CLEAN HARBORS INC
Form 10-Q
November 07, 2013

UNITED STATES OF AMERICA
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2013
OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission File Number 001-34223

CLEAN HARBORS, INC.	
(Exact name of registrant as specified in its charter)	
Massachusetts	04-2997780
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)
42 Longwater Drive, Norwell, MA	02061-9149
(Address of Principal Executive Offices)	(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 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

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

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

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

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

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

Common Stock, $.01 par value	60,659,766
(Class)	(Outstanding as of Nov 1, 2013)

CLEAN HARBORS, INC.

QUARTERLY REPORT ON FORM 10-Q

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CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

(in thousands)

ASSETS	September 30, 2013 (unaudited)	December 31, 2012
Current assets:		
Cash and cash equivalents	$248,635	$229,836
Marketable securities	11,787	11,778
Accounts receivable, net of allowances aggregating $17,824 and $11,125, respectively	603,054	541,423
Unbilled accounts receivable	42,122	27,072
Deferred costs	17,097	6,888
Prepaid expenses and other current assets	41,880	75,778
Inventories and supplies	155,301	171,441
Deferred tax assets	21,898	22,577
Total current assets	1,141,774	1,086,793
Property, plant and equipment, net	1,615,427	1,531,763
Other assets:		
Long-term investments	4,352	4,354
Deferred financing costs	21,565	21,657
Goodwill	590,152	593,771
Permits and other intangibles, net	567,776	572,817
Other	15,806	14,651
Total other assets	1,199,651	1,207,250
Total assets	$3,956,852	$3,825,806
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of capital lease obligations	$1,973	$5,092
Accounts payable	321,097	256,468
Deferred revenue	61,912	50,942
Accrued expenses	256,813	232,429
Current portion of closure, post-closure and remedial liabilities	27,737	24,121
Total current liabilities	669,532	569,052
Other liabilities:		
Closure and post-closure liabilities, less current portion of $7,512 and $8,791, respectively	39,982	45,457
Remedial liabilities, less current portion of $20,225 and $15,330, respectively	151,866	151,890
Long-term obligations	1,400,000	1,400,000
Capital lease obligations, less current portion	1,669	2,879
Deferred taxes, unrecognized tax benefits and other long-term liabilities	217,683	224,456
Total other liabilities	1,811,200	1,824,682

Stockholders' equity:		
Common stock, $.01 par value:		
Authorized 80,000,000; shares issued and outstanding 60,612,702 and 60,385,453 shares, respectively	606	604
Shares held under employee participation plan	(469)	(469)
Additional paid-in capital	893,822	880,979
Accumulated other comprehensive income	12,070	49,632
Accumulated earnings	570,091	501,326
Total stockholders' equity	1,476,120	1,432,072
Total liabilities and stockholders' equity	$3,956,852	$3,825,806

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

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CLEAN HARBORS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(in thousands except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues:				
Service revenues	$702,033	$503,728	$2,048,527	$1,523,767
Product revenues	205,502	30,078	581,699	105,179
Total revenues	907,535	533,806	2,630,226	1,628,946
Cost of revenues (exclusive of items shown separately below)				
Service revenues	478,434	348,758	1,402,409	1,056,174
Product revenues	168,685	24,182	495,060	84,704
Total cost of revenues	647,119	372,940	1,897,469	1,140,878
Selling, general and administrative expenses	114,464	60,339	365,546	197,892
Accretion of environmental liabilities	2,914	2,488	8,628	7,409
Depreciation and amortization	69,430	41,300	196,904	116,794
Income from operations	73,608	56,739	161,679	165,973
Other (expense) income	(150)	(91)	2,030	(465)
Loss on early extinguishment of debt	—	(26,385)	—	(26,385)
Interest expense, net of interest income of $96 and $362 for the quarter and year-to-date ended 2013 and $221 and $623 for the quarter and year-to-date ended 2012, respectively	(19,326)	(11,596)	(58,784)	(33,836)
Income before provision for income taxes	54,132	18,667	104,925	105,287
Provision for income taxes	18,771	6,308	36,160	37,487
Net income	$35,361	$12,359	$68,765	$67,800
Earnings per share:				
Basic	$0.58	$0.23	$1.14	$1.27
Diluted	$0.58	$0.23	$1.13	$1.27
Weighted average common shares outstanding - basic	60,610	53,374	60,542	53,303
Weighted average common shares outstanding - diluted	60,760	53,565	60,692	53,519

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

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CLEAN HARBORS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income	$35,361	$12,359	$68,765	$67,800
Other comprehensive income (loss):				
Unrealized gains on available-for-sale securities (net of taxes of $153 and $61 for the quarter and year-to-date 2013 and $146 and $63 for the quarter and year-to date 2012, respectively)	1,074	894	359	310
Foreign currency translation adjustments	20,731	29,086	(37,921)	27,393
Other comprehensive income (loss)	21,805	29,980	(37,562)	27,703
Comprehensive income	$57,166	$42,339	$31,203	$95,503

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

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CLEAN HARBORS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Nine Months Ended September 30, 2013	2012
Cash flows from operating activities:		
Net income	$68,765	$67,800
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	196,904	116,794
Pre-tax, non-cash acquisition accounting adjustments	13,559	—
Allowance for doubtful accounts	5,281	809
Amortization of deferred financing costs and debt discount	2,539	1,173
Accretion of environmental liabilities	8,628	7,409
Changes in environmental liability estimates	(2,417)	(3,553)
Deferred income taxes	272	(494)
Stock-based compensation	6,389	5,235
Excess tax benefit of stock-based compensation	(1,589)	(1,786)
Income tax benefit related to stock option exercises	1,579	1,776
Other expense (income)	(2,030)	465
Write-off of deferred financing costs and debt premium	—	5,341
Environmental expenditures	(15,928)	(7,833)
Changes in assets and liabilities, net of acquisitions		
Accounts receivable	(72,377)	59,881
Inventories and supplies	1,710	(7,692)
Other current assets	11,860	12,822
Accounts payable	37,257	(18,969)
Other current and long-term liabilities	19,712	(6,486)
Net cash from operating activities	280,114	232,692
Cash flows from investing activities:		
Additions to property, plant and equipment	(207,641)	(130,326)
Proceeds from sales of fixed assets	3,700	4,190
Acquisitions, net of cash acquired	(59,458)	(92,475)
Additions to intangible assets, including costs to obtain or renew permits	(4,357)	(2,409)
Purchase of marketable securities	—	(10,517)
Other	(11)	5,120
Net cash used in investing activities	(267,767)	(226,417)
Cash flows from financing activities:		
Change in uncashed checks	9,754	(13,955)
Proceeds from exercise of stock options	399	231
Remittance of shares, net	(599)	(1,604)
Proceeds from employee stock purchase plan	5,327	4,627
Deferred financing costs paid	(2,446)	(9,638)
Payments on capital leases	(4,096)	(5,303)
Principal payment on debt	—	(520,000)
Issuance of senior unsecured notes, including premium	—	800,000
Issuance costs related to 2012 issuance of common stock	(250)	—

Distribution of cash earned on employee participation plan	—	(55)
Excess tax benefit of stock-based compensation	1,589	1,786
Net cash from financing activities	9,678	256,089
Effect of exchange rate change on cash	(3,226)	527
Increase in cash and cash equivalents	18,799	262,891
Cash and cash equivalents, beginning of period	229,836	260,723
Cash and cash equivalents, end of period	$248,635	$523,614
Supplemental information:		
Cash payments for interest and income taxes:		
Interest paid	$58,084	$41,176
Income taxes paid	8,386	5,578
Non-cash investing and financing activities:		
Property, plant and equipment accrued	39,804	31,978
Transfer of inventory to property, plant and equipment	11,369	—

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

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CLEAN HARBORS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands)

	Common Stock		Shares Held Under Employee Participation Plan	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Earnings	Total Stockholders' Equity
	Number of Shares	$ 0.01 Par Value					
Balance at January 1, 2013	60,385	$604	$ (469)	$880,979	$ 49,632	$ 501,326	$ 1,432,072
Net income	—	—	—	—	—	68,765	68,765
Other comprehensive loss	—	—	—	—	(37,562)	—	(37,562)
Stock-based compensation	57	—	—	6,389	—	—	6,389
Issuance of restricted shares, net of shares remitted	(14)	—	—	(599)	—	—	(599)
Issuance costs related to 2012 issuance of common stock	—	—	—	(250)	—	—	(250)
Exercise of stock options	61	2	—	397	—	—	399
Net tax benefit on exercise of stock-based awards	—	—	—	1,579	—	—	1,579
Employee stock purchase plan	123	—	—	5,327	—	—	5,327
Balance at September 30, 2013	60,612	$606	$ (469)	$893,822	$ 12,070	$ 570,091	$ 1,476,120

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

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CLEAN HARBORS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(1) BASIS OF PRESENTATION

The accompanying consolidated interim financial statements are unaudited and include the accounts of Clean Harbors, Inc. and its subsidiaries (collectively, "Clean Harbors," the "Company" or "we") and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") and, in the opinion of management, include all adjustments which are of a normal recurring nature, necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. The results for interim periods are not necessarily indicative of results for the entire year or any other interim periods. The financial statements presented herein should be read in connection with the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

During the first quarter of 2013, the Company adjusted its operating segments to integrate the business activities of Safety-Kleen, Inc. and its subsidiaries (collectively, "Safety-Kleen") acquired in December 2012, and to incorporate other changes made in 2013 to the manner in which the Company manages its business, makes operating decisions and assesses its performance. Under the new structure, the Company's operations are managed in five reportable segments: Technical Services, Oil Re-refining and Recycling, SK Environmental Services, Industrial and Field Services, and Oil and Gas Field Services. The prior year segment information has been recast to conform to the current year presentation. See Note 17, "Segment Reporting."

(2) SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are described in Note 2, "Significant Accounting Policies," in the Company's Annual Report on Form 10-K for the year ended December 31, 2012. On December 28, 2012, the Company acquired 100% of the outstanding common shares of Safety-Kleen. There have been no changes in these policies or their application, other than as described below related to certain policies applicable to Safety-Kleen. See Note 3, "Business Combinations." No revenue, expense, income or loss of Safety-Kleen was included in the Company's consolidated statements of income for the year ended December 31, 2012 due to the immateriality of Safety-Kleen's operating results subsequent to December 28, 2012.

Safety-Kleen's operating results are included in the Company's unaudited consolidated statements of income for the three and nine months ended September 30, 2013, and reflect the application of certain significant accounting policies as described below:

Revenue Recognition and Deferred Revenue

S-K Environmental Services revenue is generated from providing parts cleaning services, containerized waste services, oil collection services and other complementary products and services.

Parts cleaning services generally consist of placing a specially designed parts washer at a customer's premises and then, on a recurring basis, delivering clean solvent or aqueous-based washing fluid, cleaning and servicing the parts washer and removing the used solvent or aqueous fluid. The Company also services customer-owned parts washers. Revenue from parts cleaning services is recognized over the service interval. Service intervals represent the actual amount of time between service visits to a particular parts cleaning customer. Average service intervals vary from seven to 14 weeks depending on several factors, such as customer accommodation, types of machines serviced and frequency of use.

Containerized waste services consist of profiling, collecting, transporting and recycling or disposing of a wide variety of hazardous and non-hazardous wastes. Revenue is recognized upon disposal. The Company tracks the amount of time it takes from collection of the customer's waste to delivery to the disposal outlet, which represents a deferral period of approximately two and one-half weeks.

Other complementary products and services include vacuum services, allied products and other environmental services. Revenue is recognized when products are delivered and services are performed.

Oil Re-refining and Recycling revenue is generated from re-refining used oil to produce high quality base and blended lubricating oils, and recycling used oil collected in excess of the Company's re-refining capacity into recycled fuel oil. The high quality base and blended lubricating oils are sold to third-party distributors, retailers, government agencies, fleets, railroads and industrial customers. The recycled fuel oil is sold to asphalt plants, industrial plants, blenders, pulp and paper companies, vacuum gas oil producers and marine diesel oil producers. Revenue is recognized upon delivery.

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Deferred Costs Relating to Deferred Revenue
Commissions and other incremental direct costs, primarily costs of materials and transportation expenses, relating to deferred revenue from the Company’s parts cleaning services, containerized waste services and vacuum services are capitalized and deferred. The deferred costs are included in current assets in the consolidated balance sheet and expensed when the related revenues are recognized.
Recent Accounting Pronouncements
In July 2013, the Financial Accounting Standards Board (“FASB”) issued ASU 2013-11 Income Taxes (Topic 740) - Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. This standard provides guidance regarding when an unrecognized tax benefit should be classified as a reduction to a deferred tax asset or when it should be classified as a liability in the consolidated balance sheet. The guidance is effective for the Company on January 1, 2014. Management does not expect the adoption of this standard to have a significant impact on the Company's consolidated balance sheets.
In February 2013, the FASB issued ASU 2013-02 Comprehensive Income (Topic 220) - Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. The new guidance requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income (“AOCI”) by component. Entities are required to present, either on the face of the income statement where net income is presented or in the notes, significant amounts reclassified out of AOCI by respective line items of net income if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required to be reclassified in their entirety to net income, entities are required to cross-reference the disclosures required under U.S. GAAP that provide additional detail about those amounts. This guidance is effective prospectively for annual and interim reporting periods beginning after December 31, 2012. The Company adopted the standard on January 1, 2013. The amounts required to be disclosed under this guidance are disclosed in Note 14, “Accumulated Other Comprehensive Income.”
Reclassifications
The Company's revenues and cost of revenues in the consolidated statements of income for the three and nine months ended September 30, 2012 and the changes in assets and liabilities, net of acquisitions in the consolidated statements of cash flows for the nine months ended September 30, 2012 have been reclassified to conform to the current year presentation.
(3) BUSINESS COMBINATIONS
Evergreen Oil, Inc.
On September 13, 2013, Safety-Kleen, Inc. acquired 100% of the outstanding common shares of Evergreen Oil, Inc. (“Evergreen”) for approximately $57.0 million. The purchase price consisted of an all-cash purchase price of $60.5 million, less a $3.5 million adjustment for the amount by which the estimated net working capital (as defined in the stock purchase agreement) of Evergreen on the closing date was less than $1.0 million. The purchase price is subject to adjustment upon finalization of Evergreen’s net working capital balance as of the closing date. Goodwill of $2.8 million and $0.4 million has been recorded on a preliminary basis in the Oil Re-refining and Recycling and SK Environmental Services segments, respectively, and will not be deductible for tax purposes. Evergreen, headquartered in Irvine, California, specializes in the recovery and re-refining of used oil and is currently the second-largest collector of used oil in California. Evergreen owns and operates one of the only oil re-refining operations in the western United States and also offers other ancillary environmental services, including parts cleaning and containerized waste services, vacuum services and hazardous waste management services.
The Company believes Evergreen is a good strategic fit, enabling Clean Harbors to further (i) penetrate the small quantity waste generator market, (ii) expand its oil re-refining, oil recycling and waste treatment capabilities, (iii) increase the waste volumes into its existing waste disposal treatment network, (v) enhance its commitment to sustainability, (vi) leverage the combined sales forces to maximize cross-selling opportunities, and (viii) leverage operating efficiencies through the combined company.
Safety-Kleen, Inc.
On December 28, 2012, the Company acquired 100% of the outstanding common shares of Safety-Kleen for approximately $1.3 billion. The purchase price consisted of an all-cash purchase price of $1.25 billion, plus a $13.3

million adjustment for the amount by which the net working capital (excluding cash) of Safety-Kleen on the closing date exceeded $50.0 million. The Company incurred acquisition-related costs of approximately $0.9 million and $2.2 million in connection with the transaction which are included in selling, general and administrative expenses in the consolidated statements of income for the three and nine months

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ended September 30, 2013, respectively. The Company financed the purchase through a combination of approximately $300.0 million of existing cash, $369.3 million in net proceeds from the Company's public offering of 6.9 million shares of Clean Harbors common stock, and approximately $589.0 million in net proceeds from the Company's private debt offering of $600.0 million of 5.125% senior unsecured notes due 2021. Safety-Kleen, headquartered in Richardson, Texas, is the largest re-refiner and recycler of used oil in North America and a leading provider of parts cleaning and environmental services to commercial, industrial and automotive customers. In conjunction with the transaction, Safety-Kleen, Inc. and its subsidiaries became wholly-owned subsidiaries of Clean Harbors.

The fair value of all the acquired identifiable assets and liabilities summarized below is provisional pending finalization of the Company's acquisition accounting. Measurement period adjustments reflect new information obtained about facts and circumstances that existed as of the acquisition date. The Company believes that such preliminary allocations provide a reasonable basis for estimating the fair values of assets acquired and liabilities assumed, but the Company is waiting for additional information necessary to finalize fair value. The Company expects to finalize the valuation and complete the purchase price allocation as soon as practicable but no later than one year from the acquisition date. As the measurement period adjustments are not material to the consolidated balance sheets as of December 31, 2012 nor are they material to the amounts reported in the consolidated statements of income and consolidated statement of cash flows for the three and nine months ended September 30, 2013, the adjustments have been recorded on a prospective basis. Final determination of the fair value may result in further adjustments to the values presented below. The following table summarizes the recognized amounts of identifiable assets acquired and liabilities assumed (in thousands).

	Preliminary Allocations	Year-to-Date Measurement Period Adjustments	Current Estimate of Allocations
Inventories and supplies	$102,339	$5,037	$107,376
Other current assets (i)	152,245	319	152,564
Property, plant and equipment	514,712	779	515,491
Permits and other intangibles	421,400	4,577	425,977
Other assets	4,985	(1,111)	3,874
Current liabilities	(192,652)	(5,081)	(197,733)
Closure and post-closure liabilities, less current portion	(15,774)	8,221	(7,553)
Remedial liabilities, less current portion	(38,370)	(10,577)	(48,947)
Deferred taxes, unrecognized tax benefits and other long-term liabilities	(128,375)	7,178	(121,197)
Total identifiable net assets	820,510	9,342	829,852
Goodwill (ii)	436,749	(3,317)	433,432
Total	$1,257,259	$6,025	$1,263,284

(i) The fair value of the assets acquired includes customer receivables with a preliminary aggregate fair value of $133.7 million. Combined gross amounts due were $143.7 million.

(ii) Goodwill represents the excess of the fair value of the net assets acquired over the purchase price. Goodwill of $214.1 million, $147.3 million, $69.9 million, and $2.1 million has been recorded on a preliminary basis in the Oil Re-refining and Recycling, SK Environmental Services, Industrial and Field Services and Technical Services segments, respectively. None of the goodwill related to this acquisition will be deductible for tax purposes.

The Company has determined that the separate disclosure of Safety-Kleen's revenues and earnings is impracticable for the three and nine months ended September 30, 2013 due to the integration of Safety-Kleen's operations into the Company upon acquisition.

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

	For the Three Months Ended September 30, 2012	For the Nine Months Ended September 30, 2012
Pro forma combined revenues	$851,376	$2,691,025
Pro forma combined net income	$13,480	$90,546

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

Other 2012 Acquisitions

The Company acquired (i) during the second quarter of 2012, all of the outstanding stock of a privately owned Canadian company which provides workforce accommodations, camp catering and fresh food services; (ii) during the third quarter of 2012, certain assets of a privately owned U.S. company that is engaged in the business of materials handling services that includes a variety of support equipment to provide customers with a sole source for any dredging and dewatering project; and (iii) during the fourth quarter of 2012, the shares and assets of certain subsidiaries of a privately owned company that is engaged in the business of providing catalyst loading and unloading services in the United States and Canada. The combined purchase price for these acquisitions was approximately $108.9 million, including the assumption and payment of debt of $7.7 million and post-closing adjustments of $2.1 million based upon finalization of the working capital balances as of the closing date. Management has determined the purchase price allocations based on estimates of the fair values of all tangible and intangible assets acquired and liabilities assumed. The Company believes that such information provides a reasonable basis for estimating the fair values of assets acquired and liabilities assumed.

As of September 30, 2013, the Company had finalized the acquisition accounting of the identified acquired assets and liabilities for the other 2012 acquisitions, the impact of which was not material to the financial statements. The following table summarizes the recognized amounts of identifiable assets acquired and liabilities assumed (in thousands).

	Preliminary Allocations	Year-to-Date Measurement Period Adjustments	Final Allocations
Current assets (i)	$20,270	$117	$20,387
Property, plant and equipment	51,901	(8)	51,893
Customer relationships and other intangibles	21,770	(1)	21,769
Other assets	53	4	57
Current liabilities	(5,277)	(22)	(5,299)
Other liabilities	(5,133)	(79)	(5,212)
Total identifiable net assets	83,584	11	83,595
Goodwill (ii)	23,956	1,308	25,264
Total	$107,540	$1,319	$108,859

(i) The fair value of the financial assets acquired included customer receivables with an aggregate fair value of $13.2 million. Combined gross amounts due were $13.5 million.

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

The following unaudited pro forma combined financial data presents information as if the 2012 acquisitions had been acquired as of January 1, 2011 and assumes that there were no material, non-recurring pro forma adjustments directly attributable to

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those acquisitions. The pro forma financial information does not necessarily reflect the actual results that would have been reported had the Company and those three acquisitions been combined during the periods presented, nor is it necessarily indicative of the future results of operations of the combined companies (in thousands).

	For the Three Months Ended September 30, 2012	For the Nine Months Ended September 30, 2012
Pro forma combined revenues	$545,393	$1,698,246
Pro forma combined net income	$11,982	$72,351

Acquisition-related costs of $0.2 million for the other 2012 acquisitions were included in selling, general and administrative expenses in the Company's consolidated statements of income for the nine months ended September 30, 2013.

(4) FAIR VALUE MEASUREMENTS

The Company’s financial instruments consist of cash and cash equivalents, marketable securities, receivables, trade payables, auction rate securities, derivative financial instruments and long-term debt. The estimated fair value of cash equivalents, receivables, and trade payables approximate their carrying value due to the short maturity of these instruments and are deemed to be Level 2 in the fair value hierarchy. The fair value of the Company’s unsecured senior notes (due 2020 and 2021) at September 30, 2013 were $780.9 million and $573.1 million, respectively, and at December 31, 2012 were $816.0 million and $623.5 million, respectively, based on quoted market prices or available market data. The senior unsecured notes fair value is Level 2 in the fair value hierarchy.

The Company's assets measured at fair value on a recurring basis at September 30, 2013 and December 31, 2012 were as follows (in thousands):

September 30, 2013

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2013
Assets:				
Auction rate securities (i)	$—	$—	$4,352	$4,352
Derivative instruments (ii)	$—	$60	$—	$60
Marketable securities (iii)	$11,787	$—	$—	$11,787
Liabilities:				
Derivative instruments (ii)	$—	$239	$—	$239

December 31, 2012

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2012
Assets:				
Auction rate securities (i)	$—	$—	$4,354	$4,354
Derivative instruments (ii)	$—	$165	$—	$165
Marketable securities (iii)	$11,778	$—	$—	$11,778
Liabilities:				
Derivative instruments (ii)	$—	$1,242	$—	$1,242

(i) The auction rate securities are classified as available-for-sale and the fair value of these securities was estimated utilizing a probability discounted cash flow analysis. As of September 30, 2013, all of the Company's auction rate securities continue to have AAA underlying ratings. The Company attributes the $0.3 million decline in the fair value of the securities from the original cost basis to external liquidity issues rather than credit issues. The

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Company assessed the decline in value to be temporary because it does not intend to sell and it is more likely than not that the Company will not have to sell the securities before their maturity. During the nine months ended September 30, 2013 and 2012, the Company recorded an unrealized pre-tax loss of less than $0.1 million and a pre-tax gain of $0.1 million, respectively, on its auction rate securities.

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

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

The following table presents the changes in the Company's auction rate securities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three and nine months ended September 30, 2013 and 2012 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Balance at beginning of period	$4,352	$4,326	$4,354	$4,245
Unrealized (loss) gain included in other comprehensive income	—	—	(2)	81
Balance at September 30,	$4,352	$4,326	$4,352	$4,326

Derivative Financial Instruments

The Company acquired several commodity derivatives with the Safety-Kleen acquisition on December 28, 2012. The Company uses commodity derivatives to manage against significant fluctuations in oil and oil derivative commodity prices and indices, specifically the ICIS-LOR rate and 6-oil index. All commodity derivatives are comprised of cashless collar contracts related to crude oil prices, pursuant to which the Company sells a call to a bank and then purchases a put from the same bank. The derivative instruments are not designated as hedges and expire in 2013 and 2014. The following table presents the fair value for those assets and liabilities measured at fair value as of September 30, 2013 (fair value amounts in thousands):

Financial Institution	Trade Date	Start Date	End Date	Barrels of oil per Month	Commodity	Floor	Cap	Upfront Costs	Fair Value as of September 30, 2013
Bank of America	2/7/2013	4/1/2014	4/30/2014	148,810	Brent	$75.00	$134.70	—	$24
Bank of America	4/2/2013	6/1/2014	6/30/2014	148,810	Brent	75.00	130.00	—	21
Bank of America	9/11/2013	11/1/2014	11/28/2014	148,810	Brent	75.00	124.00	—	15
Total derivative instrument asset									$60
JP Morgan	9/11/2012	11/1/2013	11/30/2013	148,810	Brent	$75.00	$137.50	—	$3
JP Morgan	12/7/2012	2/1/2014	2/28/2014	148,810	Brent	75.00	124.70	—	33
JP Morgan	3/7/2013	5/1/2014	5/31/2014	148,810	Brent	75.00	125.75	—	10
JP Morgan	5/6/2013	7/1/2014	7/31/2014	148,810	Brent	75.00	122.00	—	37
JP Morgan	7/8/2013	9/1/2014	9/30/2014	148,810	Brent	75.00	120.75	—	39
Bank of America	8/3/2012	10/1/2013	10/31/2013	148,810	Brent	75.00	130.00	—	—
Bank of America	10/4/2012	12/1/2013	12/31/2013	148,810	Brent	75.00	127.50	—	14
Bank of America	11/9/2012	1/1/2014	1/31/2014	148,810	Brent	75.00	130.00	—	13
Bank of America	1/8/2013	3/1/2014	3/31/2014	148,810	Brent	75.00	129.00	—	10
Bank of America	6/10/2013	8/1/2014	8/29/2014	148,810	Brent	75.00	120.65	—	66
Bank of America	8/13/2013	10/1/2014	10/31/2014	148,810	Brent	75.00	122.60	—	14
									$239

Total derivative instrument liability	

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

(5) INVENTORIES AND SUPPLIES

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

	September 30, 2013	December 31, 2012
Oil and oil products	$63,450	$77,735
Supplies and drums	61,888	63,540
Solvent and solutions	11,508	9,398
Other	18,455	20,768
Total inventories and supplies	$155,301	$171,441

(6) PROPERTY, PLANT AND EQUIPMENT

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

	September 30, 2013	December 31, 2012
Land	$100,133	$106,037
Asset retirement costs (non-landfill)	10,748	10,450
Landfill assets	93,104	77,952
Buildings and improvements	324,646	329,617
Camp equipment	135,377	135,827
Vehicles	419,581	385,172
Equipment	1,164,838	1,061,090
Furniture and fixtures	5,244	6,757
Construction in progress	129,385	31,780
	2,383,056	2,144,682
Less - accumulated depreciation and amortization	767,629	612,919
Total property, plant and equipment, net	$1,615,427	$1,531,763

(7) GOODWILL AND OTHER INTANGIBLE ASSETS

The changes to goodwill for the nine months ended September 30, 2013 were as follows (in thousands):

	2013
Balance at January 1, 2013	$593,771
Acquired from acquisitions	3,179
Decrease from adjustments during the measurement period related to acquisitions	(2,009)
Foreign currency translation	(4,789)
Balance at September 30, 2013	$590,152

The goodwill related to the acquisition of Safety-Kleen in 2012 and Evergreen in 2013 includes estimates that are subject to change based upon final fair value determinations.

The Company assesses goodwill for impairment at least on an annual basis as of December 31, or when events or changes in the business environment indicate that the carrying value of the reporting unit may exceed its fair value, by comparing the fair value of each reporting unit to its carrying value, including goodwill.

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

	September 30, 2013				December 31, 2012			
	Cost	Accumulated Amortization	Net	Weighted Average Remaining Amortization Period (in years)	Cost	Accumulated Amortization	Net	Weighted Average Remaining Amortization Period (in years)
Permits	$157,578	$ 49,818	$107,760	18.8	$148,661	$ 46,282	$102,379	21.8
Customer and supplier relationships	377,334	46,372	330,962	12.5	372,751	27,739	345,012	13.2
Other intangible assets	28,097	14,548	13,549	3.5	22,027	12,121	9,906	3.6
Total amortizable permits and other intangible assets	563,009	110,738	452,271	12.5	543,439	86,142	457,297	13.6
Trademarks and trade names	115,505	—	115,505	Indefinite	115,520	—	115,520	Indefinite
Total permits and other intangible assets	$678,514	$ 110,738	$567,776		$658,959	$ 86,142	$572,817	

Below is the expected future amortization of the net carrying amount of finite lived intangible assets at September 30, 2013 (in thousands):

Years Ending December 31,	Expected Amortization
2013 (three months)	$10,816
2014	42,308
2015	40,704
2016	39,210
2017	36,528
Thereafter	282,705
	$452,271

(8) ACCRUED EXPENSES

Accrued expenses consisted of the following (in thousands):

	September 30, 2013	December 31, 2012
Insurance	$54,105	$48,243
Interest	17,900	20,061
Accrued disposal costs	1,498	1,835
Accrued compensation and benefits	71,030	70,250
Income, real estate, sales and other taxes	54,403	35,640
Other	57,877	56,400
Total accrued expenses	$256,813	$232,429

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(9) CLOSURE AND POST-CLOSURE LIABILITIES

The changes to closure and post-closure liabilities (also referred to as “asset retirement obligations”) for the nine months ended September 30, 2013 were as follows (in thousands):

	Landfill Retirement Liability	Non-Landfill Retirement Liability	Total
Balance at January 1, 2013	$26,658	$27,590	$54,248
Liabilities assumed in acquisitions	—	659	659
Adjustments during the measurement period related to acquisitions	—	(10,201)	(10,201)
New asset retirement obligations	3,321	—	3,321
Accretion	2,255	1,281	3,536
Changes in estimates recorded to statement of income	(398)	99	(299)
Changes in estimates recorded to balance sheet	299	—	299
Expenditures	(3,527)	(310)	(3,837)
Currency translation and other	(152)	(80)	(232)
Balance at September 30, 2013	$28,456	$19,038	$47,494

All of the landfill facilities included in the above were active as of September 30, 2013. New asset retirement obligations incurred during the first nine months of 2013 were discounted at the credit-adjusted risk-free rate of 6.60%. There were no significant charges (benefits) in 2013 resulting from changes in estimates for closure and post-closure liabilities.

(10) REMEDIAL LIABILITIES

The changes to remedial liabilities for the nine months ended September 30, 2013 were as follows (in thousands):

	Remedial Liabilities for Landfill Sites	Remedial Liabilities for Inactive Sites	Remedial Liabilities (Including Superfund) for Non-Landfill Operations	Total
Balance at January 1, 2013	$5,829	$71,079	$90,312	$167,220
Liabilities assumed in acquisitions	—	—	2,384	$2,384
Adjustments during the measurement period related to acquisitions	—	8,855	3,726	12,581
Accretion	210	2,505	2,377	5,092
Changes in estimates recorded to statement of income	(62)	(2,341)	285	(2,118)
Expenditures	(67)	(6,307)	(5,717)	(12,091)
Currency translation and other	(108)	(54)	(815)	(977)
Balance at September 30, 2013	$5,802	$73,737	$92,552	$172,091

The benefit resulting from changes in remedial liability estimates for inactive sites was primarily due to reevaluating and removing certain compensation costs related to one site as a result of recently receiving site closure approval.

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(11) FINANCING ARRANGEMENTS

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

	September 30, 2013	December 31, 2012
Senior unsecured notes, at 5.25%, due August 1, 2020	$800,000	$800,000
Senior unsecured notes, at 5.125%, due June 1, 2021	600,000	600,000
Revolving credit facility, due January 17, 2018	—	—
Long-term obligations	$1,400,000	$1,400,000

On January 17, 2013, the Company increased its revolving credit facility to provide for maximum borrowings of up to $400.0 million (with a $325.0 million sub-limit for letters of credit). At September 30, 2013, the revolving credit facility had no outstanding loans, $262.3 million available to borrow and $137.7 million of letters of credit outstanding.

The financing arrangements and principal terms of the Company's $800.0 million principal amount of 5.25% senior unsecured notes due 2020 ("2020 Notes") and $600.0 million principal amount of 5.125% senior unsecured notes due 2021 ("2021 Notes") which were outstanding at September 30, 2013, and the Company's amended $400.0 million revolving credit facility, are discussed further in Note 11, “Financing Arrangements,” in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

(12) INCOME TAXES

The Company’s effective tax rate for the three and nine months ended September 30, 2013 was 34.7% and 34.5%, respectively, compared to 33.8% and 35.6% for the same periods in 2012.

As of September 30, 2013, the Company had recorded $3.9 million of liabilities for unrecognized tax benefits and $1.6 million of interest. As of December 31, 2012, the Company had recorded $3.5 million of liabilities for unrecognized tax benefits and $1.4 million of interest.

Due to expiring statute of limitation periods, the Company believes that total unrecognized tax benefits will decrease by approximately $3.8 million within the next twelve months. The $3.8 million (which includes interest of $1.3 million) is related to various foreign and state tax laws and, if realized, will be recorded in earnings and therefore will impact the effective income tax rate.

In September 2013, the Internal Revenue Service released final Tangible Property Regulations (the “Final Regulations”). The Final Regulations provide guidance on applying Regulation Section 1.263(a) of the Internal Revenue Code (“IRC”) to amounts paid to acquire, produce or improve tangible property, as well as rules for materials and supplies (IRC Regulation Section 1.162). These regulations contain certain changes from the temporary and proposed tangible property regulations that were issued on December 23, 2011. The Final Regulations are generally effective for taxable years beginning on or after January 1, 2014. In addition, taxpayers are permitted to early adopt the Final Regulations for taxable years beginning on or after January 1, 2012. The Company does not expect the Final Regulations to have a material effect on its results of operations or cash flows. The Company is currently evaluating the impact on its consolidated balance sheets.

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(13) EARNINGS PER SHARE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Numerator for basic and diluted earnings per share:				
Net income	$35,361	$12,359	$68,765	$67,800
Denominator:				
Basic shares outstanding	60,610	53,374	60,542	53,303
Dilutive effect of equity-based compensation awards	150	191	150	216
Dilutive shares outstanding	60,760	53,565	60,692	53,519
Basic earnings per share:	$0.58	$0.23	$1.14	$1.27
Diluted earnings per share:	$0.58	$0.23	$1.13	$1.27

For the three and nine months ended September 30, 2013, the dilutive effect of all then outstanding options, restricted stock and performance awards is included in the EPS calculations above except for 173,000 outstanding performance stock awards for which the performance criteria were not attained at that time. For the three and nine months ended September 30, 2012, the EPS calculations above include the dilutive effects of all then outstanding options, restricted stock, and performance awards except for 66,000 outstanding performance stock awards for which the performance criteria were not attained at that time.

(14) ACCUMULATED OTHER COMPREHENSIVE INCOME

Other comprehensive income (loss) includes translation adjustments of foreign currency financial statements, unrealized gains (losses) on available-for-sale securities and changes in unfunded pension liabilities. The components of other comprehensive income (loss) and related tax effects for the three and nine months ended September 30, 2013 and 2012 were as follows (in thousands):

	For the Three Months Ended September 30, 2013			For the Three Months Ended September 30, 2012		
	Gross	Tax Effect	Net of Tax	Gross	Tax Effect	Net of Tax
Foreign currency translation	$20,731	$—	$20,731	$29,086	$—	$29,086
Unrealized gain (loss) on available-for-sale securities	1,227	(153)	1,074	1,040	(146)	894
Other comprehensive income (loss)	$21,958	$(153)	$21,805	$30,126	$(146)	$29,980

	For the Nine Months Ended September 30, 2013			For the Nine Months Ended September 30, 2012		
	Gross	Tax Effect	Net of Tax	Gross	Tax Effect	Net of Tax
Foreign currency translation	$(37,921)	$—	$(37,921)	$27,393	$—	$27,393
Unrealized gain (loss) on available-for-sale securities	420	(61)	359	373	(63)	310
Other comprehensive income (loss)	$(37,501)	$(61)	$(37,562)	$27,766	$(63)	$27,703

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

	Foreign Currency Translation	Unrealized Gain (Loss) on Available-For-Sale Securities	Unfunded Pension Liability	Total
Balance at January 1, 2013	$50,627	$ 660	$(1,655)	$49,632
Other comprehensive loss, net of tax	(37,921)	359	—	(37,562)
Balance at September 30, 2013	$12,706	$ 1,019	$(1,655)	$12,070

There were no reclassifications to net income from accumulated other comprehensive income during the three and nine months ended September 30, 2013.

(15) STOCK-BASED COMPENSATION

The following table summarizes the total number and type of awards granted during the three and nine months ended September 30, 2013, as well as the related weighted-average grant-date fair values:

	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2013	
	Shares	Weighted Average Grant-Date Fair Value	Shares	Weighted Average Grant-Date Fair Value
Restricted stock awards	27,890	$57.88	287,882	$55.21
Performance stock awards	1,468	$55.29	114,453	$54.27
Total awards	29,358		402,335	

(16) COMMITMENTS AND CONTINGENCIES

Legal and Administrative Proceedings

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

At September 30, 2013 and December 31, 2012, the Company had recorded reserves of $41.8 million and $38.6 million, respectively, in the Company's financial statements for actual or probable liabilities related to the legal and administrative proceedings in which the Company was then involved, the principal of which are described below. At September 30, 2013 and December 31, 2012, the Company also believed that it was reasonably possible that the amount of these potential liabilities could be as much as $3.4 million and $3.5 million more, respectively. The Company periodically adjusts the aggregate amount of these reserves when these actual or probable liabilities are paid or otherwise discharged, new claims arise, or additional relevant information about existing or probable claims becomes available. As of September 30, 2013, the $41.8 million of reserves consisted of (i) $35.1 million related to pending legal or administrative proceedings, including Superfund liabilities, which were included in remedial liabilities on the consolidated balance sheets and (ii) $6.7 million primarily related to federal and state enforcement actions, which were included in accrued expenses on the consolidated balance sheets.

As of September 30, 2013, the principal legal and administrative proceedings in which the Company was involved, or which had been terminated during 2013, were as follows:

Ville Mercier. In September 2002, the Company acquired the stock of a subsidiary (the "Mercier Subsidiary") which owns a hazardous waste incinerator in Ville Mercier, Quebec (the "Mercier Facility"). The property adjacent to the Mercier Facility, which is also owned by the Mercier Subsidiary, is now contaminated as a result of actions dating back to 1968, when the Government of Quebec issued to a company unrelated to the Mercier Subsidiary two permits to dump organic liquids into

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lagoons on the property. By 1972, groundwater contamination had been identified, and the Quebec government provided an alternate water supply to the municipality of Ville Mercier.

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

On September 26, 2007, the Quebec Minister of Sustainable Development, Environment and Parks issued a Notice pursuant to Section 115.1 of the Environment Quality Act, superseding Notices issued in 1992, which are the subject of the pending litigation. The more recent Notice notifies the Mercier Subsidiary that, if the Mercier Subsidiary does not take certain remedial measures at the site, the Minister intends to undertake those measures at the site and claim direct and indirect costs related to such measures. The Mercier Subsidiary continues to assert that it has no responsibility for the groundwater contamination in the region and will contest any action by the Ministry to impose costs for remedial measures on the Mercier Subsidiary. The Company also continues to pursue settlement options. At September 30, 2013 and December 31, 2012, the Company had accrued $13.9 million and $14.2 million, respectively, for remedial liabilities relating to the Ville Mercier legal proceedings.

Safety-Kleen Legal Proceedings. On December 28, 2012, the Company acquired Safety-Kleen and thereby became subject to the legal proceedings in which Safety-Kleen was a party on that date. In addition to certain Superfund proceedings in which Safety-Keen has been named as a potentially responsible party as described below under “Superfund Proceedings,” the principal such legal proceedings involving Safety-Kleen which were outstanding as of September 30, 2013 were as follows:

Product Liability Cases - Safety-Kleen is named as a defendant in various lawsuits that are currently pending in various courts and jurisdictions throughout the United States, including approximately 62 proceedings (excluding cases which have been settled but not formally dismissed) as of September 30, 2013, wherein persons claim personal injury resulting from the use of Safety-Kleen's parts cleaning equipment or cleaning products. These proceedings typically involve allegations that the solvent used in Safety-Kleen's parts cleaning equipment contains contaminants and/or that Safety-Kleen's recycling process does not effectively remove the contaminants that become entrained in the solvent during their use. In addition, certain claimants assert that Safety-Kleen failed to warn adequately the product user of potential risks, including an historic failure to warn that solvent contains trace amounts of toxic or hazardous substances such as benzene. Safety-Kleen maintains insurance that it believes will provide coverage for these claims (over amounts accrued for self-insured retentions and deductibles in certain limited cases), except for punitive damages to the extent not insurable under state law or excluded from insurance coverage. Safety-Kleen believes that these claims lack merit and has historically vigorously defended, and intends to continue to vigorously defend, itself and the safety of its products against all of these claims. Such matters are subject to many uncertainties and outcomes are not predictable with assurance. Consequently, Safety-Kleen is unable to ascertain the ultimate aggregate amount of monetary liability or financial impact with respect to these matters as of September 30, 2013. From December 31, 2012 to September 30, 2013, 26 product liability claims were settled or dismissed. Due to the nature of these claims and the related insurance, Safety-Kleen did not incur any expense as Safety-Kleen's insurance provided coverage in full for all such claims. Safety-Kleen may be named in similar, additional lawsuits in the future, including claims for which insurance coverage may not be available.

Fee Class Action Claims. In October 2010, two customers filed a complaint, individually and on behalf of all similarly situated customers in the State of Alabama, alleging that Safety-Kleen improperly assessed fuel surcharges and extended area service fees. Safety-Kleen disputes the basis of the claims on numerous grounds, including that Safety-Kleen has contracts with numerous customers authorizing the assessment of such fees and that in cases where no contract exists Safety-Kleen provides customers with a document at the time of service reflecting the assessment of the fee, followed by an invoice itemizing the fee. It is Safety-Kleen's position that it had the right to assess fuel surcharges, that the customers consented to the charges and that the surcharges were voluntarily paid by the customers when presented with an invoice. The lawsuit is still in its initial stages of discovery, with the focus being whether a class will be certified. The class certification-related fact discovery cutoff was September 4, 2013, and a hearing on class certification is now scheduled to be held in early to mid-2014. The plaintiff has filed a motion to extend the discovery cutoff and trial date, but the court has not ruled on these requests. In late June 2012, a nearly identical lawsuit was filed by the same law firm on behalf of a California-based customer. That lawsuit contends, under various state law theories, that Safety-Kleen impermissibly assessed fuel surcharges and late payment fees, and seeks certification of a class of California customers only. Safety-Kleen will assert the same defenses as in the Alabama litigation. In December 2012, a similar suit was filed by the same law firm on behalf of a Missouri-based customer which contends under various state law theories that Safety-Kleen impermissibly assessed fuel surcharges and seeks certification of a class of Missouri customers only.

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Safety-Kleen will assert the same defenses as in the Alabama and California cases. The Company is unable to ascertain the ultimate aggregate amount of monetary liability or financial impact with respect to these matters as of September 30, 2013, and no reserve has been recorded.

Superfund Proceedings

The Company has been notified that either the Company (which, since December 28, 2012, includes Safety-Kleen) or the prior owners of certain of the Company's facilities for which the Company may have certain indemnification obligations have been identified as potentially responsible parties ("PRPs") or potential PRPs in connection with 122 sites which are subject to or are proposed to become subject to proceedings under federal or state Superfund laws. Of the 122 sites, two involve facilities that are now owned by the Company and 120 involve third party sites to which either the Company or the prior owners shipped wastes. In connection with each site, the Company has estimated the extent, if any, to which it may be subject, either directly or as a result of any such indemnification provisions, for cleanup and remediation costs, related legal and consulting costs associated with PRP investigations, settlements, and related legal and administrative proceedings. The amount of such actual and potential liability is inherently difficult to estimate because of, among other relevant factors, uncertainties as to the legal liability (if any) of the Company or the prior owners of certain of the Company's facilities to contribute a portion of the cleanup costs, the assumptions that must be made in calculating the estimated cost and timing of remediation, the identification of other PRPs and their respective capability and obligation to contribute to remediation efforts, and the existence and legal standing of indemnification agreements (if any) with prior owners, which may either benefit the Company or subject the Company to potential indemnification obligations.

The Company's potential liability for cleanup costs at the two facilities now owned by the Company and at 35 (the "Listed Third Party Sites") of the 120 third party sites arose out of the Company's 2002 acquisition of substantially all of the assets (the "CSD assets") of the Chemical Services Division of Safety-Kleen Corp. As part of the purchase price for the CSD assets, the Company became liable as the owner of these two facilities and also agreed to indemnify the prior owners of the CSD assets against their share of certain cleanup costs for the Listed Third Party Sites payable to governmental entities under federal or state Superfund laws. Of the 35 Listed Third Party Sites, six are currently requiring expenditures on remediation, 13 are now settled, and 16 are not currently requiring expenditures on remediation. The status of the two facilities owned by the Company (the Wichita Property and the BR Facility) are further described below.

The 120 Superfund sites described above include 69 sites for which the Company had been notified it is a PRP or potential PRP prior to the Company's acquisition of Safety-Kleen on December 28, 2012, and an additional 50 sites at which Safety-Kleen had been notified it is a PRP or potential PRP prior to such acquisition. The total number of Superfund sites at which the Company had at September 30, 2013 potential liability and the total dollar amount of such estimated liability relating to those sites as described above have been increased to reflect the additional potential Superfund liabilities to which the Company became subject as a result of the Safety-Kleen acquisition. One of the third party sites (the Marine Shale site) is further described below.

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

BR Facility. The Company acquired in 2002 as part of the CSD assets a former hazardous waste incinerator and landfill in Baton Rouge (the "BR Facility"), for which operations had been previously discontinued by the prior owner. In September 2007, the EPA issued a special notice letter to the Company related to the Devil's Swamp Lake Site ("Devil's Swamp") in East Baton Rouge Parish, Louisiana. Devil's Swamp includes a lake located downstream of an outfall ditch where wastewater and stormwater have been discharged, and Devil's Swamp is proposed to be included on the National Priorities List due to the presence of Contaminants of Concern ("COC") cited by the EPA.

These COCs include substances of the kind found in wastewater and storm water discharged from the BR Facility in past operations. The EPA originally requested COC generators to submit a good faith offer to conduct a remedial investigation feasibility study directed towards the eventual remediation of the site. The Company is currently performing corrective actions at the BR Facility under an order issued by the Louisiana Department of Environmental Quality (the "LDEQ"), and has begun conducting the remedial investigation and feasibility study under an order issued by the EPA. The Company cannot presently estimate the potential additional liability for the Devil's Swamp cleanup until a final remedy is selected by the EPA.

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

Certain of the former owners of the CSD assets were major customers of Marine Shale, but the Marine Shale site was not included as a Listed Third Party Site in connection with the Company's acquisition of the CSD assets and Clean Harbors was never a customer of Marine Shale. A Safety-Kleen subsidiary was, however, a Marine Shale customer and has been named a PRP. On May 11, 2007, the EPA and the LDEQ issued a special notice to the Company and other PRPs, seeking a good faith offer to address site remediation at the former Marine Shale facility. The Company has joined with other parties to form a group (the "Site Group") to retain common counsel and participate in further negotiations with the EPA and the LDEQ directed towards the eventual remediation of the Marine Shale site. The Site Group made a good faith settlement offer to the EPA on November 29, 2007, and negotiations among the EPA, the LDEQ and the Site Group with respect to the Marine Shale site are ongoing. At September 30, 2013 and December 31, 2012, the amount of the Company's reserves relating to the Marine Shale site were $4.5 million and $4.4 million, respectively.

Certain Other Third Party Sites. At 11 of the 120 third party sites, Clean Harbors has an indemnification agreement with ChemWaste, a former subsidiary of Waste Management, Inc., and at five additional of those third party sites, Safety-Kleen has a similar indemnification agreement with McKesson Corporation. These agreements indemnify the Company (which now includes Safety-Kleen) with respect to any liability at the 16 sites for waste disposed prior to the Company's (or Safety-Kleen's) acquisition of the former subsidiaries of Waste Management or McKesson which had shipped wastes to those sites. Accordingly, Waste Management or McKesson are paying all costs of defending those subsidiaries in those 16 cases, including legal fees and settlement costs. However, there can be no guarantee that the Company's ultimate liabilities for those sites will not exceed the amount recorded or that indemnities applicable to any of these sites will be available to pay all or a portion of related costs. Except for the indemnification agreements which the Company holds from ChemWaste and McKesson, the Company does not have an indemnity agreement with respect to any of the 120 third party sites discussed above. In addition to the Wichita Property, the BR Facility and Marine Shale, Clean Harbors has 12 sites at which it believes its potential liability could exceed $100,000.

Federal, State and Provincial Enforcement Actions

From time to time, the Company pays fines or penalties in regulatory proceedings relating primarily to waste treatment, storage or disposal facilities. As of September 30, 2013 and December 31, 2012, there were five and four proceedings, respectively, for which the Company reasonably believed that the sanctions could equal or exceed $100,000. The Company believes that the fines or other penalties in these or any of the other regulatory proceedings will, individually or in the aggregate, not have a material effect on its financial condition, results of operations or cash flows.

(17) SEGMENT REPORTING

During the first quarter of 2013, the Company adjusted its operating segments to integrate the business activities of Safety-Kleen, acquired in December 2012, and to incorporate other changes made in 2013 to the manner in which the Company manages its business, makes operating decisions and assesses its performance. The Company's operations are now managed in five reportable segments: Technical Services, Oil Re-refining and Recycling, SK Environmental Services, Industrial and Field Services and Oil and Gas Field Services. The prior year segment information has been recast to conform to the current year presentation.

Performance of the segments is evaluated on several factors, of which the primary financial measure is “Adjusted EBITDA,” which consists of net income plus accretion of environmental liabilities, depreciation and amortization, net interest expense, provision for income taxes and pre-tax, non-cash acquisition accounting adjustments. Also excluded are loss on early extinguishment of debt, other income (expense) and income from discontinued operations, net of tax as these amounts are not considered part of usual business operations. Transactions between the segments are accounted for at the Company's estimate of fair value based on similar transactions with outside customers.

The operations not managed through the Company's five reportable segments are recorded as "Corporate Items." Corporate Items revenues consist of two different operations for which the revenues are insignificant. Corporate Items cost of revenues represents certain central services that are not allocated to the five 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

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general corporate nature that are not allocated to the Company's five reportable segments. Corporate Items revenues for the nine months ended September 30, 2013 includes a one-time, non-cash reduction of approximately $10.2 million due to the impact of acquisition accounting adjustments on Safety-Kleen's historical deferred revenue balance at December 28, 2012. The revenue amounts of the five reportable segments for the nine months ended September 30, 2013 exclude such adjustments to maintain comparability with future operating results and reflect how the Company manages the business.

The following table reconciles third party revenues to direct revenues for the three and nine months ended September 30, 2013 and 2012 (in thousands). Third party revenue is revenue billed to outside customers by a particular segment. Direct revenue is the revenue allocated to the segment performing the provided service. The Company analyzes results of operations based on direct revenues because the Company believes that these revenues and related expenses best reflect the manner in which operations are managed. Intersegment revenues represent the sharing of third party revenues among the segments based on products and services provided by each segment as if the products and services were sold directly to the third party. The intersegment revenues are shown net. The negative intersegment revenues are due to more transfers out of customer revenues to other segments than transfers in of customer revenues from other segments.

	For the Three Months Ended September 30, 2013						
	Technical Services	Oil Re-refining and Recycling	SK Environmental Services	Industrial and Field Services	Oil and Gas Field Services	Corporate Items	Totals
Third party revenues	$269,465	$151,565	$ 150,535	$227,754	$107,627	$589	$907,535
Intersegment revenues, net	35,406	(64,918)	36,516	(7,322)	318	—	—
Corporate Items, net	964	—	—	73	(114)	(923)	—
Direct revenues	$305,835	$86,647	$ 187,051	$220,505	$107,831	$(334)	$907,535

	For the Three Months Ended September 30, 2012						
	Technical Services	Oil Re-refining and Recycling	SK Environmental Services	Industrial and Field Services	Oil and Gas Field Services	Corporate Items	Totals
Third party revenues	$247,355	$—	$ —	$203,371	$82,812	$268	$533,806
Intersegment revenues, net	6,951	—	—	(8,877)	1,926	—	—
Corporate Items, net	665	—	—	100	(98)	(667)	—
Direct revenues	$254,971	$—	$ —	$194,594	$84,640	$(399)	$533,806

	For the Nine Months Ended September 30, 2013						
	Technical Services	Oil Re-refining and Recycling	SK Environmental Services	Industrial and Field Services	Oil and Gas Field Services	Corporate Items	Totals
Third party revenues	$759,666	$438,191	$ 453,325	$693,667	$294,183	$(8,806)	$2,630,226
Intersegment revenues, net	85,614	(186,053)	126,441	(32,316)	6,314	—	—
	3,155	—	84	184	(314)	(3,109)	—

Corporate Items, net							
Direct revenues	$848,435	$252,138	$ 579,850	$661,535	$300,183	$(11,915)	$2,630,226

	For the Nine Months Ended September 30, 2012						
	Technical Services	Oil Re-refining and Recycling	SK Environmental Services	Industrial and Field Services	Oil and Gas Field Services	Corporate Items	Totals
Third party revenues	$712,313	$—	$ —	$608,768	$306,566	$1,299	$1,628,946
Intersegment revenues, net	24,235	—	—	(31,246)	7,011	—	—
Corporate Items, net	1,805	—	—	48	(391)	(1,462)	—
Direct revenues	$738,353	$—	$ —	$577,570	$313,186	$(163)	$1,628,946

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The following table presents information used by management by reportable segment (in thousands). The Company does not allocate interest expense, income taxes, depreciation, amortization, accretion of environmental liabilities, pre-tax, non-cash acquisition accounting adjustments, and other (income) expense, to its segments.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
Adjusted EBITDA:				
Technical Services	$78,849	$68,241	$208,284	$188,673
Oil Re-refining and Recycling	18,892	—	46,861	—
SK Environmental Services	22,951	—	84,162	—
Industrial and Field Services	48,096	43,278	138,638	117,914
Oil and Gas Field Services	20,854	14,132	52,372	62,299
Corporate Items	(43,690)	(25,124)	(149,547)	(78,710)
Total	$145,952	$100,527	$380,770	$290,176
Reconciliation to Consolidated Statements of Income:				
Pre-tax, non-cash acquisition accounting adjustments	$—	$—	$13,559	$—
Accretion of environmental liabilities	2,914	2,488	8,628	7,409
Depreciation and amortization	69,430	41,300	196,904	116,794
Income from operations	73,608	56,739	161,679	165,973
Other expense (income)	150	91	(2,030)	465
Loss on early extinguishment of debt	—	26,385	—	26,385
Interest expense, net of interest income	19,326	11,596	58,784	33,836
Income before provision for income taxes	$54,132	$18,667	$104,925	$105,287

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

	September 30, 2013	December 31, 2012
Property, plant and equipment, net		
Technical Services	$398,778	$402,260
Oil Re-refining and Recycling	262,745	224,289
SK Environmental Services	193,760	195,172
Industrial and Field Services	410,776	371,335
Oil and Gas Field Services	240,863	257,985
Corporate Items	108,505	80,722
Total property, plant and equipment, net	$1,615,427	$1,531,763
Intangible assets:		
Technical Services		
Goodwill	$47,917	$48,157
Permits and other intangibles, net	81,689	85,842
Total Technical Services	129,606	133,999
Oil Re-refining and Recycling		
Goodwill	215,816	215,704
Permits and other intangibles, net	233,259	222,182
Total Oil Re-refining and Recycling	449,075	437,886
SK Environmental Services		
Goodwill	146,956	148,422
Permits and other intangibles, net	186,043	190,472
Total SK Environmental Services	332,999	338,894
Industrial and Field Services		
Goodwill	140,927	141,726
Permits and other intangibles, net	36,854	41,143
Total Industrial and Field Services	177,781	182,869
Oil and Gas Field Services		
Goodwill	38,536	39,762
Permits and other intangibles, net	29,931	33,178
Total Oil and Gas Field Services	68,467	72,940
Total	$1,157,928	$1,166,588

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

	September 30, 2013	December 31, 2012
Technical Services	$699,713	$714,777
Oil Re-refining and Recycling	833,336	797,650
SK Environmental Services	642,557	647,746
Industrial and Field Services	645,183	607,654
Oil and Gas Field Services	310,481	348,771
Corporate Items	825,582	709,208
Total	$3,956,852	$3,825,806

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

	September 30, 2013	December 31, 2012
United States	$2,665,328	$2,564,609
Canada	1,287,090	1,260,421
Other foreign	4,434	776
Total	$3,956,852	$3,825,806

(18) GUARANTOR AND NON-GUARANTOR SUBSIDIARIES FINANCIAL INFORMATION

The 2020 Notes and 2021 Notes are guaranteed by substantially all of the Company's subsidiaries organized in the United States. Each guarantor for the 2020 Notes and 2021 Notes is a wholly-owned subsidiary of the Company and its guarantee is both full and unconditional and joint and several. The 2020 Notes and 2021 Notes are not guaranteed by the Company’s Canadian or other foreign subsidiaries. The following presents supplemental condensed consolidating financial information for the parent company, the guarantor subsidiaries and the non-guarantor subsidiaries, respectively.

Following is the condensed consolidating balance sheet at September 30, 2013 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Assets:					
Cash and cash equivalents	$1,006	$ 187,926	$ 59,703	$—	$248,635
Intercompany receivables	336,356	2,369	174,609	(513,334)	—
Other current assets	12,144	589,065	291,930	—	893,139
Property, plant and equipment, net	—	942,331	673,096	—	1,615,427
Investments in subsidiaries	2,601,246	929,111	144,953	(3,675,310)	—
Intercompany debt receivable	—	508,524	3,701	(512,225)	—
Other long-term assets	20,842	900,617	278,192	—	1,199,651
Total assets	$2,971,594	$ 4,059,943	$ 1,626,184	$(4,700,869)	$3,956,852
Liabilities and Stockholders’ Equity:					
Current liabilities	$40,600	$ 472,178	$ 156,754	$—	$669,532
Intercompany payables	—	510,906	2,428	(513,334)	—
Closure, post-closure and remedial liabilities, net	—	158,366	33,482	—	191,848
Long-term obligations	1,400,000	—	—	—	1,400,000