

CLEAN HARBORS INC
Form 10-Q
August 07, 2014
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UNITED STATES OF AMERICA
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2014
OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission File Number 001-34223

CLEAN HARBORS, INC.

(Exact name of registrant as specified in its charter)

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 No

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

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

| | |
|--|--|
| Common Stock, \$.01 par value (Class) | 60,640,103 (Outstanding as of August 4, 2014) |
|--|--|

CLEAN HARBORS, INC.

QUARTERLY REPORT ON FORM 10-Q

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CLEAN HARBORS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEETS

(in thousands)

| | June 30, 2014 | December 31, 2013 |
|---|---------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$278,644 | \$310,073 |
| Marketable securities | — | 12,435 |
| Accounts receivable, net of allowances aggregating \$21,446 and \$18,106, respectively | 575,187 | 579,394 |
| Unbilled accounts receivable | 35,529 | 26,568 |
| Deferred costs | 17,909 | 16,134 |
| Inventories and supplies | 161,792 | 152,096 |
| Prepaid expenses and other current assets | 48,991 | 41,962 |
| Deferred tax assets | 32,239 | 32,517 |
| Total current assets | 1,150,291 | 1,171,179 |
| Property, plant and equipment, net | 1,611,298 | 1,602,170 |
| Other assets: | | |
| Deferred financing costs | 19,284 | 20,860 |
| Goodwill | 578,974 | 570,960 |
| Permits and other intangibles, net | 553,658 | 569,973 |
| Other | 18,938 | 18,536 |
| Total other assets | 1,170,854 | 1,180,329 |
| Total assets | \$3,932,443 | \$3,953,678 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current portion of capital lease obligations | \$709 | \$1,329 |
| Accounts payable | 262,553 | 316,462 |
| Deferred revenue | 61,593 | 55,454 |
| Accrued expenses | 245,368 | 236,829 |
| Current portion of closure, post-closure and remedial liabilities | 36,043 | 29,471 |
| Total current liabilities | 606,266 | 639,545 |
| Other liabilities: | | |
| Closure and post-closure liabilities, less current portion of \$6,252 and \$5,884, respectively | 43,630 | 41,201 |
| Remedial liabilities, less current portion of \$29,791 and \$23,587, respectively | 138,036 | 148,911 |
| Long-term obligations | 1,395,000 | 1,400,000 |
| Capital lease obligations, less current portion | 827 | 1,435 |
| Deferred taxes, unrecognized tax benefits and other long-term liabilities | 249,968 | 246,947 |
| Total other liabilities | 1,827,461 | 1,838,494 |
| Stockholders' equity: | | |
| Common stock, \$.01 par value: | | |

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| | | |
|---|-------------|-------------|
| Authorized 80,000,000; shares issued and outstanding 60,579,425 and 60,672,180 shares, respectively | 606 | 607 |
| Shares held under employee participation plan | (469 |) (469) |
| Additional paid-in capital | 889,080 | 898,165 |
| Accumulated other comprehensive loss | (25,025 |) (19,556) |
| Accumulated earnings | 634,524 | 596,892 |
| Total stockholders' equity | 1,498,716 | 1,475,639 |
| Total liabilities and stockholders' equity | \$3,932,443 | \$3,953,678 |

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 | | Six Months Ended | |
|---|--------------------|-----------|------------------|-------------|
| | June 30, | | June 30, | |
| | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | |
| Service revenues | \$665,275 | \$673,872 | \$1,325,370 | \$1,346,494 |
| Product revenues | 193,205 | 186,656 | 379,777 | 376,197 |
| Total revenues | 858,480 | 860,528 | 1,705,147 | 1,722,691 |
| Cost of revenues (exclusive of items shown separately below) | | | | |
| Service revenues | 445,757 | 455,603 | 912,556 | 923,975 |
| Product revenues | 161,193 | 158,723 | 320,113 | 326,375 |
| Total cost of revenues | 606,950 | 614,326 | 1,232,669 | 1,250,350 |
| Selling, general and administrative expenses | 115,731 | 122,612 | 234,693 | 251,082 |
| Accretion of environmental liabilities | 2,609 | 2,879 | 5,333 | 5,714 |
| Depreciation and amortization | 66,075 | 67,468 | 135,431 | 127,474 |
| Income from operations | 67,115 | 53,243 | 97,021 | 88,071 |
| Other (expense) income | (655 |) 1,655 | 3,523 | 2,180 |
| Interest expense, net of interest income of \$211, \$155, \$416 and \$266, respectively | (19,382 |) (19,585 |) (38,936 |) (39,458 |
| Income before provision for income taxes | 47,078 | 35,313 | 61,608 | 50,793 |
| Provision for income taxes | 18,406 | 12,411 | 23,976 | 17,389 |
| Net income | \$28,672 | \$22,902 | \$37,632 | \$33,404 |
| Earnings per share: | | | | |
| Basic | \$0.47 | \$0.38 | \$0.62 | \$0.55 |
| Diluted | \$0.47 | \$0.38 | \$0.62 | \$0.55 |
| Shares used to compute earnings per share - Basic | 60,665 | 60,550 | 60,695 | 60,507 |
| Shares used to compute earnings per share - Diluted | 60,778 | 60,687 | 60,822 | 60,658 |

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 (LOSS)

(in thousands)

| | Three Months Ended | | Six Months Ended | | |
|--|--------------------|-----------|------------------|-----------|---|
| | June 30, | | June 30, | | |
| | 2014 | 2013 | 2014 | 2013 | |
| Net income | \$28,672 | \$22,902 | \$37,632 | \$33,404 | |
| Other comprehensive income (loss): | | | | | |
| Unrealized (losses) gains on available-for-sale securities (net of taxes of \$11, \$22, \$141 and \$92 respectively) | (61 |) (166 |) 799 | (715 |) |
| Reclassification adjustment for gains on available-for-sale securities included in net income (net of taxes of \$8, \$0, \$504 and \$0 respectively) | (45 |) — | (2,857 |) — | |
| Foreign currency translation adjustments | 36,162 | (35,340 |) (3,411 |) (58,652 |) |
| Other comprehensive income (loss) | 36,056 | (35,506 |) (5,469 |) (59,367 |) |
| Comprehensive income (loss) | \$64,728 | \$(12,604 |) \$32,163 | \$(25,963 |) |

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)

| | Six Months Ended | |
|--|------------------|------------|
| | June 30, | |
| | 2014 | 2013 |
| Cash flows from operating activities: | | |
| Net income | \$37,632 | \$33,404 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Depreciation and amortization | 135,431 | 127,474 |
| Pre-tax, non-cash acquisition accounting inventory adjustments | — | 13,559 |
| Allowance for doubtful accounts | 4,605 | 3,618 |
| Amortization of deferred financing costs and debt discount | 1,576 | 1,692 |
| Accretion of environmental liabilities | 5,333 | 5,714 |
| Changes in environmental liability estimates | (1,429 |) (393 |
| Deferred income taxes | (1 |) (8 |
| Stock-based compensation | 4,340 | 3,924 |
| Excess tax benefit of stock-based compensation | (644 |) (1,326 |
| Income tax benefit related to stock option exercises | 644 | 1,316 |
| Other expense (income) | (3,523 |) (2,180 |
| Environmental expenditures | (7,443 |) (9,793 |
| Changes in assets and liabilities, net of acquisitions | | |
| Accounts receivable | (689 |) (20,783 |
| Inventories and supplies | (9,556 |) 1,128 |
| Other current assets | (17,574 |) 5,027 |
| Accounts payable | (46,421 |) (33,426 |
| Other current and long-term liabilities | 12,663 | 8,665 |
| Net cash from operating activities | 114,944 | 137,612 |
| Cash flows from investing activities: | | |
| Additions to property, plant and equipment | (138,186 |) (141,466 |
| Proceeds from sales of fixed assets | 2,986 | 2,194 |
| Proceeds from sales of marketable securities | 12,947 | — |
| Acquisitions, net of cash acquired | (6,150 |) — |
| Additions to intangible assets, including costs to obtain or renew permits | (2,891 |) (2,169 |
| Net cash used in investing activities | (131,294 |) (141,441 |
| Cash flows from financing activities: | | |
| Change in uncashed checks | 3,162 | 40,356 |
| Proceeds from exercise of stock options | — | 399 |
| Remittance of shares, net | (2,215 |) (169 |
| Repurchases of common stock | (14,657 |) — |
| Proceeds from employee stock purchase plan | 4,364 | 3,391 |
| Deferred financing costs paid | — | (2,446 |
| Repayment of long-term obligations | (5,000 |) — |
| Payments on capital leases | (1,190 |) (2,588 |
| Issuance costs related to 2012 issuance of common stock | — | (250 |
| Excess tax benefit of stock-based compensation | 644 | 1,326 |
| Net cash from financing activities | (14,892 |) 40,019 |

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| | | | |
|--|-----------|-----------|---|
| Effect of exchange rate change on cash | (187 |) (2,548 |) |
| (Decrease) increase in cash and cash equivalents | (31,429 |) 33,642 | |
| Cash and cash equivalents, beginning of period | 310,073 | 229,836 | |
| Cash and cash equivalents, end of period | \$278,644 | \$263,478 | |
| Supplemental information: | | | |
| Cash payments for interest and income taxes: | | | |
| Interest paid | \$37,070 | \$36,841 | |
| Income taxes paid | 14,304 | 7,275 | |
| Non-cash investing and financing activities: | | | |
| Payable for repurchased shares | 1,562 | — | |
| Property, plant and equipment accrued | 21,934 | 38,650 | |
| Transfer of inventory to property, plant and equipment | — | 11,369 | |

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

CLEAN HARBORS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands)

| | Common Stock | | Shares Held | | Accumulated | | Total |
|---|--------------|---------|---------------|------------|---------------|-------------|---------------|
| | Number | \$ 0.01 | Under | Additional | Other | Accumulated | Stockholders' |
| | of | Par | Employee | Paid-in | Comprehensive | Earnings | Equity |
| | Shares | Value | Participation | Capital | Loss | | |
| | | | Plan | | | | |
| Balance at January 1, 2014 | 60,672 | \$607 | \$ (469) | \$898,165 | \$ (19,556) | \$ 596,892 | \$ 1,475,639 |
| Net income | — | — | — | — | — | 37,632 | 37,632 |
| Other comprehensive loss | — | — | — | — | (5,469) | — | (5,469) |
| Stock-based compensation | — | — | — | 4,340 | — | — | 4,340 |
| Issuance of restricted shares, net of shares remitted | 89 | 1 | — | (2,216) | — | — | (2,215) |
| Repurchases of common stock | (273) | (3) | — | (16,216) | — | — | (16,219) |
| Net tax benefit on exercise of stock-based awards | — | — | — | 644 | — | — | 644 |
| Employee stock purchase plan | 91 | 1 | — | 4,363 | — | — | 4,364 |
| Balance at June 30, 2014 | 60,579 | \$606 | \$ (469) | \$889,080 | \$ (25,025) | \$ 634,524 | \$ 1,498,716 |

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. Management has made estimates and assumptions affecting the amounts reported in the Company's consolidated interim financial statements and accompanying footnotes, actual results could differ from those estimates and judgments. 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, 2013.

Reclassifications

During the second quarter of 2014, the Company made changes to the manner in which it manages its business, makes operating decisions and assesses performance. These changes included the reassignment of certain departments among its operating segments consistent with management reporting changes as well as the identification of Lodging Services as an additional segment. Under the new structure, the Company's operations are managed in six reportable segments: Technical Services, Industrial and Field Services, Oil Re-refining and Recycling, SK Environmental Services, Lodging 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, 2013. There have been no material changes in these policies or their application.

Recent Accounting Pronouncements

Standards implemented

On January 1, 2014, the Company adopted the Financial Accounting Standards Board ("FASB") Accounting Standard Update ("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 adoption of ASU 2013-11 did not have an impact on the Company's consolidated balance sheets.

Standards to be implemented

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new guidance is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2016.

In April 2014, FASB issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360). The amendments in ASU 2014-08 provide guidance for the recognition and disclosure of discontinued operations. ASU 2014-08 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014.

The Company is currently evaluating the impact that the above standards to be implemented will have on the Company's consolidated financial statements.

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Evergreen

On September 13, 2013, the Company acquired 100% of the outstanding common shares of Evergreen Oil, Inc. (“Evergreen”) for a final purchase price of \$56.3 million in cash, net of cash acquired. Evergreen, headquartered in Irvine, California, specializes in the recovery and re-refining of used oil. 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 acquisition of Evergreen enables the Company to further penetrate the small quantity waste generator market and further expand its oil re-refining, oil recycling and waste treatment capabilities. Financial information and results of Evergreen have been recorded in our consolidated financial statements since acquisition and are primarily included in the Oil Re-refining and Recycling segment.

Management 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 June 30, 2014, the Company has finalized the purchase accounting for the acquisition of Evergreen, except for environmental liabilities and taxes. The impact of the purchase price measurement period adjustments and related tax impacts recorded in the current period was not material to the consolidated financial statements and accordingly, the effects have not been retrospectively applied.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at September 13, 2013 (in thousands):

| | At acquisition date as reported at December 31, 2013 | Measurement Period Adjustments | At acquisition date as reported at June 30, 2014 | |
|---|--|--------------------------------------|---|---|
| Inventories and supplies | \$1,089 | \$— | \$1,089 | |
| Prepaid and other current assets | 1,291 | (273 |) 1,018 | |
| Property, plant and equipment | 40,563 | — | 40,563 | |
| Permits and other intangibles | 17,100 | — | 17,100 | |
| Deferred tax assets, less current portion | 2,368 | (2,368 |) — | |
| Other assets | 3,607 | (239 |) 3,368 | |
| Current liabilities | (6,198 |) 218 | (5,980 |) |
| Closure and post-closure liabilities | (659 |) — | (659 |) |
| Remedial liabilities, less current portion | (2,103 |) 463 | (1,640 |) |
| Deferred taxes, unrecognized tax benefits and other long-term liabilities | (1,139 |) (920 |) (2,059 |) |
| Total identifiable net assets | 55,919 | (3,119 |) 52,800 | |
| Goodwill | — | 3,518 | 3,518 | |
| Total | \$55,919 | \$399 | \$56,318 | |

2014 Acquisitions

On May 30, 2014 the Company acquired certain assets of a privately owned U.S. company which provides carbon treatment systems and rental remediation equipment for approximately \$6.2 million in cash. The purchase price is subject to customary post-closing adjustments based upon finalized working capital amounts. The acquired company has been integrated into the Technical Services segment.

(4) MARKETABLE SECURITIES

The Company classifies its marketable securities as available-for-sale and, accordingly, carries such securities at fair value based upon readily available quoted market prices of the securities. Unrealized gains and losses are reported, net of tax, as a component of other comprehensive income. On June 30, 2014 the Company did not hold any marketable securities. On December 31, 2013, marketable securities held by the Company were recorded at \$12.4 million.

Marketable securities were classified as Level 1 in the fair value hierarchy.

During the three and six months ended June 30, 2014 the Company sold marketable securities and recognized a gain of \$0.1 million and \$3.4 million, respectively, recorded as other income in the consolidated statement of income.

There were no realized gains or losses from the sale of marketable securities in the three and six months ended June 30, 2013.

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(5) INVENTORIES AND SUPPLIES

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

| | June 30, 2014 | December 31, 2013 |
|--------------------------------|---------------|----------------------|
| Oil and oil products | \$62,563 | \$59,639 |
| Supplies and drums | 72,172 | 64,471 |
| Solvent and solutions | 9,639 | 10,100 |
| Other | 17,418 | 17,886 |
| Total inventories and supplies | \$161,792 | \$152,096 |

(6) PROPERTY, PLANT AND EQUIPMENT

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

| | June 30, 2014 | December 31, 2013 |
|--|---------------|----------------------|
| Land | \$100,194 | \$99,794 |
| Asset retirement costs (non-landfill) | 10,936 | 10,938 |
| Landfill assets | 105,569 | 100,983 |
| Buildings and improvements | 333,930 | 327,956 |
| Camp equipment | 186,622 | 187,831 |
| Vehicles | 459,594 | 425,296 |
| Equipment | 1,272,036 | 1,201,296 |
| Furniture and fixtures | 5,471 | 5,260 |
| Construction in progress | 64,259 | 58,010 |
| | 2,538,611 | 2,417,364 |
| Less - accumulated depreciation and amortization | 927,313 | 815,194 |
| Total property, plant and equipment, net | \$1,611,298 | \$1,602,170 |

(7) GOODWILL AND OTHER INTANGIBLE ASSETS

The changes to goodwill for the six months ended June 30, 2014 were as follows (in thousands):

| | 2014 |
|--|-----------|
| Balance at January 1, 2014 | \$570,960 |
| Acquired from acquisitions | 4,852 |
| Increase from adjustments during the measurement period related to Evergreen | 3,518 |
| Foreign currency translation | (356) |
| Balance at June 30, 2014 | \$578,974 |

The Company assesses goodwill for impairment on an annual basis as of December 31, or when events or changes in the business environment would more likely than not reduce the fair value of a reporting unit below its carrying value. The Company conducted the annual impairment test of goodwill for all reporting units as of December 31, 2013 and determined that no adjustment to the carrying value of goodwill for any reporting unit was necessary because the fair values of the reporting units exceeded their respective carrying values.

The fair value of the Oil Re-refining and Recycling reporting unit exceeded the carrying value by less than 10% at December 31, 2013. During the first six months of fiscal 2014 the reporting unit has experienced lower than anticipated financial results primarily due to lower sales mix between base oils and higher priced blended oils as well as higher utilities and shutdown related costs. The lower sales prices reflected general economic conditions in the oil industry during the period. The financial performance of this reporting unit, which had a goodwill balance of approximately \$174.7 million at June 30, 2014, is affected by fluctuations in oil prices overall market supply of refined oil and sales mix.

The fair value of the Oil and Gas Field Services reporting unit exceeded its carrying value by more than 10% at December 31, 2013. The financial performance of this reporting unit, which had a goodwill balance of approximately \$36.4 million at June 30, 2014, was affected in the six months ended June 30, 2014 by pricing pressures and lower levels of overall activity in the markets and regions that the business serves.

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Significant judgments are inherent in the annual impairment tests performed and include assumptions about the amount and timing of expected future cash flows, growth rates, and the determination of appropriate discount rates. The Company believes that the assumptions used in its annual impairment analysis are reasonable, but variations in any of the assumptions may result in different calculations of fair values that could result in a material impairment charge. The annual impairment tests performed as of December 31, 2013 utilized future annual budgeted amounts and discount rate assumptions based on an assessment of the Company's weighted average cost of capital as well as other significant assumptions believed to be reasonable at that time.

During the interim periods of fiscal year 2014 and with respect to the Oil Re-Refining and Recycling and Oil and Gas Field Services reporting units, the Company has considered whether (i) the lower than anticipated results (ii) general economic and industry conditions, and (iii) reporting unit specific factors would more likely than not reduce the estimated fair values of its reporting units below their carrying values. The Company has not performed an interim test for impairment of goodwill for any of its reporting units as it does not believe the factors impacting the performance of the reporting units through June 30, 2014 would more likely than not reduce the fair value below carrying value.

The performance of the Oil Re-Refining and Recycling and Oil and Gas Field Services reporting units will continue to be monitored. If these reporting units do not achieve the financial performance that the Company expects, it is possible that a goodwill impairment charge may result. There can be no assurance that future events will not result in an impairment of goodwill.

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

| | June 30, 2014 | | | | December 31, 2013 | | | |
|---|---------------|--------------------------|-----------|---|-------------------|--------------------------|-----------|---|
| | Cost | Accumulated Amortization | Net | Weighted Average Remaining Amortization Period (in years) | Cost | Accumulated Amortization | Net | Weighted Average Remaining Amortization Period (in years) |
| Permits | \$158,633 | \$53,278 | \$105,355 | 19.9 | \$157,327 | \$50,858 | \$106,469 | 19.6 |
| Customer and supplier relationships | 377,686 | 66,925 | 310,761 | 11.4 | 377,899 | 52,814 | 325,085 | 12.1 |
| Other intangible assets | 30,787 | 17,842 | 12,945 | 3.1 | 29,299 | 15,518 | 13,781 | 3.3 |
| Total amortizable permits and other intangible assets | 567,106 | 138,045 | 429,061 | 11.7 | 564,525 | 119,190 | 445,335 | 12.2 |
| Trademarks and trade names | 124,597 | — | 124,597 | Indefinite | 124,638 | — | 124,638 | Indefinite |
| Total permits and other intangible assets | \$691,703 | \$138,045 | \$553,658 | | \$689,163 | \$119,190 | \$569,973 | |

Amortization expense for the three and six months ended June 30, 2014 was \$8.9 million and \$18.4 million, respectively. Amortization expense for the three and six months ended June 30, 2013 was \$8.8 million and \$17.1 million, respectively.

Below is the expected future amortization of the net carrying amount of finite lived intangible assets at June 30, 2014 (in thousands):

| Years Ending December 31, | Expected Amortization |
|---------------------------|-----------------------|
| 2014 (six months) | \$17,932 |
| 2015 | 35,607 |

| | |
|------------|-----------|
| 2016 | 34,789 |
| 2017 | 32,743 |
| 2018 | 30,038 |
| Thereafter | 277,952 |
| | \$429,061 |

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(8) ACCRUED EXPENSES

Accrued expenses consisted of the following (in thousands):

| | June 30, 2014 | December 31, 2013 |
|--|---------------|-------------------|
| Insurance | \$62,969 | \$57,993 |
| Interest | 20,666 | 20,731 |
| Accrued compensation and benefits | 62,032 | 60,902 |
| Income, real estate, sales and other taxes | 46,838 | 38,938 |
| Other | 52,863 | 58,265 |
| Total accrued expenses | \$245,368 | \$236,829 |

(9) CLOSURE AND POST-CLOSURE LIABILITIES

The changes to closure and post-closure liabilities (also referred to as “asset retirement obligations”) for the six months ended June 30, 2014 were as follows (in thousands):

| | Landfill Retirement Liability | Non-Landfill Retirement Liability | Total |
|--|-------------------------------|-----------------------------------|----------|
| Balance at January 1, 2014 | \$27,604 | \$19,481 | \$47,085 |
| New asset retirement obligations | 1,914 | — | 1,914 |
| Accretion | 1,278 | 921 | 2,199 |
| Changes in estimates recorded to statement of income | (142 |) 238 | 96 |
| Changes in estimates recorded to balance sheet | 363 | — | 363 |
| Expenditures | (1,322 |) (444 |) (1,766 |
| Currency translation and other | 1 | (10 |) (9 |
| Balance at June 30, 2014 | \$29,696 | \$20,186 | \$49,882 |

All of the landfill facilities included in the above were active as of June 30, 2014. New asset retirement obligations incurred during the first six months of 2014 were discounted at the credit-adjusted risk-free rate of 6.54%. There were no significant charges (benefits) in 2014 resulting from changes in estimates for closure and post-closure liabilities.

(10) REMEDIAL LIABILITIES

The changes to remedial liabilities for the six months ended June 30, 2014 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, 2014 | \$ 5,624 | \$ 74,262 | \$ 92,612 | \$172,498 |
| Adjustments during the measurement period related to Evergreen | — | — | (518 |) (518 |
| Accretion | 133 | 1,534 | 1,467 | 3,134 |
| Changes in estimates recorded to statement of income | (126 |) (2,467 |) 1,068 | (1,525 |
| Expenditures | (57 |) (2,489 |) (3,131 |) (5,677 |
| Currency translation and other | (10 |) 7 | (82 |) (85 |
| Balance at June 30, 2014 | \$ 5,564 | \$ 70,847 | \$ 91,416 | \$167,827 |

In the six months ended June 30, 2014, the reduction in changes in estimates recorded to the statement of income was \$1.5 million and primarily related to estimated cost adjustments for remediation across various sites.

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(11) FINANCING ARRANGEMENTS

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

| | June 30, 2014 | December 31, 2013 |
|--|---------------|-------------------|
| Senior unsecured notes, at 5.25%, due August 1, 2020 | \$800,000 | \$800,000 |
| Senior unsecured notes, at 5.125%, due June 1, 2021 | 595,000 | 600,000 |
| Long-term obligations | \$1,395,000 | \$1,400,000 |

On July 30, 2012, the Company issued through a private placement \$800.0 million aggregate principal amount of 5.25% senior unsecured notes due August 1, 2020 ("2020 Notes") with semi-annually fixed interest payments on February 1 and August 1 of each year, which commenced on February 1, 2013. At June 30, 2014 and December 31, 2013, the fair value of the Company's 2020 Notes was \$806.5 million and \$804.2 million, respectively, based on quoted market prices for the instrument and accrued interest. The fair value of the 2020 Notes is considered a Level 2 measure according to the fair value hierarchy.

On December 7, 2012, the Company issued through a private placement \$600.0 million aggregate principal amount of 5.125% senior unsecured notes due 2021 ("2021 Notes") with semi-annually fixed interest payments on June 1 and December 1 of each year, which commenced on June 1, 2013. At June 30, 2014 and December 31, 2013, the fair value of the Company's 2021 Notes was \$607.3 million and \$601.6 million, respectively, based on quoted market prices for the instrument and accrued interest. The fair value of the 2021 Notes is considered a Level 2 measure according to the fair value hierarchy.

The Company also maintains a revolving credit facility which as of June 30, 2014 and December 31, 2013 had no outstanding loan balances. At June 30, 2014, \$287.8 million was available to borrow and outstanding letters of credit were \$112.2 million. At December 31, 2013, \$259.7 million was available to borrow and outstanding letters of credit were \$140.3 million.

(12) INCOME TAXES

The Company's effective tax rate for the three and six months ended June 30, 2014 was 39.1% and 38.9%, respectively, compared to 35.1% and 34.2% for the same period in 2013.

As of June 30, 2014 and December 31, 2013, the Company had recorded \$1.3 million of liabilities for unrecognized tax benefits and \$0.2 million of interest, respectively.

Due to expiring statute of limitation periods, the Company believes that total unrecognized tax benefits will decrease by approximately \$0.1 million within the next twelve months.

(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 | | Six Months Ended | |
|---|--------------------|----------|------------------|----------|
| | June 30, | 2013 | June 30, | 2013 |
| | 2014 | | 2014 | |
| Numerator for basic and diluted earnings per share: | | | | |
| Net income | \$28,672 | \$22,902 | \$37,632 | \$33,404 |
| Denominator: | | | | |
| Basic shares outstanding | 60,665 | 60,550 | 60,695 | 60,507 |
| Dilutive effect of equity-based compensation awards | 113 | 137 | 127 | 151 |
| Dilutive shares outstanding | 60,778 | 60,687 | 60,822 | 60,658 |
| Basic earnings per share: | \$0.47 | \$0.38 | \$0.62 | \$0.55 |
| Diluted earnings per share: | \$0.47 | \$0.38 | \$0.62 | \$0.55 |

For the three and six months ended June 30, 2014, the dilutive effect of all then outstanding options, restricted stock and performance awards is included in the EPS calculations above except for 228,000 of outstanding performance

stock awards for which the performance criteria were not attained at that time and 5,270 restricted stock awards which were antidilutive at June 30, 2014. For the three and six months ended June 30, 2013, the EPS calculations above include the dilutive effects of all then outstanding options,

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restricted stock, and performance awards except for 171,000 of outstanding performance stock awards for which the performance criteria were not attained at that time.

(14) ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes in accumulated other comprehensive loss by component and related tax effects for the six months ended June 30, 2014 were as follows (in thousands):

| | Foreign Currency Translation | Unrealized (Losses) Gains on Available-For-Sale Securities | Unfunded Pension Liability | Total |
|--|------------------------------------|---|----------------------------------|--------------|
| Balance at January 1, 2014 | \$ (20,164) | \$ 1,904 | \$ (1,296) | \$ (19,556) |
| Other comprehensive (loss) gain before reclassifications | (3,411) | 940 | — | (2,471) |
| Amounts reclassified out of accumulated other comprehensive loss | — | (3,361) | — | (3,361) |
| Tax effects | — | 363 | — | 363 |
| Other comprehensive loss | \$ (3,411) | \$ (2,058) | \$ — | \$ (5,469) |
| Balance at June 30, 2014 | \$ (23,575) | \$ (154) | \$ (1,296) | \$ (25,025) |

The amounts reclassified out of accumulated other comprehensive loss into the consolidated statement of income, with presentation location during the six months ended June 30, 2014 were as follows (in thousands):

| | For the Three Months Ended June 30, 2014 | For the Six Months Ended June 30, 2014 | Location |
|--|--|--|------------------------|
| Comprehensive Loss Components | | | |
| Unrealized gains on available-for-sale investments | \$53 | \$3,361 | Other (expense) income |

There were no reclassifications out of accumulated other comprehensive loss into the consolidated statement of income during the three and six months ended June 30, 2013.

(15) STOCK-BASED COMPENSATION**Stock Option Awards**

The following table summarizes the total number and type of awards granted during the three and six months ended June 30, 2014, as well as the related weighted-average grant-date fair values:

| | Three Months Ended June 30, 2014 | | Six Months Ended June 30, 2014 | |
|--------------------------|-------------------------------------|---|-----------------------------------|---|
| | Shares | Weighted Average Grant-Date Fair Value | Shares | Weighted Average Grant-Date Fair Value |
| Restricted stock awards | 103,130 | \$61.85 | 107,630 | \$61.55 |
| Performance stock awards | 130,107 | \$62.20 | 130,107 | \$62.20 |
| Total awards | 233,237 | | 237,737 | |

Restricted stock awards issued during the three and six months ended June 30, 2014 carry terms which are consistent with historical grants. For the performance stock awards granted during the three and six months ended June 30, 2014, the Compensation Committee of the Company's Board of Directors established two-year performance targets which could potentially be achieved in either 2014 or 2015.

Common Stock Repurchases

On February 25, 2014, the Company's Board of Directors authorized the repurchase of up to \$150 million of the Company's common stock. As of June 30, 2014, we had repurchased and retired a total of approximately 273,000 shares of our common stock for approximately \$16.2 million under this program. As of June 30, 2014, an additional \$133.8 million remains available for repurchase of shares under the current authorized program.

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(16) COMMITMENTS AND CONTINGENCIES

Legal and Administrative Proceedings

The Company and its subsidiaries are subject to legal proceedings and claims arising in the ordinary course of business. Actions filed against the Company arise from commercial and employment-related claims including alleged class actions related to sales practices and wage and hour claims. The plaintiffs in these actions may be seeking damages or injunctive relief or both. These actions are in various jurisdictions and stages of proceedings, and some are covered in part by insurance. In addition, the Company's waste management services operations 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 alleged violations of existing permits and licenses or alleged responsibility 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 the prior owners of certain of the Company's facilities shipped wastes.

At June 30, 2014 and December 31, 2013, the Company had recorded reserves of \$44.4 million and \$41.7 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 June 30, 2014 and December 31, 2013, the Company also believed that it was reasonably possible that the amount of these potential liabilities could be as much as \$3.5 million more. The Company periodically adjusts the aggregate amount of these reserves when 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 June 30, 2014, the \$44.4 million of reserves consisted of (i) \$35.2 million related to pending legal or administrative proceedings, including Superfund liabilities, which were included in remedial liabilities on the consolidated balance sheets, and (ii) \$9.2 million primarily related to federal, state and provincial enforcement actions, which were included in accrued expenses on the consolidated balance sheets.

As of June 30, 2014, the principal legal and administrative proceedings in which the Company was involved, or which had been terminated during 2014, were as follows:

Ville Mercier. In September 2002, the Company acquired the stock of a subsidiary (the "Mercier Subsidiary") which owns a hazardous waste incinerator in Ville Mercier, Quebec (the "Mercier Facility"). The property adjacent to the Mercier Facility, which is also owned by the Mercier Subsidiary, is now contaminated as a result of actions dating back to 1968, when the Government of Quebec issued to a company unrelated to the Mercier Subsidiary two permits to dump organic liquids into lagoons on the property. In 1999, Ville Mercier and three neighboring municipalities filed separate legal proceedings against the Mercier Subsidiary and the Government of Quebec. In 2012, the municipalities amended their existing statement of claim to seek \$2.9 million (cdn) in general damages and \$10.0 million (cdn) in punitive damages, plus interest and costs, as well as injunctive relief. Both the Government of Quebec and the Company have filed summary judgment motions against the municipalities that are scheduled to be heard in September of 2014. In September 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 June 30, 2014 and December 31, 2013, the Company had accrued \$13.9 million and \$13.6 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-Kleen 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 June 30, 2014 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 64 proceedings (excluding cases which have been settled but not formally dismissed) as of June 30, 2014, 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

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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 June 30, 2014. From December 31, 2013 to June 30, 2014, eight product liability claims were settled or dismissed. Due to the nature of these claims and the related insurance, the Company 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. In 2012, similar lawsuits were filed by the same law firm in California and Missouri. It is Safety-Kleen's position that it had the right to assess fuel surcharges, that the customers were contractually obligated or otherwise consented to the charges and that the surcharges were voluntarily paid by the customers when presented with an invoice. A class has not been certified in any of these cases, 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 125 sites which are subject to or are proposed to become subject to proceedings under federal or state Superfund laws. Of the 125 sites, two (the Wichita Facility and the BR Facility described below) involve facilities that are now owned by the Company and 123 involve third party sites to which either the Company or the prior owners of certain of the Company's facilities shipped wastes. Of the 123 third party sites, 29 are now settled, 20 are currently requiring expenditures on remediation and 74 are not currently requiring expenditures on remediation.

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 indemnification obligations, 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. In addition to the Wichita Property and the BR Facility, Clean Harbors believes its potential liability could exceed \$100,000 at 15 of the 123 third party sites.

Wichita Property. The Company acquired in 2002 as part of the CSD assets a service center located in Wichita, Kansas (the "Wichita Property"). The Wichita Property is one of several properties located within the boundaries of a 1,400 acre state-designated Superfund site in an old industrial section of Wichita known as the North Industrial Corridor Site. Along with numerous other PRPs, the former owner executed a consent decree relating to such site with the U.S. Environmental Protection Agency (the "EPA"), and the Company is continuing an 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 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

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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.

Third Party Sites. Of the 123 third party sites at which the Company has been notified it is a PRP or potential PRP or may have indemnification obligations, Clean Harbors has an indemnification agreement at 11 of these sites with ChemWaste, a former subsidiary of Waste Management, Inc., and at five additional of these 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 123 third party sites discussed above.

Federal, State and Provincial Enforcement Actions

From time to time, the Company pays fines or penalties in regulatory proceedings relating primarily to waste treatment, storage or disposal facilities. As of June 30, 2014 and December 31, 2013, there were three and five 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 second quarter of 2014, the Company made changes to the manner in which it manages its business, makes operating decisions and assesses performance. These changes included the reassignment of certain departments among its operating segments consistent with management reporting changes as well as the identification of Lodging Services as an additional segment. Under the new structure, the Company's operations are managed in six reportable segments based primarily upon the nature of the various operations and services provided: Technical Services, Industrial and Field Services which consists of the Industrial Services and Field Services operating segments, Oil Re-refining and Recycling, SK Environmental Services, Lodging Services and Oil and Gas Field Services. The prior year segment information has been recast to conform to the current year presentation.

The following table reconciles third party revenues to direct revenues for the three and six months ended June 30, 2014 and 2013 (in thousands):

| | For the Three Months Ended June 30, 2014 | | | | For the Six Months Ended June 30, 2014 | | | |
|-------------------------------|--|----------------------------|----------------------|-----------------|--|----------------------------|----------------------|-----------------|
| | Third party revenues | Intersegment revenues, net | Corporate Items, net | Direct revenues | Third party revenues | Intersegment revenues, net | Corporate Items, net | Direct revenues |
| Technical Services | \$256,798 | \$40,082 | \$778 | \$297,658 | \$493,579 | \$77,516 | \$1,177 | \$572,272 |
| Industrial and Field Services | 185,154 | (11,047) | 36 | 174,143 | 347,114 | (22,805) | 191 | 324,500 |
| Oil Re-refining and Recycling | 144,016 | (54,861) | (5) | 89,150 | 272,937 | (102,977) | (5) | 169,955 |
| SK Environmental Services | 171,324 | 23,307 | — | 194,631 | 332,712 | 43,264 | (58) | 375,918 |
| Lodging Services | 42,872 | 900 | 25 | 43,797 | 99,566 | 1,294 | 26 | 100,886 |
| Oil and Gas Field Services | 58,177 | 1,619 | (22) | 59,774 | 158,949 | 3,708 | (10) | 162,647 |

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| | | | | | | | | |
|--------------------|-----------|-----|--------|-----------|-------------|-----|----------|-------------|
| Corporate Items | 139 | — | (812) | (673) | 290 | — | (1,321) | (1,031) |
| Total | \$858,480 | \$— | \$— | \$858,480 | \$1,705,147 | \$— | \$— | \$1,705,147 |

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| | For the Three Months Ended June 30, 2013 | | | | For the Six Months Ended June 30, 2013 | | | |
|----------------------------------|--|----------------------------|----------------------|-----------------|--|----------------------------|----------------------|-----------------|
| | Third party revenues | Intersegment revenues, net | Corporate Items, net | Direct revenues | Third party revenues | Intersegment revenues, net | Corporate Items, net | Direct revenues |
| Technical Services | \$256,262 | \$ 25,789 | \$1,339 | \$283,390 | \$490,201 | \$ 50,208 | \$2,191 | \$542,600 |
| Industrial and Field Services | 199,225 | (12,680) | (128) | 186,417 | 368,846 | (26,440) | (106) | 342,300 |
| Oil Re-refining and Recycling SK | 123,008 | (48,261) | — | 74,747 | 263,092 | (98,287) | — | 164,805 |
| Environmental Services | 166,523 | 32,207 | — | 198,730 | 326,325 | 67,077 | 84 | 393,486 |
| Lodging Services | 46,685 | 1,207 | 101 | 47,993 | 100,015 | 1,809 | 217 | 102,041 |
| Oil and Gas Field Services | 68,444 | 1,738 | (49) | 70,133 | 183,607 | 5,633 | (200) | 189,040 |
| Corporate Items | 381 | — | (1,263) | (882) | (9,395) | — | (2,186) | (11,581) |
| Total | \$860,528 | \$— | \$— | \$860,528 | \$1,722,691 | \$— | \$— | \$1,722,691 |

Third party revenue is revenue billed to outside customers by a particular segment. Direct revenue is revenue allocated to the segment performing the provided service. 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. The operations not managed through the Company's six 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 six 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 six reportable segments. 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 is other income as it is not considered part of usual business operations. Transactions between the segments are accounted for at the Company's estimate based on similar transactions with outside customers.

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The following table presents Adjusted EBITDA information used by management for each 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 inventory adjustment, and other expense (income) to its segments.

| | For the Three Months Ended | | For the Six Months Ended | |
|---|----------------------------|-----------|--------------------------|------------|
| | June 30, | | June 30, | |
| | 2014 | 2013 | 2014 | 2013 |
| Adjusted EBITDA: | | | | |
| Technical Services | \$84,297 | \$69,390 | \$146,474 | \$129,435 |
| Industrial and Field Services | 30,716 | 34,760 | 47,088 | 48,572 |
| Oil Re-refining and Recycling | 15,196 | 12,752 | 27,779 | 28,098 |
| SK Environmental Services | 31,307 | 34,076 | 54,132 | 61,082 |
| Lodging Services | 15,487 | 19,259 | 33,224 | 41,560 |
| Oil and Gas Field Services | 1,812 | 4,144 | 18,143 | 31,928 |
| Corporate Items | (43,016) | (50,791) | (89,055) | (105,857) |
| Total | \$135,799 | \$123,590 | \$237,785 | \$234,818 |
| Reconciliation to Consolidated Statements of Income: | | | | |
| Pre-tax, non-cash acquisition accounting inventory adjustment | — | — | — | 13,559 |
| Accretion of environmental liabilities | 2,609 | 2,879 | 5,333 | 5,714 |
| Depreciation and amortization | 66,075 | 67,468 | 135,431 | 127,474 |
| Income from operations | 67,115 | 53,243 | 97,021 | 88,071 |
| Other expense (income) | 655 | (1,655) | (3,523) | (2,180) |
| Interest expense, net of interest income | 19,382 | 19,585 | 38,936 | 39,458 |
| Income before provision for income taxes | \$47,078 | \$35,313 | \$61,608 | \$50,793 |

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

| | June 30, 2014 | | | | | | | |
|------------------------------------|--------------------|-------------------------------|-------------------------------|---------------------------|------------------|----------------------------|-----------------|-------------|
| | Technical Services | Industrial and Field Services | Oil Re-refining and Recycling | SK Environmental Services | Lodging Services | Oil and Gas Field Services | Corporate Items | Totals |
| Property, plant and equipment, net | \$408,977 | \$260,083 | \$208,630 | \$245,513 | \$156,730 | \$229,017 | \$102,348 | \$1,611,298 |
| Goodwill | 50,432 | 109,785 | 174,739 | 172,223 | 35,395 | 36,400 | — | 578,974 |
| Permits and other intangible, net | 78,669 | 19,747 | 156,882 | 259,691 | 12,936 | 25,733 | — | 553,658 |
| Total assets | \$751,444 | \$416,912 | \$670,797 | \$742,795 | \$237,671 | \$390,314 | \$722,510 | \$3,932,443 |
| | December 31, 2013 | | | | | | | |
| | Technical Services | Industrial and Field Services | Oil Re-refining and Recycling | SK Environmental Services | Lodging Services | Oil and Gas Field Services | Corporate Items | Totals |
| Property, plant and equipment, net | \$400,544 | \$251,826 | \$211,458 | \$239,650 | \$166,252 | \$224,585 | \$107,855 | \$1,602,170 |
| Goodwill | 45,599 | 109,873 | 171,161 | 172,309 | 35,512 | 36,506 | — | 570,960 |
| | 80,302 | 21,147 | 160,807 | 265,106 | 14,730 | 27,881 | — | 569,973 |

Permits and
other
intangible, net

Total assets \$699,675 \$410,233 \$642,901 \$ 774,756 \$239,056 \$381,057 \$806,000 \$3,953,678

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

| | June 30, 2014 | December 31, 2013 |
|---------------|---------------|----------------------|
| United States | \$2,695,931 | \$2,684,686 |
| Canada | 1,233,547 | 1,266,505 |
| Other foreign | 2,965 | 2,487 |
| Total | \$3,932,443 | \$3,953,678 |

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(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 100% 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 June 30, 2014 (in thousands):

| | Clean Harbors, Inc. | U.S. Guarantor Subsidiaries | Foreign Non-Guarantor Subsidiaries | Consolidating Adjustments | Total |
|--|------------------------|--------------------------------|--|------------------------------|--------------|
| Assets: | | | | | |
| Cash and cash equivalents | \$ 1,006 | \$ 193,821 | \$ 83,817 | \$ — | \$ 278,644 |
| Intercompany receivables | 237,556 | 2,446 | 84,029 | (324,031) | — |
| Accounts receivable, net | — | 399,423 | 175,764 | — | 575,187 |
| Other current assets | 24,087 | 194,211 | 78,162 | — | 296,460 |
| Property, plant and equipment, net | — | 961,240 | 650,058 | — | 1,611,298 |
| Investments in subsidiaries | 2,762,237 | 760,718 | — | (3,522,955) | — |
| Intercompany debt receivable | — | 379,428 | 3,701 | (383,129) | — |
| Goodwill | — | 424,057 | 154,917 | — | 578,974 |
| Permits and other intangibles, net | — | 447,638 | 106,020 | — | 553,658 |
| Other long-term assets | 25,457 | 3,759 | 9,006 | — | 38,222 |
| Total assets | \$ 3,050,343 | \$ 3,766,741 | \$ 1,345,474 | \$ (4,230,115) | \$ 3,932,443 |
| Liabilities and Stockholders' Equity: | | | | | |
| Current liabilities | \$ 61,029 | \$ 429,490 | \$ 115,747 | \$ — | \$ 606,266 |
| Intercompany payables | — | 321,533 | 2,498 | (324,031) | — |
| Closure, post-closure and remedial liabilities, net | — | 150,250 | 31,416 | — | 181,666 |
| Long-term obligations | 1,395,000 | — | — | — | 1,395,000 |
| Capital lease obligations, net | — | 129 | 698 | — | 827 |
| Intercompany debt payable | 3,701 | — | 379,428 | (383,129) | — |
| Other long-term liabilities | 91,897 | 103,102 | 54,969 | — | 249,968 |
| Total liabilities | 1,551,627 | 1,004,504 | 584,756 | (707,160) | 2,433,727 |
| Stockholders' equity | 1,498,716 | 2,762,237 | 760,718 | (3,522,955) | 1,498,716 |
| Total liabilities and stockholders' equity | \$ 3,050,343 | \$ 3,766,741 | \$ 1,345,474 | \$ (4,230,115) | \$ 3,932,443 |

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Following is the condensed consolidating balance sheet at December 31, 2013 (in thousands):

| | Clean Harbors, Inc. | U.S. Guarantor Subsidiaries | Foreign Non-Guarantor Subsidiaries | Consolidating Adjustments | Total |
|---|------------------------|--------------------------------|--|------------------------------|-------------|
| Assets: | | | | | |
| Cash and cash equivalents | \$ 1,006 | \$ 235,445 | \$ 73,622 | \$— | \$310,073 |
| Intercompany receivables | 269,580 | 2,448 | 230,224 | (502,252) | — |
| Accounts receivables | — | 387,006 | 192,388 | — | 579,394 |
| Other current assets | 24,087 | 182,881 | 74,744 | — | 281,712 |
| Property, plant and equipment, net | — | 945,280 | 656,890 | — | 1,602,170 |
| Investments in subsidiaries | 2,683,158 | 967,186 | 144,953 | (3,795,297) | — |
| Intercompany debt receivable | — | 493,402 | 3,701 | (497,103) | — |
| Goodwill | — | 415,541 | 155,419 | — | 570,960 |
| Permits and other intangibles, net | — | 458,917 | 111,056 | — | 569,973 |
| Other long-term assets | 23,770 | 7,018 | 8,608 | — | 39,396 |
| Total assets | \$3,001,601 | \$ 4,095,124 | \$ 1,651,605 | \$(4,794,652) | \$3,953,678 |
| Liabilities and Stockholders' Equity: | | | | | |
| Current liabilities | \$ 33,626 | \$ 466,454 | \$ 139,465 | \$— | \$639,545 |
| Intercompany payables | — | 499,749 | 2,503 | (502,252) | — |
| Closure, post-closure and remedial liabilities, net | — | 158,298 | 31,814 | — | 190,112 |
| Long-term obligations | 1,400,000 | — | — | — | 1,400,000 |
| Capital lease obligations, net | — | 191 | 1,244 | — | 1,435 |
| Intercompany debt payable | 3,701 | — | 493,402 | (497,103) | — |
| Other long-term liabilities | 88,635 | 103,125 | 55,187 | — | 246,947 |
| Total liabilities | 1,525,962 | 1,227,817 | 723,615 | (999,355) | 2,478,039 |
| Stockholders' equity | 1,475,639 | 2,867,307 | 927,990 | (3,795,297) | 1,475,639 |
| Total liabilities and stockholders' equity | \$ 3,001,601 | \$ 4,095,124 | \$ 1,651,605 | \$(4,794,652) | \$3,953,678 |

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Following is the consolidating statement of income (loss) for the three months ended June 30, 2014 (in thousands):

| | Clean Harbors, Inc. | U.S. Guarantor Subsidiaries | Foreign Non-Guarantor Subsidiaries | Consolidating Adjustments | Total |
|--|---------------------|-----------------------------|------------------------------------|---------------------------|------------|
| Revenues | | | | | |
| Service revenues | | \$ 476,268 | \$ 194,579 | \$ (5,572) | \$ 665,275 |
| Product revenues | | 151,667 | 43,136 | (1,598) | 193,205 |
| Total revenues | — | 627,935 | 237,715 | (7,170) | 858,480 |
| Cost of revenues (exclusive of items shown separately below) | | | | | |
| Service cost of revenues | | 317,861 | 133,468 | (5,572) | 445,757 |
| Product cost of revenues | | 118,560 | 44,231 | (1,598) | 161,193 |
| Total cost of revenues | — | 436,421 | 177,699 | (7,170) | 606,950 |
| Selling, general and administrative expenses | 25 | 82,513 | 33,193 | — | 115,731 |
| Accretion of environmental liabilities | — | 2,219 | 390 | — | 2,609 |
| Depreciation and amortization | — | 41,289 | 24,786 | — | 66,075 |
| Income from operations | (25) | 65,493 | 1,647 | — | 67,115 |
| Other income | — | (123) | (532) | — | (655) |
| Interest (expense) income | (19,612) | 216 | 14 | — | (19,382) |
| Equity in earnings of subsidiaries | 54,436 | 3,393 | — | (57,829) | — |
| Intercompany dividend income | — | | 3,138 | (3,138) | — |
| Intercompany interest income (expense) | | 9,497 | (9,497) | | — |
| Income before provision for income taxes | 34,799 | 78,476 | (5,230) | (60,967) | 47,078 |
| Provision (benefit) for income taxes | 6,127 | 13,586 | (1,307) | | 18,406 |
| Net income (loss) | 28,672 | 64,890 | (3,923) | (60,967) | 28,672 |
| Other comprehensive income (loss) | 36,056 | 36,056 | (42,927) | 6,871 | 36,056 |
| Comprehensive income (loss) | \$ 64,728 | \$ 100,946 | \$ (46,850) | \$ (54,096) | \$ 64,728 |

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Following is the consolidating statement of (loss) income for the three months ended June 30, 2013 (in thousands):

| | Clean Harbors, Inc. | U.S. Guarantor Subsidiaries | Foreign Non-Guarantor Subsidiaries | Consolidating Adjustments | Total |
|---|------------------------|--------------------------------|--|------------------------------|------------|
| Revenues | | | | | |
| Service revenues | \$ — | \$ 497,731 | \$ 171,019 | \$ 5,122 | \$ 673,872 |
| Product revenues | — | 89,740 | 95,465 | 1,451 | 186,656 |
| Total revenues | — | 587,471 | 266,484 | 6,573 | 860,528 |
| Cost of revenues (exclusive of items shown separately below) | | | | | |
| Service cost of revenues | — | 341,768 | 108,713 | 5,122 | 455,603 |
| Product cost of revenues | — | 73,712 | 83,560 | 1,451 | 158,723 |
| Total cost of revenues | — | 415,480 | 192,273 | 6,573 | 614,326 |
| Selling, general and administrative expenses | 30 | 89,884 | 32,698 | — | |