the sale of fixed assets.

For the quarter ended June 30, 2005, other income (expense) of $(0.1) million consisted almost entirely of a $(0.1) million loss relating to the sale of fixed assets.

Interest Expense, Net

Interest expense, net of interest income for the three months ended June 30, 2006, decreased $3.0 million to $2.9 million from $5.9 million for the comparable period in 2005. The decrease in interest expense was primarily due to interest savings resulting from the refinancing of our credit facilities on December 1, 2005 and the redemption of $52.5 million of Senior Secured Notes on January 12, 2006.

Income Taxes

Income tax expense for the three months ended June 30, 2006 increased $2.5 million to $3.5 million from $1.0 million for the comparable period in 2005. Income tax expense for the second quarter of 2006 consisted of: a current tax expense relating to the Canadian operations of $1.5 million, including withholding taxes; federal income tax of $1.5 million; and a state income tax expense of $0.5 million relating to profitable operations in certain legal entities. Income tax expense for the second quarter of 2005 consisted primarily of a current tax expense relating to the Canadian operations of $0.8 million including withholding taxes, $0.1 million of federal alternative minimum tax, and a state income tax expense of $0.1 million relating to profitable operations in certain legal entities.

SFAS No. 109, "Accounting for Income Taxes," requires that a valuation allowance be established when, based on an evaluation of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Accordingly, at June 30, 2006 and December 31, 2005, we continued to maintain a full valuation allowance against our net U.S. deferred tax assets. The actual realization of the net operating loss carryforwards and other tax assets depend on having future taxable income of the appropriate character prior to their expiration. We will continue to re-evaluate the need for this valuation allowance in light of all available evidence including projections of future operating results.

Adjusted EBITDA Contribution

The combined Adjusted EBITDA contribution by segment for the three months ended June 30, 2006 increased $4.1 million to $28.3 million from $24.2 million for the comparable period in 2005. Adjusted EBITDA contribution improved for each of the two segments in 2006. The contribution of Technical Services increased $7.2 million, Site Services contribution improved by $3.7 million and Corporate Items costs decreased $(6.8) million. The combined Adjusted EBITDA contribution was comprised of revenues of $199.5 million and $174.0 million, net of cost of revenues of $135.9 million and $124.4 million and selling, general and administrative expenses of $35.3 million and $25.4 million for the three-month periods ended June 30, 2006 and 2005, respectively.

Six months ended June 30, 2006 versus the six months ended June 30, 2005

Revenues

Total revenues for the six months ended June 30, 2006 increased $45.1 million to $384.0 million from $338.9 million for the comparable period in 2005. Technical Services revenues for the six months ended June 30, 2006 increased $32.2 million to $262.9 million from $230.7 million for the comparable period in 2005. The primary increases in Technical Services revenues consisted of a $17.8 million increase in the volume of waste processed through our facilities offset by a $4.1 million decrease in the pricing of waste processed through our facilities primarily resulting from increased volumes of large quantity waste projects business. The increase was also attributable to a $5.7 million increase in large waste project transportation business and a $4.2 million increase due to the strengthening of the Canadian dollar. The remaining $8.6 million increase is composed of strong base business and project work across all regions.

Site Services revenues for the six months ended June 30, 2006 increased $12.9 million to $121.0 million from $108.1 million for the comparable period in 2005. In 2006, this work accounted for $15.1 million of outside revenues, offset by intercompany costs of $2.0 million, resulting in direct revenue of $13.1 million, or 10.8% of direct revenue for this segment. In the first quarter of 2005, Site Services performed major emergency response work accounting for $14.9 million, offset by intercompany costs of $2.1 million, resulting in direct revenue of $12.8 million, or 11.8% of direct revenue for this segment. This increase was due to large project work in the Industrial Services and Engineering Group, higher PCB/Oil volumes and increased oil and metal pricing as well as favorable volumes in the chemical recycling and distribution group. Base Site Services revenue increased $12.6 million from the first half of 2005 compared to the first half of 2006. These increases were augmented by strong base and project business in the South region offset by generally slower business levels and a decrease in project work in the Midwest region.

There are many factors which have impacted, and will continue to impact, our revenues. These factors include, but are not limited to: economic conditions; competitive industry pricing; continued efforts by generators of hazardous waste to reduce the amount of hazardous waste they produce; significant consolidation among treatment and disposal companies; industry-wide overcapacity; and direct shipment by generators of waste to the ultimate treatment or disposal location.

Cost of Revenues

Total cost of revenues for the six months ended June 30, 2006 increased $22.4 million to $267.3 million compared to $244.9 million for the comparable period in 2005. Technical Services cost of revenues increased $13.9 million to $176.0 million from $162.1 million for the comparable period in 2005. Cost of revenues for Technical Services increased $2.6 million due to an unfavorable foreign exchange fluctuation relating to the Canadian dollar. Costs also increased by $7.1 million in outside transportation and rail primarily associated with large waste projects, $3.2 million in utilities and fuel, $2.2 million in employee labor and related costs, $1.8 million in materials and supplies expense, $0.4 million in major maintenance at the incinerators and $0.3 million in equipment and vehicle repairs and rentals. These increases were partially offset by a $2.0 million decrease in subcontractors, a $1.5 million decrease in deferred costs associated with waste inventory and $0.3 million decrease in outside disposal.

Site Services cost of revenues increased $6.7 million to $87.5 million from $80.8. million for the comparable period in 2005. Cost of revenues for the six months ended June 30, 2006 increased by $1.0 million compared to the same period of 2005. Non-event Site Services cost of revenue increased $3.6 million in materials and supplies, $2.7 million in labor and related costs, $2.0 million in vehicle expense and equipment rental and $0.7 million in subcontractor expenses due to increased business levels in the engineering, oil and chemical recycling groups as well as strong business levels in the South region. These increases were offset by decreases of $2.7 million in outside disposal, $0.4 million in outside transportation due to our efforts to internalize these services and changes in business mix, $0.3 million in rent expense due to relocation of one of our offices, and $0.3 million from various other cost sources. Foreign exchange costs increased $0.4 million in the second quarter of 2006 as compared to the second quarter of 2005.

Corporate Items cost of revenues for the six months ended June 30, 2006 increased $1.8 million to $3.8 million from $2.0 million for the comparable period in 2005. The increase in Corporate Items cost of revenue was primarily due to environmental changes in estimate benefits of $1.6 million recorded in 2005 with no similar benefits in the comparable period of 2006.

We believe that our ability to manage operating costs is an important factor 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 initiatives. We plan to continue to focus on achieving cost savings relating to purchased goods and services through the strategic sourcing initiative. However, we cannot assure that our efforts to manage future operating expenses will be successful.

Selling, General and Administrative Expenses

Total selling, general and administrative expenses for the six months ended June 30, 2006 increased $13.9 million to $63.6 million from $49.7 million for the comparable period in 2005. Technical Services selling, general and administrative expenses for the six months ended June 30, 2006 increased $3.3 million to $27.3 million from $24.0 million for the comparable period in 2005 primarily due to increased headcount and related labor costs associated with strategic and regional management resources. The increase was also attributable to a $1.0 million increase of change in estimate of environmental liabilities, a $0.9 million increase in bonuses and a $0.4 million increase due to the strengthening of the Canadian dollar. Site Services selling, general and administrative expenses increased $1.5 million to $11.8 million for the six-month period ended June 30, 2006 from $10.3 million for the corresponding period of the preceding year. The increase was primarily due to additional headcount and related labor costs associated with strategic and regional management resources and increased incentive compensation costs. Corporate Items selling, general and administrative expenses for the six months ended June 30, 2006 increased $9.1 million to $24.5 million from $15.4 million for the comparable period in 2005. The increase related to environmental liability changes in estimate benefits being lower than the comparable period in 2005 by $3.8 million, increased salaries expense of $1.8 million related to stock option expense and vacation and sick time accrual adjustments, increased bonus accruals of $2.4 million, acquisition-related consulting costs of $0.6 million, and lease exit accruals and increased lease costs of $1.2 million, offset by $0.7 million of other decreased costs including reduced accrued corporate costs of $0.5 million.

Accretion of Environmental Liabilities

Accretion of environmental liabilities for the six-month periods ended June 30, 2006 and 2005 was similar at $5.1 million and $5.2 million, respectively.

Depreciation and Amortization

Depreciation and amortization expense for the six months ended June 30, 2006 increased $0.8 million to $15.2 million from $14.4 million for the comparable period in 2005. The increase was primarily due to changes in estimates in landfill lives and an increase in volumes at our landfill sites of $0.4 million and a $0.4 million write-off of leasehold improvements resulting from relocating the corporate office to Norwell, MA.

Other Income (Expense)

For the six-month period ended June 30, 2006, other income (expense) of $(0.2) million consisted primarily of a loss on the sale of fixed assets.

For the six-month period ended June 30, 2005, other income (expense) of $0.5 million consisted almost entirely of a gain relating to the settlement of an insurance claim.

Loss on Early Extinguishment of Debt

On January 12, 2006, we redeemed $52.5 million principal amount of outstanding Senior Secured Notes and paid prepayment penalties and accrued interest through the redemption date. In connection with such redemption, we recorded during the period ended June 30, 2006, to loss on early extinguishment of debt, an aggregate of $8.3 million, consisting of the $1.8 million unamortized portion of such financing costs, $0.6 million of unamortized discount on the Senior Secured Notes and the $5.9 million prepayment penalty required by the Indenture in connection with such redemption.

Interest Expense, Net

Interest expense, net of interest income for the six months ended June 30, 2006, decreased $5.9 million to $6.0 million from $11.9 million for the comparable period in 2005. The decrease in interest expense was primarily due to interest savings resulting from the refinancing of our credit facilities on December 1, 2005 and the redemption of $52.5 million of Senior Secured Notes on January 12, 2006, and improved cash flow from operations.

Income Taxes

Income tax expense for the six months ended June 30, 2006 increased $3.2 million to $4.2 million from $1.0 million for the comparable period in 2005. Income tax expense for the first six months of 2006 consisted of: a current tax expense relating to the Canadian operations of 1.5 million, including withholding taxes; federal income tax of $1.5 million; and a state income tax expense of $0.5 million relating to profitable operations in certain legal entities. Income tax expense for the first six months of 2005 consisted primarily of a current tax expense relating to the Canadian operations of $0.8 million net including withholding taxes, $0.1 million of federal alternative minimum tax, and a state income tax expense of $0.1 million relating to profitable operations in certain legal entities.

Adjusted EBITDA Contribution

The combined Adjusted EBITDA contribution by segment for the six months ended June 30, 2006 increased $8.8 million to $53.1 million from $44.3 million for the comparable period in 2005. Adjusted EBITDA contribution improved for each of the two segments in 2006. The contribution of Technical Services increased $15.0 million, and Site Services contribution improved $4.7 million, offset by an increase in Corporate Items costs of $10.9 million. The combined Adjusted EBITDA contribution was comprised of revenues of $384.0 million and $338.9 million, net of cost of revenues of $267.3 million and $244.9 million and selling, general and administrative expenses of $63.6 million and $49.7 million for the six-month periods ended June 30, 2006 and 2005, respectively.

Liquidity and Capital Resources

Cash and Cash Equivalents

We believe that our primary sources of liquidity are cash flows from operations, existing cash, marketable securities, funds available to borrow under our Revolving Facility and anticipated proceeds from assets held for sale. For the six-month period ended June 30, 2006, we generated cash from operations of $30.3 million. As of June 30, 2006, cash and cash equivalents were $79.9 million, marketable securities were $11.8 million, funds available to borrow under the Revolving Facility were $31.1 million, and properties held for sale were $8.2 million.

We intend to use our existing cash, marketable securities and cash flow from operations to provide for our working capital needs, for potential acquisitions, and to fund recurring capital expenditures. On May 3, 2006, we entered into a purchase and sale agreement with SITA U.S.A., Inc., a Delaware corporation (“Seller”), pursuant to which we have agreed to purchase from Seller all of the membership interests in Teris L.L.C., a Delaware limited liability company (“Teris”). The purchase price is $52.7 million in cash, subject to closing adjustments. We anticipate financing the acquisition through available cash and a $30 million term loan under the Company’s existing credit agreement. The acquisition is expected to close, subject to the satisfaction or waiver of customary closing conditions, during the third quarter of 2006.

We anticipate that our cash flow provided by operating activities will provide the necessary funds on a short and long-term basis to meet operating cash requirements. In addition, we project that we will continue to meet our debt covenant requirements for the foreseeable future. We have accrued environmental liabilities valued as of June 30, 2006 at approximately $172.1 million, substantially all of which we assumed in connection with the acquisition of the CSD assets. We performed extensive due diligence investigations with respect to both the amount and timing of such liabilities. We anticipate such liabilities will be payable over many years and that cash flow from operations will generally be sufficient to fund the payment of such liabilities when required. However, events not now anticipated (such as future changes in environmental laws and regulations) could require that such payments be made earlier or in greater amounts than now anticipated, which could adversely affect our cash flow and financial condition.

Cash Flows for the Six Months ended June 30, 2006

For the six months ended June 30, 2006, we generated approximately $30.4 million of cash from operating activities. We reported net income for the period of $14.2 million. In addition, we reported non-cash expenses during this period totaling $25.3 million. These non-cash expenses consisted primarily of $15.2 million for depreciation and amortization, $5.1 million for the accretion of environmental liabilities and $2.4 million for the non-cash portion of the loss on early extinguishment of debt. Uses of cash for working capital purposes totaled $9.1 million, reduced cash flow from operations by the same amount, and consisted primarily of a decrease in unbilled accounts receivable of $2.5 million, a decrease in prepaid expenses and other current assets of $1.5 million, a decrease in environmental expenditures of $3.4 million and a decrease in other accrued expenses of $5.3 million. These uses of cash were partially offset by sources of cash from working capital that totaled $5.1 million and consisted primarily of a decrease in accounts receivable of $2.6 million and an increase in deferred revenue of $1.3 million.

For the six-month period ended June 30, 2006, we used $28.5 million of cash in our investing activities. Sources of cash totaled $48.0 million and consisted of the sales of restricted investments of $3.5 million, proceeds from the sale of assets of $0.5 million, proceeds from an insurance claim of $0.4 million and sales of marketable securities of $43.6 million. Cash used in investing activities totaled $76.5 million and consisted of purchases of property, plant and equipment of $20.4 million, purchases of marketable securities of $55.4 million, the costs associated with the renewal of permits of $0.6 million and acquisition costs of $0.1 million.

For the six-month period ended June 30, 2006, our financing activities resulted in a net use of cash of $55.1 million and consisted primarily of principal payments on our debt of $52.5 million.

Cash Flows for the Six Months ended June 30, 2005

For the six months ended June 30, 2005, we generated approximately $9.0 million of cash from operating activities. We reported net income for the period of $12.2 million. In addition, we recorded non-cash expenses during this period, which provided sources of funds totaling $19.8 million. These non-cash expenses consisted primarily of $15.3 million for depreciation and amortization and $5.2 million for the accretion of environmental liabilities. Uses of cash for working capital purposes totaled $28.1 million, reduced cash flow from operations by the same amount, and consisted primarily of a $11.3 million decrease in closure, post-closure and remedial liabilities, a $4.3 million decrease in deferred revenue due to increased efficiency of facility operations, a $1.6 million increase in unbilled receivables, a $5.4 million decrease in accounts payable due to the timing of payments made to vendors, and a $3.0 million decrease in income taxes payable. These uses of cash were partially offset by sources of cash from working capital that totaled $5.2 million.

For the six months ended June 30, 2005, we generated $9.3 million of cash from investing activities. Sources of cash totaled $17.2 million and consisted of the sale of marketable securities of $16.8 million and proceeds from the sale of fixed assets of $0.4 million. Cash used in investing activities totaled $7.9 million and consisted of purchases of property, plant and equipment of $7.0 million and increases in permits of $0.9 million.

For the six months ended June 30, 2005, our financing activities resulted in a net source of cash of $0.9 million. This consisted primarily of proceeds from the exercise of stock options and employee stock purchase plan of $3.9 million. This source was partially offset by uses of cash from financing activities of $3.0 million that consisted primarily of a decrease in uncashed checks of $1.9 million, payments on capital leases of $0.9 million and dividend payments on our Series B Preferred Stock of $0.1 million.

We used the cash generated from operating activities of $9.0 million together with the $9.3 million of cash generated from investing activities and $0.9 million generated from financing activities to increase cash on hand by $19.2 million at June 30, 2005 compared to the balance at December 31, 2004.

Financing Arrangements

At June 30, 2006, we had outstanding $97.5 million of eight-year Senior Secured Notes due 2012 (the “Senior Secured Notes”), a $70.0 million revolving credit facility (the “Revolving Facility”) and a $50.0 million synthetic letter of credit facility (the “Synthetic LC Facility”).

We issued the Senior Secured Notes on June 30, 2004, and established the Revolving Facility and the Synthetic LC Facility on December 1, 2005, under an amended and restated loan and security agreement (the "Amended Credit Agreement") which we then entered into with the lenders under our loan and security agreement dated June 30, 2004 (the "Original Credit Agreement"). The principal differences between the Amended Credit Agreement and the Original Credit Agreement are that: (i) the Revolving Facility was increased from $30.0 million under the Original Credit Agreement to $70.0 million under the Amended Credit Agreement; (ii) the maximum amount of the letters of credit which we may have issued as part of the Revolving Facility increased from $10.0 million under the Original Credit Agreement to $50.0 million under the Amended Credit Agreement (which was further increased to $60.0 million in July 2006); (iii) the Synthetic LC Facility was decreased from $90.0 million under the Original Credit Agreement to $50.0 million facility under the Amended Credit Agreement; and (iv) the annual rate of the participation fee payable on $50.0 million which the LC Lenders have deposited for purposes of the Synthetic LC Facility was decreased from 5.35% under the Original Credit Agreement to 3.10% under the Amended Credit Agreement (which annual rate was further reduced to 2.85% on January 12, 2006 as described below).

The principal terms of the Senior Secured Notes, the Revolving Facility, and the Synthetic LC Facility are as follows:

Senior Secured Notes. The Senior Secured Notes were issued under an Indenture dated June 30, 2004 (the "Indenture"). The Senior Secured Notes bear interest at 11.25% and mature on July 15, 2012. The $150.0 million original principal amount of the Senior Secured Notes was issued at a $2.0 million discount that resulted in an effective yield of 11.5%. Interest is payable semiannually in cash on each January 15 and July 15, commencing on January 15, 2005.

The Indenture provides for certain covenants, the most restrictive of which requires us, within 120 days after the close of each twelve-month period ending on June 30 of each year (beginning June 30, 2005 and ending on June 30, 2011) to apply an amount equal to 50% of the period's Excess Cash Flow (as defined below) to either prepay, repay, redeem or purchase our first-lien obligations under the Revolving Facility and Synthetic LC Facility or to make offers ("Excess Cash Flow Offers") to repurchase all or part of the then outstanding Senior Secured Notes at an offering price equal to 104% of their principal amount plus accrued interest. "Excess Cash Flow" is defined in the Indenture as consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA") less interest expense, all taxes paid or accrued in the period, capital expenditures made in cash during the period, and all cash spent on environmental monitoring, remediation or relating to our environmental liabilities.

Excess Cash Flow for the twelve months ended June 30, 2006 was $36.0 million. Accordingly, we anticipate being required, within 120 days following June 30, 2006, to offer to repurchase the Senior Secured Notes in the amount of 50% of the Excess Cash Flow generated during the twelve-month period ending June 30, 2006 less payments on first lien and capital lease obligations during that twelve month period. To the extent the Note holders do not accept an Excess Cash Flow Offer based on the Excess Cash Flow earned through June 30, 2006, such Excess Cash Flow will not be included in the amount of Excess Cash Flow earned in subsequent periods. However, the Indenture's requirement to make Excess Cash Flow Offers in respect of Excess Cash Flow earned in subsequent twelve-month periods will remain in effect.

Revolving Facility. The Revolving Facility allows us to borrow up to $70.0 million in cash, based upon a formula of eligible accounts receivable. This total is separated into two lines of credit, namely: (i) a line for us and our U.S. subsidiaries equal to $70.0 million less the principal balance then outstanding under the line for our Canadian subsidiaries and (ii) a line for our Canadian subsidiaries equal to $5.3 million. The Revolving Facility also provides that Bank of America, N.A. will issue at our request up to $60.0 million of letters of credit, with the outstanding amount of such letters of credit reducing the maximum amount of borrowings under the Revolving Facility. At June 30, 2006, we had no borrowings and $38.9 million of letters of credit outstanding under the Revolving Facility, and we had approximately $31.1 million available to borrow. Amounts outstanding under the Revolving Facility bear interest at an annual rate of either the U.S. or Canadian prime rate or the Eurodollar rate (depending on the currency of the underlying loan) plus 1.50%. We are required to pay monthly Letter of Credit and quarterly fronting fees at an annual rate of 1.5% and 0.3%, respectively, on the amount of letters of credit outstanding under the Revolving Facility and an annual administrative fee of $25 thousand. The Credit Agreement also requires us to pay an unused line fee of 0.125% per annum on the unused portion of the Revolving Facility. The term of the Revolving Facility will expire on December 1, 2010.

Under the Amended Credit Agreement, we are required to maintain a maximum Leverage Ratio (as defined below) of no more than 2.45 to 1.0 for the quarter ended June 30, 2006. The maximum Leverage Ratio then reduces to no more than 2.40 to 1.0 for the quarterly periods ending September 30, 2006 through December 31, 2006, respectively. The maximum Leverage Ratio then reduces to no more than 2.35 to 1.0 for the quarterly periods ending March 31, 2007 through December 31, 2007, and to no more than 2.30 to 1.0 for the quarterly periods ending March 31, 2008 through December 31, 2008, and 2.25 to 1.0 for each succeeding quarter. The Leverage Ratio is defined as the ratio of the our consolidated indebtedness to our Consolidated EBITDA (as defined in the Amended Credit Agreement) achieved for the latest four-quarter period. For the four-quarter period ended June 30, 2006, the Leverage Ratio was 0.83 to 1.0.

We are also required under the Amended Credit Agreement to maintain a minimum Interest Coverage Ratio (as defined below) of not less than 2.80 to 1.0 for the quarterly periods ending June 30, 2006 and September 30, 2006. The minimum Interest Coverage Ratio then increases to not less than 2.85 to 1.0 for the quarterly periods ending December 31, 2006 through December 31, 2007, and to not less than 3.00 to 1.0 for each succeeding quarter. The Interest Coverage Ratio is defined as the ratio of our Consolidated EBITDA to our consolidated interest expense for the latest four-quarter period. For the quarter ended June 30, 2006, the Interest Coverage Ratio was 5.97 to 1.0.

We are also required under the Amended Credit Agreement to maintain a fixed charge coverage ratio of not less than 1.0 to 1.0 for each four-quarter period if, at the end of such four-quarter period, we have greater than $5.0 million of loans outstanding under the revolving credit facility. At June 30, 2006, we had no loans outstanding under the revolving credit facility; and therefore we were not then required to comply with the fixed charge ratio covenant.

Synthetic LC Facility. The Synthetic LC Facility provides that Credit Suisse (the “LC Facility Issuing Bank”) will issue up to $50.0 million of letters of credit at our request. The Synthetic LC Facility requires that the LC Facility Lenders maintain a cash account (the “Credit-Linked Account”) to collateralize our outstanding letters of credit. Should any such letter of credit be drawn in the future and we fail to satisfy its reimbursement obligation, the LC Facility Issuing Bank would be entitled to draw upon the appropriate portion of the $50.0 million in cash which the LC Facility Lenders have deposited into the Credit-Linked Account. Acting through the LC Facility Agent, the LC Facility Lenders would then have the right to exercise their rights as first-priority lien holders (second-priority as to receivables) on substantially all of the assets of us and our U.S. subsidiaries. We have no right, title or interest in the Credit-Linked Account established under the Amended Credit Agreement for purposes of the Synthetic LC Facility. Under the Amended Credit Agreement, we were required to pay a quarterly participation fee at the annual rate of 3.10% on the $50.0 million facility. Following the redemption of $52.5 million of Senior Secured Notes on January 12, 2006, the annual rate of the quarterly participation fee was reduced to 2.85%. We are also required to pay a quarterly fronting fee at the annual rate of 0.30% of the average daily aggregate amount of letters of credit outstanding under the Synthetic LC Facility and an annual administrative fee of $65 thousand. At June 30, 2006, letters of credit outstanding under the Synthetic LC facility were $49.9 million. The term of the Synthetic LC Facility will expire on December 1, 2010.

Stockholder Matters

Stockholders’ equity was $136.4 million at June 30, 2006, or $6.64 per weighted average share outstanding plus potentially dilutive common shares, compared to $115.7 million at December 31, 2005, or $6.53 per weighted average share outstanding plus potentially dilutive common shares. Stockholders’ equity increased due to: (i) the net income for six months ended June 30, 2006 of $14.2 million; (ii) exercise of stock options, stock purchases under the employee stock purchase plan and related tax effects that totaled $3.3 million; (iii) the issuance and vesting of restricted stock awards that totaled $0.5 million; (iv) the vesting of share-based awards that totaled $0.8 million; (v) the issuance and vesting of service based stock option awards that totaled $0.2 million; (vi) the issuance and vesting of common stock awards that totaled $0.1 million; and (vii) the effect of foreign currency translation of $1.8 million. Partially offsetting these increases to stockholders’ equity was a decrease due to the payment of dividends on the Series B Preferred Stock of $0.1 million.

Dividends on the Series B Preferred Stock are payable on the 15th day of January, April, July and October, at the rate of $1.00 per share, per quarter. Under the terms of the Series B Preferred Stock, we can elect to pay dividends in cash or in common stock with a market value equal to the amount of the dividends payable. The dividends due on January 15 and April 15, 2006 and 2005 were paid in cash.

New Accounting Pronouncements

In June 2006, the FASB issued FASB Interpretation No. 48 (“FIN 48”), “Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109.” FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the financial statements by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on accounting for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. Management is currently evaluating the effect that adoption of this interpretation will have on our consolidated financial position and results of operations.

In May 2005, the FASB issued SFAS No. 154, “Accounting Changes and Error Corrections.” SFAS No. 154 establishes new standards on accounting for changes in accounting principles. All such changes must be accounted for by retrospective application to the financial statements of prior periods unless it is impracticable to do so. SFAS No. 154 completely replaces APB Opinion No. 20, “Accounting Changes,” and SFAS No. 3, “Reporting Accounting Changes in Interim Periods.” However, it carries forward the guidance in those pronouncements with respect to accounting for changes in estimates, changes in the reporting entity, and the correction of errors. SFAS No. 154 is effective for accounting changes and error corrections made in fiscal years beginning after December 15, 2005.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to market risk on the interest that we pay on our debt due to changes in the general level of interest rates. 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. The following table provides information regarding our fixed rate borrowings June 30, 2006 (in thousands):

Scheduled Maturity Dates	Six Months Remaining 2006	2007	2008	2009	2010	Thereafter	Total
Senior Secured Notes	$ —	$ —	$ —	$ —	$ —	$ 97,500	$ 97,500
Capital Lease Obligations	917	1,436	1,345	653	465	134	4,950
	$ 917	$ 1,436	$ 1,345	$ 653	$ 465	$ 97,634	$ 102,450
Weighted average interest rate on fixed rate borrowings	11.2%	11.4%	11.4%	11.5%	11.5%	11.5%	

In addition to the fixed rate borrowings described in the above table, at June 30, 2006, we had (i) a revolving facility (the "Revolving Facility") which allows us to borrow or obtain letters of credit for up to $70.0 million, based upon a formula of eligible accounts receivable, and (ii) a $50.0 million synthetic letter of credit facility (the "Synthetic LC Facility") which allows us to have issued up to $50.0 million of additional letters of credit. At June 30, 2006, we had: (i) no borrowings and $38.9 million of letters of credit outstanding under the Revolving Facility and (ii) $49.9 million of letters of credit outstanding under the Synthetic LC Facility. Borrowings outstanding under the Revolving Facility bear interest at an annual rate of either the U.S. or Canadian prime rate (depending on the currency of the underlying loan), or the Eurodollar rate plus 1.50%, and we are required to pay fees at an annual rate of 1.5% on the amount of letters of credit outstanding under the Revolving Facility and an unused line fee of 0.125% per annum on the unused portion of the Revolving Facility. As of December 31, 2005, we were required to pay a quarterly participation fee at the annual rate of 3.10% (which decreased to 2.85% on January 12, 2006) on the $50.0 million maximum amount of the Synthetic LC Facility and a quarterly fronting fee at an annual rate of 0.30% of the average daily aggregate amount of letters of credit outstanding under the Synthetic LC Facility.

Historically, we have not entered into derivative or hedging transactions, nor have we entered into transactions to finance debt off of our balance sheet. We view our investment in our Canadian and Mexican subsidiaries as long-term; thus, we have not entered into any hedging transactions between the Canadian dollar and the U.S. dollar or between the Mexican peso and the U.S. dollar. During the three- and six-month periods ended June 30, 2006, total foreign currency losses were $0.9 million and $0.8 million, respectively, primarily between U.S. and Canadian dollars. During the three- and six-month periods ended June 30, 2005, total foreign currency gains were $0.2 million and $0.4 million, respectively, primarily between U.S. and Canadian dollars. The Canadian subsidiaries transact approximately 23.3% of their business in U.S. dollars and at any period end have cash on deposit in U.S. dollars and outstanding U.S. dollar accounts receivable related to these transactions. These cash and receivable accounts are vulnerable to foreign currency translation gains or losses. During the three- and six-month periods ended June 30, 2006, the U.S. dollar rose 4.1% and 4.5%, respectively against the Canadian dollar, resulting in foreign currency exchange losses of $0.9 million and $0.8 million, respectively. During the three- and six-month periods ended June 30, 2005, the U.S. dollar rose approximately 2.0% and 1.7%, respectively against the Canadian dollar, resulting in foreign currency exchange gains of $0.2 million and $0.4 million, respectively. The average exchange rate for the six-month periods ended June 30, 2006 and 2005 was 1.14 and 1.23 Canadian dollars to the U.S. dollar, respectively. Had the Canadian dollar been 10.0% stronger against the U.S. dollar, we would have reported increased net income by approximately $0.7 million and $0.6 million for the six-month periods ended June 30, 2006 and 2005, respectively. Had the Canadian dollar been 10.0% weaker against the U.S. dollar, we would have reported decreased net income by approximately $0.7 million and $0.6 million for the six-month periods ended June 30, 2006 and 2005, respectively. We are subject to minimal market risk arising from purchases of commodities since no significant amount of commodities are used in the treatment of hazardous waste.

ITEM 4. CONTROLS AND PROCEDURES

We believe based on our knowledge that the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows as of, and for, the periods presented in this report. We cannot provide assurance that new problems will not be found in the future. We do not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud because no control system can provide absolute assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some person or by collusion of two or more people.

As of the end of the period covered by this report, our senior management performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our management, including the CEO and CFO, concluded that these disclosure procedures and controls are effective.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during the quarter ended June 30, 2006, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

CLEAN HARBORS, INC. AND SUBSIDIARIES

PART II—OTHER INFORMATION

Item 1—*Legal Proceedings*

See Note 6, "Legal Proceedings," to the financial statements included in this report, which description is incorporated herein by reference.

Item 1A — *Risk Factors*

During the three months ended June 30, 2006, there were no material changes from the risk factors as previously disclosed in Item 1A in the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

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

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

Item 4—*Submission of Matters to a Vote of Security Holders*

At the Company's annual meeting of shareholders held on May 19, 2006, the following Class II directors were re-elected for a three-year term by the following votes:

Nominee	For	Withheld
John D. Barr	16,523,524	34,193
John T. Preston	16,305,596	252,121
Lorne R. Waxlax	16,486,463	71,254

Item 5—*Other Information*—None

Item 6—*Exhibits*

Item No.	Description	Location
4.28 E	Amendment No. 2 dated as of July 20, 2006, to the Amended and Restated Loan and Security Agreement dated as of December 1, 2005 by and among Credit Suisse, as administrative agent for the LC Facility (as defined therein), Bank of America, N.A., as administrative agent for the Revolving Facility (as defined therein) and as syndication agent for the LC Facility, Banc of America Securities LLC, as sole arranger under the Revolving Facility, Credit Suisse, as sole bookrunner under the LC Facility, Credit Suisse and Banc of America Securities LLC, as joint lead arrangers under the LC Facility, Clean Harbors, Inc., the Canadian Borrowers (as defined therein), and the other subsidiaries of Clean Harbors, Inc. from time to time a party thereto.	Filed herewith.
31	Rule 13a-14a/15d-14(a) Certifications	Filed herewith.
32	Section 1350 Certifications	Filed herewith.

CLEAN HARBORS, INC. AND SUBSIDIARIES

SIGNATURES

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

CLEAN HARBORS, INC.
Registrant

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

Date: August 8, 2006

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

Date: August 8, 2006

Exhibit 4.28E

AMENDMENT NO. 2

AMENDMENT NO. 2 (this "**Amendment**"), dated as of July 20, 2006, to the Amended and Restated Loan and Security Agreement, dated as of December 1, 2005 (as amended and in effect from time to time, the "**Loan Agreement**"; capitalized terms used herein and not defined herein shall have the meaning set forth in the Loan Agreement) by and among Credit Suisse, as administrative agent for the LC Facility, Bank of America, N.A., as administrative agent for the Revolving Facility and syndication agent for the LC Facility, Banc of America Securities LLC ("**BAS**"), as sole arranger under the Revolving Facility, Credit Suisse, as sole bookrunner under the LC Facility, Credit Suisse and BAS, as joint lead arrangers under the LC Facility, Clean Harbors, Inc., a Massachusetts corporation ("**Parent**"), the Canadian Borrowers, and each of the other Subsidiaries of Parent from time to time a party thereto (each such Subsidiary, together with Parent and Canadian Borrowers, a "**Credit Party**" and, collectively, "**Credit Parties**").

W I T N E S S E T H:

WHEREAS, subsection 11.3 of the Loan Agreement permits the Loan Agreement to be amended from time to time;

WHEREAS, the Loan Agreement is being amended at the request of the Borrowers;

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

Section 1. Amendments.

(a) The following defined terms shall be added to Section 1 of the Loan Agreement:

"**Amendment No. 2**" shall mean Amendment No. 2 to this Agreement, dated as of July 20, 2006.

"**Amendment No. 2 Effective Date**" shall mean the first Business Day on which all conditions precedent set forth in Section 3 of Amendment No. 2 are satisfied.

(b) Section 2.4(g) shall be amended by replacing the reference to "$50,000,000" therein with "$60,000,000".

(c) Section 9.20 of the Loan Agreement is hereby amended by deleting Section 9.20 in its entirety and replacing it with the following:

Limitation on Capital Expenditures. Credit Parties shall not permit the aggregate amount of Capital Expenditures made in any period set forth below, to exceed the amount set forth opposite such period below:

Period	Amount (in millions)
January 1, 2006— December 31, 2006	$35,000,000
January 1, 2007— December 31, 2007	$40,000,000
January 1, 2008— December 31, 2008	$42,000,000
January 1, 2009— December 31, 2009	$44,000,000
January 1, 2010— December 1, 2010	$46,000,000

provided, *however*, that (x) if the aggregate amount of Capital Expenditures made in any fiscal year shall be less than the maximum amount of Capital Expenditures permitted under this Section 9.20 for such fiscal year (before giving effect to any carryover), then an amount of such shortfall not exceeding 50% of such maximum amount (without giving effect to clause (y) below) may be added to the amount of Capital Expenditures permitted under this Section 9.20 for the immediately succeeding (but not any other) fiscal year, and (y) in determining whether any amount is available for carryover, the amount expended in any fiscal year shall first be deemed to be from the amount allocated to such fiscal year (before giving effect to any carryover).

Section 2. Acknowledgment of Resignation and Appointment of Canadian Collateral Agent. (a) Pursuant to Section 13.10 of the Loan Agreement, BABC Global Finance, Inc. ("**BABC**"), in its capacity as Canadian Collateral Agent, hereby gives notice to the Credit Parties, the Agents and the Lenders that BABC intends to resign as Canadian Collateral Agent on or prior to January 31, 2007. The Revolving Administrative Agent and each Majority Revolving Lender hereby appoints Bank of America, N.A., Canada Branch ("**Bank of America Canada Branch**") as successor Canadian Collateral Agent concurrently with the resignation of BABC as resigning Canadian Collateral Agent. Each Credit Party hereby acknowledges and affirms that, irrespective of the date of appointment of Bank of America Canada Branch as successor Canadian Collateral Agent, Bank of America Canada Branch, as successor Canadian Collateral Agent, is acceptable to the Credit Parties. The Revolving Administrative Agent, each Majority Revolving Lender and each Credit Party acknowledges and agrees that no further written consent shall be required of such Person to effect the appointment of Bank of America Canada Branch as successor Canadian Collateral Agent irrespective of the date of such appointment.

(b) BABC hereby acknowledges and agrees that, upon the resignation of BABC as Canadian Collateral Agent, BABC shall have no further rights, powers, privileges or duties as Canadian Collateral Agent under the Loan Agreement and the other Financing Agreements, except such rights, powers, privileges or duties which explicitly survive the Canadian Collateral Agent's resignation and the termination of the Loan Agreement and the other Financing Agreements. The Revolving Administrative Agent, each Majority Revolving Lender and each Credit Party acknowledges and agrees that (i) upon the resignation of BABC as Canadian Collateral Agent, BABC shall have no further rights, powers, privileges or duties as Canadian Collateral Agent under the Loan Agreement and the other Financing Agreements, except such rights, powers, privileges or duties which explicitly survive the Canadian Collateral Agent's resignation and the termination of the Loan Agreement and the other Financing Agreements and (ii) concurrently with the appointment of Bank of America Canada Branch as successor Canadian Collateral Agent, Bank of America Canada Branch shall be conferred with all rights, powers, privileges and duties as successor Canadian Collateral Agent under the Loan Agreement and the other Financing Agreements.

(c) Each Credit Party, Agent and Lender hereby waives the notice provisions of Section 13.10 of the Loan Agreement with respect to the transactions described in this Section 2.

(d) Each Credit Party covenants and agrees to take such acts, at its expense, at the request of the Canadian Collateral Agent, as may be necessary or proper to evidence the appointment of Bank of America Canada Branch as successor Canadian Collateral Agent, and to maintain the perfection of the security interests and priority thereof in the Collateral in the name of the successor Canadian Collateral Agent's name to effect the provisions and purposes of the Loan Agreement and the other Financing Agreements as provided under the Loan Agreement and the other Financing Agreements, including, without limitation, Section 9.24 of the Loan Agreement.

(e) The Revolving Administrative Agent hereby agrees to provide written notice to the Agents and the Lenders of the resignation of BABC as Canadian Collateral Agent.

Section 3. Conditions to Effectiveness. This Amendment shall become effective as of the date (the "**Amendment No. 2 Effective Date**") when, and only when the Administrative Agents shall have received counterparts of this Amendment executed by each Credit Party, the Administrative Agents and a number of Lenders sufficient to constitute the Majority Lenders. The effectiveness of this Amendment (other than Sections Five, Six and Seven hereof) is conditioned upon the accuracy of the representations and warranties set forth in Section Three hereof.

Section 4. Representations and Warranties. In order to induce the Lenders and the Administrative Agents to enter into this Amendment, Borrowers represent and warrant to each of the Lenders and the Administrative Agents that after giving effect to this Amendment, (a) no Default or Event of Default exists or has occurred and is continuing; (b) after giving effect to this Amendment, no Default or Event of Default will exist or will have occurred and be continuing; and (c) all of the representations and warranties in the Loan Agreement are true and complete in all material respects on and as of the date hereof as if made on the date hereof (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date).

Section 5. Reference to and Effect on the Loan Agreement. On and after the Amendment No. 2 Effective Date, each reference in the Loan Agreement, to “this Agreement,” “hereunder,” “hereof” or words of like import referring to the Loan Agreement, respectively, and in each of the Financing Agreements to “the Loan Agreement,” “thereunder,” “thereof” or words of like import referring to the Loan Agreement shall mean and be a reference to the Loan Agreement as amended by this Amendment. The Loan Agreement and each other Financing Agreement, as specifically amended by this Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or any Agent under any of the Financing Agreements, nor constitute a waiver of any provision of any of the Financing Agreements.

Section 6. Costs, Expenses and Taxes. Borrowers agree to pay all reasonable costs and expenses of the Administrative Agents in connection with the preparation, execution and delivery of this Amendment and the other instruments and documents to be delivered hereunder, if any, in accordance with the terms of the Loan Agreement.

Section 7. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment.

Section 8. Governing Law. **THIS AMENDMENT SHALL BE GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAW).**

[Signature Pages Follow]

CREDIT PARTIES

CLEAN HARBORS, INC.
ALTAIR DISPOSAL SERVICES, LLC
BATON ROUGE DISPOSAL, LLC
BRIDGEPORT DISPOSAL, LLC
CH INTERNATIONAL HOLDINGS, INC.
CLEAN HARBORS ANDOVER, LLC
CLEAN HARBORS ANTIOCH, LLC
CLEAN HARBORS ARAGONITE, LLC
CLEAN HARBORS ARIZONA, LLC
CLEAN HARBORS OF BALTIMORE, INC.
CLEAN HARBORS BATON ROUGE, LLC
CLEAN HARBORS BDT, LLC
CLEAN HARBORS BUTTONWILLOW, LLC
CLEAN HARBORS CHATTANOOGA, LLC
CLEAN HARBORS COFFEYVILLE, LLC
CLEAN HARBORS COLFAX, LLC
CLEAN HARBORS DEER PARK, L.P.
CLEAN HARBORS DEER TRAIL, LLC
CLEAN HARBORS DISPOSAL SERVICES, INC.
CLEAN HARBORS FINANCIAL SERVICES COMPANY
CLEAN HARBORS FLORIDA, LLC
CLEAN HARBORS GRASSY MOUNTAIN, LLC
CLEAN HARBORS KANSAS, LLC
CLEAN HARBORS LAPORTE, L.P.
CLEAN HARBORS LAUREL, LLC

By: /s/ Stephen Moynihan
Title: Senior Vice President

CLEAN HARBORS LONE MOUNTAIN, LLC
CLEAN HARBORS LONE STAR CORP.
CLEAN HARBORS LOS ANGELES, LLC
CLEAN HARBORS (MEXICO), INC.
CLEAN HARBORS OF TEXAS, LLC
CLEAN HARBORS PECATONICA, LLC
CLEAN HARBORS PLAQUEMINE, LLC
CLEAN HARBORS PPM, LLC
CLEAN HARBORS REIDSVILLE, LLC
CLEAN HARBORS SAN JOSE, LLC
CLEAN HARBORS TENNESSEE, LLC
CLEAN HARBORS WESTMORLAND, LLC
CLEAN HARBORS WHITE CASTLE, LLC
CROWLEY DISPOSAL, LLC
DISPOSAL PROPERTIES, LLC
GSX DISPOSAL, LLC
HARBOR MANAGEMENT CONSULTANTS, INC.
HARBOR INDUSTRIAL SERVICES TEXAS, L.P.
HILLIARD DISPOSAL, LLC
NORTHEAST CASUALTY REAL PROPERTY, LLC
ROEBUCK DISPOSAL, LLC
SAWYER DISPOSAL SERVICES, LLC
SERVICE CHEMICAL, LLC
TULSA DISPOSAL, LLC
CLEAN HARBORS ENVIRONMENTAL SERVICES, INC

By: /s/ Stephen Moynihan
Title: Senior Vice President

CLEAN HARBORS OF BRAINTREE, INC.
CLEAN HARBORS OF NATICK, INC.
CLEAN HARBORS SERVICES, INC.
MURPHY'S WASTE OIL SERVICE, INC.
CLEAN HARBORS KINGSTON FACILITY CORPORATION
CLEAN HARBORS OF CONNECTICUT, INC.
SPRING GROVE RESOURCE RECOVERY, INC.
CH CANADA HOLDINGS CORP.
CH CANADA GP, INC.
CLEAN HARBORS CANADA LP
CLEAN HARBORS CANADA, INC.
CLEAN HARBORS QUEBEC, INC.
CLEAN HARBORS MERCIER, INC.
510127 N.B. INC.

By: /s/ Stephen Moynihan
Title: Senior Vice President

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REVOLVING ADMINISTRATIVE AGENT,
ACCOUNTS COLLATERAL AGENT AND
US REVOLVING LENDER

BANK OF AMERICA, N.A.,
Individually and as Agent

By: /s/ Christopher O'Halloran
Title: Senior Vice President

CANADIAN COLLATERAL AGENT
AND CANADIAN LENDER

BABC GLOBAL FINANCE, INC.,
Individually and as Agent

By: /s/ C. Barry
Title: Senior Vice President

LC FACILITY ADMINISTRATIVE AGENT
AND LC FACILITY COLLATERAL AGENT

CREDIT SUISSE,
Cayman Islands branch

By: /s/ Phillip Ho
Title: Director

By: /s/ Karim Blasetti
Title: Associate

AS AN LC FACILITY LENDER

CREDIT SUISSE,
Cayman Islands branch

By: /s/ Phillip Ho
Title: Director

By: /s/ Karim Blasetti
Title: Associate

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Alan S. McKim, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Clean Harbors, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Alan S. McKim

Alan S. McKim
President and Chief Executive Officer

Date: August 8, 2006

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, James M. Rutledge, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Clean Harbors, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ James M. Rutledge

James M. Rutledge
Executive Vice President and
Chief Financial Officer

Date: August 8, 2006

EXHIBIT 32

CLEAN HARBORS, INC. AND SUBSIDIARIES

**CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. §1350, each of the undersigned certifies that, to his knowledge, this Quarterly Report on Form 10-Q for the period ended June 30, 2006 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in this report fairly presents, in all material respects, the financial condition and results of operations of Clean Harbors, Inc.

/s/ Alan S. McKim
Alan S. McKim
Chief Executive Officer

Date: August 8, 2006

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

Date: August 8, 2006