UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURTIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2006 OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSTION PERIOD FROM ______ TO ______**

Commission File Number 0-16379

CLEAN HARBORS, INC.

(Exact name of registrant as specified in its charter)

Massachusetts (State of Incorporation)	**04-2997780** (IRS Employer Identification No.)
1501 Washington Street, Braintree, MA (Address of Principal Executive Offices)	**02184-7535** (Zip Code)

(781) 849-1800, ext. 4454
(Registrant's Telephone Number, Including Area Code)

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

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

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

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

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

Common Stock, $.01 par value	**19,511,971**
(Class)	**(Outstanding at May 8, 2006)**

CLEAN HARBORS, INC.

QUARTERLY REPORT ON FORM 10-Q

TABLE OF CONTENTS

PART I: FINANCIAL INFORMATION

	Page No.
ITEM 1: Financial Statements	
Consolidated Balance Sheets	1
Consolidated Statements of Operations	3
Consolidated Statements of Cash Flows	4
Consolidated Statements of Stockholders’ Equity	6
Notes to Consolidated Financial Statements	7
ITEM 2: Management’s Discussion and Analysis of Financial Condition and Results of Operations	45
ITEM 3: Quantitative and Qualitative Disclosures About Market Risk	60
ITEM 4: Controls and Procedures	60

PART II: OTHER INFORMATION

Items No. 1 through 6	62
Signatures	63

CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

(dollars in thousands)

	March 31, 2006 (unaudited)	December 31, 2005
Current assets:		
Cash and cash equivalents	$ 34,129	$ 132,449
Restricted cash	—	3,469
Marketable securities	43,500	—
Accounts receivable, net of allowance for doubtful accounts of $2,085 and $2,419, respectively	134,021	147,659
Unbilled accounts receivable	7,763	7,049
Deferred costs	5,025	4,937
Prepaid expenses	7,246	6,411
Supplies inventories	12,690	12,723
Deferred tax assets	219	219
Income taxes receivable	643	1,462
Properties held for sale	7,888	7,670
Total current assets	253,124	324,048
Property, plant and equipment:		
Land	14,654	14,677
Asset retirement costs (non-landfill)	1,218	1,032
Landfill assets	10,989	7,599
Buildings and improvements	95,910	95,443
Vehicles	16,214	15,478
Equipment	202,754	199,373
Furniture and fixtures	2,152	2,152
Construction in progress	11,859	9,535
	355,750	345,289
Less—accumulated depreciation and amortization	172,655	166,765
	183,095	178,524
Other assets:		
Deferred financing costs	7,448	9,508
Goodwill	19,032	19,032
Permits and other intangibles, net of accumulated amortization of $29,208 and $27,954, respectively	76,519	77,803
Deferred tax assets	759	1,715
Other	2,994	3,734
	106,752	111,792
Total assets	$ 542,971	$ 614,364

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

CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

(dollars in thousands)

	March 31, 2006 (unaudited)	December 31, 2005
Current liabilities:		
Uncashed checks	$ 7,795	$ 7,982
Current portion of long-term debt	—	52,500
Current portion of capital lease obligations	1,747	1,893
Accounts payable	61,472	71,372
Accrued disposal costs	3,328	3,109
Deferred revenue	22,151	21,784
Other accrued expenses	38,687	49,779
Current portion of closure, post-closure and remedial liabilities	13,126	10,817
Income taxes payable	2,612	4,458
Total current liabilities	150,918	223,694
Other liabilities:		
Closure and post-closure liabilities, less current portion of $3,717 and $2,894, respectively	20,501	20,728
Remedial liabilities, less current portion of $9,409 and $7,923, respectively	136,870	139,144
Long-term obligations, less current maturities	96,412	95,790
Capital lease obligations, less current portion	3,623	4,108
Other long-term liabilities	14,637	14,417
Accrued pension cost	725	825
Total other liabilities	272,768	275,012
Stockholders' equity:		
Preferred stock, $.01 par value:		
Series B convertible preferred stock; authorized 154,416 shares; issued and outstanding 69,000 shares (liquidation preference of $3.5 million)	1	1
Common stock, $.01 par value:		
Authorized 40,000,000 shares; issued and outstanding 19,453,425 and 19,352,878 shares, respectively	194	194
Additional paid-in capital	141,174	141,079
Accumulated other comprehensive income	9,428	9,745
Restricted stock unearned compensation	—	(1,044)
Accumulated deficit	(31,512)	(34,317)
Total stockholders' equity	119,285	115,658
Total liabilities and stockholders' equity	$ 542,971	$ 614,364

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

CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Unaudited

(in thousands except per share amounts)

	Three Months Ended March 31,	
	2006	**2005**
Revenues	$ 184,495	$ 164,966
Cost of revenues (exclusive of items shown separately below)	131,358	120,547
Selling, general and administrative expenses (including stock-based compensation costs of $557 and $0, respectively)	28,355	24,361
Accretion of environmental liabilities	2,510	2,634
Depreciation and amortization	7,279	7,209
Income from operations	14,993	10,215
Other income (expense)	(30)	619
Loss on early extinguishment of debt	(8,290)	—
Interest (expense), net of interest income of $769 and $223, respectively	(3,173)	(5,961)
Income before provision for income taxes	3,500	4,873
Provision for income taxes	695	32
Net income	2,805	4,841
Dividends on Series B Preferred Stock	69	70
Net income attributable to common stockholders	$ 2,736	$ 4,771
Earnings per share:		
Basic income attributable to common stockholders	$ 0.14	$ 0.33
Diluted income attributable to common stockholders	$ 0.14	$ 0.27
Weighted average common shares outstanding	19,390	14,602
Weighted average common shares outstanding plus potentially dilutive common shares	20,509	18,072

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

CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

(in thousands)

	Three Months Ended March 31,	
	2006	2005
Cash flows from operating activities:		
Net income	$ 2,805	$ 4,841
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,279	7,209
Allowance for doubtful accounts	(32)	(273)
Amortization of deferred financing costs	358	368
Accretion of environmental liabilities	2,510	2,634
Changes in environmental estimates	(1,230)	(4,044)
Amortization of debt discount	26	41
Deferred income taxes	965	—
Stock-based compensation	557	—
(Gain) loss on sale of fixed assets and assets held for sale	32	(31)
Write-off of deferred financing costs and debt discount	2,383	—
Foreign currency gain on intercompany transactions	—	(213)
Changes in assets and liabilities:		
Accounts receivable	13,691	1,493
Unbilled accounts receivable	(707)	(2,461)
Deferred costs	(87)	556
Prepaid expenses	(835)	(721)
Supplies inventories	34	(440)
Other assets	745	(223)
Accounts payable	(10,756)	245
Environmental expenditures	(1,570)	(1,787)
Deferred revenue	363	(2,497)
Accrued disposal costs	223	64
Other accrued expenses	(11,155)	(1,069)
Income taxes payable, net	(791)	(1,749)
Net cash provided by operating activities	4,808	1,943
Cash flows from investing activities:		
Additions to property, plant and equipment	(10,218)	(3,186)
Cost to obtain or renew permits	—	(768)
Sales of marketable securities	—	16,800
Proceeds from sales of fixed assets and assets held for sale	366	326
Proceeds from sales of restricted investments	3,470	—
Purchase of available-for-sale securities	(43,500)	—
Net cash (used in) provided by investing activities	(49,882)	13,172
Cash flows from financing activities:		
Change in uncashed checks	(197)	(938)
Proceeds from exercise of stock options	425	1,391
Excess tax benefit of stock-based compensation	53	—
Deferred financing costs incurred	(85)	(86)
Proceeds from employee stock purchase plan	179	127
Dividend payments on preferred stock	(69)	(70)
Payments on capital leases	(737)	(477)
Principal payments on debt	(52,500)	—
Net cash (used in) financing activities	(52,931)	(53)
(Decrease) increase in cash and cash equivalents	(98,005)	15,062
Effect of exchange rate change on cash	(315)	(109)
Cash and cash equivalents, beginning of period	132,449	31,081
Cash and cash equivalents, end of period	$ 34,129	$ 46,034
Supplemental information:		
Cash payments for interest and income taxes:		
Interest paid	$ 8,865	$ 10,696
Income taxes paid	568	1,158
Non-cash investing and financing activities:		

Property, plant and equipment accrued	$ 854	$ 189
New capital lease obligations	107	1,068

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

CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Unaudited

(in thousands)

	Series B Preferred Stock		Common Stock							
	Number of Shares	$0.01 Par Value	Number of Shares	$0.01 Par Value	Additional Paid-in Capital	Comprehensive Income (Loss)	Accumulated Other Comprehensive Income (Loss)	Restricted Stock Unearned Compensation	Accumulated Deficit	Total Stockholder's Equity
Balance at December 31, 2005	69	$ 1	19,353	$ 194	$ 141,079		$ 9,745	$ (1,044)	$ (34,317)	$ 115,658
Net income	—	—	—	—	—	$ 2,805	—	—	2,805	2,805
Foreign currency translation	—	—	—	—	—	(317)	(317)	—	—	(317)
Comprehensive income	—	—	—	—	—	$ 2,488	—	—	—	—
Other	—	—	—	—	(6)		—	—	—	(6)
Series B preferred stock dividends	—	—	—	—	(69)		—	—	—	(69)
Stock-based compensation	—	—	38	—	557		—	—	—	557
Unearned compensation	—	—	—	—	(1,044)		—	1,044	—	—
Exercise of stock options, including tax benefit of $53	—	—	55	—	478		—	—	—	478
Employee stock purchase plan	—	—	7	—	179		—	—	—	179
Balance at March 31, 2006	69	$ 1	19,453	$ 194	$ 141,174		$ 9,428	$ —	$ (31,512)	$ 119,285

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) BASIS OF PRESENTATION

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

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

Certain reclassifications have been made in the prior period’s Consolidated Financial Statements to conform to the presentation for the period ended March 31, 2006.

(2) SIGNIFICANT ACCOUNTING POLICIES

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

(a) Principles of Consolidation

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

(b) Revenue Recognition

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

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

(c) Credit Concentration

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

(d) Income Taxes

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

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

(e) Earnings per Share ("EPS")

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

(f) Segment Information

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

(g) Cash and Cash Equivalents

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

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

(h) Marketable Securities

As of March 31, 2006, the Company held $43.5 million in marketable securities, which consist primarily of readily marketable auction bond securities and which are held for working capital purposes. Accordingly, the Company has classified these investments as available-for-sale. Available-for-sale securities are carried at fair value, with the unrealized gains and losses, net of tax reported as a component of stockholders' equity. For the quarter ended March 31, 2006, the Company had no unrealized gain or loss on these securities. The Company determines the appropriate classification of its marketable securities at the time of purchase and reevaluates such classification as of each balance sheet date.

(i) Supplies Inventories

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

(j) Property, Plant and Equipment

Property, plant and equipment are stated at cost and include amounts capitalized under capital lease obligations. Expenditures for major renewals and improvements which extend the life or usefulness of the asset are capitalized. Items of an ordinary repair or maintenance nature, as well as major maintenance activities at incinerators, are charged directly to operating expense as incurred. During the construction and development period of an asset, the costs incurred, including applicable interest costs, are classified as construction-in-progress. Once an asset has been completed and placed in service, it is transferred to the appropriate category and depreciation commences. In addition, the Company capitalizes applicable interest costs associated with partially developed landfill sites, which are included in landfill assets. Interest in the amount of $11 thousand was capitalized to landfill assets for the three-month period ended March 31, 2006 as compared to zero capitalized interest for the comparable period of 2005. Depreciation and amortization expense was $6.0 million for the three months ended March 31, 2006.

SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," requires that an impairment in the carrying value of long-lived assets be recognized when the expected future undiscounted cash flows derived from the assets are less than its carrying value. For the three-month periods ended March 31, 2006 and 2005, the Company recorded no impairment charge related to long-lived assets.

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

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

Asset Classification	Estimated Useful Life
Capitalized software	5 years
Buildings and building improvements	Shorter of remaining life or 35 years
Land improvements	5 years
Leasehold improvements	Shorter of lease term or 10 years
Vehicles	3-10 years
Equipment	3-8 years
Furniture and fixtures	5-8 years

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

(k) Intangible Assets

Goodwill, permits and customer profile database are stated at cost. Permits are amortized over periods ranging from 5 to 30 years. Permits relating to landfills are amortized on a consumption unit basis. All other permits are amortized on a straight line basis. Permits consist of the value of permits acquired through acquisition and environmental cleanup costs that improve facilities, as compared with the condition of that property when originally acquired. Amortization expense was $1.3 million for the three months ended March 31, 2006.

The customer profile database is amortized over five years. SFAS No. 142, “Goodwill and Other Intangible Assets,” requires that ratable amortization be replaced with periodic tests of the carrying value of goodwill. The Company recorded no amortization related to goodwill for the three-month periods ended March 31, 2006 and 2005.

(l) Operating Leases

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

(m) Deferred Financing Costs

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

(n) Closure and Post-closure Liabilities

Closure and post-closure costs incurred are increased for inflation (2.17% and 2.16% for closure and post-closure liabilities incurred in the three-month periods ended March 31, 2006 and 2005, respectively). The Company uses an inflation rate published by the U.S. Department of Labor Bureau of Labor Statistics that excludes the more volatile items of food and energy. Closure and post-closure costs are discounted at the Company’s credit-adjusted risk-free interest rate (9.25% and 10.25% for closure and post-closure liabilities incurred in the three-month periods ended March 31, 2006 and 2005, respectively). For the asset retirement obligations incurred in the three-month periods ended March 31, 2006 and 2005 the Company estimated its credit-adjusted risk-free interest rate by adjusting the then current yield based on market prices of its 11.25% Senior Secured Notes then outstanding by the difference between the yield of a U.S. Treasury Note of the same duration as the Senior Secured Notes and the yield on the 30 year U.S. Treasury Bond. Under SFAS No. 143, the cost of financial assurance for the closure and post-closure care periods cannot be accrued but rather is a period cost. Prior to the adoption of SFAS No. 143, the Company accrued the cost of financial assurance relating to both landfill and non-landfill closure and to both landfill and non-landfill post-closure care, as required, under SFAS No. 5, “Accounting for Contingencies.” Under SFAS No. 143, financial assurance is no longer included as a component of closure or post-closure costs. SFAS No. 143 requires the cost of financial assurance to be expensed as incurred, and SFAS No. 143 requires the cost of financial assurance to be considered in the determination of the

credit-adjusted risk-free interest rate. Under SFAS No. 143, the cost of financial assurance is considered in the determination of the credit-adjusted risk-free interest rate used to discount the closure and post-closure obligations.

Landfill Accounting

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

Landfill assets—Landfill assets include the costs of landfill site acquisition, permitting, preparation and improvement. These amounts are recorded at cost, which includes capitalized interest as applicable. Landfill assets, net of amortization, are combined with management's estimate of the costs required to complete construction of the landfill to determine the amount to be amortized over the remaining estimated useful economic life of a site. Amortization of landfill assets is recorded on a units-of-consumption basis, such that the landfill assets should be completely amortized at the date the landfill ceases accepting waste. Changes in estimated costs to complete construction are applied prospectively to the amortization rate.

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

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

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

Final closure costs include the costs required to cap the final cell of the landfill (if not included in cell closure) and the costs required to dismantle certain structures for landfills and other landfill improvements. In addition, final closure costs include regulation-mandated groundwater monitoring, leachate management and other costs incurred in the closure process. Post-closure costs include substantially all costs that are required to be incurred subsequent to the closure of the landfill, including, among others, groundwater monitoring and leachate management. Regulatory post-closure periods are generally 30 years after landfill closure. Final closure and post-closure obligations are discounted. Final closure and post-closure obligations are accrued on a units-of-consumption basis, such that the present value of the final closure and post-closure obligations are fully accrued at the date the landfill discontinues accepting waste.

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

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

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

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

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

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

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

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

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

Exceptions to the criteria set forth above may be approved through a landfill-specific approval process that includes approval from the Company's Chief Financial Officer and review by the Audit Committee of the Board of Directors. As of March 31, 2006, there were four unpermitted expansions included in the Company's landfill accounting model, which represented 36.1% of the Company's remaining airspace at that date. Of these expansions, three do not represent exceptions to the Company's established criteria. In March 2004, the Chief Financial Officer approved and the Audit Committee of the Board of Directors reviewed the inclusion of 7.8 million cubic yards of unpermitted airspace in highly probable airspace because the Company determined that the airspace was highly probable even though the permit application was not submitted within the next year. All of the other criteria were met for the inclusion of this airspace in highly probable airspace. Had the Company not included the 7.8 million cubic yards of unpermitted airspace in highly probable airspace, operating expense for the three-month periods ended March 31, 2006 and 2005 would have been higher by $163 thousand and $135 thousand, respectively.

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

	Highly Probable Airspace (Cubic Yards)
Remaining capacity at December 31, 2005	29,001
Consumed during three months ended March 31, 2006	(174)
Remaining capacity at March 31, 2006	28,827

Non-Landfill Closure and Post-Closure

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

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

scenarios as to when in the future operations may cease; (iii) inflating the current cost of closing the non-landfill facility on a probability weighted basis using the inflation rate to the time of closing under each probability scenario; and (iv) discounting the future value of each closing scenario back to the present using the credit-adjusted risk-free interest rate. Non-landfill closure and post-closure obligations arise when the Company commences operations. Prior to the implementation of SFAS No. 143, these obligations were expensed in the period that a decision was made to close a facility.

(o) Remedial Liabilities

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

Discounting of Remedial Liabilities

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

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

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

Claims for Recovery

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

(p) Other Comprehensive Income

At March 31, 2006, the components of other comprehensive income (loss) reflected in the Consolidated Statements of Stockholders' Equity were as follows (in thousands):

	Three Months Ended March 31,	
	2006	2005
Cumulative translation adjustment of foreign currency statements	$(317)	$(417)

(q) Foreign Currency

Foreign subsidiary balances are translated according to the provisions of SFAS No. 52, "Foreign Currency Translation." The functional currency of each foreign subsidiary is its respective local currency. Assets and liabilities are translated to U.S.

dollars at the exchange rate in effect at the balance sheet date and revenue and expenses at the average exchange rate for the period. Gains and losses from the translation of the consolidated financial statements of the foreign subsidiaries into U.S. dollars are included in stockholders' equity as a component of other comprehensive income. Gains and losses resulting from foreign currency transactions are recognized in the accompanying consolidated statements of operations. Recorded balances that are denominated in a currency other than the functional currency are adjusted to the functional currency using the exchange rate at the balance sheet date.

(r) Letters of Credit

The Company utilizes letters of credit to provide collateral assurance to regulatory authorities that certain funds will be available for closure of Company facilities. In addition, the Company utilizes letters of credit to provide collateral for casualty insurance programs, to provide collateral for the vehicle lease line and to provide collateral for a transportation permit. As of March 31, 2006 and December 31, 2005, the Company had outstanding letters of credit amounting to $88.9 million and $89.2 million, respectively.

(s) Use of Estimates

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

(t) Stock-based Compensation

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

(u) Reclassifications

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

(v) New Accounting Pronouncements

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

(3) MARKETABLE SECURITIES

As of March 31, 2006, the Company held $43.5 million in marketable securities, which consisted primarily of auction bond securities readily marketable and which were held for working capital purposes. Accordingly, the Company classified these investments as available-for-sale. Available-for-sale securities are carried at fair value, with the unrealized gains and losses, net of tax reported as a component of stockholders' equity. For the quarter ended March 31, 2006, the Company had no unrealized gain or loss on these securities. The Company determines the appropriate classification of its marketable securities at the time of purchase and reevaluates such classification as of each balance sheet date.

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

(4) PROPERTIES HELD FOR SALE

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

The following table presents the changes in properties held for sale for the three-month period ended March 31, 2006 (in thousands):

Balance at beginning of period	$7,670
Transfers to properties held for sale	632
Assets sold	(385)
Adjustments in estimated carrying value	(29)
Balance at end of period	$7,888

During the three-month period ended March 31, 2006, the Company sold one of the properties for $0.3 million, net of selling costs. The sale resulted in a $39 thousand loss, which is included in other income (expense).

(5) FINANCING ARRANGEMENTS

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

	March 31, 2006	December 31, 2005
Revolving Facility with a financial institution, bearing interest at either the U.S. or Canadian prime rate (7.75% and 5.5%, respectively, at March 31, 2006), depending on the currency of the underlying loan, or the Eurodollar rate (4.83% at March 31, 2006) plus 1.50%, collateralized by accounts receivable	$ —	$ —
Senior Secured Notes, bearing interest at 11.25%, collateralized by a second-priority lien on substantially all of the Company's assets within the United States except for accounts receivable (maturity date of July 15, 2012)	97,500	150,000
	97,500	150,000
Less unamortized issue discount	1,088	1,710
Less obligations classified as current	—	52,500
Long-term obligations	$ 96,412	$ 95,790

On March 31, 2006, the Company had outstanding $97.5 million of eight-year Senior Secured Notes due 2012 (the "Senior Secured Notes"), a $70.0 million revolving credit facility (the "Revolving Facility"), and a $50.0 million synthetic letter of credit facility (the "Synthetic LC Facility").

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

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

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

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

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

The Indenture provides for certain covenants, the most restrictive of which requires the Company, within 120 days after the close of each twelve-month period ending on June 30 of each year (beginning June 30, 2005 and ending June 30, 2011) to apply an amount equal to 50% of the period's Excess Cash Flow (as defined below) to either prepay, repay, redeem or purchase its first-lien obligations under the Revolving Facility and Synthetic LC Facility or to make offers ("Excess Cash Flow Offers") to repurchase all or part of the then outstanding Senior Secured Notes at an offering price equal to 104% of their principal amount plus accrued interest. "Excess Cash Flow" is defined in the Indenture as consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA") less interest expense, all taxes paid or accrued in the period, capital expenditures made in cash during the period, and all cash spent on environmental monitoring, remediation or relating to environmental liabilities of the Company. Excess Cash Flow for the nine months ended March 31, 2006 was $25.1 million.

Revolving Facility. The Revolving Facility allows the Company to borrow up to $70.0 million in cash, based upon a formula of eligible accounts receivable. This total is separated into two lines of credit, namely: (i) a line for the Company and its U.S. subsidiaries equal to $70.0 million less the principal balance then outstanding under the line for the Company's Canadian subsidiaries and (ii) a line for the Company's Canadian subsidiaries equal to $5.3 million. The Revolving Facility also provides that Bank of America, N.A. will issue at the Company's request up to $50.0 million of letters of credit, with the outstanding amount of such letters of credit reducing the maximum amount of borrowings available under the Revolving Facility. At March 31, 2006, the Company had no borrowings and $38.9 million of letters of credit outstanding under the Revolving Facility, and the Company had approximately $31.1 million available to borrow. Amounts outstanding under the Revolving Facility bear interest at an annual rate of either the U.S. or Canadian prime rate (depending on the currency of the underlying loan) or the Eurodollar rate plus 1.50%. The Company is required to pay monthly Letter of Credit and quarterly fronting fees at an annual rate of 1.5% and 0.3%, respectively, on the amount of letters of credit outstanding under the Revolving Facility and an annual administrative fee of $25 thousand. The Credit Agreement also requires the Company to pay an unused line fee of 0.125% per annum on the unused portion of the Revolving Facility. The term of the Revolving Facility will expire on December 1, 2010.

Under the Amended Credit Agreement, the Company is required to maintain a maximum Leverage Ratio (as defined below) of no more than 2.50 to 1.0 for the quarter ended March 31, 2006. The maximum Leverage Ratio then reduces to no more than 2.45 to 1.0 and 2.40 to 1.0 for the quarterly periods ending June 30, 2006 and September 30, 2006 through December 31, 2006, respectively. The maximum Leverage Ratio then reduces to no more than 2.35 to 1.0 for the quarters ending March 31, 2007 through December 31, 2007, and to no more than 2.30 to 1.0 for the quarterly periods ending March 31, 2008 through December 31, 2008, and 2.25 to 1.0 for each succeeding quarter. The Leverage Ratio is defined as the ratio of the consolidated indebtedness of the Company to its Consolidated EBITDA (as defined in the Amended Credit Agreement) achieved for the latest four-quarter period. For the quarter ended March 31, 2006, the Leverage Ratio was 0.87 to 1.0.

The Company is also required under the Amended Credit Agreement to maintain a minimum Interest Coverage Ratio (as defined below) of not less than 2.75 to 1.0 for the quarter ended March 31, 2006. The minimum Interest Coverage Ratio then increases to not less than 2.80 to 1.0 for the quarterly periods ending June 30, 2006 and September 30, 2006, to not less than 2.85 to 1.0 for the quarterly periods ending December 31, 2006 through December 31, 2007, and to not less than 3.00 to 1.0 for each succeeding quarter. The Interest Coverage Ratio is defined as the ratio of the Company's Consolidated EBITDA to its consolidated interest expense for the latest four-quarter period. For the quarter ended March 31, 2006, the Interest Coverage Ratio was 4.82 to 1.0.

The Company is also required under the Amended Credit Agreement to maintain a fixed charge coverage ratio of not less than 1.0 to 1.0 for each four-quarter period if, at the end of such four-quarter period, the Company has greater than $5.0 million of loans outstanding under the revolving credit facility. At March 31, 2006, the Company had no loans outstanding under the revolving credit facility; and therefore the Company was not then required to comply with the fixed charge ratio covenant.

Synthetic LC Facility. The Synthetic LC Facility provides that Credit Suisse (the "LC Facility Issuing Bank") will issue up to $50.0 million of letters of credit at the Company's request. The Synthetic LC Facility requires that the LC Facility Lenders maintain a cash account (the "Credit-Linked Account") to collateralize the Company's outstanding letters of credit. Should any such letter of credit be drawn in the future and the Company fail to satisfy its reimbursement obligation, the LC Facility Issuing Bank would be entitled to draw upon the appropriate portion of the $50.0 million in cash which the LC Facility Lenders have deposited into the Credit-Linked Account. Acting through the LC Facility Agent, the LC Facility Lenders would then have the right to exercise their rights as first-priority lien holders (second-priority as to receivables) on substantially all of the assets of the Company and its U.S. subsidiaries. The Company has no right, title or interest in the Credit-Linked Account established under the Amended Credit Agreement for purposes of the Synthetic LC Facility. Under the Amended Credit Agreement, the Company was required to pay a quarterly participation fee at the annual rate of 3.10% on the $50.0 million facility. Following the

redemption of $52.5 million of Senior Secured Notes on January 12, 2006, the annual rate of the quarterly participation fee was reduced to 2.85%. The Company is also required to pay a quarterly fronting fee at the annual rate of 0.30% of the average daily aggregate amount of letters of credit outstanding under the Synthetic LC Facility and an annual administrative fee of $65 thousand. At March 31, 2006, letters of credit outstanding under the Synthetic LC facility were $50.0 million. The term of the Synthetic LC Facility will expire on December 1, 2010.

(6) LEGAL PROCEEDINGS

The Company's waste management services are continuously regulated by federal, state, provincial and local laws enacted to regulate discharge of materials into the environment, remediation of contaminated soil and groundwater or otherwise protect the environment. This ongoing regulation results in the Company frequently becoming a party to judicial or administrative proceedings involving all levels of governmental authorities and other interested parties. The issues involved in such proceedings generally relate to applications for permits and licenses by us and conformity with legal requirements, alleged violations of existing permits and licenses or requirements to clean up contaminated sites. At March 31, 2006, the Company was involved in various proceedings, the principal of which are described below, relating primarily to activities at or shipments to and/or from the Company's waste treatment, storage and disposal facilities.

Legal Proceedings Related to Acquisition of CSD Assets

Effective September 7, 2002 (the "Closing Date"), the Company purchased from Safety-Kleen Services, Inc. and certain of its domestic subsidiaries (collectively, the "Sellers") substantially all of the assets of the Chemical Services Division (the "CSD") of Safety-Kleen Corp. ("Safety-Kleen"). The Company purchased the CSD assets pursuant to a sale order (the "Sale Order") issued by the Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") which had jurisdiction over the Chapter 11 proceedings involving the Sellers, and the Company therefore took title to the CSD assets without assumption of any liability (including pending or threatened litigation) of the Sellers except as expressly provided in the Sale Order. However, under the Sale Order (which incorporated by reference certain provisions of the Acquisition Agreement between the Company and Safety-Kleen Services, Inc.), the Company became subject as of the Closing Date to certain legal proceedings which are now either pending or threatened involving the CSD assets for two reasons as described below. As of March 31, 2006, the Company had reserves of $34.5 million (substantially all of which the Company had established as part of the purchase price for the CSD assets) relating to the Company's estimated potential liabilities in connection with such legal proceedings. At December 31, 2005, the Company estimated that it was "reasonably possible" as that term is defined in SFAS No. 5 ("more than remote but less than likely"), that the amount of such total liabilities could be up to $3.5 million greater than such $34.5 million. The Company periodically adjusts the aggregate amount of such reserves when such potential liabilities are paid or otherwise discharged or additional relevant information becomes available to it. Substantially all of the Company's legal proceedings liabilities are environmental liabilities and, as such, are included in the tables of changes to remedial liabilities disclosed as part of Note 8, "Remedial Liabilities." During the first quarter of 2006 legal reserves included in environmental liabilities were increased by $0.2 million.

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

The principal legal proceedings which are now either pending or threatened related to the Company's acquisition of the CSD assets are as follows. While, as described below, the Company has established reserves for certain of these matters,

there can be no guarantee that any ultimate liability the Company may incur for any of these matters will not exceed (or be less than) the amount of the current reserves or that it will not incur other material expenditures.

Ville Mercier Legal Proceedings. One of the CSD Canadian Subsidiaries (the "Mercier Subsidiary") owns and operates a hazardous waste incinerator in Ville Mercier, Quebec (the "Mercier Facility"). A property owned by the Mercier Subsidiary adjacent to the current Mercier Facility is now contaminated as a result of actions dating back to 1968, when the Quebec government issued to the unrelated company which then owned the Mercier Facility two permits to dump organic liquids into lagoons on the property. By 1972, groundwater contamination had been identified, and the Quebec government provided an alternate water supply to the municipality of Ville Mercier.

In 1999, Ville Mercier and three neighboring municipalities filed separate legal proceedings against the Mercier Subsidiary and certain related companies together with certain former officers and directors, as well as against the Government of Quebec. The lawsuits assert that the defendants are jointly and severally responsible for the contamination of groundwater in the region, which the plaintiffs claim was caused by contamination from the former Ville Mercier lagoons and which they claim caused each municipality to incur additional costs to supply drinking water for their citizens since the 1970's and early 1980's. The four municipalities claim a total of $1.6 million (CDN) as damages for additional costs to obtain drinking water supplies and seek an injunctive order to obligate the defendants to remediate the groundwater in the region. The Quebec Government also sued the Mercier Subsidiary to recover approximately $17.4 million (CDN) of alleged past costs for constructing and operating a treatment system and providing alternative drinking water supplies. The Mercier Subsidiary continues to assert that it has no responsibility for the groundwater contamination in the region.

Because the continuation of such proceedings by the Mercier Subsidiary, which the Company now owns, would require the Company to incur legal and other costs and the risks inherent in any such litigation, the Company, as part of its integration plan for the CSD assets, decided to vigorously review options which will allow the Company to establish harmonious relations with the local communities, resolve the adversarial situation with the Provincial government and spare continued legal costs. Based upon the Company's review of likely settlement possibilities, the Company now anticipates that as part of any such settlement it will likely agree to assume at least partial responsibility for remediation of certain environmental contamination and certain prior costs. At March 31, 2006, the Company had accrued $11.0 million for remedial liabilities and associated legal costs relating to the Ville Mercier Legal Proceedings. There was no change in this liability during the first quarter of 2006.

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

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

Properties Included in CSD Assets. The CSD assets which the Company acquired include an active service center located at 2549 North New York Street in Wichita, Kansas (the "Wichita Property"). The Wichita Property is one of several properties located within the boundaries of a 1,400-acre state designated Superfund site in an old industrial section of Wichita known as the North Industrial Corridor Site. Along with numerous other PRPs, the Sellers executed a consent decree relating to such site with the EPA, and the Company is continuing its ongoing remediation program for the Wichita Property in accordance with that consent decree. Also included within the CSD assets which the Company acquired are rights under an indemnification agreement between the Sellers and a prior owner of the Wichita Property, which it anticipates but cannot guarantee will be available to reimburse certain such cleanup costs.

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

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

Although the Sellers never held an equity interest in Marine Shale, the Sellers were among the largest customers of Marine Shale in terms of overall incineration revenue. Based on a plan to settle obligations that was established at the time of the acquisition, the Company obtained more complete information as to the potential status of the Marine Shale facility and the Recycling Park, Inc. site as a Superfund site or sites, the potential costs associated with possible removal and disposal of some or all of the vitrified aggregate and closure and remediation of the Marine Shale facility and the Recycling Park, Inc. site, and the respective shares of other identified potential PRPs on a volumetric basis. Accordingly, the Company determined in the third quarter of 2003 that the remedial liabilities and associated legal costs were then probable and estimable and recorded liabilities for the Company's estimate of the Sellers' proportionate share of environmental cleanup costs potentially payable to governmental entities under federal and/or state Superfund laws. At March 31, 2006, the Company had accrued $13.6 million of reserves relating to potential cleanup costs for the Marine Shale facility and the Recycling Park, Inc. site. There was no material change in this liability during the first quarter of 2006.

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

to designate the Marine Shale facility and/or the Recycling Park, Inc. site as a Superfund site or sites, would need to be resolved by future events, negotiations and, if required, legal proceedings.

Third Party Superfund Sites. Prior to the Closing Date, the Sellers had generated or shipped hazardous wastes, which are present on an aggregate of 35 sites owned by third parties, which have been designated as federal or state Superfund sites and at which the Sellers, along with other parties, had been designated as PRPs. Under the Acquisition Agreement and the Sale Order, the Company agreed with the Sellers that it would indemnify the Sellers against the Sellers' share of the cleanup costs payable to governmental entities in connection with those 35 sites, which were listed in Exhibit A to the Sale Order (the "Listed Third Party Sites"). At 29 of the Listed Third Party Sites, the Sellers had addressed, prior to the Company's acquisition of the CSD assets in September 2002, the Sellers' cleanup obligations to the federal and state governments and to other PRPs by entering into consent decrees or other settlement agreements or by participating in ongoing settlement discussions or site studies and, in accordance therewith, the PRP group is generally performing or has agreed to perform the site remediation program with government oversight. With respect to one of those 29 Listed Third Party Sites, certain developments have occurred since the Company's purchase of the CSD assets as described in the following two paragraphs. Of the remaining Listed Third Party Sites, the Company on behalf of the Sellers are contesting with the governmental entities and PRP groups involved liability at two sites, have settled the Sellers' liability at two sites, and plan to fund participation by the Sellers as settling PRPs at two sites. In addition, the Company has confirmed that the Sellers were ultimately not named as PRPs at one site. With respect to the 35 Listed Third Party Sites, the Company had reserves of $17.8 million at March 31, 2006. There was no material change in this liability during the first quarter of 2006.

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

In November 2003, certain of those PRPs made a demand directly on the Company for the Sellers' share of the cleanup costs incurred by the PRPs with respect to the Helen Kramer Landfill Site. However, at a hearing in the Bankruptcy Court on January 6, 2004 on a motion by those PRPs seeking an order that the Company was liable to such PRPs under the terms of the Sale Order, the Bankruptcy Court declined to hear the motion on the ground that those PRPs (which are not governmental entities) have no right to seek direct payment from the Company for any portion of the cleanup costs which they have incurred in connection with that site. The Company's legal position is that when the Sellers' plan of reorganization became effective in December 2003, the Sellers likely were discharged from their obligations to those PRPs for that site. The Sellers have never made an indemnity request upon the Company for any obligations relating to that site. The PRPs indicated their intention to pursue additional recourse against the Company, but the Company filed in February 2005 a complaint with the Bankruptcy Court seeking declaratory relief that the injunction in the Sale Order is operative against those PRPs' efforts to proceed directly against the Company and seeking sanctions against those PRPs for violating that injunction. In April 2005, the Company's general counsel advised the Company that its exposure to liability for the Sellers' obligations with respect to the Helen Kramer Landfill Site was no longer "probable," and the Company therefore reversed a $1.9 million reserve which it had established with respect to those potential liabilities in connection with its acquisition of the CSD assets. The reversal of the $1.9 million reserve was recorded to selling, general and administrative expenses. In October 2005, the Bankruptcy Court granted the PRPs' motion to dismiss the count of the Company's complaint seeking sanctions against them for contempt, but the remaining counts of the Company's complaint seeking declaratory relief remain to be resolved. In November 2005, the PRPs filed a counterclaim for declaratory relief that the Company is liable to them for the Seller's obligations to them. On March 22, 2006, the PRPs moved for summary judgment on all counts. The Company filed an opposition to that motion on May 5, 2006.

By letters to the Company dated between September 2004 and May 2006, the Sellers identified, in addition to the 35 Listed Third Party Sites, five additional sites owned by third parties which the EPA or a state environmental agency has designated as a Superfund site or potential Superfund site and at which one or more of the Sellers have been named as a PRP or potential PRP. In those letters, the Sellers asserted that the Company has an obligation to indemnify the Sellers for their share of the potential cleanup costs associated with such five additional sites. The Company has responded to such letters from the Sellers by stating that, under the Sale Order, the Company has no obligation to reimburse the Sellers for any cleanup and related costs (if any), which the Sellers may incur in connection with such additional sites. The Company intends to assist the Sellers in providing information now in the Company's possession with respect to such five additional sites and to participate in negotiations with the government agencies and PRP groups involved. In addition, at one of those five additional sites, the Company may have some liability independently of the Sellers' involvement with that site, and the Company may also have certain defense and indemnity rights under contractual agreements for prior acquisitions relating to that site.

Accordingly, the Company is now investigating that site further. However, the Company now believes that it has no liabilities with respect to the potential cleanup of those five additional sites that are both probable and estimable at this time, and the Company therefore has not established any reserves for any potential liabilities of the Sellers in connection therewith. It is expressly the Company's legal position that it is not liable at any of the five sites for any and/or all of the Sellers' liabilities. In any event, at one site the potential liability of the Seller(s) is de minimis and a settlement has already been offered to the Seller(s) to that effect, and at one site the Company believes that the Seller(s) shipped no wastes or substances into the site and therefore the Seller(s) have no liability. For the other three sites, the Company cannot estimate the amount of the Sellers' liabilities, if any, at this time, and irrespective of whatever liability the Sellers may or may not have, the Company reaffirms its position that the Company does not have any liability for the Sellers at any of the five sites including these three particular sites.

Other Legal Proceedings Related to CSD Assets

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

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

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

In April 2006, the same plaintiff's lawyers who filed the three lawsuits described immediately above notified the Company of a lawsuit originally filed in June 2004 by Claude I. Duncan, on his own behalf and on behalf of the United States of America, against a number of defendants, including the Company, alleging violations of the Federal False Claims Act. The action is based almost entirely on the same environmental law violations concerning the Plaquemine facility which

are alleged in the three lawsuits described above. In accordance with the False Claims Act, Mr. Duncan originally filed his lawsuit under seal in order to afford the federal government time to decide whether it wanted to intervene in the action. In April 2006, the federal government gave the plaintiffs notice of its intent not to intervene, at which time the court unsealed a portion of the records and made the action public. The Company has just been served with process in this lawsuit.

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

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

On or about April 20, 2006, the Company was notified that it had been awarded a contract by the municipality of Canon City Water Treatment Plant to dispose of certain quantities of NORM/TENORM material at the CH Deer Trail facility in accordance with its RAD license. CH Deer Trail notified the State of Colorado that it had received the aforementioned contract and intended to proceed with the project and further requested confirmation that the RAD license issued by CDPHE was valid and in effect during the pendency of the two cases in the above referenced courts. By letter on April 20, 2006, CDPHE notified both the municipality of Canon City and CH Deer Trail that the license was valid and in effect. On April 21, 2006 the Colorado Attorney General notified the courts and the plaintiff county that Deer Trail would accept the Canon City NORM/TENORM material during the week of April 23, 2006. The plaintiff county objected and for the first time provided notice to the State of Colorado and CH Deer Trail that it had obtained a stay of the RAD license in the Adams County Court on January 20, 2006. No prior notice of such a stay had been served on the State of Colorado or CH Deer Trail. In response thereto, on April 27, 2006, the State of Colorado filed a motion with the Adams County District Court seeking a clarification of the order granting the automatic stay and seeking to narrow the order so as to allow the facility to accept NORM/TENORM materials in accordance with its RAD license.

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

Legal Proceedings Not Related to CSD Assets

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

Superfund Sites Not Related to CSD Acquisition. The Company has been named as a PRP at 28 sites that are not related to the CSD acquisition. Fourteen of these sites involve two subsidiaries, which the Company acquired from ChemWaste, a former subsidiary of Waste Management, Inc. As part of that acquisition, ChemWaste agreed to indemnify the Company with respect to any liability of those two subsidiaries for waste disposed of before the Company acquired them. Accordingly, Waste Management is paying all costs of defending those two subsidiaries in those 14 cases, including legal fees and settlement costs.

The Company's subsidiary which owns the Bristol, Connecticut facility is involved in one of the 28 Superfund sites. As part of the acquisition of that facility, the seller and its now parent company, Cemex, S.A., agreed to indemnify the Company with respect to any liability for waste disposed of before the Company acquired the facility, which would include any liability arising from Superfund sites.

Eleven of the 28 Superfund sites involve subsidiaries acquired by the Company which had been designated as PRPs with respect to such sites prior to its acquisition of such subsidiaries. Some of these sites have been settled, and the Company believes its ultimate liability with respect to the remaining such sites will not be material to its result of operations, cash flow from operations or financial position.

As of March 31, 2006, the Company had reserves of $200 thousand for cleanup of Superfund sites not related to the CSD acquisition at which either the Company or a predecessor has been named as a PRP. However, there can be no guarantee that the Company's ultimate liabilities for these sites will not materially exceed this amount or that indemnities applicable to any of these sites will be available to pay all or a portion of related costs.

EPA Enforcement Action

Kimball, Nebraska Facility. On April 2, 2003, Region VII of the U.S. Environmental Protection Agency ("EPA Region VII") in Kansas City, Kansas, served a Complaint, Compliance Order and Notice of Opportunity for Hearing ("CCO") on the Company's subsidiary which operates an incineration facility in Kimball, Nebraska. The CCO stems from an inspection of the Kimball facility between April 8 and 10, 2002. Thereafter, EPA Region VII issued a Notice of Violation ("NOV") for certain alleged violations of RCRA. The Company responded to the NOV by letter and contested the allegations. After extensive settlement negotiations, on February 23, 2004, the Company and EPA Region VII executed a Consent Agreement and Final Order that included a Supplemental Environmental Project ("SEP"). The Company will be required to perform and account for the SEP in accordance with the EPA's SEP Policy. The SEP will involve cleaning out chemicals from high school laboratories, art departments and other campus locations, with all such work to be performed by the Company's own trained field chemists. The SEP will also include the proper packaging, labeling, manifesting, transportation, and ultimately disposal, recycling or re-use of these chemicals at the hazardous waste treatment, storage and disposal facilities owned and operated by the Company's subsidiaries, in lieu of the payment of any further civil penalties. The Company will have two years to complete the performance of the SEP, and any remaining amounts then still owed and outstanding will have to be paid in cash at that time, as calculated pursuant to a sliding scale formula that reduces the amount of cash that will be owed as more of the environmental services are rendered over the two-year period. At March 31, 2006, the Company had accrued $132 thousand for its SEP liability.

State and Provincial Enforcement Actions

Chicago, Illinois Facility. On February 12, 2004, the Company's subsidiary which owns the Chicago facility was notified by the Illinois Attorney General's Office that an enforcement action was being initiated against such facility. The enforcement action alleges that the Chicago facility has violated its operating permit, certain Illinois Pollution Control Board regulations, and allegedly applicable provisions of the National Emission Standards for Hazardous Air Pollutants ("NESHAPs"). The Illinois Attorney General's Office announced that it was seeking $170 thousand in penalties. On April 6, 2006, the Illinois Pollution Control Board issued an Opinion and Order approving the stipulation and proposed settlement between the Company's subsidiary and the State of Illinois. The settlement requires the Chicago facility to pay a $95 thousand fine and to undertake and complete a Supplemental Environmental Project requiring the installation of equipment upgrades at the facility designed to address and control air emissions from operations, and to modify its permits accordingly. As a result, this matter is resolved and no further disclosures will follow.

Kimball, Nebraska Facility. On October 11, 2005, the Company was notified by the Nebraska Department of Environmental Quality ("NDEQ") that the Kimball facility owned by Clean Harbors Environmental Services, Inc. had violated terms of its permit by accepting a prohibited waste stream identified as FO27 on three occasions. The NDEQ also noted a second violation related to failure to make a hazardous waste determination concerning certain rinseate wash water. The NDEQ determined that no further corrective action was required on either of these violations; however, the NDEQ did

refer the matter to the Nebraska Attorney General for monetary penalties. The Attorney General has proposed settlement at $145 thousand to be evenly split between civil penalties and a supplemental environmental project (SEP). The Company continues to pursue settlement discussions with the Nebraska Attorney General's Office to resolve the matter.

Bristol, Connecticut Facility. On February 26, 2006, the Company received a proposed Consent Order from the Connecticut Department of Environmental Protection ("CDEP") for the Clean Harbors of Connecticut, Inc. facility located in Bristol, Connecticut. The CDEP alleged that the facility violated several CDEP operational regulations and permit conditions. The Consent Order includes a schedule for correcting the underlying cause of the alleged violations as well as a payment of a civil penalty of $171 thousand and completion of a Supplemental Environmental Project valued at $48 thousand, for a total of $219 thousand. The Order and the penalty amount continue to be negotiated. There can be no guarantee that the results of those negotiations will result in a settlement or a lower penalty than originally imposed. At March 31, 2006, the Company had accrued $219 thousand related to this Consent Order.

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

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

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

(7) CLOSURE AND POST-CLOSURE LIABILITIES

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

	March 31, 2006	December 31, 2005
Landfill facilities:		
Cell closure	$ 17,018	$ 16,507
Facility closure	588	672
Post-closure	777	889
	18,383	18,068
Non-landfill retirement liability:		
Facility closure	5,835	5,554
	24,218	23,622
Less obligation classified as current	3,717	2,894
Long-term closure and post-closure liabilities	$ 20,501	$ 20,728

All of the landfill facilities included in the table above are active as of March 31, 2006.

Anticipated payments at March 31, 2006 (based on current estimated costs) and anticipated timing of necessary regulatory approvals to commence work on closure and post-closure activities for each of the next five years and thereafter are as follows (in thousands):

Periods ending December 31,	
Remaining nine months of 2006	$ 2,985
2007	4,217
2008	4,688
2009	2,297
2010	8,649
Thereafter	200,151
Undiscounted closure and post-closure liabilities	222,987
Less: Reserves to be provided (including discount of $116.2 million) over remaining site lives	(198,769)
Present value of closure and post-closure liabilities	$ 24,218

The changes to closure and post-closure liabilities for the three months ended March 31, 2006 are as follows (in thousands):

	December 31, 2005	New Asset Retirement Obligations	Accretion	Benefit from Changes in Estimate Recorded to Statement of Operations	Other Changes in Estimates Recorded to Balance Sheet	Currency Translation, Reclassifications and Other	Payments	March 31, 2006
Landfill retirement liability	$18,068	$188	$623	$(211)	$(279)	$(1)	$(5)	$18,383
Non-landfill retirement liability	5,554	—	190	19	186	—	(114)	5,835
Total	$23,622	$188	$813	$(192)	$(93)	$(1)	$(119)	$24,218

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

	Highly Probable Airspace (Cubic Yards)
Remaining capacity at December 31, 2005	29,001
Consumed during three months ended March 31, 2006	(174)
Remaining capacity at March 31, 2006	28,827

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

(8) REMEDIAL LIABILITIES

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

the costs of groundwater monitoring, treatment system operations, permit fees and facility maintenance for discontinued operations. One-Time Projects include the costs necessary to comply with regulatory requirements for the removal or treatment of contaminated materials.

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

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

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

	March 31, 2006	December 31, 2005
Remedial liabilities for landfill sites	$ 4,950	$ 4,901
Remedial liabilities for discontinued facilities not now used in the active conduct of the Company's business	90,898	92,023
Remedial liabilities (including Superfund) for non-landfill open sites	50,431	50,143
	146,279	147,067
Less obligations classified as current	9,409	7,923
Long-term remedial liabilities	$ 136,870	$ 139,144

Anticipated payments at March 31, 2006 (based on current estimated costs) and anticipated timing of necessary regulatory approvals to commence work on remedial activities for each of the next five years and thereafter are as follows (in thousands):

Periods ending December 31,	
Remaining nine months of 2006	$ 6,654
2007	11,633
2008	11,167
2009	11,830
2010	10,015
Thereafter	137,914
Undiscounted remedial liabilities	189,213
Less: Discount	(42,934)
Total remedial liabilities	$ 146,279

The anticipated payments for Long-term Maintenance range from $4.1 million to $6.6 million per year over the next five years. Spending on One-Time Projects for the next five years ranges from $3.5 million to $7.4 million per year with an average expected payment of $4.4 million per year. Legal and Superfund liabilities payments are expected to be between $0.3 million and $1.6 million per year for the next five years. These estimates are reviewed at least quarterly and adjusted as additional information becomes available.

The changes to remedial liabilities for the three months ended March 31, 2006 are as follows (in thousands):

	December 31, 2005	Accretion	Benefit from Changes in Estimate Recorded to Statement of Operations	Currency Translation, Reclassifications and Other	Payments	March 31, 2006
Remedial liabilities for landfill sites	$4,901	$58	$(1)	$(4)	$(4)	$4,950
Remedial liabilities for discontinued sites not now used in the active conduct of the Company's business	92,023	1,070	(1,300)	—	(895)	90,898
Remedial liabilities (including Superfund) for non-landfill operations	50,143	569	262	7	(550)	50,431
Total	$147,067	$1,697	$(1,039)	$3	$(1,449)	$146,279

The net $1.0 million benefit from changes in estimate recorded to selling, general and administrative expenses on the statement of operations is due to: (i) the discounting effect of delays in certain remedial projects, (ii) cost reductions negotiated with vendors and permit fee reductions, and (iii) a pattern of historical spending being less than originally expected.

(9) LOSS ON EARLY EXTINGUISHMENT OF DEBT

On January 12, 2006, the Company redeemed $52.5 million principal amount of outstanding Senior Secured Notes and paid prepayment penalties and accrued interest through the redemption date. In connection with such redemption the Company recorded during the quarter ending March 31, 2006, to loss on early extinguishment of debt, an aggregate of $8.3 million, consisting of $1.8 million unamortized financing costs, $0.6 million of unamortized discount on the Senior Secured Notes, and the $5.9 million prepayment penalty required by the Indenture in connection with such redemption.

(10) INCOME TAXES

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

The Company is subject to income taxes in both the U.S. and foreign jurisdictions, and to examination by U.S. federal and state, as well as foreign tax authorities. While it is often difficult to predict the final outcome or timing of resolution of any particular tax matter, the Company believes that its tax reserves reflect the probable outcome of all known tax contingencies. The amount of such contingencies was $14.4 million at December 31, 2005 and was increased by $0.2 million to $14.6 million in the first quarter of 2006 for additional statutory interest.

(11) EARNINGS PER SHARE

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

	Three Months Ended March 31, 2006		
	Income (Numerator)	Shares (Denominator)	Per Share
Net income	$ 2,805		
Dividends and accretion on Series B preferred stock	(69)		
Basic income attributable to common stockholders	$ 2,736	19,390	$ 0.14
Basic income attributable to common stockholders before effect of dilutive securities	$ 2,736	19,390	$ 0.14
Effect of dilutive securities	69	1,119	—
Diluted income attributable to common stockholders	$ 2,805	20,509	$ 0.14

	Three Months Ended March 31, 2005		
	Income (Numerator)	Shares (Denominator)	Per Share
Net income	$ 4,841		
Dividends and accretion on Series B preferred stock	(70)		
Basic income attributable to common stockholders	$ 4,771	14,602	$ 0.33
Basic income attributable to common stockholders before effect of dilutive securities	$ 4,771	14,602	$ 0.33
Effect of dilutive securities	70	3,470	(0.06)
Diluted income attributable to common stockholders	$ 4,841	18,072	$ 0.27

For the three-month periods ended March 31, 2006 and 2005, the dilutive effect of all outstanding warrants, options and Series B Preferred Stock is included in the above calculations. Because the performance criteria relating to 71 thousand outstanding performance stock awards had not been satisfied for the three-month period ended March 31, 2006, the dilutive effect of such 71 thousand shares is excluded from the above calculation.

(12) STOCKHOLDERS' EQUITY

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

(13) STOCK-BASED COMPENSATION

The adoption of SFAS No. 123(R) reduced the Company's reported net income and earnings per share, since adopting SFAS No. 123(R) results in the Company recording compensation cost for employee stock options, awards of unvested shares vesting over time based on continued employment but without performance criteria ("restricted stock awards"), awards of unvested shares vesting over time based on continued employment but also with performance criteria ("performance stock awards"),

and compensatory employee share purchase plans. The Company elected not to modify previously granted stock-based awards. As a result of the changes in accounting under SFAS No. 123(R) and a desire to design the Company's long-term incentive plans in a manner that creates a stronger link to operating and market performance, the Compensation Committee of the Company's Board of Directors approved a substantial change in the form of awards that it grants under the Company's current equity incentive plan. Beginning in November 2005, stock option grants for key managers were replaced with restricted stock awards or performance stock awards. The Company accordingly expects the number of stock option grants to decrease in future years.

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

The Company included $557 thousand in total stock-based compensation expense to employees in its statement of operations for the three months ended March 31, 2006 as a result of the adoption of SFAS No. 123(R). None of the compensation expense related to stock-based compensation arrangements was capitalized as part of inventory or fixed assets. Prior to the adoption of SFAS No. 123(R), the Company reported all tax benefits resulting from the exercise of non-qualified stock options as operating cash flows in its consolidated statements of cash flows. SFAS No. 123(R) requires any reduction in taxes payable resulting from tax deductions that exceed the recognized compensation (excess tax benefits) to be classified as financing cash flows in the statement of cash flows. The Company received $53 thousand of such excess tax benefits during the three-month period ended March 31, 2006.

The application of SFAS No. 123(R) had the following effect on reported amounts for the three months ended March 31, 2006 relative to amounts that would have been reported using the intrinsic value method under previous accounting (in thousands, except per share amounts):

	Three Months Ended March 31, 2006		
	Using Previous Accounting	SFAS No. 123(R) Adjustments	As Reported
Income from operations	$ 15,550	$ (557)	$ 14,993
Income before income taxes	4,057	(557)	3,500
Net income	3,306	(501)	2,805
Basic income per share	0.17	(0.03)	0.14
Diluted income per share	0.16	(0.02)	0.14

The estimated stock-based compensation expense related to the Company's stock-based awards for the three-month period ended March 31, 2006 was as follows (in thousands, except per share data):

	Three Months Ended March 31, 2006
Sales, general and administrative	$ 557
Related income tax benefits	(56)
Stock-based compensation, net of taxes	$ 501
Net stock-based compensation expense, per common share:	
Basic	$ 0.03
Diluted	$ 0.02

For purposes of determining the disclosures required by SFAS No. 123(R), the fair values of performance stock granted under the Company's stock-based compensation plan and shares subject to purchase under the compensatory Employee Stock Purchase Plan ("ESPP") in the three months ended March 31, 2006 were estimated on the date of grant at the fair value net of expected forfeitures and at the beginning of the ESPP period using the Black-Scholes option-pricing model, respectively. During the three months ended March 31, 2006, the Company granted 71 thousand shares of performance stock awards. During the three months ended March 31, 2006, the Company did not grant any stock options or restricted stock awards. The following assumptions were used in calculating the grant date fair value of performance stock awards issued and compensatory ESPP shares purchased for the three months ended March 31, 2006:

	Three Months Ended March 31, 2006
Performance Stock Awards:	
Stock price at grant date	$ 31.73
Expected forfeiture rate - Executives/Directors	2.00%
Expected forfeiture rate - Employees	5.00%
ESPP:	
Risk-free interest rate	4.19%
Expected dividend yield	0.00%
Expected life of ESPP shares (years)	0.25
Expected volatility of underlying stock	27.00%
Expected forfeitures as percentage of total ESPP shares	0.00%

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

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

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

	Three Months Ended March 31, 2005
Net income attributable to common stockholders	$ 4,771
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards net of related tax effects	481
Pro forma net income attributable to common stockholders	$ 4,290
Earnings per share:	
Basic as reported	$ 0.33
Basic pro forma	0.29
Diluted as reported	0.27
Diluted pro forma	0.24

In 1992 the Company adopted an equity incentive plan (the "1992 Plan"), which provides for a variety of incentive awards, including stock options, and in 2000, the Company adopted a stock incentive plan (the "2000 Plan"), which provides for awards in the form of incentive stock options, non-qualified stock options, restricted stock awards and performance stock awards. In 2002, the Company amended the 2000 Plan to increase the awards that can be issued under the 2000 Plan from 0.8 million shares to 1.5 million shares and in 2005, the Company further amended the 2000 Plan to increase the awards that can be issued under the 2000 Plan to 2.0 million. As of March 31, 2006, the Company had the following types of stock-based compensation awards outstanding under these plans: stock options, restricted stock awards and performance stock awards. As of December 31, 2005, all awards under the 1992 and 2000 Plans were in the form of non-qualified stock options, except for an aggregate of 37,950 restricted stock awards which the Company made in November 2005. The stock options generally become exercisable up to five years from the date of grant, subject to certain employment requirements, and terminate ten years from the date of grant. The restricted stock awards granted in November 2005 vest over five years subject to continued employment. During the three months ended March 31, 2006, the Company granted 71,292 shares of performance stock awards.

As of March 31, 2006, the Company had reserved 725,839 shares of common stock available for grant under the 2000 Plan, exclusive of shares previously issued (either upon exercise of stock options or pursuant to restricted stock or performance stock awards) or reserved for options previously granted under the 2000 Plan. The 1992 Plan expired on March 15, 2002, but there were outstanding on March 31, 2006 options for an aggregate of 140,965 shares which shall remain in effect until such options are either exercised or expire in accordance with their terms. In addition, on March 31, 2006, there were outstanding options for an aggregate of 3,750 shares under the Company's 1987 Equity Incentive Plan which had expired in 1997.

Stock Option Awards

Consistent with the Company's valuation method for the disclosure-only provisions of SFAS No. 123, the Company is using the Black-Scholes option pricing model to value the compensation expense associated with its stock option awards under SFAS No. 123(R). In addition, the Company estimates forfeitures when recognizing compensation expense, and will adjust its estimate of forfeitures over the requisite service period based on the extent to which actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures will be recognized through a cumulative catch-up adjustment in the period of change and will also impact the amount of compensation expense to be recognized in future periods.

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

Stock Options	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2002	1,192,518	$ 3.17
Granted at fair value	967,042	12.54
Forfeited	(154,685)	11.23
Exercised	(246,965)	2.10
Outstanding at December 31, 2003	1,757,910	7.76
Granted at fair value	77,833	6.70
Forfeited	(27,310)	8.61
Exercised	(172,665)	2.26
Outstanding at December 31, 2004	1,635,768	8.28
Granted at fair value	21,000	19.02
Forfeited	(134,500)	9.56
Exercised	(701,723)	6.37
Outstanding at December 31, 2005	820,545	9.98
Granted	—	—
Forfeited	(18,500)	12.98
Exercised	(58,260)	30.71
Outstanding at March 31, 2006	743,785	$ 8.28

Summarized information about stock options outstanding at March 31, 2006 was as follows:

Range of Exercise Prices	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Exercisable Number of Options	Exercisable Weighted Average Exercise Price
$1.75 - 1.81	48,615	2.04	$ 1.81	48,615	$ 1.81
1.81 - 2.61	77,900	3.97	2.27	70,900	2.27
2.61 - 3.26	20,100	5.69	3.26	100	2.88
3.26 - 6.46	38,350	5.93	5.69	27,750	5.95
6.46 - 8.08	18,833	3.64	7.89	11,000	7.93
8.08 - 9.18	26,667	6.24	9.09	5,667	9.18
9.18 - 11.70	90,000	5.63	10.62	52,000	10.86
11.70 - 12.98	402,320	6.90	12.98	163,270	12.98
12.98 - 19.20	21,000	7.67	19.02	2,000	18.97
Total	743,785		$ 8.28	381,302	$ 8.59

Options exercisable at March 31, 2006 and December 31, 2005, were 381,302 and 289,437, respectively. The weighted average exercise prices for the exercisable options at March 31, 2006 and December 31, 2005, were $8.59 and $6.89, respectively.

As of March 31, 2006, there was $2.5 million of total unrecognized compensation cost arising from non-vested compensation related to stock option awards under the Company's stock incentive plans. This cost is expected to be recognized over a weighted-average period of 1.8 years. The Company did not grant additional stock option awards during the three-month period ended March 31, 2006.

Restricted Stock Awards

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

The fair value of each restricted stock grant is based on the closing price of the Company's stock on the date of grant and is amortized to expense over its vesting period. At March 31, 2006, there were 37,950 shares of restricted stock outstanding.

The following table summarizes information about restricted stock awards for the three months ended March 31, 2006:

Restricted Stock (Non-vested Shares)	Number of Shares	Weighted Average Grant-Date Fair Value
Unvested at December 31, 2005	37,950	$ 28.98
Granted	—	—
Vested	—	—
Expired	—	—
Forfeited	—	—
Unvested at March 31, 2006	37,950	$ 28.98

As of March 31, 2006, there was $1.0 million of total unrecognized compensation cost arising from non-vested compensation related to restricted stock awards under the Company's stock incentive plans. This cost is expected to be recognized over a weighted-average period of 4.2 years. The Company did not grant additional restricted stock awards during the three-month period ended March 31, 2006.

Performance Stock Awards

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

The fair value of each performance stock award is based on the closing price of the Company's stock on the date of grant and is amortized to expense over its vesting period, if performance measures are considered probable. At March 31, 2006, there were 71,292 performance shares outstanding.

The following table summarizes information about performance stock awards for the three months ended March 31, 2006:

Performance Stock	Number of Shares	Weighted Average Grant-Date Fair Value
Unvested at December 31, 2005	—	—
Granted	71,292	$ 31.73
Vested	—	—
Expired	—	—
Forfeited	—	—
Unvested at March 31, 2006	71,292	$ 31.73

As of March 31, 2006, there was $2.2 million of total unrecognized compensation cost arising from non-vested compensation related to performance stock awards under the Company's stock incentive plans. This cost is expected to be recognized over a weighted-average period of 4.8 years.

In the three-month period ended March 31, 2006, the Company issued an aggregate of 71,292 performance stock awards under its stock incentive plans.

Employee Stock Purchase Plan

In May of 1995, the Company's stockholders approved an Employee Stock Purchase Plan (the "ESPP"), which is a qualified employee stock purchase plan under Section 423 of the Internal Revenue Code of 1986, as amended, through which employees of the Company are given the opportunity to purchase shares of common stock. According to the ESPP, a total of one million shares of common stock were originally reserved for offering to employees, in quarterly offerings of 50,000 shares each plus any shares not issued in any previous quarter, commencing on July 1, 1995 and on the first day of each quarter thereafter. In 2005, the Company's stockholders approved an increase of 500,000 in the maximum number of shares, which can be issued

under the ESPP. Employees who elect to participate in an offering may utilize up to 10% of their payroll for the purchase of common stock at 85% of the closing price of the stock on the first day of such quarterly offering or, if lower, 85% of the closing price on the last day of the offering. Due to the discount of 15% offered to employees for purchase of shares under the ESPP, the Company considers such plan as compensatory. The weighted average per share fair value of the purchase rights granted under the ESPP during the three months ended March 31, 2006 was $6.15.

(14) SEGMENT REPORTING

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

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

Technical Services include:

- treatment and disposal of industrial wastes, which includes physical treatment, resource recovery and fuels blending, incineration, landfills, wastewater treatment, lab chemical disposal and explosives management;

- collection, transportation and logistics management;

- categorization, specialized repackaging, treatment and disposal of laboratory chemicals and household hazardous wastes, which are referred to as CleanPack® services; and

- Apollo Onsite Services, which provide customized environmental programs at customer sites.

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

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

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

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

The following table reconciles third party revenues to direct revenues for the three-month periods ended March 31, 2006 and 2005 (in thousands). The Company analyzes results of operations based on direct revenues because the Company believes that these revenues and related expenses best reflect the manner in which operations are managed.

	For the Three Months Ended March 31, 2006			
	Technical Services	Site Services	Corporate Items	Total
Third party revenues	$ 118,081	$ 66,588	$ (174)	$ 184,495
Intersegment revenues	105,269	7,948	146	113,363
Gross revenues	223,350	74,536	(28)	297,858
Intersegment expenses	(99,742)	(13,714)	93	(113,363)
Direct revenues	$ 123,608	$ 60,822	$ 65	$ 184,495

	For the Three Months Ended March 31, 2005			
	Technical Services	Site Services	Corporate Items	Total
Third party revenues	$ 103,961	$ 60,566	$ 439	$ 164,966
Intersegment revenues	84,027	9,645	(73)	93,599
Gross revenues	187,988	70,211	366	258,565
Intersegment expenses	(78,320)	(15,133)	(146)	(93,599)
Direct revenues	$ 109,668	$ 55,078	$ 220	$ 164,966

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

	For the Three Months Ended March 31,	
	2006	2005
Direct Revenues:		
Technical Services	$ 123,608	$ 109,668
Site Services	60,822	55,078
Corporate Items	65	220
Total	184,495	164,966
Cost of Revenues:		
Technical Services	85,086	80,363
Site Services	44,881	40,829
Corporate Items	1,391	(645)
Total	131,358	120,547
Selling, General and Administrative Expenses:		
Technical Services	13,077	11,721
Site Services	5,937	5,185
Corporate Items	9,341	7,455
Total	28,355	24,361
Adjusted EBITDA:		
Technical Services	25,445	17,584
Site Services	10,004	9,064
Corporate Items	(10,667)	(6,590)
Total	24,782	20,058
Reconciliation to Consolidated Statement of Operations		
Accretion of environmental liabilities	2,510	2,634
Depreciation and amortization	7,279	7,209
Income from operations	14,993	10,215
Other (income) expense	30	(619)
Loss on early extinguishment of debt	8,290	—
Interest expense, net of interest income	3,173	5,961
Income before provision for income taxes	$ 3,500	$ 4,873

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

	March 31, 2006	December 31, 2005
Property, plant and equipment, net		
Technical Services	$ 145,502	$ 143,640
Site Services	14,309	13,271
Corporate or other assets	23,284	21,613
	$ 183,095	$ 178,524
Intangible assets:		
Technical Services		
Goodwill	$ 18,884	$ 18,884
Permits, net	71,360	72,357
Customer profile database, net	1,344	1,582
	91,588	92,823
Site Services		
Goodwill	148	148
Permits, net	3,793	3,838
Customer profile database, net	22	26
	3,963	4,012
	$ 95,551	$ 96,835

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

	March 31, 2006	December 31, 2005
Technical Services	$ 355,409	$ 355,655
Site Services	27,168	25,957
Corporate Items	160,394	232,752
Total	$ 542,971	$ 614,364

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

	March 31, 2006	December 31, 2005
United States	$ 444,816	$ 512,388
Canada	98,155	101,976
Total	$ 542,971	$ 614,364

(15) GUARANTOR AND NON-GUARANTOR SUBSIDIARIES

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

In addition, as part of the refinancing of the Company's debt in June 2004, one of the parent's Canadian subsidiaries made a $91.7 million (U.S.) investment in the preferred stock of one of the parent's domestic subsidiaries and issued, in

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

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

Following is the condensed consolidating balance sheet at March 31, 2006 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Assets:					
Cash and cash equivalents	$ 507	$ 15,383	$ 18,239	$ —	$ 34,129
Marketable securities	10,000	33,500	—	—	43,500
Accounts receivable, net	228	115,108	18,685	—	134,021
Unbilled accounts receivable	—	7,147	616	—	7,763
Intercompany receivables	7,609	—	5,631	(13,240)	—
Deferred costs	—	4,216	809	—	5,025
Prepaid expenses	784	6,025	437	—	7,246
Supplies inventories	—	11,609	1,081	—	12,690
Income taxes receivable	—	—	643	—	643
Properties held for sale	—	7,475	413	—	7,888
Property, plant and equipment, net	—	158,667	24,428	—	183,095
Deferred financing costs	7,440	—	8	—	7,448
Goodwill	—	19,032	—	—	19,032
Permits and other intangibles, net	—	52,170	24,349	—	76,519
Investments in subsidiaries	197,303	47,490	91,654	(336,447)	—
Deferred tax assets	—	—	978	—	978
Intercompany note receivable	—	102,828	3,701	(106,529)	—
Other assets	—	1,363	1,631	—	2,994
Total assets	$ 223,871	$ 582,013	$ 193,303	$ (456,216)	$ 542,971
Liabilities and Stockholders' Equity:					
Uncashed checks	$ —	$ 6,761	$ 1,034	$ —	$ 7,795
Accounts payable	—	53,328	8,144	—	61,472
Accrued disposal costs	—	1,714	1,614	—	3,328
Deferred revenue	—	18,372	3,779	—	22,151
Other accrued expenses	2,866	30,121	5,700	—	38,687
Income taxes payable	1,607	(274)	1,279	—	2,612
Intercompany payables	—	13,240	—	(13,240)	—
Closure, post-closure and remedial liabilities	—	154,362	16,135	—	170,497
Long-term obligations	96,412	—	—	—	96,412
Capital lease obligations	—	4,543	827	—	5,370
Other long-term liabilities	—	—	14,637	—	14,637
Intercompany note payable	3,701	—	102,828	(106,529)	—
Accrued pension cost	—	—	725	—	725
Total liabilities	104,586	282,167	156,702	(119,769)	423,686
Stockholders' Equity:					
Series B convertible preferred stock	1	—	—	—	1
Common stock	194	—	2,236	(2,236)	194
Additional paid-in capital	141,174	192,522	4,049	(196,571)	141,174
Accumulated other comprehensive income	9,428	15,234	(3,983)	(11,251)	9,428
Accumulated earnings (deficit)	(31,512)	92,090	34,299	(126,389)	(31,512)
Total stockholders' equity	119,285	299,846	36,601	(336,447)	119,285
Total liabilities and stockholders' equity	$ 223,871	$ 582,013	$ 193,303	$ (456,216)	$ 542,971

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

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

Following is the consolidating statement of operations for the three months ended March 31, 2006 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues	$ —	$ 156,728	$ 31,490	$ (3,723)	$ 184,495
Cost of revenues	—	112,879	22,202	(3,723)	131,358
Selling, general and administrative expenses	—	23,683	4,672	—	28,355
Accretion of environmental liabilities	—	2,297	213	—	2,510
Depreciation and amortization	—	6,162	1,117	—	7,279
Income from operations	—	11,707	3,286	—	14,993
Other income (expense)	2	(3)	(29)	—	(30)
Loss on extinguishment of debt	(8,290)	—	—	—	(8,290)
Interest income (expense)	(3,519)	271	75	—	(3,173)
Equity in earnings of subsidiaries	14,451	2,681	—	(17,132)	—
Intercompany dividend income (expense)	—	—	2,963	(2,963)	—
Intercompany interest income (expense)	—	2,858	(2,858)	—	—
Income before provision for income taxes	2,644	17,514	3,437	(20,095)	3,500
Provision for (benefit from) income taxes	(161)	163	693	—	695
Net income	$ 2,805	$ 17,351	$ 2,744	$ (20,095)	$ 2,805

Following is the consolidating statement of operations for the three months ended March 31, 2005 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues	$ —	$ 138,596	$ 29,573	$ (3,203)	$ 164,966
Cost of revenues	—	102,222	21,528	(3,203)	120,547
Selling, general and administrative expenses	—	19,621	4,740	—	24,361
Accretion of environmental liabilities	—	2,440	194	—	2,634
Depreciation and amortization	—	5,909	1,300	—	7,209
Income from operations	—	8,404	1,811	—	10,215
Other income	588	31	—	—	619
Interest expense	(5,871)	(70)	(20)	—	(5,961)
Equity in earnings of subsidiaries	10,408	2,077	—	(12,485)	—
Intercompany dividend income (expense)	—	—	2,789	(2,789)	—
Intercompany interest income (expense)	—	2,690	(2,690)	—	—
Income before provision for income taxes	5,125	13,132	1,890	(15,274)	4,873
Provision for (benefit from) income taxes	284	76	(328)	—	32
Net income	$ 4,841	$ 13,056	$ 2,218	$ (15,274)	$ 4,841

Following is the condensed consolidating statement of cash flows for the three months ended March 31, 2006 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net cash (used in) provided by operating activities	$ 63,094	$ (38,306)	$ (2,848)	$ (17,132)	$ 4,808
Cash flows from investing activities:					
Additions to property, plant and equipment	—	(9,018)	(1,200)	—	(10,218)
Proceeds from sales of fixed assets	—	366	—	—	366
Proceeds from sales of restricted investments	3,470	—	—	—	3,470
Cost of available-for-sale securities	(10,000)	(33,500)	—	—	(43,500)
Investment in subsidiaries	(14,451)	(2,681)	—	17,132	—
Net cash (used in) provided by investing activities	(20,981)	(44,833)	(1,200)	17,132	(49,882)
Cash flows from financing activities:					
Change in uncashed checks	—	359	(556)	—	(197)
Proceeds from exercise of stock options	425	—	—	—	425
Excess tax benefit of stock-based compensation	53	—	—	—	53
Deferred financing costs incurred	(85)	—	—	—	(85)
Proceeds from employee stock purchase plan	179	—	—	—	179
Dividend payments on preferred stock	(69)	—	—	—	(69)
Payments of capital leases	—	(676)	(61)	—	(737)
Principal payments on debt	(52,500)	—	—	—	(52,500)
Dividends (paid) received	—	(11,810)	11,810	—	—
Net cash (used in) provided by financing activities	(51,997)	(12,127)	11,193	—	(52,931)
Increase (decrease) in cash and cash equivalents	(9,884)	(95,266)	7,145	—	(98,005)
Effect of exchange rate change on cash	—	—	(315)	—	(315)
Cash and cash equivalents, beginning of period	10,391	110,649	11,409	—	132,449
Cash and cash equivalents, end of period	$ 507	$ 15,383	$ 18,239	$ —	$ 34,129

Following is the condensed consolidating statement of cash flows for the three months ended March 31, 2005 (in thousands):

	Clean Harbors, Inc.	U.S. Guarantor Subsidiaries	Foreign Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net cash (used in) provided by operating activities	$ 9,098	$ 3,967	$ 1,363	$ (12,485)	$ 1,943
Cash flows from investing activities:					
Additions to property, plant and equipment	—	(2,698)	(488)	—	(3,186)
Increase in permits	—	(768)	—	—	(768)
Sales of marketable securities	10,000	6,800	—	—	16,800
Proceeds from sale of fixed assets	—	326	—	—	326
Proceeds from (payment of) return of capital	—	10,265	(10,265)	—	—
Investment in subsidiaries	(10,408)	(2,077)	—	12,485	—
Net cash (used in) provided by investing activities	(408)	11,848	(10,753)	12,485	13,172
Cash flows from financing activities:					
Change in uncashed checks	—	(627)	(311)	—	(938)
Proceeds from exercise of stock options	1,391	—	—	—	1,391
Dividend payments on preferred stock	(70)	—	—	—	(70)
Deferred financing costs incurred	(86)	—	—	—	(86)
Proceeds from employee stock purchase plan	127	—	—	—	127
Payments of capital leases	—	(426)	(51)	—	(477)
Dividends (paid) received	—	(5,522)	5,522	—	—
Net cash (used in) provided by financing activities	1,362	(6,575)	5,160	—	(53)
Increase (decrease) in cash and cash equivalents	10,052	9,240	(4,230)	—	15,062
Effect of exchange rate change on cash	—	—	(109)	—	(109)
Cash and cash equivalents, beginning of period	76	20,984	10,021	—	31,081
Cash and cash equivalents, end of period	$ 10,128	$ 30,224	$ 5,682	$ —	$ 46,034

(16) SUBSEQUENT EVENT

On May 3, 2006, the Company entered into a purchase and sale agreement with SITA U.S.A., Inc., a Delaware corporation (“Seller”), pursuant to which the Company has agreed to purchase from Seller all of the membership interests in Teris L.L.C., a Delaware limited liability company. The purchase price is $52.7 million in cash, subject to closing adjustments. The Company anticipates that it will finance the acquisition through available cash and a term loan under the Company’s existing credit agreement. The acquisition is expected to close, subject to the satisfaction or waiver of customary closing conditions, during the third quarter of 2006.

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

Forward-Looking Statements

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

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

Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management’s opinions only as of the date hereof. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. Readers should carefully review the risk factors described in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 17, 2006 under the heading “Risk Factors” and in other documents we file from time to time with the Securities and Exchange Commission.

Overview

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

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

In addition, as part of the acquisition, we assumed certain environmental liabilities, valued in accordance with generally accepted accounting principles in the United States. At March 31, 2006, such liabilities were approximately $170.5 million. We now anticipate such liabilities will be payable over many years and that cash flows generated from operations will be sufficient to fund the payment of such liabilities when required. However, events not now anticipated (such as future changes in environmental laws and regulations) could require that such payments be made earlier or in greater amounts than now anticipated.

Environmental Liabilities

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

Closure and Post-closure Liabilities

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

	March 31, 2006	December 31, 2005
Landfill facilities:		
Cell closure	$ 17,018	$ 16,507
Facility closure	588	672
Post-closure	777	889
	18,383	18,068
Non-landfill retirement liability:		
Facility closure	5,835	5,554
	24,218	23,622
Less obligation classified as current	3,717	2,894
Long-term closure and post-closure liabilities	$ 20,501	$ 20,728

All of the landfill facilities included in the table above are active as of March 31, 2006.

Anticipated payments at March 31, 2006 (based on current estimated costs) and anticipated timing of necessary regulatory approvals to commence work on closure and post-closure activities for each of the next five years and thereafter are as follows (in thousands):

Periods ending December 31,	
Remaining nine months of 2006	$2,985
2007	4,217
2008	4,688
2009	2,297
2010	8,649
Thereafter	200,151
Undiscounted closure and post-closure liabilities	222,987
Less: Reserves to be provided (including discount of $116.2 million) over remaining site lives	(198,769)
Present value of closure and post-closure liabilities	$24,218

The changes to closure and post-closure liabilities for the three months ended March 31, 2006 are as follows (in thousands):

	December 31, 2005	New Asset Retirement Obligations	Accretion	Benefit from Changes in Estimate Recorded to Statement of Operations	Other Changes in Estimates Recorded to Balance Sheet	Currency Translation, Reclassifi-cations and Other	Payments	March 31, 2006
Landfill retirement liability	$18,068	$188	$623	$(211)	$(279)	$(1)	$(5)	$18,383
Non-landfill retirement liability	5,554	—	190	19	186	—	(114)	5,835
Total	$23,622	$188	$813	$(192)	$(93)	$(1)	$(119)	$24,218

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

	Highly Probable Airspace (Cubic Yards)
Remaining capacity at December 31, 2005	29,001
Consumed during three months ended March 31, 2006	(174)
Remaining capacity at March 31, 2006	28,827

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

As of March 31, 2006, there were four unpermitted expansions included in our landfill accounting model, which represents 36.1% of our remaining airspace at that date. Of these expansions, three do not represent exceptions to our established criteria. In March 2004, the Chief Financial Officer approved and the Audit Committee of the Board of Directors reviewed, the inclusion of 7.8 million cubic yards of unpermitted airspace in highly probable airspace because it was determined that the airspace was highly probable even though the permit application was not submitted within the next year. All of the other criteria were met for the inclusion of this airspace in highly probable airspace. Had we not included the 7.8 million cubic yards of unpermitted airspace in highly probable airspace, operating expense for the three months ended March 31, 2006 would have been higher by $163 thousand.

Remedial Liabilities

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

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

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

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

	March 31, 2006	December 31, 2005
Remedial liabilities for landfill sites	$ 4,950	$ 4,901
Remedial liabilities for discontinued facilities not now used in the active conduct of our business	90,898	92,023
Remedial liabilities (including Superfund) for non-landfill open sites	50,431	50,143
	146,279	147,067
Less obligations classified as current	9,409	7,923
Long-term remedial liabilities	$ 136,870	$ 139,144

Anticipated payments at March 31, 2006 (based on current estimated costs) and anticipated timing of necessary regulatory approvals to commence work on remedial activities for each of the next five years and thereafter are as follows (in thousands):

Periods ending December 31,	
Remaining nine months of 2006	$ 6,654
2007	11,633
2008	11,167
2009	11,830
2010	10,015
Thereafter	137,914
Undiscounted remedial liabilities	189,213
Less: Discount	(42,934)
Total remedial liabilities	$146,279

The anticipated payments for Long-term Maintenance range from $4.1 million to $6.6 million per year over the next five years. Spending on One-Time Projects for the next five years ranges from $3.5 million to $7.4 million per year with an average expected payment of $4.4 million per year. Legal and Superfund liabilities payments are expected to be between $0.3 million and $1.6 million per year for the next five years. These estimates are reviewed at least quarterly and adjusted as additional information becomes available.

The changes to remedial liabilities for the three months ended March 31, 2006 are as follows (in thousands):

	December 31, 2005	Accretion	Benefit from Changes in Estimate Recorded to Statement of Operations	Currency Translation, Reclassifications and Other	Payments	March 31, 2006
Remedial liabilities for landfill sites	$4,901	$58	$(1)	$(4)	$(4)	$4,950
Remedial liabilities for discontinued sites not now used in the active conduct of our business	92,023	1,070	(1,300)	—	(895)	90,898
Remedial liabilities (including Superfund) for non-landfill operations	50,143	569	262	7	(550)	50,431
Total	$147,067	$1,697	$(1,039)	$3	$(1,449)	$146,279

The net $1.0 million benefit from changes in estimate recorded to selling, general and administrative expenses on the statement of operations is due to: (i) the discounting effect of delays in certain remedial projects, (ii) cost reductions negotiated with vendors and permit fee reductions, and (iii) a pattern of historical spending being less than originally expected.

Stock-based Compensation

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

We included $557 thousand in total stock-based compensation expense to employees in our statement of operations for the three months ended March 31, 2006 as a result of the adoption of SFAS No. 123(R). See Note 13, "Stock-based Compensation" to the consolidated financial statements for additional detail.

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

As of March 31, 2006, there was $2.5 million, $1.0 million and $2.2 million of total unrecognized compensation cost arising from non-vested compensation related to stock options, restricted stock awards, and performance stock awards under our stock incentive plans, respectively. These costs are expected to be recognized over the weighted-average periods of 1.8 years, 4.2 years and 4.8 years, respectively, for stock options, restricted stock awards and performance stock awards.

Results of Operations

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

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

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

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

	Percentage of Revenues For the Three Months Ended March 31,	
	2006	2005
Revenues	100.0%	100.0%
Cost of revenues:		
Disposal costs to third parties	3.0	4.2
Other cost of revenues	68.2	68.9
Total cost of revenues	71.2	73.1
Selling, general and administrative expenses	15.4	14.7
Accretion of environmental liabilities	1.4	1.6
Depreciation and amortization	3.9	4.4
Income from operations	8.1	6.2
Other income (expense)	—	0.3
Loss on early extinguishment of debt	(4.5)	—
Interest expense, net	(1.7)	(3.6)
Income before provision for income taxes	1.9	2.9
Provision for income taxes	0.4	—
Net income	1.5%	2.9%

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

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

Our management considers Adjusted EBITDA to be a measurement of performance which provides useful information to both management and investors. Adjusted EBITDA should not be considered an alternative to net income or loss or other

measurements under accounting principles generally accepted in the United States. Because Adjusted EBITDA is not calculated identically by all companies, our measurements of Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies.

The following is a reconciliation of net income to Adjusted EBITDA for the three-month period ended March 31, 2006:

Net income	$ 2,805
Accretion of environmental liabilities	2,510
Depreciation and amortization	7,279
Loss on early extinguishment of debt	8,290
Interest expense, net	3,173
Provision for income taxes	695
Other (income) loss	30
Adjusted EBITDA	$24,782

The following reconciles Adjusted EBITDA to cash provided for operations for the three-month period ended March 31, 2006:

Adjusted EBITDA	$24,782
Interest expense, net	(3,173)
Provision for income taxes	(695)
Allowance for doubtful accounts	(32)
Amortization of deferred financing costs	358
Change in environmental estimates	(1,230)
Amortization of debt discount	26
Deferred income taxes	965
Stock-based compensation	557
Prepayment penalty on early extinguishment of debt	(5,907)
Changes in assets and liabilities	
Accounts receivable	13,691
Unbilled accounts receivable	(707)
Deferred costs	(87)
Prepaid expenses	(835)
Accounts payable	(10,756)
Environmental expenditures	(1,570)
Deferred revenue	363
Accrued disposal costs	223
Other accrued expenses	(11,155)
Income taxes payable, net	(791)
Other, net	781
Net cash provided by operating activities	$ 4,808

Segment data

Performance of our segments is evaluated on several factors of which the primary financial measure is Adjusted EBITDA. The following table sets forth certain operating data associated with our results of operations and summarizes Adjusted EBITDA contribution by operating segment for the three months ended March 31, 2006 and 2005 (in thousands). We consider the Adjusted EBITDA contribution from each operating segment to include revenue attributable to each segment less operating expenses, which include cost of revenues and selling, general and administrative expenses. Revenue attributable to each segment is generally external or direct revenue from third party customers. Certain income or expenses of a non-recurring or unusual nature are not included in the operating segment Adjusted EBITDA contribution. This table and subsequent discussions should be read in conjunction with Item 6, “Selected Financial Data,” and Item 8, “Financial

Statements and Supplementary Data" and in particular Note 22, "Segment Reporting" of our Annual Report on Form 10-K for the year ended December 31, 2005 and Item 1, "Financial Statements" and in particular Note 14, "Segment Reporting" in this report.

	For the Three Months Ended March 31,	
	2006	2005
Direct Revenues:		
Technical Services	$ 123,608	$ 109,668
Site Services	60,822	55,078
Corporate Items	65	220
Total	184,495	164,966
Cost of Revenues:		
Technical Services	85,086	80,363
Site Services	44,881	40,829
Corporate Items	1,391	(645)
Total	131,358	120,547
Selling, General and Administrative Expenses:		
Technical Services	13,077	11,721
Site Services	5,937	5,185
Corporate Items	9,341	7,455
Total	28,355	24,361
Adjusted EBITDA:		
Technical Services	25,445	17,584
Site Services	10,004	9,064
Corporate Items	(10,667)	(6,590)
Total	24,782	20,058

Three months ended March 31, 2006 versus the three months ended March 31, 2005

Revenues

Total revenues for the three months ended March 31, 2006 increased $19.5 million to $184.5 million from $165.0 million for the comparable period in 2005. Technical Services revenues for the three months ended March 31, 2006 increased $14.0 million to $123.6 million from $109.6 million for the comparable period in 2005. The primary increases in Technical Services revenues consisted of increases in the volume and pricing of waste processed through our facilities of $4.2 million and $2.1 million, respectively. The increase was also attributable to a $2.0 million increase in large waste project business and a $1.5 million increase due to the strengthening in the Canadian dollar with the balance being composed of strong base business and project work, particularly in the West and Northeast regions.

Site Services revenues for the three months ended March 31, 2006 increased $5.7 million to $60.8 million from $55.1 million for the comparable period in 2005. In the first quarter of 2006, Site Services continued to perform emergency response work in the Gulf region related to hurricanes Katrina and Rita. This work accounted for $13.2 million of outside revenues, offset by intercompany costs of $1.7 million, resulting in direct revenue of $11.5 million, or 18.9% of direct revenue for this segment. In the first quarter of 2005, Site Services performed major emergency response work accounting for $11.8 million, offset by intercompany costs of $1.5 million, resulting in direct revenue of $10.3 million, or 18.7% of direct revenue for this segment. Base Site Services revenue increased $4.6 million from the first quarter of 2005 compared to the first quarter of 2006. This increase was due to large project work in the Industrial Services and Engineering Group, higher PCB/Oil volumes and increased oil and metal pricing as well as favorable volumes in the chemical recycling and distribution group. These increases were augmented by strong base and project business in the South region offset by generally slower business levels and a decrease in project work in the Northeast and Midwest regions.

Corporate Items revenues for the three months ended March 31, 2006 decreased $0.2 million to $65 thousand from $220 thousand for the comparable period in 2005.

There are many factors which have impacted, and continue to impact, our revenues. These factors include: economic conditions; competitive industry pricing; continued efforts by generators of hazardous waste to reduce the amount of hazardous waste they produce; significant consolidation among treatment and disposal companies; industry-wide overcapacity; and direct shipment by generators of waste to the ultimate treatment or disposal location.

Cost of Revenues

Total cost of revenues for the three months ended March 31, 2006 increased $10.8 million to $131.3 million compared to $120.5 million for the comparable period in 2005. Technical Services cost of revenues increased $4.7 million to $85.1 million from $80.4 million for the comparable period in 2005. Cost of revenues for Technical Services increased $0.7 million due to an unfavorable foreign exchange fluctuation relating to the Canadian dollar. Costs also increased by $1.9 million in outside transportation primarily associated with large waste projects, $1.4 million in employee labor and related costs, $1.3 million in utilities and fuel, $0.5 million in equipment and vehicle repairs and rentals and $0.4 million materials and supplies expense. These increases were partially offset by a decrease of deferred costs associated with waste inventory of $0.6 million, $0.4 million decrease in outside subcontractors and $0.3 million decrease in site repairs.

Site Services cost of revenues increased $4.0 million to $44.8 million from $40.8 million for the comparable period in 2005. Cost of revenues for the first quarter of 2006 related to the performance of major emergency response jobs increased by $1.8 million to $6.7 million in 2006, as compared to $4.9 million for comparable period of 2005. Non-event Site Services cost of revenue increased $2.0 million in materials and supplies, $1.4 million in labor and related costs, $0.7 million in vehicle expense and equipment rental and repair due to increased business levels in the engineering, oil and chemical recycling groups as well as strong business levels in the South region. These increases were offset by decreases of $1.2 million in outside disposal, $0.6 million in outside transportation and $0.2 million in subcontractor costs due to slow project work in the Northeast and Midwest regions in 2006 as compared to 2005

Corporate Items cost of revenues for the three months ended March 31, 2006 increased $2.0 million to $1.4 million from $(0.6) million for the comparable period in 2005. The increase in Corporate Items cost of revenue was primarily due to environmental changes in estimate benefits of $1.6 million recorded in 2005 and a $0.5 million property tax refund received in 2005 with no similar benefits in the comparable period of 2006. As a percentage of revenues, combined cost of revenues in 2006 decreased by 1.9% to 71.2% from 73.1% for the comparable period in 2005.

We believe that our ability to manage operating costs is an important factor in our ability to remain price competitive. We continue to upgrade the quality and efficiency of our waste treatment services through the development of new technology and continued modifications and upgrades at our facilities, and implementation of strategic initiatives. We plan to continue to focus on achieving cost savings relating to purchased goods and services through the strategic sourcing initiative. However, we cannot assure that our efforts to manage future operating expenses will be successful.

Selling, General and Administrative Expenses

Total selling, general and administrative expenses for the three months ended March 31, 2006 increased $4.0 million to $28.4 million from $24.4 million for the comparable period in 2005. Technical Services selling, general and administrative expenses for the three months ended March 31, 2006 increased $1.4 million to $13.1 million from $11.7 million for the comparable period in 2005 primarily due to increased headcount and related labor costs associated with strategic and regional management resources. Site Services selling, general and administrative expenses increased $0.8 million to $6.0 million for the three-month period ended March 31, 2006 from $5.2 million for the corresponding period of the preceding year. The increase was primarily due to additional headcount and related labor costs associated with strategic and regional management resources. Corporate Items selling, general and administrative expenses for the three months ended March 31, 2006 increased $1.9 million to $9.3 million from $7.4 million for the comparable period in 2005. The increase related to environmental liability changes in estimate benefits being lower than the comparable period in 2005 by $0.7 million, increased salaries expense of $0.8 million related to stock option expense and vacation and sick time accrual adjustments, increased bonus accruals of $0.3 million and other increased costs of $0.1 million.

Accretion of Environmental Liabilities

Accretion of environmental liabilities for the three-month periods ended March 31, 2006 and 2005 was similar at $2.5 million and $2.6 million, respectively.

Depreciation and Amortization

Depreciation and amortization expense for the three months ended March 31, 2006 increased $0.1 million to $7.3 million from $7.2 million for the comparable period in 2005. The increase was primarily due to changes in estimates in landfill lives and an increase in volumes at our landfill sites.

Other Income (Expense)

For the quarter ended March 31, 206, other income (expense) of $(30) thousand consisted primarily of a loss on the sale of fixed assets.

For the quarter ended March 31, 2005, other income (expense) of $0.6 million consisted almost entirely of a $0.6 million gain relating to the settlement of an insurance claim.

Loss on Early Extinguishment of Debt

On January 12, 2006, we redeemed $52.5 million principal amount of outstanding Senior Secured Notes and paid prepayment penalties and accrued interest through the redemption date. In connection with such redemption, we recorded during the quarter ending March 31, 2006, to loss on early extinguishment of debt, an aggregate of $8.3 million, consisting of the $1.8 million unamortized portion of such financing costs, $0.6 million of unamortized discount on the Senior Secured Notes and the $5.9 million prepayment penalty required by the Indenture in connection with such redemption.

Interest Expense, Net

Interest expense, net of interest income for the three months ended March 31, 2006, decreased $2.8 million to $3.2 million from $6.0 million for the comparable period in 2005. The decrease in interest expense was primarily due to interest savings resulting from the refinancing of our credit facilities on December 1, 2005 and the redemption of $52.5 million of Senior Secured Notes on January 12, 2006.

Income Taxes

Income tax expense for the three months ended March 31, 2006 increased $663 thousand to $695 thousand from $32 thousand for the comparable period in 2005. Income tax expense for the first quarter of 2006 consisted of: a current tax expense relating to the Canadian operations of $0.4 million, including withholding taxes; federal income tax of $0.1 million; and a state income tax expense of $0.2 million relating to profitable operations in certain legal entities. Income tax expense for the first quarter of 2005 consisted primarily of a current tax benefit relating to the Canadian operations of $0.1 million net of withholding taxes and a state income tax expense of $0.1 million relating to profitable operations in certain legal entities.

SFAS 109, “Accounting for Income Taxes,” requires that a valuation allowance be established when, based on an evaluation of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Accordingly, at March 31, 2006 and December 31, 2005, we continued to maintain a full valuation allowance against our net U.S. deferred tax assets. The actual realization of the net operating loss carryforwards and other tax assets depend on having future taxable income of the appropriate character prior to their expiration. We will continue to re-evaluate the need for this valuation allowance in light of all available evidence including projections of future operating results.

Adjusted EBITDA Contribution

The combined Adjusted EBITDA contribution by segment for the three months ended March 31, 2006 increased $4.7 million to $24.8 million from $20.1 million for the comparable period in 2005. Adjusted EBITDA contribution improved for each of the two segments in 2006. The contribution of Technical Services increased $7.9 million, Site Services contribution improved $0.9 million and Corporate Items costs increased $4.1 million. The combined Adjusted EBITDA contribution was comprised of revenues of $184.5 million and $165.0 million, net of cost of revenues of $131.3 million and $120.5 million and selling, general and administrative expenses of $28.4 million and $24.4 million for the three-month periods ended March 31, 2006 and 2005, respectively.

Liquidity and Capital Resources

Cash and Cash Equivalents

We believe that our primary sources of liquidity are cash flows from operations, existing cash, marketable securities, funds available to borrow under our Revolving Facility and anticipated proceeds from assets held for sale. For the three-month period ended March 31, 2006, we generated cash from operations of $4.8 million. As of March 31, 2006, cash and cash equivalents were $34.1 million, marketable securities were $43.5 million, funds available to borrow under the Revolving Facility were $31.1 million, and properties held for sale were $7.9 million.

We intend to use our existing cash, marketable securities and cash flow from operations to provide for our working capital needs, for potential acquisitions, and to fund recurring capital expenditures. We anticipate that our cash flow provided by operating activities will provide the necessary funds on a short and long-term basis to meet operating cash requirements. In addition, we project that we will continue to meet our debt covenant requirements for the foreseeable future. We have accrued environmental liabilities valued as of March 31, 2006 at approximately $170.5 million, substantially all of which we assumed in connection with the acquisition of the CSD assets. We performed extensive due diligence investigations with respect to both the amount and timing of such liabilities. We anticipate such liabilities will be payable over many years and that cash flow from operations will generally be sufficient to fund the payment of such liabilities when required. However, events not now anticipated (such as future changes in environmental laws and regulations) could require that such payments be made earlier or in greater amounts than now anticipated, which could adversely affect our cash flow and financial condition.

Cash Flows for the three months ended March 31, 2006

For the three months ended March 31, 2006, we generated approximately $4.8 million of cash from operating activities. We reported net income for the period of $2.8 million. In addition, we reported non-cash expenses during this period totaling $12.8 million. These non-cash expenses consisted primarily of $7.3 million for depreciation and amortization, $2.5 million for the accretion of environmental liabilities and $2.4 million for the non-cash portion of the loss on early extinguishment of debt. Uses of cash for working capital purposes totaled $10.8 million, reduced cash flow from operations by the same amount, and consisted primarily of a decrease in accounts payable of $10.8 million and a decrease in other accrued expenses of $11.2 million. These uses of cash were partially offset by sources of cash from working capital that totaled $15.1 million and consisted primarily of a decrease in accounts receivable of $13.7 million.

For the three-month period ended March 31, 2006, we used $49.9 million of cash in our investing activities. Sources of cash totaled $3.8 million and consisted of the sales of restricted investments of $3.5 million and proceeds from the sale of assets of $0.4 million. Cash used in investing activities totaled $53.7 million and consisted of purchases of property, plant and equipment of $10.2 million and purchases of marketable securities of $43.5 million.

For the three-month period ended March 31, 2006, our financing activities resulted in a net use of cash of $53.0 million and consisted primarily of principal payments on our debt of $52.5 million.

Cash Flows for the three months ended March 31, 2005

For the three months ended March 31, 2005, we generated approximately $1.9 million of cash from operating activities. We reported net income for the period of $4.8 million. In addition, we recorded non-cash expenses during this period totaling $10.3 million. These non-cash expenses consisted primarily of $7.2 million for depreciation and amortization and $2.6 million for the accretion of environmental liabilities. Uses of cash for working capital purposes totaled $15.0 million, reduced cash flow from operations by the same amount, and consisted primarily of $5.8 million used for closure, post-closure and remedial liabilities, $2.5 million used for deferred revenue, $2.5 million used for unbilled receivables, $1.7 million used for income taxes, and $2.5 million of other uses. These uses of cash were partially offset by sources of cash

from working capital that totaled $2.4 million.

For the three-month period ended March 31, 2005, we generated $13.2 million of cash from investing activities. Sources of cash totaled $17.1 million and consisted of the sales of marketable securities of $16.8 million and proceeds from the sale of fixed assets of $0.3 million. Cash used in investing activities totaled $3.9 million and consisted of purchases of property, plant and equipment of $3.1 million and increases in permits of $0.8 million.

For the three-month period ended March 31, 2005, our financing activities resulted in a net use of cash of $53 thousand.

Financing Arrangements

At March 31, 2006, we had outstanding $97.5 million of eight-year Senior Secured Notes due 2012(the "Senior Secured Notes"), a $70.0 million revolving credit facility (the "Revolving Facility") and a $50.0 million synthetic letter of credit facility (the "Synthetic LC Facility").

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

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

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

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

Excess Cash Flow for the nine months ended March 31, 2006 was $25.1 million, and we anticipate Excess Cash Flow will be generated from operations during the three-month period ending June 30, 2006. Accordingly, we anticipate being required, within 120 days following June 30, 2006, to offer to repurchase the Senior Secured Notes in the amount of 50% of the Excess Cash Flow generated during the twelve-month period ending June 30, 2006. However, at March 31, 2006, we had

no outstanding first-lien obligations under our Revolving Facility or Synthetic LC Facility and, during the quarter ended March 31, 2006, the market price of the Senior Secured Notes was consistently in excess of the 104% of principal amount at which we are required and permitted by the Indenture and the Credit Agreement to make Excess Cash Flow Offers for outstanding Senior Secured Notes. It therefore now appears unlikely that any holders of Senior Secured Notes will accept an Excess Cash Flow Offer made in accordance with the Indenture and the Credit Agreement unless the trading price of the Senior Secured Notes declines prior to the time in 2006 at which we will be required to make such an offer. To the extent the Note holders do not accept an Excess Cash Flow Offer based on the Excess Cash Flow earned through June 30, 2006, such Excess Cash Flow will not be included in the amount of Excess Cash Flow earned in subsequent periods. However, the Indenture's requirement to make Excess Cash Flow Offers in respect of Excess Cash Flow earned in subsequent twelve-month periods will remain in effect.

Revolving Facility. The Revolving Facility allows us to borrow up to $70.0 million in cash, based upon a formula of eligible accounts receivable. This total is separated into two lines of credit, namely: (i) a line for us and our U.S. subsidiaries equal to $70.0 million less the principal balance then outstanding under the line for our Canadian subsidiaries and (ii) a line for our Canadian subsidiaries equal to $5.3 million. The Revolving Facility also provides that Bank of America, N.A. will issue at our request up to $50.0 million of letters of credit, with the outstanding amount of such letters of credit reducing the maximum amount of borrowings under the Revolving Facility. At March 31, 2006, we had no borrowings and $38.9 million of letters of credit outstanding under the Revolving Facility, and we had approximately $31.1 million available to borrow. Amounts outstanding under the Revolving Facility bear interest at an annual rate of either the U.S. or Canadian prime rate or the Eurodollar rate (depending on the currency of the underlying loan) plus 1.50%. We are required to pay monthly Letter of Credit and quarterly fronting fees at an annual rate of 1.5% and 0.3%, respectively, on the amount of letters of credit outstanding under the Revolving Facility and an annual administrative fee of $25 thousand. The Credit Agreement also requires us to pay an unused line fee of 0.125% per annum on the unused portion of the Revolving Facility. The term of the Revolving Facility will expire on December 1, 2010.

Under the Amended Credit Agreement, we are required to maintain a maximum Leverage Ratio (as defined below) of no more than 2.50 to 1.0 for the quarter ended March 31, 2006. The maximum Leverage Ratio then reduces to no more than 2.45 to 1.0 and 2.40 to 1.0 for the quarterly periods ending June 30, 2006 and September 30, 2006 through December 31, 2006, respectively. The maximum Leverage Ratio then reduces to no more than 2.35 to 1.0 for the quarterly periods ending March 31, 2007 through December 31, 2007, and to no more than 2.30 to 1.0 for the quarterly periods ending March 31, 2008 through December 31, 2008, and 2.25 to 1.0 for each succeeding quarter. The Leverage Ratio is defined as the ratio of the our consolidated indebtedness to our Consolidated EBITDA (as defined in the Amended Credit Agreement) achieved for the latest four-quarter period. For the four-quarter period ended March 31, 2006, the Leverage Ratio was 0.87 to 1.0.

We are also required under the Amended Credit Agreement to maintain a minimum Interest Coverage Ratio (as defined below) of not less than 2.75 to 1.0 for the quarter ended March 31, 2006. The minimum Interest Coverage Ratio then increases to not less than 2.80 to 1.0 for the quarterly periods ending June 30, 2006 and September 30, 2006, to not less than 2.85 to 1.0 for the quarterly periods ending December 31, 2006 through December 31, 2007, and to not less than 3.00 to 1.0 for each succeeding quarter. The Interest Coverage Ratio is defined as the ratio of our Consolidated EBITDA to our consolidated interest expense for the latest four-quarter period. For the quarter ended March 31, 2006, the Interest Coverage Ratio was 4.82 to 1.0.

We are also required under the Amended Credit Agreement to maintain a fixed charge coverage ratio of not less than 1.0 to 1.0 for each four-quarter period if, at the end of such four-quarter period, we have greater than $5.0 million of loans outstanding under the revolving credit facility. At March 31, 2006, we had no loans outstanding under the revolving credit facility; and therefore we were not then required to comply with the fixed charge ratio covenant.

Synthetic LC Facility. The Synthetic LC Facility provides that Credit Suisse (the "LC Facility Issuing Bank") will issue up to $50.0 million of letters of credit at our request. The Synthetic LC Facility requires that the LC Facility Lenders maintain a cash account (the "Credit-Linked Account") to collateralize our outstanding letters of credit. Should any such letter of credit be

drawn in the future and we fail to satisfy its reimbursement obligation, the LC Facility Issuing Bank would be entitled to draw upon the appropriate portion of the $50.0 million in cash which the LC Facility Lenders have deposited into the Credit-Linked Account. Acting through the LC Facility Agent, the LC Facility Lenders would then have the right to exercise their rights as first-priority lien holders (second-priority as to receivables) on substantially all of the assets of us and our U.S. subsidiaries. We have no right, title or interest in the Credit-Linked Account established under the Amended Credit Agreement for purposes of the Synthetic LC Facility. Under the Amended Credit Agreement, we were required to pay a quarterly participation fee at the annual rate of 3.10% on the $50.0 million facility. Following the redemption of $52.5 million of Senior Secured Notes on January 12, 2006, the annual rate of the quarterly participation fee was reduced to 2.85%. We are also required to pay a quarterly fronting fee at the annual rate of 0.30% of the average daily aggregate amount of letters of credit outstanding under the Synthetic LC Facility and an annual administrative fee of $65 thousand. At March 31, 2006, letters of credit outstanding under the Synthetic LC facility were $50.0 million. The term of the Synthetic LC Facility will expire on December 1, 2010.

Stockholder Matters

Stockholders' equity was $119.3 million at March 31, 2006, or $5.82 per weighted average share outstanding plus potentially dilutive common shares, compared to $115.7 million at December 31, 2005, or $6.53 per weighted average share outstanding plus potentially dilutive common shares. Stockholders' equity increased due to: (i) the profit for three months ended March 31, 2006 of $2.8 million; (ii) exercise of stock options, stock purchases under the employee stock purchase plan and related tax effects that totaled $0.6 million; (iii) the issuance and vesting of restricted stock awards in March 2006 that totaled $0.1 million; and (iv) the vesting of share-based awards that totaled $0.5 million. Partially offsetting these increases to stockholders' equity was: (i) the unfavorable effect of foreign currency translation of $0.3 million and (ii) a decrease due to the payment of dividends on the Series B Preferred Stock of $0.1 million.

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

New Accounting Pronouncements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to market risk on the interest that we pay on our debt due to changes in the general level of interest rates. Our philosophy in managing interest rate risk is to borrow at fixed rates for longer time horizons to finance non-current assets and to borrow (to the extent, if any, required) at variable rates for working capital and other short-term needs. The following table provides information regarding our fixed rate borrowings at March 31, 2006 (in thousands):

Scheduled Maturity Dates	Nine Months Remaining 2006	2007	2008	2009	2010	Thereafter	Total
Senior Secured Notes	$ —	$ —	$ —	$ —	$ —	$ 97,500	$ 97,500
Capital Lease Obligations	1,349	1,436	1,344	641	465	135	5,370
	$ 1,349	$ 1,436	$ 1,344	$ 641	$ 465	$ 97,635	$ 102,870
Weighted average interest rate on fixed rate borrowings	11.2%	11.4%	11.4%	11.5%	11.5%	11.5%	

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

Historically, we have not entered into derivative or hedging transactions, nor have we entered into transactions to finance debt off of our balance sheet. We view our investment in our Canadian and Mexican subsidiaries as long-term; thus, we have not entered into any hedging transactions between the Canadian dollar and the U.S. dollar or between the Mexican peso and the U.S. dollar. During the three-month periods ended March 31, 2006 and 2005, total foreign currency gains were $0.1 million and $0.3 million, respectively, primarily between U.S. and Canadian dollars. The Canadian subsidiaries transact approximately 22.1% of their business in U.S. dollars and at any period end have cash on deposit in U.S. dollars and outstanding U.S. dollar accounts receivable related to these transactions. These cash and receivable accounts are vulnerable to foreign currency translation gains or losses. During the three-month-period ended March 31, 2006, the U.S. dollar rose approximately 0.4% against the Canadian dollar, resulting in foreign currency exchange gains of $0.1 million. During the three-month-period ended March 31, 2005, the U.S. dollar rose approximately 0.2% against the Canadian dollar, resulting in foreign currency exchange gains of $0.3 million. The average exchange rate for the three-month periods ended March 31, 2006 and 2005 was 1.16 and 1.22 Canadian dollars to the U.S. dollar, respectively. Had the Canadian dollar been 10.0% stronger against the U.S. dollar, we would have reported increased net income by approximately $0.3 million and $0.2 million for the three-month periods ended March 31, 2006 and 2005, respectively. Had the Canadian dollar been 10.0% weaker against the U.S. dollar, we would have reported decreased net income by approximately $0.3 million and $0.2 million for the three-month periods ended March 31, 2006 and 2005, respectively. We are subject to minimal market risk arising from purchases of commodities since no significant amount of commodities are used in the treatment of hazardous waste.

ITEM 4. CONTROLS AND PROCEDURES

We believe based on our knowledge that the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows as of, and for, the periods presented in this report. We cannot provide assurance that new problems will not be found in the future. We do not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud because no control system can provide absolute assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if

any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some person or by collusion of two or more people.

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

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during the quarter ended March 31, 2006, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

CLEAN HARBORS, INC. AND SUBSIDIARIES

PART II—OTHER INFORMATION

Item 1—*Legal Proceedings*

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

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

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

Item 4—*Submission of Matters to a Vote of Security Holders*—None

Item 5—*Other Information*—None

Item 6—*Exhibits*

Item No.	Description	Location
4.28 D	Amendment No. 1 dated as of April 4, 2006, to (a) the Amended and Restated Loan and Security Agreement dated as of December 1, 2005 by and among Credit Suisse, as administrative agent for the LC Facility (as defined therein), Bank of America, N.A., as administrative agent for the Revolving Facility (as defined therein) and as syndication agent for the LC Facility, Banc of America Securities LLC, as sole arranger under the Revolving Facility, Credit Suisse, as sole bookrunner under the LC Facility, Credit Suisse and Banc of America Securities LLC, as joint lead arrangers under the LC Facility, Clean Harbors, Inc., the Canadian Borrowers (as defined therein), and the other subsidiaries of Clean Harbors, Inc. from time to time a party thereto, and (b) the Amended and Restated Security Agreement, dated as of December 1, 2005, among Clean Harbors, Inc., various subsidiaries of Clean Harbors, Inc., U.S. Bank National Association, as trustee for the second lien note creditors (as defined therein), and Credit Suisse, as collateral agent and administrative agent for the LC Facility.	Filed herewith.
10.42 F	Form of Performance-Based Restricted Stock Award Agreement	Filed herewith.
10.51	Purchase and Sale Agreement by and between SITA U.S.A., Inc. and Clean Harbors, Inc. for all of the outstanding membership interests in Teris L.L.C. dated as of May 3, 2006	Filed herewith.
31	Rule 13a-14a/15d-14(a) Certifications	Filed herewith.
32	Section 1350 Certifications	Filed herewith.

CLEAN HARBORS, INC. AND SUBSIDIARIES

SIGNATURES

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

CLEAN HARBORS, INC.
Registrant

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

Date: May 10, 2006

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

Date: May 10, 2006

Exhibit 4.28D

AMENDMENT NO. 1

AMENDMENT NO. 1 (this "**Amendment**"), dated as of April 4, 2006, to (a) the Amended and Restated Loan and Security Agreement, dated as of December 1, 2005 (as amended and in effect from time to time, the "**Loan Agreement**"; capitalized terms used herein and not defined herein shall have the meaning set forth in the Loan Agreement) by and among Credit Suisse, as administrative agent for the LC Facility, Bank of America, N.A., as administrative agent for the Revolving Facility and syndication agent for the LC Facility, Banc of America Securities LLC ("**BAS**"), as sole arranger under the Revolving Facility, Credit Suisse, as sole bookrunner under the LC Facility, Credit Suisse and BAS, as joint lead arrangers under the LC Facility, Clean Harbors, Inc., a Massachusetts corporation ("**Parent**"), the Canadian Borrowers, and each of the other Subsidiaries of Parent from time to time a party thereto (each such Subsidiary, together with Parent and Canadian Borrowers, a "**Credit Party**" and, collectively, "**Credit Parties**") and (b) the Amended and Restated Security Agreement, dated as of December 1, 2005 (as amended and in effect from time to time, the "**Security Agreement**"), among Parent, various subsidiaries of Parent, U.S. Bank National Association, as trustee for the second lien note creditors and Credit Suisse, as collateral agent and administrative agent for the LC Facility.

W I T N E S S E T H:

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

WHEREAS, the Loan Agreement is being amended at the request of the Borrowers and to make certain technical amendments;

WHEREAS, the Security Agreement is being amended to make certain technical amendments;

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

SECTION ONE Amendments.

(a) Section 1.56 of the Loan Agreement shall be amended by deleting clause (f) thereof and changing the term "(g)" to "(f)".

(b) Section 5.1 of the Loan Agreement shall be amended by adding, in clause (xii) thereof, after the term "Accounts Collateral" appears, the following: "; provided, however, that for the avoidance of doubt, to the extent such Proceeds and products shall be

used by such U.S. Credit Party to purchase or otherwise obtain items (other than money or cash) in the ordinary course of business that would otherwise be classified as Non-Accounts Collateral, such Proceeds and products shall not be deemed to be Accounts Collateral".

(c) Section 5.2(a) of the Loan Agreement shall be amended by adding, in clause (xii) thereof, after the term "Canadian Accounts Collateral" appears, the following: "; provided, however, that for the avoidance of doubt, to the extent such Proceeds and products shall be used by such Canadian Borrower to purchase or otherwise obtain items (other than money or cash) in the ordinary course of business that would otherwise be classified as Non-Accounts Collateral, such Proceeds and products shall not be deemed to be Canadian Accounts Collateral".

(d) Section 6.3(a) of the Loan Agreement shall be amended by adding, in the first sentence thereof, after the term "Receivables" appears, the following: "and the proceeds and products thereof".

(e) Section 6.3(e) of the Loan Agreement shall be amended by adding, in the first sentence thereof, after the term "Receivables" appears, the following: "and the proceeds and products thereof".

(f) Section 6.3(f) of the Loan Agreement shall be amended by replacing, in clause (ii) thereof, the words "Canadian Blocked Account" with "Deposit Account subject to a Deposit Account Control Agreement in favor of the Canadian Collateral Agent or the Accounts Collateral Agent".

(g) Section 11.3 of the Loan Agreement shall be amended by changing, in clause (d) thereof, the words "Majority Revolving Facility Lenders" to "Majority Revolving Lenders".

(h) Section 1.1 of the Security Agreement shall be amended by adding, in clause (xix) thereof, after the parenthetical, the following: "; provided, however, that if any item of Collateral is sold or otherwise transferred by Parent or its Subsidiaries in the ordinary course of business such that such item gives rise to Accounts Collateral, such item shall not be deemed Collateral".

SECTION TWO Conditions to Effectiveness. This Amendment shall become effective as of the date (the "**Amendment No. 1 Effective Date**") when, and only when the Administrative Agents shall have received counterparts of this Amendment executed by each Credit Party, the Administrative Agents and (i) with respect to the amendment described in clauses (a), (b), (c), (g) and (h) of Section One above, a number of Lenders sufficient to constitute the Majority Lenders and (ii) with respect to the amendments described in clauses (d), (e) and (f) of Section One above, a number of Lenders sufficient to constitute the Majority Revolving Lenders. The effectiveness of this Amendment (other than Sections Five, Six and

Seven hereof) is conditioned upon the accuracy of the representations and warranties set forth in Section Three hereof.

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

SECTION FOUR Reference to and Effect on the Loan Agreement and the Security Agreement. On and after the Amendment No. 1 Effective Date, each reference in the Loan Agreement or Security Agreement, to "this Agreement," "hereunder," "hereof" or words of like import referring to the Loan Agreement or the Security Agreement, respectively, and in each of the Financing Agreements to "the Loan Agreement,", "the Security Agreement," "thereunder," "thereof" or words of like import referring to the Loan Agreement or Security Agreement, respectively, shall mean and be a reference to the Loan Agreement or Security Agreement, respectively, as amended by this Amendment. The Loan Agreement and each other Financing Agreement, as specifically amended by this Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or any Agent under any of the Financing Agreements, nor constitute a waiver of any provision of any of the Financing Agreements.

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

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

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

[Signature Pages Follow]

CREDIT PARTIES

CLEAN HARBORS, INC.

ALTAIR DISPOSAL SERVICES, LLC

BATON ROUGE DISPOSAL, LLC

BRIDGEPORT DISPOSAL, LLC

CH INTERNATIONAL HOLDINGS, INC.

CLEAN HARBORS ANDOVER, LLC

CLEAN HARBORS ANTIOCH, LLC

CLEAN HARBORS ARAGONITE, LLC

CLEAN HARBORS ARIZONA, LLC

CLEAN HARBORS OF BALTIMORE, INC.

CLEAN HARBORS BATON ROUGE, LLC

CLEAN HARBORS BDT, LLC

CLEAN HARBORS BUTTONWILLOW, LLC

CLEAN HARBORS CHATTANOOGA, LLC

CLEAN HARBORS COFFEYVILLE, LLC

CLEAN HARBORS COLFAX, LLC

CLEAN HARBORS DEER PARK, L.P.

CLEAN HARBORS DEER TRAIL, LLC

CLEAN HARBORS DISPOSAL SERVICES, INC.

CLEAN HARBORS FINANCIAL SERVICES COMPANY

CLEAN HARBORS FLORIDA, LLC

CLEAN HARBORS GRASSY MOUNTAIN, LLC

CLEAN HARBORS KANSAS, LLC

CLEAN HARBORS LAPORTE, L.P.

CLEAN HARBORS LAUREL, LLC

By: /s/ Stephen Moynihan

Title: Senior Vice President

CLEAN HARBORS LONE MOUNTAIN, LLC

CLEAN HARBORS LONE STAR CORP.

CLEAN HARBORS LOS ANGELES, LLC

CLEAN HARBORS (MEXICO), INC.

CLEAN HARBORS OF TEXAS, LLC

CLEAN HARBORS PECATONICA, LLC

CLEAN HARBORS PLAQUEMINE, LLC

CLEAN HARBORS PPM, LLC

CLEAN HARBORS REIDSVILLE, LLC

CLEAN HARBORS SAN JOSE, LLC

CLEAN HARBORS TENNESSEE, LLC

CLEAN HARBORS WESTMORLAND, LLC

CLEAN HARBORS WHITE CASTLE, LLC

CROWLEY DISPOSAL, LLC

DISPOSAL PROPERTIES, LLC

GSX DISPOSAL, LLC

HARBOR MANAGEMENT CONSULTANTS, INC.

HARBOR INDUSTRIAL SERVICES TEXAS, L.P.

HILLIARD DISPOSAL, LLC

NORTHEAST CASUALTY REAL PROPERTY, LLC

ROEBUCK DISPOSAL, LLC

SAWYER DISPOSAL SERVICES, LLC

SERVICE CHEMICAL, LLC

TULSA DISPOSAL, LLC

CLEAN HARBORS ENVIRONMENTAL SERVICES, INC

By: /s/ Stephen Moynihan

Title: Senior Vice President

CLEAN HARBORS OF BRAINTREE, INC.

CLEAN HARBORS OF NATICK, INC.

CLEAN HARBORS SERVICES, INC.

MURPHY'S WASTE OIL SERVICE, INC.

CLEAN HARBORS KINGSTON FACILITY CORPORATION

CLEAN HARBORS OF CONNECTICUT, INC.

SPRING GROVE RESOURCE RECOVERY, INC.

CH CANADA HOLDINGS CORP.

CH CANADA GP, INC.

CLEAN HARBORS CANADA LP

CLEAN HARBORS CANADA, INC.

CLEAN HARBORS QUEBEC, INC.

CLEAN HARBORS MERCIER, INC.

510127 N.B. INC.

By: /s/ Stephen Moynihan

Title: Senior Vice President

REVOLVING ADMINISTRATIVE AGENT,
ACCOUNTS COLLATERAL AGENT AND
US REVOLVING LENDER

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

By: /s/ Christopher M. O'Halloran

Title: Vice President

CANADIAN COLLATERAL AGENT
AND CANADIAN LENDER

BABC GLOBAL FINANCE, INC.,
Individually and as Agent

By: /s/ Jim Hitchcock

Title: Vice President

LC FACILITY ADMINISTRATIVE AGENT
AND LC FACILITY COLLATERAL AGENT

CREDIT SUISSE,
Cayman Islands branch

By: /s/ Vanessa Gomez

Title: Vice President

By: /s/ Karim Blasetti

Title: Associate

AS AN LC FACILITY LENDER

CREDIT SUISSE,
Cayman Islands branch

By: /s/ Vanessa Gomez

Title: Vice President

By: /s/ Karim Blasetti

Title: Associate

EXHIBIT 10.42F

Clean Harbors, Inc.

Performance-Based Restricted Stock Award Agreement

Employee:	[ ]
Number of Shares:	[ ]
Date of Award:	[ ]

THIS AGREEMENT (the "Agreement") is made as of the date of the award set forth above (the "Award Date") between Clean Harbors, Inc., a Massachusetts corporation (the "Company"), and the above-referenced employee (the "Participant").

For valuable consideration, receipt of which is acknowledged, the parties hereto agree as follows.

1. Grant of Shares and Vesting.

Effective as of the Award Date, the Company hereby grants to the Participant [ ] shares (the "Shares") of common stock, par value $.01 per share ("Common Stock"), as an Award of Restricted Stock pursuant to the Company's 2000 Stock Incentive Plan, as amended (the "Plan"). All of the terms and conditions of the Plan are incorporated herein by reference, and any capitalized terms that are not defined herein shall have the respective meanings ascribed to such terms in the Plan. The Participant hereby accepts the Award and agrees to acquire and hold the Shares subject to the terms and conditions of the Plan and the additional terms and conditions contained herein.

During the period (the "Vesting Period") between the Award Date and the Termination Date (as defined in Section 2 hereof), the Shares shall vest (and become "Vested Shares") in such amounts and on such dates (the "Vesting Schedule") as are set out in Attachment A provided that the Company shall achieve the performance goal (the "Performance Goal") set out in Attachment A within the performance period ("Performance Period") set out in Attachment A. Notwithstanding the Vesting Schedule, one hundred (100%) percent of the Shares shall vest in the event (i) a Change of Control of the Company shall occur either (A) prior to December 31, [ ], or (B) if the Company shall have satisfied the Performance Goal by December 31, [ ], between January 1, [ ] and the Termination Date (as defined in Section 2), and (ii) on the date of such Change of Control, the Participant shall continue to be employed by the Company (or any subsidiary or parent thereof included in the term "Company" as defined in the Plan). A Change of Control of the Company shall be deemed to have occurred if the Company is a party to any merger, consolidation or sale of assets, or there is a tender offer for the Company's Common Stock, or a contested election of the Company's directors, and as a result of any such event, either (i) the directors of the Company in office immediately before such event cease to constitute a majority of the Board of Directors of the Company, or of the company succeeding to the Company's business, or (ii) any company, person or entity (including one or more persons and/or entities acting in concert as a group) other than an affiliate of the Company gains

"control" (ownership of more than fifty (50%) percent of the outstanding voting stock of the Company) over the Company. The concept of "control" shall be deemed to mean the direct or indirect ownership, beneficially or of record, of voting stock of the Company.

2. Forfeiture of Unvested Shares.

If the Participant ceases during the Vesting Period to be employed by the Company (or any subsidiary or parent thereof included in the term "Company" as defined in the Plan) for any reason (except as specifically provided in the following sentence), the Company shall automatically reacquire any of the Shares which have not vested in accordance with Section 1 (the "Unvested Shares") as of the effective date of such cessation (the "Termination Date"). In such event, the Participant shall forfeit such Unvested Shares unconditionally and shall have no further right or interest in such Unvested Shares unless the Company agrees in writing to waive its reacquisition right as to some or all of such Unvested Shares. However, if (i) the Participant ceases during the Vesting Period to be so employed because of death or permanent disability (as determined in the Committee's sole judgment) and (ii) the Company has satisfied the Performance Goal prior to such cessation of employment, then the Shares which would otherwise be treated as Unvested Shares under the preceding sentence shall instead be treated as Vested Shares. In either such event, the Participant shall forfeit such Unvested Shares unconditionally and shall have no further right or interest in such Unvested Shares unless the Company agrees in writing to waive its reacquisition right as to some or all of such Unvested Shares.

3. Administration of Stock Certificates.

(a) Concurrently with the execution hereof, the Company shall deliver either in certificated or uncertificated form (as the Committee shall elect) to American Stock Transfer & Trust Company (such company or any other agent as the Committee may select during the Vesting Period being referred to hereafter as the "Administrative Agent"). During the Vesting Period, the Administrative Agent shall hold the Shares for the benefit of the Participant, but subject to the provisions of this Agreement. Notwithstanding such deposit of the Shares with the Administrative Agent, the Participant shall retain during the Vesting Period the right to vote and enjoy all other rights and incidents of ownership of the Shares except as may be restricted hereunder.

(b) During the Vesting Period, the Administrative Agent shall keep true and accurate records of all the Shares. The Company shall indemnify and hold harmless the Administrative Agent against any and all costs or expenses (including attorneys' fees and expenses), judgments, fines, losses, claims, damages, liabilities and amounts paid in settlement in connection with any claim, action, suit, proceeding or investigation arising out of or pertaining to this Agreement.

(c) Following the close of each calendar quarter during which any of the Shares shall become Vested Shares, the Administrative Agent shall, upon the written request of the Participant but subject to potential delivery to the Company of a portion of such Vested Shares to the extent required to pay withholding taxes in accordance with Section 7 hereof, deliver to the Participant stock certificates representing such number of Vested Shares which ceased to be Unvested Shares during such calendar quarter. Following the close of the calendar quarter in which there shall remain on deposit with the Administrative Agent no Shares which have not yet become Vested Shares or been forfeited to the Company, but subject to potential delivery to the Company of a portion of such Vested Shares to the extent required to pay withholding taxes in

accordance with Section 7 hereof, the Administrative Agent shall deliver to the Participant stock certificates representing the Vested Shares (if any) remaining in the possession of the Administrative Agent. The Participant hereby authorizes the Administrative Agent to deliver to the Company any and all Shares that are forfeited under the provisions of this Agreement or that are required to pay withholding taxes in accordance with Section 7 hereof.

4. Restrictions on Transfer.

The Participant shall not sell, assign, transfer, pledge, hypothecate or otherwise dispose of, by gift, sale, operation of law or otherwise (collectively "transfer"), any Unvested Shares or any interest therein.

5. Effect of Prohibited Transfer.

The Company shall not be required (a) to transfer on its books any of the Shares which shall have been sold or transferred in violation of any of the restrictions imposed by this Agreement, or (b) to treat as owner of such Shares or to pay dividends to any transferee to whom any such Shares shall have been so sold or transferred.

6. Adjustments for Stock Splits, Stock Dividends, Etc.

If from time to time there is any stock split-up, stock dividend, stock distribution or other reclassification of the Common Stock of the Company, any and all new, substituted or additional securities to which the Participant is entitled by reason of Participant's ownership of Shares shall be immediately subject to the restrictions on transfer and other provisions of this Agreement in the same manner and to the same extent as such Shares.

7. Withholding Taxes.

(a) The Participant acknowledges and agrees that in the case of the issuance of Restricted Stock that is "substantially vested" (within the meaning of Treasury Regulations Section 1.83-3(b)), the Committee may require the Participant to remit to the Company an amount sufficient to satisfy any federal, foreign, state or local withholding tax requirements (or make other arrangements satisfactory to the Company with regard to such taxes, including withholding from regular cash compensation, providing other security to the Company, or remitting or foregoing the receipt of Shares having a fair market value on the date of delivery sufficient to satisfy such obligations prior to the issuance of any Shares pursuant to the grant of Restricted Stock).

(b) The Participant acknowledges and agrees that in the case of Restricted Stock that is not "substantially vested" upon issuance, if the Committee determines that under applicable law and regulations the Company could be liable for the withholding of any federal, foreign, state or local tax with respect to such Shares, the Committee may require the Participant to remit to the Company an amount sufficient to satisfy any such potential liability (or make other arrangements satisfactory to the Company with respect to such taxes, including withholding from regular cash compensation providing other security to the Company, or remitting or foregoing the receipt of Shares having a fair market value on the date of delivery sufficient to satisfy such obligations). The Participant shall remit such amount to the Company at either (i) the time the Participant makes an election under Section 83(b) of the Internal Revenue Code of 1986, as amended (the "Code"), with respect to such Shares, or (ii) at the time such Shares become "substantially vested." The Participant acknowledges that the Shares of Restricted Stock are

subject to the forfeiture obligation under Section 2 of this Agreement and such forfeiture obligation may be treated as a substantial risk of forfeiture within the meaning of Section 83 of the Code, and that, in the absence of an election under Section 83(b) of the Code, such treatment could delay the determination of the tax consequences of the Participant's receipt of the Shares for both the Company and the Participant (possibly to the Participant's detriment). If the Participant files a timely election under Section 83(b) of the Code, the Participant shall provide the Company with an original copy of such timely filed election and a certified mail or overnight courier receipt of such filing within 10 days of the time the election is filed.

8. Severability.

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

9. Waiver; Termination.

Any provision contained in this Agreement may be waived, either generally or in any particular instance, by the Company. This Agreement may be terminated as provided in the Plan.

10. Binding Effect.

This Agreement shall be binding upon and inure to the benefit of the Company and the Participant and their respective heirs, executors, administrators, legal representatives, successors and assigns, subject to the restrictions on transfer set forth in Section 4 of this Agreement.

11. Notice.

All notices required or permitted hereunder shall be in writing and deemed effectively given (i) upon personal delivery (ii) one (1) day after delivery to an overnight courier service which provides for a receipt upon delivery, or (iii) three (3) days after deposit with the United States Post Office, by registered or certified mail, postage prepaid, addressed, if to the Company, to Clean Harbors, Inc., 1501 Washington Street, P.O. Box 859048, Braintree, Massachusetts 02185-9048, Attention: Treasurer; if to the Administrative Agent, to the Company's aforesaid address, Attention: Treasurer; and if to the Participant, to the address shown beneath his or her respective signature to this Agreement, or at such other address or addresses as either party shall designate to the other in accordance with this Section 11.

12. Pronouns.

Whenever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural, and vice-versa.

13. Entire Agreement.

This Agreement, together with Attachment A hereto and the Plan, constitutes the entire agreement between the parties, and supersedes all prior agreements and understandings relating to the subject matter of this Agreement.

14. Amendment.

This Agreement may be amended or modified only by a written instrument executed by both the Company and the Participant.

15. Governing Law.

This Agreement shall be construed, interpreted and enforced in accordance with the laws of the Commonwealth of Massachusetts.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Award Date first above written.

Clean Harbors, Inc.

By:
Name: [ ]
Title: [ ]

ACCEPTED:

____
(Signature of Participant)

____
(Printed Name of Participant)

____
(Residence Street Address)

____
(City) (State) (Zip Code)

Attachment A

Performance Goal

[ ]

Performance Period

[ ]

Vesting Schedule

[ ]

-

Clean Harbors, Inc.	Participant
By: ______________________	
Name:[ ]	______________________ Name: [ ]
Title:[ ]	

Exhibit 10.51

PURCHASE AND SALE AGREEMENT

by and between

SITA U.S.A., INC.

and

CLEAN HARBORS, INC.

for

all of the outstanding membership interests in

TERIS L.L.C.

dated as of

May 3, 2006

RECITALS

ARTICLE I
SALE AND PURCHASE OF MEMBERSHIP INTERESTS

SECTION 1.1	Sale and Purchase of Membership Interests	1
SECTION 1.2	Purchase Price	1
SECTION 1.3	Final Determination of Purchase Price	1

ARTICLE II
CLOSING

SECTION 2.1	Closing	3

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF SELLER

SECTION 3.1	Organization and Good Standing	3
SECTION 3.2	Capitalization.	4
SECTION 3.3	Corporate Authority; Enforceability	4
SECTION 3.4	Consents and Approvals	4
SECTION 3.5	No Violations	4
SECTION 3.6	Financial Statements	5
SECTION 3.7	Absence of Certain Changes and Events	6
SECTION 3.8	Litigation; Orders	7
SECTION 3.9	Taxes	8
SECTION 3.10	Employee Benefits; ERISA; Employees	8
SECTION 3.11	Labor Matters	8
SECTION 3.12	Compliance with Laws; Governmental Authorizations	9
SECTION 3.13	Title to Properties	9
SECTION 3.14	Contracts; No Default	10
SECTION 3.15	Insurance	12
SECTION 3.16	Environmental Matters	12
SECTION 3.17	Intellectual Property	13
SECTION 3.18	Brokers and Finders	14
SECTION 3.19	Financial Assurances	14
SECTION 3.20	Insurance Relating to El Dorado Incidents	14
SECTION 3.21	No Other Representations or Warranties	14

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF BUYER

SECTION 4.1	Organization and Good Standing	14
SECTION 4.2	Corporate Authority; Enforceability	15

SECTION 4.3	Consents and Approvals	15
SECTION 4.4	No Violations	15
SECTION 4.5	Securities Act	15
SECTION 4.6	Financing	16
SECTION 4.7	Litigation	16
SECTION 4.8	Brokers and Finders	16

ARTICLE V
COVENANTS

SECTION 5.1	Operation of the Company	16
SECTION 5.2	Access	17
SECTION 5.3	Required Approvals	18
SECTION 5.4	Reasonable Best Efforts	18
SECTION 5.5	Publicity	18
SECTION 5.6	Expenses	19
SECTION 5.7	Further Assurances	19
SECTION 5.8	Notification	19
SECTION 5.9	Non-Competition; Non-Solicitation	20
SECTION 5.10	Employee Benefit Plans.	21
SECTION 5.11	Retention of Records	23
SECTION 5.12	Release of Financial Assurances	23
SECTION 5.13	Plant Closings	23
SECTION 5.14	Assignment of Certain Rights	23
SECTION 5.15	Change of Name	23
SECTION 5.16	Intercompany Obligations	24
SECTION 5.17	Compliance with Insurance; Management of Litigation and Insurance	24
SECTION 5.18	Pending Claims Related to El Dorado Incidents	24

ARTICLE VI
CONDITIONS TO CLOSING AND DELIVERABLES

SECTION 6.1	Conditions to Obligations of Buyer	24
SECTION 6.2	Conditions to Obligations of Seller	26
SECTION 6.3	Documentation to be Delivered at Closing	26

ARTICLE VII
TERMINATION

SECTION 7.1	Termination	27
SECTION 7.2	Effect of Termination	28

ARTICLE VIII
SURVIVAL OF REPRESENTATIONS; INDEMNIFICATION

SECTION 8.1	Survival of Representations and Warranties	29

SECTION 8.2	Indemnification and Reimbursement by Seller	29
SECTION 8.3	Indemnification and Reimbursement by Buyer	30
SECTION 8.4	Limitations on Indemnification Obligations.	31
SECTION 8.5	Notice and Payment of Claims	31
SECTION 8.6	Procedure for Indemnification - Third Party Claims	32
SECTION 8.7	Mitigation of Damages	33
SECTION 8.8	Exclusive Remedy	33

ARTICLE IX
TAX MATTERS

SECTION 9.1	Liability for Taxes and Related Matters	33
SECTION 9.2	Transfer Taxes	35
SECTION 9.3	Allocation of Purchase Price	35
SECTION 9.4	No Tax Withholding	36

ARTICLE X
MISCELLANEOUS

SECTION 10.1	Assignments; Successors; No Third Party Rights	36
SECTION 10.2	Entire Agreement	36
SECTION 10.3	Amendment or Modification	36
SECTION 10.4	Notices	36
SECTION 10.5	GOVERNING LAW	38
SECTION 10.6	Arbitration	38
SECTION 10.7	Severability	38
SECTION 10.8	Confidentiality	38
SECTION 10.9	Actions of the Company	39
SECTION 10.10	Descriptive Headings; Construction	39
SECTION 10.11	Counterparts	40
SECTION 10.12	Knowledge	40
SECTION 10.13	Schedules	40
SECTION 10.14	Definitions	40

PURCHASE AND SALE AGREEMENT (the "Agreement"), dated as of May 3, 2006, by and between SITA U.S.A., Inc., a Delaware corporation ("Seller"), and Clean Harbors, Inc., a Massachusetts corporation ("Buyer").

RECITALS

WHEREAS, Seller owns all of the outstanding membership interests (the "Membership Interests") in Teris L.L.C., a Delaware limited liability company (the "Company");

WHEREAS, Seller desires to sell to Buyer, and Buyer desires to purchase from Seller, all of the Membership Interests in the Company outstanding on the Closing Date (as defined in Section 2.1 hereof) upon the terms and subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants, agreements, undertakings and obligations set forth herein, and intending to be legally bound hereby, the parties hereto agree as follows (with certain terms having the respective meanings set forth in Section 10.14 hereof and Exhibit 1.2 hereto):

ARTICLE I
SALE AND PURCHASE OF MEMBERSHIP INTERESTS

SECTION 1.1 Sale and Purchase of Membership Interests. Upon the terms and subject to the conditions set forth in this Agreement and on the basis of the representations, warranties, covenants, agreements, undertakings and obligations contained herein, at the Closing, Seller hereby agrees to sell to Buyer, and Buyer hereby agrees to purchase from Seller, all of the Membership Interests, free and clear of any and all Liens, for the consideration specified in this Article I.

SECTION 1.2 Purchase Price. The purchase price for the Membership Interests shall be an amount equal to the Purchase Price, as calculated in accordance with Exhibit 1.2. Buyer shall pay to Seller at the Closing the Closing Payment by delivery of cash by wire transfer of immediately available funds. The Purchase Price shall be subject to final determination as provided in Section 1.3.

SECTION 1.3 Final Determination of Purchase Price.

(a) Calculation of Purchase Price. As soon as reasonably practicable, but in no event later than ninety (90) days after the Closing Date, Buyer shall prepare and deliver to Seller the calculation of the Purchase Price.

(b) Examination by Seller. Upon receipt of Buyer's calculation of the Purchase Price, Seller and Seller's Representatives shall be permitted during the succeeding forty-five (45) day period (the "Review Period") full access at all reasonable times to the books and records of the Company, and the personnel of, and work papers prepared by, Buyer and/or Buyer's Representatives to the extent that they relate to the Company and to such historical financial information relating to the Company as Seller may reasonably request for the purpose of reviewing

Buyer's calculation of the Purchase Price Adjustment Items. The parties hereto acknowledge and agree that Seller may retain Moore Stephens Frost for the purpose of assisting Seller in its review of Buyer's calculation of the Purchase Price Adjustment Items.

(c) Objection by Seller. On or prior to the last day of the Review Period, Seller may object to Buyer's calculation of the Purchase Price Adjustment Items by delivering to Buyer a written statement setting forth a reasonable basis for Seller's objections to Buyer's calculation of the Purchase Price Adjustment Items (the "Statement of Objections"). If Seller fails to deliver the Statement of Objections within the Review Period, Buyer's calculation of the Purchase Price Adjustment Items shall be deemed to have been accepted by Seller and shall be used in computing the difference between the Purchase Price and the Closing Payment (the "Adjustment Amount"). If Seller delivers the Statement of Objections within the Review Period, Seller and Buyer shall negotiate in good faith to resolve such objections, and, if the same are so resolved, the calculation of the Purchase Price with such changes to the Purchase Price Adjustment Items as may have been previously agreed in writing by Seller and Buyer shall be final and binding.

(d) Resolution of Disputes. If Seller and Buyer shall fail to reach an agreement with respect to all of the matters set forth in the Statement of Objections, then such matters shall, not later than fifteen (15) days after one of the parties affirmatively terminates discussions in writing with respect to the Statement of Objections, be submitted for resolution to the New York office of KPMG LLP (the "Accounting Expert") who shall, acting as experts and not as arbitrators, resolve the disputes set forth in the Statement of Objections and make any adjustments to the calculation of the Purchase Price.

(e) Fees of the Accounting Expert. The fees of the Accounting Expert shall be divided equally between Seller and Buyer.

(f) Access to Supporting Documentation. Subject to, and to the extent permitted by, any applicable Laws, Seller and Buyer and their respective Representatives shall each make readily available to the Accounting Expert all relevant work papers and books and records relating to the Company and those relating to Seller (but only to the extent that they relate to the Company), and copies of all such materials and information provided by a party to the Accounting Expert shall be concurrently delivered to the other party to the proceeding.

(g) Determination by Accounting Expert. The parties shall jointly instruct the Accounting Expert to make a determination as soon as practicable within thirty (30) days (or such other time as the parties hereto shall agree in writing) after its engagement and its resolution of the dispute and its adjustments to the calculation of the Purchase Price shall be conclusive and binding upon the parties hereto.

(h) Payment of Adjustment Amount. Within two (2) Business Days of the later of (i) acceptance of Buyer's calculation of the Purchase Price Adjustment Items or (ii) the resolution of Seller's objections in connection therewith, to the extent that the Purchase Price is less than or more than the Closing Payment, Seller shall pay to Buyer (if the Purchase Price is less than the Closing Payment) or Buyer shall pay to Seller (if the Purchase Price is greater than the Closing Payment), as the case may be, the Adjustment Amount together with interest thereon

equal to LIBOR calculated on the basis of a 360-day year and the actual number of days elapsed from the Closing Date to the date on which the Adjustment Amount is paid. Any such payment shall be in United States dollars in federal or other immediately available funds as directed by Buyer or Seller, as the case may be.

ARTICLE II
CLOSING

SECTION 2.1 Closing. Unless otherwise mutually agreed in writing between Seller and Buyer, the closing for the sale and purchase of the Membership Interests (the "Closing") shall take place at the offices of Sullivan & Cromwell LLP, 125 Broad Street, New York, New York, at 9:00 A.M. on the later of (i) July 31, 2006 or (ii) the third (3rd) Business Day (the "Closing Date") following the day on which the last to be fulfilled or waived of the conditions set forth in Article VI (other than those conditions that either by their nature or expressly are to be satisfied at the Closing, but subject to the fulfillment or waiver of those conditions) shall be satisfied or waived in accordance with this Agreement.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Buyer as of the date hereof as follows:

SECTION 3.1 Organization and Good Standing.

(a) Each of Seller and the Company is duly organized, validly existing and in good standing under the laws of its respective jurisdiction of organization, with full corporate or limited liability company power and authority, as the case may be, to conduct its business as it is now being conducted, to own or use the properties or assets that it purports to own or use, and to perform all of its respective obligations under this Agreement. The Company is duly qualified or licensed to do business as a foreign limited liability company and is in good standing as a foreign limited liability company in each jurisdiction in which either the ownership or use of the properties owned or used by it, or the nature of the activities conducted by it, requires such licensing, qualification or good standing, except for any failure to be so licensed, qualified or in such good standing which is not reasonably likely to have a Material Adverse Effect on the Company.

(b) Seller has made available or delivered to Buyer a true, complete and correct copy of the Company's Certificate of Formation and Third Amended and Restated Limited Liability Company Agreement and Operating Agreement, each as amended to date (collectively, the "Company's Organizational Documents"). The Company's Organizational Documents so made available or delivered are in full force and effect.

(c) The Company does not have any Subsidiaries. Except as set forth in Schedule 3.1(c) of the Disclosure Schedule, the Company is not party to any Contract to acquire any capital stock or equity interest, investment or other securities of any Person or any direct or indirect equity or ownership interest in any other business.

SECTION 3.2 Capitalization.

(a) The Membership Interests constitute the entire membership interest in the Company.

(b) Seller is and shall be on the Closing Date the sole record and beneficial owner of the Membership Interests, free and clear of all Liens.

(c) There are no membership interests of the Company reserved for issuance or subject to preemptive rights, or any outstanding subscriptions, options, warrants, calls, rights, convertible securities or other agreements or other instruments outstanding or in effect giving any Person the right to acquire any membership interests of the Company. The Company does not have outstanding any bonds, debentures, notes or other obligations the holders of which have the right to vote (or convertible into or exercisable for securities having the right to vote) with the Membership Interests on any matter.

SECTION 3.3 Corporate Authority; Enforceability. Seller has the full legal right, requisite corporate power and corporate authority, and has taken all corporate action necessary in order, to execute, deliver and perform fully its obligations under this Agreement and to consummate the transactions contemplated herein. This Agreement is a valid and binding agreement of Seller, enforceable against Seller in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights and to general equity principles (the "Bankruptcy Exception"). Seller Parent has the full legal right, requisite corporate power and corporate authority, and prior to delivery of the Seller Parent Guarantee, Seller Parent will have taken all corporate action necessary, in order to execute, deliver and perform fully its obligations under the Seller Parent Guarantee. Upon delivery of the Seller Parent Guarantee, the Seller Parent Guarantee will be a valid and binding agreement of Seller Parent, enforceable against Seller Parent in accordance with its terms, subject to the Bankruptcy Exception.

SECTION 3.4 Consents and Approvals. Except as set forth in Schedule 3.4 of the Disclosure Schedule, no notices, reports, submissions, applications or other filings are required to be made by Seller with, nor are any consents, registrations, approvals, declarations, permits, expiration of any applicable waiting periods or authorizations required to be obtained by Seller from, any Governmental Entity, in connection with the execution or delivery of this Agreement by Seller, the performance by Seller of its obligations hereunder or the consummation by Seller of the transactions contemplated herein, the failure to make or obtain any or all of which is reasonably likely to have a Material Adverse Effect on the Company.

SECTION 3.5 No Violations. Assuming the making of the filings and the procurement of the consents set forth in Schedule 3.4 of the Disclosure Schedule and the obtaining of the consents described in Schedule 3.5 of the Disclosure Schedule, the execution and delivery of this Agreement by Seller does not, and the performance and consummation by Seller of any of the transactions contemplated herein will not, with respect to each of Seller and the Company, directly or indirectly (with or without the giving of notice or the lapse of time or both):

(a) violate the Certificate of Incorporation or By-laws of Seller or the Company's Organizational Documents;

(b) contravene, conflict with, or constitute or result in a breach or violation of, or a default under, or the cancellation, modification or termination of, or the acceleration of, or the creation of a Lien on any properties or assets owned or used by the Company pursuant to, any provision of any Contract under which Seller or the Company is bound or by which any of their respective assets are bound, in each case other than as set forth in Schedule 3.5(b) of the Disclosure Schedule;

(c) require the Company to obtain the consent, waiver, authorization or approval of, or give notice to, any Person under any Contract of the Company, other than as set forth in Schedule 3.5(c) of the Disclosure Schedule; or

(d) violate any applicable Law,

except, in the case of each of (b) through (d), inclusive, as is not reasonably likely to have a Material Adverse Effect on the Company.

SECTION 3.6 Financial Statements.

(a) Schedule 3.6(a)-1 of the Disclosure Schedule sets forth (i) the audited balance sheets of the Company as at December 31, 2005 (the "*Balance Sheet*") and December 31, 2004 and the audited statements of income of the Company for the fiscal years ended December 31, 2005, December 31, 2004 and December 31, 2003 and (ii) the unaudited balance sheet of the Company as at March 31, 2006 (the "*Interim Balance Sheet*") and the unaudited statement of income of the Company for the three months ended March 31, 2006 (collectively, the "*Financial Statements*"). Prior to Closing, in accordance with Section 5.1(f), Seller shall deliver to Buyer the unaudited balance sheet of the Company as at June 30, 2006 and the unaudited statement of income of the Company for the six months ended June 30, 2006 (collectively, the "*Unaudited June 30 Financial Statements*"). Except as set forth on Schedule 3.6(a)-2 of the Disclosure Schedule, the Financial Statements have been, and the Unaudited June 30 Financial Statements will be, prepared in conformity with GAAP (except that the financial statements in (ii) above do not, and the Unaudited June 30 Financial Statements will not, reflect year-end adjustments, and that GAAP may require financial statements to be accompanied by footnotes, and the financial statements in (ii) above are not, and the Unaudited June 30 Financial Statements will not be, accompanied by footnotes) consistently applied during the periods involved, and present, or will present, fairly in all material respects the financial condition and results of operations of the Company as of the dates thereof and for the periods indicated therein. Schedule 3.6(a)-3 of the Disclosure Schedule sets forth the unaudited balance sheet of Seller Parent as at December 31, 2005 and the unaudited statement of income of Seller Parent for the fiscal year ended December 31, 2005 (collectively, the "Seller Parent Financial Statements"). The Seller Parent Financial Statements have been prepared in conformity with IFRS consistently applied during the period involved, and present fairly in all material respects the financial condition and results of operation of Seller Parent as of and for the period indicated.

(b) Except as set forth in Schedule 3.6(b) of the Disclosure Schedule, the Company has no Liabilities or obligations of any nature required by GAAP to be reflected on the Interim Balance Sheet except for (i) Liabilities or obligations in the amounts disclosed, reflected or reserved against in the Interim Balance Sheet and (ii) Liabilities incurred in the Ordinary Course of Business since March 31, 2006.

(c) All accounts receivable of the Company that are reflected on the Interim Balance Sheet or on the accounting records of the Company as of the Closing Date (collectively, the "Accounts Receivable") represent or will represent obligations arising from sales actually made or services actually performed in the Ordinary Course of Business, and Seller knows of no reason why any of such accounts receivable, over and above any reserves stated on the Interim Balance Sheet, should not be fully collectible in the Ordinary Course of Business.

(d) Since the date of the Interim Balance Sheet through the date hereof, there have not been any write-offs of any Accounts Receivable of the Company except for write-offs that were made in the Ordinary Course of Business and that will be reflected in the calculation of the Purchase Price.

SECTION 3.7 Absence of Certain Changes and Events. Except as set forth in Schedule 3.7 of the Disclosure Schedule and other than actions taken in respect of the transactions contemplated herein, since December 31, 2005, the Company has operated only in, and has not engaged in any transaction other than in, the Ordinary Course of Business, and there has not been any:

(a) event, occurrence or development of which Seller has knowledge that has had, or is reasonably likely to have, a Material Adverse Effect on the Company;

(b) material damage, destruction or other casualty loss with respect to any material asset or property owned, leased or otherwise used by the Company that is reasonably likely to have a Material Adverse Effect on the Company;

(c) (i) increase in the bonus, salary, severance or other compensation payable by the Company or to become payable by the Company to the officers or employees of the Company (except for increases made in accordance with existing Seller Benefit Plans, required by Law or made in the Ordinary Course of Business) or (ii) adoption or amendment of, or increase in the payments to or benefits under, any profit sharing, bonus, thrift, stock option, deferred pension, retirement, or other employment benefit plan payable by the Company in respect of any officer or employee of the Company (other than as required by Law or made in the Ordinary Course of Business);

(d) effectuation by the Company of (i) a "plant closing" (as defined in the Worker Adjustment and Retraining Act of 1988, as amended (the "WARN Act")) affecting any site of employment or one or more facilities or operating units within any site of employment or facility of the Company or (ii) a "mass layoff" (as defined in the WARN Act) affecting any site of employment or one or more facilities or operating units within any site of employment or facilities

of the Company, except, in either case, after fully complying with the notice and other requirements of the WARN Act;

(e) sale, lease, alteration, or other disposition of, or write down of the book value of (except with respect to amortization and depreciation calculated in a manner consistent with the Financial Statements) any material asset of the Company reflected on the Interim Balance Sheet which has a book value in excess of $500,000 or any items of property, plant and equipment which in the aggregate have a book value in excess of $1,000,000;

(f) (i) acquisition (including by merger, consolidation or acquisition of stock or assets) by the Company of any Person or any division thereof or material portion of the assets thereof; or (ii) liquidation, dissolution or winding up of the Company;

(g) entry into, amendment to, termination of, or receipt of notice of termination of (i) any material Contract or transaction involving a total remaining commitment by the Company extending for more than one (1) year and of at least $500,000; or (ii) any material leases or subleases for all or any portion of the Leased Real Property;

(h) (i) incurrence of any indebtedness by the Company for borrowed money (other than intercompany payables), guarantee issued by the Company of the obligations of any Person, or any loans or advances made by the Company (other than intercompany receivables), in each case except in the Ordinary Course of Business; or (ii) creation or assumption by the Company of any Lien on any material asset other than in the Ordinary Course of Business and in an amount less than $250,000 individually or $500,000 in the aggregate for all such Liens;

(i) (i) cancellation, settlement, compromise, release or waiver of any claims or rights with a value to the Company in excess of $500,000; (ii) settlement, release or compromise of any material Action in connection with the Company, other than such Actions in which the amount paid in settlement, release or compromise, including the cost to the Company of complying with any provision of such settlement, release or compromise other than cash payments, does not exceed $500,000; or (iii) modification, amendment, cancellation or termination of any material Contract of the Company or waiver, release or assignment of any material rights or claims other than in the Ordinary Course of Business; or

(j) entry into any Contract by the Company to do any of the foregoing.

SECTION 3.8 Litigation; Orders.

(a) Except as set forth in Schedule 3.8(a) of the Disclosure Schedule, (i) there are no Actions pending or, to the knowledge of Seller, threatened against or involving Seller or the Company that have resulted or could be reasonably expected, individually or in the aggregate, to result in a Material Adverse Effect on the Company and (ii) as of the date hereof, there are no Actions pending or, to the knowledge of Seller, threatened, against Seller or the Company that are reasonably likely to question, challenge the validity of, or have the effect of preventing, delaying, making illegal or otherwise interfering with, this Agreement, the transactions contemplated herein

or any action taken or proposed to be taken by Seller or the Company pursuant hereto or in connection with the transactions contemplated herein.

(b) Except as set forth in Schedule 3.8(b) of the Disclosure Schedule, since January 1, 2005, no Governmental Entity of competent jurisdiction or any arbitrator or arbitrators or dispute resolution body has issued any Order that has resulted in or could be reasonably expected to have a Material Adverse Effect on the Company.

SECTION 3.9 Taxes. Except as set forth in Schedule 3.9 of the Disclosure Schedule, (a) all Tax Returns required to have been filed by or for the Company have been timely filed (taking into account any extensions); (b) all Taxes shown to be payable on such Tax Returns have been or will be timely paid;(c) no Governmental Entity has asserted or assessed in writing a deficiency for any Tax against the Company that has not been satisfied by payment, settled or withdrawn; (d) no Governmental Entity has asserted in writing that the Company is required to file a Tax Return in any jurisdiction where it has not filed a Tax Return; (e) the Company has not made an election to be treated as a corporation for United States federal income tax purposes pursuant to Section 301.7701-3 of the Code; and (f) Seller is a United States person as defined in Section 7701(a)(30) of the Code.

SECTION 3.10 Employee Benefits; ERISA; Employees.

(a) Schedule 3.10(a) of the Disclosure Schedule contains a list of all "employee pension benefit plans" (as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended, and the regulations thereunder ("ERISA")), "employee welfare benefit plans" (as defined in Section 3(1) of ERISA), and all other employee benefit plans, programs, arrangements, or individual contracts providing employee benefits, formal or informal, funded or unfunded, registered or unregistered, which in each case is maintained, or contributed to, by Seller, the Company or any other ERISA Affiliate of Seller for the benefit of any current employees, officers or members of the board of managers of the Company or any former employee, including without limitation bonus, profit sharing, deferred compensation, incentive compensation, stock ownership, stock purchase, stock option, phantom stock, stock appreciation, retirement, vacation, severance, retention, disability, death benefit, fringe benefit, hospitalization, medical, retiree medical, dental, tuition, sick leave, maternity, paternity or family leave, health care reimbursement, dependent care assistance, or other similar benefit arrangements (the "Seller Benefit Plans") but excluding for this purpose any plan maintained by a Governmental Entity (including, without limitation, the U.S. Social Security system, Medicare and other similar programs).

(b) Schedule 3.10(b) of the Disclosure Schedule contains a list of the name, job title, location, current base salary and the amount of any bonus paid in respect of the 2005 fiscal year, and Service Date of each employee of the Company.

SECTION 3.11 Labor Matters. As of the date of this Agreement, except as set forth in Schedule 3.11 of the Disclosure Schedule:

(a) The Company is not a party to or otherwise bound by any collective bargaining agreement, contract or other agreement or understanding with a labor union or labor

organization, nor, as of the date hereof, is the Company the subject of any material proceeding asserting that the Company has committed an unfair labor practice or seeking to compel it to bargain with any labor union or labor organization nor is there pending or, to the knowledge of Seller, threatened, nor has there been for the past two (2) years, any labor strike, dispute, walk-out, work stoppage or slow-down involving the Company.

(b) There is no lockout (or other similar action) of any employees by the Company, and no such action is contemplated as of the date hereof by the Company.

(c) The Company is not delinquent in payments to any employees for any wages, salaries, commissions, bonuses or other compensation for any services performed by them relating to the Company or amounts required to be reimbursed to such employees.

SECTION 3.12 Compliance with Laws; Governmental Authorizations.

(a) Except as set forth in Schedule 3.12(a) of the Disclosure Schedule:

(i) The Company has not been, and is not being, operated in violation of any Laws, except for violations or possible violations that, individually or in the aggregate, are not reasonably likely to have a Material Adverse Effect on the Company.

(ii) No investigation or review by any Governmental Entity with respect to the Company is pending or, to the knowledge of Seller, threatened, nor has any Governmental Entity indicated an intention to conduct the same, except for those the outcome of which are not, individually or in the aggregate, reasonably likely to have a Material Adverse Effect on the Company.

(iii) The Company has obtained and is in compliance in all material respects with all material governmental permits, licenses, franchises, registrations, certifications, variances, exemptions, orders and other governmental authorizations, consents and approvals necessary to conduct its business as presently conducted except those the absence of which are not, individually or in the aggregate, reasonably likely to have a Material Adverse Effect on the Company.

(b) This Section 3.12 does not relate to tax matters or environmental matters, such matters being the subject of Section 3.9 and Section 3.16, respectively.

SECTION 3.13 Title to Properties.

(a) Except as set forth in Schedule 3.13(a) of the Disclosure Schedule, as of the Closing Date, the Company will have good and valid title to all assets reflected on the Interim Balance Sheet or acquired after the date of the Interim Balance Sheet, except those sold or otherwise disposed of since the date of the Interim Balance Sheet in the Ordinary Course of Business and not in violation of this Agreement and, in each case, free and clear of all Liens of any

kind except (i) mechanics', carriers', workmen's, repairmen's, warehouseman's or other like statutory Liens arising or incurred in the Ordinary Course of Business, (ii) Liens for Taxes, assessments not yet due and payable or due but not delinquent and (iii) other imperfections of title or encumbrances, if any, which individually, or in the aggregate, are not material in amount and which do not materially impair the continued use and operation of the assets to which they relate in the business of the Company as presently conducted (collectively, the "Permitted Liens"). This Section 3.13(a) does not relate to Owned Real Property or Leased Real Property, such items being the subject of Section 3.13(b) and (c), respectively, or intellectual property, which is the subject of Section 3.17.

(b) Schedule 3.13(b)-1 of the Disclosure Schedule contains a true, complete and correct list of all real property that is owned in fee by the Company (the "Owned Real Property"). The Company has good and marketable title to and is the record owner of the Owned Real Property, free and clear of all Liens except for Permitted Liens, except as would not, individually or in the aggregate, be reasonably likely to have a Material Adverse Effect on the Company. Except as set forth in Schedule 3.13(b)-2 of the Disclosure Schedule, none of the Owned Real Property is subject to any right or option of any other Person to purchase or lease an interest in such Owned Real Property, and no Person (other than the Company) has any right to use, occupy or lease any of the Owned Real Property, other than any right pursuant to a Permitted Lien.

(c) Schedule 3.13(c) of the Disclosure Schedule contains a true, complete and correct list of all real property leased or subleased to the Company (the "Leased Real Property"). The Company is not in material breach of or default under any such lease or sublease except for breaches or defaults that would not, individually or in the aggregate, be reasonably likely to have a Material Adverse Effect on the Company, and the Company has not received any written notice alleging any material breach or default by the Company or notice of termination, modification or acceleration by any third party thereunder, except for such breaches, defaults, terminations, modifications or accelerations that are not, individually or in the aggregate, reasonably likely to have a Material Adverse Effect on the Company. Seller has made available to Buyer true and correct copies of each lease or sublease pursuant to which the Company has the right to occupy any Leased Real Property (the "Real Property Leases").

(d) Neither the Company nor Seller has received notice of any proceeding to change or redefine the zoning classification of all or any portion of the Company's Owned Real Property or Leased Real Property, nor to the knowledge of Seller is any such proceeding proposed or pending, except in each case as would not, individually or in the aggregate, be reasonably likely to have a Material Adverse Effect on the Company.

SECTION 3.14 Contracts; No Default.

(a) Schedule 3.14 of the Disclosure Schedule contains a list of all of the following Contracts relating to the Company as of the date of this Agreement:

(i) each Contract for the purchase of materials or personal property with any supplier or for the furnishing of services to the Company under the terms

of which the Company is obligated to pay or otherwise give annual consideration of more than $500,000;

(ii) each Contract for the sale of personal property by the Company that is reasonably likely to involve annual consideration of more than $500,000;

(iii) all Contracts that limit or purport to limit the ability of the Company in any material respect to compete in any line of business or with any Person or in any geographic area or during any period of time, or otherwise materially restrict the conduct of the Company or the use of the assets of the Company as presently conducted and used (other than leases for personal property or software licenses);

(iv) all Contracts that will continue after the Closing of the transactions contemplated hereunder between or among Seller or any of its Affiliates (other than the Company), on the one hand, and the Company, on the other hand;

(v) any material Contract that requires the Company to conduct business exclusively with one or more Persons in any particular geographic area or with respect to any particular product or service;

(vi) other than as disclosed on Schedule 3.10(a) of the Disclosure Schedule, any Contract presently in effect between the Company and any current or former officer, manager, consultant or other employee (or group thereof) retained or employed by the Company;

(vii) any material partnership or joint venture Contracts to which the Company is a party;

(viii) any bonds or agreements of guarantee or indemnification in which the Company acts as surety, guarantor or indemnitor;

(ix) any nondisclosure, confidentiality or standstill Contract with any Person (excluding nondisclosure or confidentiality agreements with any Person entered into in the Ordinary Course of Business) to which the Company is a party; and

(x) the ENSCO Agreement and the HEAT Settlement Agreement.

(b) Based on Seller's knowledge, the Company and each other Person that is a party thereto is in compliance in all material respects under each such Contract, except for such noncompliance as would not have, individually or in the aggregate, a Material Adverse Effect on the Company.

(c) Except as set forth in Section 3.14(a) of the Disclosure Schedule, Seller has made available to Buyer copies of all such written Contracts, and such copies are complete and correct in all material respects, and include all material amendments and modifications thereto.

(d) Each of the ENSCO Agreement and the HEAT Settlement Agreement is in full force and effect and, to Seller's knowledge, there are no defenses to the Company's enforcement of its rights thereunder. Schedule 3.14(d) of the Disclosure Schedule sets forth the aggregate dollar amount of costs and expenses and related liabilities incurred by the Company, as of March 31, 2006, that the Company asserts to be applicable to the $10,000,000 minimum amount specified in the first sentence of Section 1.3(c) of the ENSCO Agreement.

SECTION 3.15 Insurance.

(a) Schedule 3.15(a)-1 of the Disclosure Schedule sets forth a true, complete and correct list of all insurance policies maintained by the Company as of the date hereof. Except as set forth in Schedule 3.15(a)-1 of the Disclosure Schedule, Seller has made available to Buyer true, complete and correct copies of all such policies. Schedule 3.15(a)-2 of the Disclosure Schedule sets forth a true, complete and correct list of all insurance policies maintained by Seller or its Affiliates (other than the Company) with respect to the Company or its assets and properties as of the date hereof. All such policies are in full force and effect, all premiums due and payable under such policies have been paid, and no notice of cancellation or termination has been received with respect to any such policy which has not been replaced on substantially similar terms prior to the date of such cancellation or termination.

(b) There is no material default by the Company or, to the knowledge of Seller, any other Person, with respect to any provision contained in any such policy or binder listed in Schedule 3.15(a)-1 or Schedule 3.15(a)-2 of the Disclosure Schedule.

(c) Each of the insurance policies set forth on Schedule 3.15(a)-2 of the Disclosure Schedule will terminate with respect to the Company upon Closing.

(d) Seller has provided Buyer with a description of each claim made and currently outstanding under any insurance policy, whether now in effect or no longer in effect but under which the Company retains a right to payment, covering the business or properties of the Company.

SECTION 3.16 Environmental Matters.

(a) Except as set forth in Schedule 3.16(a) of the Disclosure Schedule:

(i) the Company is in compliance with all Environmental Laws applicable to the operation of the Company except for such noncompliance that is not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on the Company;

(ii) the Company possesses all permits, licenses, registrations, identification numbers, authorizations and approvals required under applicable Environmental Laws for the operation of the Company as currently conducted except for such failures to possess that are not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on the Company;

(iii) the Company has not received any written claim, notice of violation, citation, formal administrative proceeding, or investigation, inquiry or information request (including, without limitation, any "potentially responsible person" notices) from any Governmental Entity or other Person concerning any violation or alleged violation of, or any potential liability (either directly or indirectly through a claim for indemnity or contribution) arising under, any applicable Environmental Law, except for matters that have been finally resolved or are no longer outstanding or that are not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on the Company; and

(iv) there are no currently effective Orders, or any Actions pending or, to the knowledge of Seller, threatened, concerning compliance by the Company or its facilities or operations with any Environmental Law, except for matters that have been finally resolved or are no longer outstanding or that are not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on the Company.

(b) Schedule 3.16(b) of the Disclosure Schedule sets forth all third-party solid and hazardous waste treatment, storage and disposal facilities and locations used by the Company at any time since July 25, 2001.

(c) Notwithstanding any other representation and warranty in Article III, the representations and warranties contained in this Section 3.16 constitute the sole representations and warranties of Seller relating to any Environmental Law.

SECTION 3.17 Intellectual Property.

(a) Except as set forth in Schedule 3.17 of the Disclosure Schedule, to the knowledge of Seller, the Company owns, is licensed or otherwise possesses all necessary rights to use (i) all trademarks, service marks, trade names, logos and Internet domain names, and all goodwill associated therewith, and registrations and applications therefor, including any and all renewals; (ii) all processes, methods, inventions, patents, registrations, and applications therefor, including but not limited to divisionals, continuations, continuations-in-part, reexaminations and reissues; (iii) tangible works of expression and copyrights, including but not limited to computer software programs, and any registrations or applications therefor including extensions, renewals, restorations and applications therefor; (iv) confidential and/or proprietary information, and trade secrets; and (v) similar intellectual property rights in the United States ((i) through (v) collectively, "IP Rights"), in each case that are used in the business of the Company as currently conducted, except for any such failures to own, be licensed or possess that are, individually or in the aggregate, not reasonably likely to have a Material Adverse Effect on the Company.

(b) Except as is not reasonably likely to have a Material Adverse Effect on the Company:

(i) no claims have been asserted with respect to (A) the Company's exclusive rights in, to and under any of the IP Rights owned by the Company; or

(B) the Company's violation, misappropriation, wrongful use and/or infringement of any other Person's rights in, to or under any IP Rights; and

(ii) to the knowledge of Seller, there is no unauthorized use, infringement or other violation of any of the IP Rights owned by the Company or the IP Rights exclusively licensed by the Company by any Person, including but not limited to any employee or former employee of the Company.

SECTION 3.18 Brokers and Finders. Except for Deutsche Bank AG, whose fees, if any, shall be paid by Seller, no agent, broker, investment banker, intermediary, finder, Person or firm acting on behalf of Seller or the Company or which has been retained by or is authorized to act on behalf of Seller or the Company is or would be entitled to any broker's or finder's fee or any other commission or similar fee, directly or indirectly, from any of the parties hereto in connection with the execution of this Agreement or upon consummation of the transactions contemplated herein.

SECTION 3.19 Financial Assurances. Schedule 3.19 of the Disclosure Schedule sets forth a true, complete and correct list in all material respects of each guaranty, performance bond, letter of credit or similar instrument (collectively, "Financial Assurances") under which Seller or one of its Affiliates (other than the Company) is the obligor for the benefit of the Company.

SECTION 3.20 Insurance Relating to El Dorado Incidents. The Company maintains insurance policies, or has adequate reserves on the Interim Balance Sheet, in such coverage amounts as are adequate to insure against all costs, expenses and damages to the Company (including the costs of defense and without deductible or retainage amounts) arising out of third-party claims in respect of the El Dorado Incidents.

SECTION 3.21 No Other Representations or Warranties. Except for the representations and warranties contained in this Agreement, none of Seller, the Company or any other Person makes any other express or implied representation or warranty on behalf of or with respect to Seller or the Company, and Seller, on behalf of itself, the Company and each of its Representatives, hereby disclaims any such representation or warranty.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Seller as of the date hereof as follows:

SECTION 4.1 Organization and Good Standing. Buyer is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, with full corporate power and authority to conduct its business as it is now being conducted, to own or use the properties or assets that it purports to own or use. Buyer is duly qualified or licensed to do business as a foreign corporation and is in good standing as a foreign corporation in each jurisdiction in which either the ownership or use of the properties owned or used by it, or the nature of the activities conducted by it, requires such licensing, qualification or good standing, except for

any failure to be so licensed, qualified or in such good standing, which is not reasonably likely to have a Material Adverse Effect on Buyer.

SECTION 4.2 Corporate Authority; Enforceability. Buyer has the full legal right, requisite corporate power and corporate authority and has taken all corporate action necessary in order to execute, deliver and perform fully its obligations under this Agreement and to consummate the transactions contemplated herein. This Agreement is a valid and binding agreement of Buyer, enforceable against Buyer in accordance with its terms, subject to the Bankruptcy Exception.

SECTION 4.3 Consents and Approvals. Except as set forth in Schedule 3.4 of the Disclosure Schedule, and assuming that the representations and warranties of Seller set forth in Section 3.4 are true and correct, no notices, reports, submissions, applications or other filings are required to be made by Buyer with, nor are any consents, registrations, approvals, declarations, permits, expiration of any applicable waiting periods or authorizations required to be obtained by Buyer from, any Governmental Entity, in connection with the execution or delivery of this Agreement by Buyer, the performance by Buyer of its obligations hereunder or the consummation by Buyer of the transactions contemplated herein the failure to make or obtain any or all of which is reasonably likely to have a Material Adverse Effect on Buyer. In addition, the parties hereto acknowledge that Buyer will file one or more Current Reports on Form 8-K with the SEC relating to the transactions contemplated herein.

SECTION 4.4 No Violations. Assuming the making of the filings and procurement of the consents described in Section 4.3, the execution and delivery of this Agreement by Buyer does not, and the performance and consummation by Buyer of any of the transactions contemplated herein will not, directly or indirectly (with or without the giving of notice or the lapse of time or both):

(a) violate the Articles of Organization or By-Laws of Buyer;

(b) contravene, conflict with, or constitute or result in a breach or violation of, or a default under, or the cancellation, modification or termination of, or the acceleration of, any provision of any Contract by which Buyer is bound, or to which any assets or property of Buyer is subject;

(c) require Buyer to obtain the consent, waiver, authorization or approval of, or give notice to, any Person under any Contract by which Buyer is bound, or to which any assets or property of Buyer is subject; or

(d) violate any applicable Law,

except, in the case of each of (b) through (d), inclusive, which is not reasonably likely to have a Material Adverse Effect on Buyer.

SECTION 4.5 Securities Act. Buyer is acquiring the Membership Interests for its own account and not with a view to their distribution within the meaning of Section 2(11) of the

Securities Act. Buyer has not, directly or indirectly, offered the Membership Interests to anyone or solicited any offer to buy the Membership Interests from anyone, so as to bring such offer and sale of the Membership Interests by Buyer within the registration requirements of the Securities Act. Buyer will not sell, convey, transfer or offer for sale any of the Membership Interests except in compliance with the Securities Act and any applicable state securities laws or pursuant to any exemption therefrom.

SECTION 4.6 Financing. Buyer has available, and on the Closing Date will have available, sufficient funds, available lines of credit or other sources of immediately available funds to enable it to purchase the Membership Interests on the terms and conditions of this Agreement. Buyer's obligations hereunder are not subject to any conditions regarding Buyer's ability to obtain financing for the consummation of the transactions contemplated herein.

SECTION 4.7 Litigation. As of the date hereof, there are no Actions pending or, to the knowledge of Buyer, threatened, against Buyer or any of its assets, at law, in equity or otherwise, in, before, by, or otherwise involving, any Governmental Entity, arbitrator or other Person that is reasonably likely to question, challenge the validity of, or have the effect of preventing, delaying, making illegal or otherwise interfering with, this Agreement, the transactions contemplated herein or any action taken or proposed to be taken by Buyer pursuant hereto or in connection with the transactions contemplated herein.

SECTION 4.8 Brokers and Finders. No agent, broker, investment banker, intermediary, finder, Person or firm acting on behalf of Buyer or which has been retained by or is authorized to act on behalf of Buyer is or would be entitled to any broker's or finder's fee or any other commission or similar fee, directly or indirectly, from any of the parties hereto in connection with the execution of this Agreement or upon consummation of the transactions contemplated herein.

ARTICLE V
COVENANTS

SECTION 5.1 Operation of the Company. Except for matters set forth in Schedule 5.1 of the Disclosure Schedule, prior to the Closing, except as requested or consented to by Buyer in writing, which consent shall not be unreasonably withheld or delayed, and except as otherwise expressly contemplated in this Agreement, Seller shall, and covenants and agrees to cause the Company to:

(a) operate the Company only in the Ordinary Course of Business;

(b) use its commercially reasonable efforts to preserve intact the business of the Company, keep available the services of the current officers, employees, and agents of the Company, and maintain the relationships and goodwill with suppliers, distributors, sales representatives, customers, clients, landlords, lessors, creditors, employees, agents, and others having business relationships with the Company; provided, however, that neither this Section 5.1

nor any other provision of this Agreement shall require Seller or the Company or any of their Affiliates to make any payment in respect of the foregoing;

(c) not take any affirmative action, or fail to take any reasonable action within their or its control, as a result of which any of the changes or events listed in Section 3.7 is reasonably likely to occur;

(d) subject to, and to the extent permitted by, any applicable Laws, policies, practices, procedures or direction of any Governmental Entity, confer with Buyer concerning operational matters of a material nature;

(e) provide to Buyer reports on the Company's monthly operating results, prepared on a basis consistent with past practice, for each month after March 2006 within thirty (30) days after the end of such month; and

(f) provide to Buyer the Unaudited June 30 Financial Statements.

SECTION 5.2 Access.

(a) Between the date of this Agreement and the Closing Date, subject to, and to the extent permitted by, any applicable Laws, policies, practices, procedures or direction of any Governmental Entity, Seller shall, and shall cause its Related Persons and the Company and each of their respective Representatives to, (i) afford Buyer and its Representatives and Buyer's prospective lenders and their Representatives (collectively, "Buyer's Advisors") access, at reasonable times during normal business hours after first obtaining the written consent of Seller, to the Company's personnel, premises, properties, Contracts, books and records, and other documents and data; provided, that Seller shall have the right to approve the number and identity of the Persons granted such access and to impose such other reasonable limitations as may be necessary to prevent unwarranted interruptions in the Company's day-to-day operations, including the right to limit Buyer's and Buyer's Advisors' access to certain specified individuals and the right to approve the purpose of any such access to the Company's personnel, premises and properties, Contracts, books and records, and other documents and data, (ii) furnish Buyer and Buyer's Advisors with such additional financial, operating, and other data and information as Buyer may reasonably request and (iii) otherwise cooperate with the investigation by Buyer and its Representatives of the Company, including, without limitation, any contact with regulators by or on behalf of Buyer in connection with obtaining the consents, registrations, approvals, declarations, permits or authorizations set forth in Schedule 3.4 of the Disclosure Schedule. The foregoing shall not require Seller or the Company to permit any inspection, or to disclose any information, that in the reasonable judgment of Seller is reasonably likely to result in the disclosure of any trade secrets of third parties, violate any of its obligations with respect to confidentiality or disclose information that does not relate exclusively to the Company. All requests for information made pursuant to this Section 5.2(a) shall be directed to an executive officer of Seller or such other person as may be designated by Seller, and shall not be granted to the extent deemed inconsistent with any Law, policy, practice, procedure or direction of any Governmental Entity.

(b) Following the Closing and subject to, and to the extent permitted by, any applicable Laws, policies, practices, procedures or direction of any Governmental Entity, Buyer shall and shall cause its Related Persons and the Company and each of their respective Representatives to, (i) afford Seller and its Representatives access, at reasonable times during normal business hours after first obtaining the written consent of Buyer, to the Company's personnel, premises, properties, Contracts, books and records, and other documents and data, (ii) furnish Seller and its Representatives with such additional financial, operating, and other data and information as Seller may reasonably request in order to prepare its Tax Returns and other documents and reports required to be filed with Governmental Entities and its financial statements or in connection with any Action against, investigations by any Governmental Entity of, or in connection with any Tax examination of, Seller and (iii) otherwise cooperate with the investigation by Seller and its Representatives of the Company. The foregoing shall not require Buyer to permit any inspection, or to disclose any information, that in the reasonable judgment of Buyer is reasonably likely to result in the disclosure of any trade secrets of third parties or violate any of its obligations with respect to confidentiality if Buyer shall have used reasonable best efforts to obtain the consent of such third party to such inspection or disclosure. All requests for information made pursuant to this Section 5.2(b) shall be directed to an executive officer of Buyer or such other person as may be designated by Buyer.

SECTION 5.3 Required Approvals. Buyer shall use its reasonable best efforts promptly to prepare and file all documentation, including all applications, notices, petitions, filings and other documents, and to obtain any consents, registrations, approvals, declarations, permits or authorizations, necessary to consummate the transactions contemplated herein. Seller agrees to fully cooperate with Buyer in such matters, including, without limitation, executing, or causing the Company to execute, as the case may be, such applications, notices, petitions, filings and other documents required to be executed by Seller or the Company. Buyer shall keep Seller apprised of the status of matters relating to completion of the transactions contemplated herein, including promptly furnishing Seller with copies of all material notices or other material communications received by Buyer, from all third parties and Governmental Entities with respect to the transactions contemplated herein.

SECTION 5.4 Reasonable Best Efforts. Subject to Section 7.1(c), between the date of this Agreement and the Closing Date, each of the parties hereto shall, unless otherwise specified, use their respective reasonable best efforts to cause the conditions in Sections 6.1 and 6.2 to be satisfied as promptly as practicable.

SECTION 5.5 Publicity. The initial press release announcing the transactions contemplated herein shall be released jointly after consultation between the parties hereto and thereafter the parties hereto shall consult with each other prior to issuing any press releases or otherwise making any public announcements with respect to the transactions contemplated herein and prior to making any filings with any Governmental Entity or with any national securities exchange with respect thereto, except as may be required by Law or by obligations pursuant to any listing agreement with or rules of any national securities exchange on which the securities of Ultimate Parent or Buyer are listed (in which case, the disclosing party shall make a good faith effort to notify the other party of such press release or public statement and provide the other party

a copy of the proposed press release or public statement and an opportunity to provide comments thereon (which comments the disclosing party shall not unreasonably refuse to incorporate into such release or public announcement, except where such public statement is a filing under the federal securities laws, in which case the disclosing party may refuse to incorporate such comments in its sole discretion) at least two (2) Business Days prior to the time the release or statement is made public). Nothing in this Section 5.5 shall be construed to require Seller or the Company to consult with, or obtain the prior approval of, Buyer with respect to any internal communications made prior to the Closing by Seller or the Company to the Company's employees.

SECTION 5.6 Expenses. Except as otherwise expressly provided herein, whether or not the transactions contemplated herein are consummated, all costs and expenses incurred in connection with this Agreement and the transactions contemplated herein shall be paid by the party incurring such expense. Without limiting the generality of the foregoing, each party shall pay all legal, accounting and investment banking fees, and other fees to consultants and advisors incurred by it, relating to this Agreement and the transactions contemplated herein (it being understood that expenses incurred directly by the Company shall be paid by the Company and appropriately accounted for in the calculation of the Purchase Price). Buyer shall pay all regulatory filing fees required in connection with Section 4.3 and Section 5.3 of this Agreement. Seller shall bear all expenses in respect of the Company's redemption of the Financial Debt as contemplated by Section 6.1(g) of this Agreement. In the event of termination of this Agreement, the obligation of each party to pay its own expenses will be subject to any rights of such party arising from a breach of this Agreement by the other party.

SECTION 5.7 Further Assurances. To the extent permissible under Law and the policies, practices, procedures and directions of each relevant Governmental Entity, and subject to Section 7.1(c), at any time and from time to time after the Closing Date, the parties hereto agree to (a) furnish upon request to each other such further assurances, information, documents, instruments of transfer or assignment, files and books and records, (b) promptly execute, acknowledge, and deliver any such further assurances, information, documents, instruments of transfer or assignment, files and books and records, and (c) do all such further acts and things, all as such other party may reasonably request for the purpose of carrying out the intent of this Agreement and the documents referred to herein.

SECTION 5.8 Notification. Between the date of this Agreement and the Closing Date, Seller, on the one hand, and Buyer, on the other hand, shall promptly notify the other in writing if it becomes aware of any fact or condition that causes or constitutes a breach of any of its representations and warranties as of the date of this Agreement, or if it becomes aware of the occurrence after the date of this Agreement of any fact or condition that it reasonably expects to (except as expressly contemplated herein) cause or constitute a breach of any such representation or warranty. If, in the reasonable opinion of Buyer, any such fact or condition of which Seller has notified Buyer would cause the condition set forth in Section 6.1(a) not to be satisfied (so that Buyer would not be required to consummate the purchase of the Membership Interests and to take the other actions to be taken by Buyer at the Closing), Buyer shall provide written notice to Seller to that effect no later than ten (10) days following receipt of any such notice from Seller. Between

the date of this Agreement and the Closing Date, the notifying party shall promptly notify the other of the occurrence of any breach of any covenant, agreement, undertaking or obligation of it in this Article V or of the occurrence of any event that may make the satisfaction of the conditions in Article VI impossible or not reasonably likely.

SECTION 5.9 Non-Competition; Non-Solicitation.

(a) Non-Competition. In consideration of the benefits of this Agreement to Seller and in order to induce Buyer to enter into this Agreement, Seller hereby covenants and agrees that for a period of sixty (60) months following the Closing Date it shall not, without the prior written consent of Buyer, engage in a business conducted in the continental United States that provides hazardous waste incineration services (a "Competing Business"); provided, however, that nothing herein shall restrict Seller from continuing to engage in any business that it engaged in (other than solely through the Company) at any time during the twenty-four (24) months prior to the Closing. Nothing in this Section 5.9(a) shall prohibit Seller from acquiring, directly or indirectly, control of a company (a "Subject Company") if the Subject Company is not primarily engaged, directly or indirectly, in a Competing Business; provided that if in respect of any fiscal year during the sixty (60) months following the Closing Date the revenues Seller has received from the Subject Company that were generated from the provision of services that constitute a Competing Business exceed 10% of the total revenues Seller has received from the Subject Company, Seller shall divest the business of the Subject Company that provides the services that constitute a Competing Business within twelve (12) months from such fiscal year end.

(b) Non-Solicitation.

(i) Seller hereby covenants and agrees that for a period of twenty-four (24) months following the Closing Date neither it nor any of its Subsidiaries or Related Persons shall, without the prior written consent of Buyer, directly or indirectly, solicit for employment any current employee of the Company (other than the individuals listed in Schedule 5.9(b) of the Disclosure Schedule, such individuals the "Retained Employees"); and

(ii) Buyer hereby covenants and agrees that for a period of twelve (12) months following the Closing Date neither it nor any of its Subsidiaries or Related Persons shall, without the prior written consent of Seller, directly or indirectly, solicit for employment any current employee of Seller or its Affiliates (other than any Acquired Employee),

provided, however, that (x) general solicitations of employment published in a journal, newspaper or other publication of general circulation and not specifically directed towards such employees shall not be deemed a solicitation for purposes of this Section 5.9(b) and (y) a party, its Related Persons and Representatives shall not be prohibited from employing any such person who contacts it, its Related Persons and Representatives on his or her own initiative and without any solicitation by such party, its Related Persons and Representatives.

SECTION 5.10 Employee Benefit Plans.

(a) Following the Closing Date, Buyer shall provide each of the Acquired Employees with pension and welfare benefits that are at least as favorable as the pension and welfare benefits that Buyer makes available to its similarly situated employees.

(b) Except as otherwise required by Law, Buyer shall provide, or cause the Company to provide, severance benefits, determined in accordance with the Company's severance payment schedule set forth in Schedule 5.10(b) of the Disclosure Schedule, to any Acquired Employee (but exclusive of any Retained Employee) whose employment is terminated during the one-(1) year period beginning on the Closing Date. Buyer expressly acknowledges that the Closing Payment reflects an adjustment in Buyer's favor in respect of such anticipated severance expenses. All service with Seller, the Company or any ERISA Affiliate of Seller prior to the Closing Date by any Acquired Employee shall be treated as if it were service with Buyer or any of Buyer's Affiliates for purposes of determining such severance benefits and for purposes of eligibility, vesting and accrual of benefits under all employee benefit plans provided to such Acquired Employee by the Company or Buyer following the Closing Date (other than accrual of benefits under defined benefit retirement plans), such determination, in each case, to be made on a basis consistent with Seller's and the Company's policies, except to the extent prohibited by applicable Law. Buyer shall, or shall cause the Company to, recognize for purposes of any vacation policy and sick leave program provided by Buyer or the Company to Acquired Employees following the Closing Date any benefits accrued by such Acquired Employee under the Company's vacation policy and sick leave program through the Closing Date. Buyer shall, or shall cause the Company to, recognize for purposes of any health care and welfare plans provided by Buyer or the Company to Acquired Employees following the Closing Date any co-payments and deductibles paid by any Acquired Employee or dependent of such Acquired Employee under any Seller Benefit Plan with respect to health care expenses incurred prior to the Closing Date, and shall not exclude any preexisting conditions of any such Acquired Employee or dependents that were not excluded under the Seller Benefit Plans immediately prior to the Closing Date.

(c) Buyer shall cause the Company to satisfy all obligations to reemploy or reinstate any individual who is on a leave of absence, paid or unpaid (including but not limited to a disability leave, a leave due to an injury or illness subject to workers' compensation, military leave or a leave under the Family and Medical Leave Act), or is otherwise absent from active employment for any other reason on the Closing Date and whose most recent employment prior to the Closing Date was as an employee of the Company.

(d) Prior to the Closing Date, Seller shall cause the Company to adopt flexible spending account plans that are materially identical to the Seller Benefit Plans that are flexible spending account plans. As of the Closing Date, Seller shall spin off from its flexible spending account plans to the Company's plans the portions of such plans attributable to Acquired Employees, and the Company shall thereafter assume and satisfy all liabilities and obligations under the spun-off portions of such plans, including the reimbursement of any expenses which were incurred prior to the Closing Date but which were not submitted for payment prior to the Closing Date.

(e) Buyer shall cause one or more defined contribution plans maintained by Buyer, the Company or their Affiliates after the Closing Date to accept a direct rollover pursuant to Section 401(a)(31) of the Code of any eligible rollover distribution from any Seller Benefit Plan that is a qualified defined benefit or defined contribution plan which has been elected by any Acquired Employee who remains an employee of the Company on the date the distribution is made. Such a direct rollover may include the rollover in kind of any participant loan outstanding to the individual under such a qualified defined contribution plan on the date the direct rollover occurs.

(f) Seller shall take all actions necessary to cause the Company to cease, as and where applicable, to be a participating employer in each Seller Benefit Plan as of the Closing Date, and to cause each Acquired Employee or dependent of any Acquired Employee to cease to be eligible for benefits under each Seller Benefit Plan with respect to expenses incurred or events occurring on or after the Closing Date, except for the Seller Benefit Plans set forth on Schedule 5.10(f) of the Disclosure Schedule.

(g) Buyer shall be responsible for the administration of and shall assume any and all obligations, if any, arising on or after the Closing Date under the continuation coverage requirements of §§ 601 et seq. of ERISA and § 4980B of the Code (i.e., COBRA) with respect to the Acquired Employees and their beneficiaries.

(h) No provisions of this Agreement shall create any third party beneficiary or other rights in any employee (including any beneficiary or dependent thereof) or any other persons in respect of continued employment with any of the Company, Seller or Buyer or any of their respective Affiliates, and no provision of this Agreement shall create any such rights in any such persons in respect of any benefits that may be provided, directly or indirectly, under any plan, policy or arrangement which may be established or maintained by Seller, the Company or Buyer. No provision of this Agreement shall constitute a limitation on the right of Buyer, the Company or any of Buyer's Affiliates to terminate at will, or cause the termination at will of, any employee of the Company.

(i) To the extent that the Acquired Employees remain employed with the Company or Buyer or any of its Affiliates after the Closing, such Acquired Employees shall not be deemed to be in violation of any confidentiality or non-competition agreements with Seller or any of its Affiliates (other than the Company), if applicable, solely by virtue of their continuing employment by the Company from and after the Closing Date.

(j) Prior to the Closing Date, Seller shall, or shall cause the Company to, satisfy the Company's success fee and accelerated incentive compensation payment obligations existing under the letter agreements set forth on Schedule 5.10(j) of the Disclosure Schedule. Following the Closing Date, Buyer shall, or shall cause the Company to, satisfy the Company's severance obligations existing under the letter agreements set forth on Schedule 5.10(j) of the Disclosure Schedule in accordance with their respective terms.

(k) Prior to the Closing Date, Seller shall, or shall cause the Company to, satisfy any payment obligations of the Company accrued through the Closing Date under the annual incentive compensation plans set forth on Schedule 5.10(k) of the Disclosure Schedule.

SECTION 5.11 Retention of Records. Buyer shall retain, and cause the Company to retain, all books and records relating to (i) the Seller Benefit Plans, accounting or legal matters prior to the Closing for a period of at least seven (7) years from the date hereof and (ii) Taxes until the statute of limitations (inclusive of all extensions, waivers and tolling periods) in respect of the Tax Return for which such Tax records relate has expired; provided, however, that at the end of the period referenced in clause (i) and (ii), as the case may be, any such document or record may be disposed of by Buyer or the Company, if Buyer or the Company first offers to surrender possession thereof to Seller at Seller's expense. Seller shall have the right during business hours, upon reasonable notice to Buyer or the Company, to inspect and make copies of any such records.

SECTION 5.12 Release of Financial Assurances. In the event Seller or one of its Affiliates (other than the Company) is the obligor on a guaranty, performance bond, letter of credit or similar instrument for the benefit of the Company immediately prior to Closing (other than in respect of the Financial Debt), Buyer shall use its reasonable best efforts to cause Seller or such Affiliate to be released from such obligations as of the Closing, and shall provide substitute financial assurances that are substantially equivalent to such obligations as of the Closing. Buyer shall promptly reimburse Seller for any payments Seller or such Affiliate makes on or after the Closing in respect of such obligations.

SECTION 5.13 Plant Closings. Following the Closing, Buyer shall be (i) responsible for complying, or causing the Company to comply, with the notice and other requirements of the WARN Act with respect to any site of employment, or one or more facilities or operating units within any site of employment, of the Company and (ii) liable for any noncompliance by Buyer or the Company therewith.

SECTION 5.14 Assignment of Certain Rights. On the Closing Date or as soon as reasonably practicable thereafter, Seller and its Affiliates shall deliver to Buyer all duly authorized and executed instruments required to effect an assignment to Buyer of all of Seller's and its Affiliates' rights under each confidentiality agreement to which Seller or an Affiliate of Seller is a party entered into with a third-party in connection with the Company for the benefit of the Company.

SECTION 5.15 Change of Name. Within six (6) months after the Closing Date, Buyer shall, or shall cause the Company to, file with the office of the secretary of state of the State of Delaware documents to change the name of the Company to delete any reference to "Teris", and Buyer and its Affiliates (including the Company) shall cease using all references to the name "Teris" or any other name, phrase or logo confusingly similar to any trademark currently in use by Seller or its Affiliates or any other trademark which may imply an association with or sponsorship by Seller or its Affiliates. During such six-(6) month period, Buyer and its Affiliates (including the Company) shall not use any reference to the name "Teris" or any other name, phrase or logo confusingly similar to any trademark currently in use by Seller or its Affiliates or any other trademark which may imply an association with or sponsorship by Seller or its Affiliates, other than within the continental United States. Following such six-(6) month period, Buyer and its Affiliates (including the Company) shall not create or order any new materials or displays which include the name "Teris" or any of Seller's or its Affiliates' other trademarks or logos. Buyer

agrees to have removed any signage or use of Seller's trademarks and destroy any remaining marketing materials prior to the conclusion of such six-(6) month period.

SECTION 5.16 Intercompany Obligations. Prior to the Closing, Seller will cause the payment, satisfaction and discharge of all intercompany loans outstanding between the Company, on the one hand, and the Seller or any of its Affiliates, on the other hand.

SECTION 5.17 Compliance with Insurance; Management of Litigation and Insurance. Following the Closing, Buyer shall, and shall cause the Company to, (i) fully comply with the terms of any insurance coverage in respect of the El Dorado Incidents, (ii) except as otherwise contemplated in this Section 5.17, manage any litigation in respect of the El Dorado Incidents, (iii) use its reasonable best efforts to pursue any available insurance in respect of third-party claims relating to the El Dorado Incidents and (iv) cooperate with Seller's reasonable requests for informational updates regarding the status of such litigation and any insurance recoveries related thereto. Notwithstanding clause (ii) above, Seller may, at any time and at its option, notify Buyer and the Company that it will assume and thereafter control, at its own expense, the management of any specified litigation in respect of the El Dorado Incidents. In the event Seller elects to assume and control the management of any such litigation, Buyer shall, and shall cause the Company to, fully cooperate with Seller with respect thereto, including providing Seller access to such books and records of the Company, and to such Company personnel, as Seller may deem necessary or desirable, and shall take all such further actions as Seller may request from time to time, in order to facilitate Seller's management thereof.

SECTION 5.18 Pending Claims Related to El Dorado Incidents. Immediately prior to Closing, in the event that the Company has not recovered fully on receivables for expected insurance reimbursement arising from the El Dorado Incidents (or on deductibles paid or other uninsured loss related thereto), Seller may, at its option, cause the Company to assign its rights in respect thereto to Seller or any of its Affiliates, and thereafter, Seller or such Affiliate may, at its own expense, continue to pursue such claims. In the event that Seller does not elect to cause the Company to effect such assignment, or such assignment by the Company is determined to be illegal or impermissible for any reason, then following the Closing, Buyer agrees to, and to cause the Company to, use its reasonable best efforts to pursue such claims, at Seller's expense, and to promptly deliver to Seller any receivables or recoveries that the Company receives in respect thereof.

ARTICLE VI
CONDITIONS TO CLOSING AND DELIVERABLES

SECTION 6.1 Conditions to Obligations of Buyer. The obligation of Buyer to consummate the purchase of the Membership Interests and to take the other actions to be taken by Buyer at the Closing is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived in whole or in part by Buyer):

(a) Representations and Warranties. Each of the representations and warranties of Seller set forth in this Agreement (other than any representation or warranty in respect of which Seller has delivered a notice to Buyer, and Buyer has failed to deliver a notice to Seller, in each

case pursuant to and in accordance with Section 5.8), which representations and warranties shall be deemed for purposes of this Section 6.1(a) not to include any qualification or limitation with respect to materiality (whether by reference to "material," "Material Adverse Effect" or otherwise), shall be true and correct as of the Closing Date, with the same effect as though such representations and warranties had been made on and as of the Closing Date, except that such representations and warranties that are made as of a specific date need only be true in all material respects as of such date; provided, however, that notwithstanding anything herein to the contrary, this Section 6.1(a) shall be deemed to have been satisfied even if such representations or warranties are not true and correct unless the failure of such representations or warranties to be so true and correct, in the aggregate, has had, or is reasonably likely to have, a Material Adverse Effect on the Company.

(b) Covenants. All of the covenants, agreements, undertakings and obligations that Seller is required to perform or to comply with at or prior to Closing pursuant to this Agreement and the Agreement, dated as of May 3, 2006, among McKinsey & Company, Inc. United States, Seller and Buyer, shall have been duly performed and substantially complied with in all material respects or if breached, shall have been remedied, cured or waived at or prior to the Closing.

(c) No Injunction. No temporary restraining order, preliminary or permanent injunction or other Order issued by a Governmental Entity prohibiting, preventing or enjoining the consummation of the transactions contemplated hereby shall be in effect.

(d) Consents. Each of the consents, registrations, approvals, declarations, permits or authorizations set forth in Schedule 6.1(d) of the Disclosure Schedule shall have been obtained and be in full force and effect.

(e) Resignations. Each of the members of the board of managers of the Company shall have tendered his or her written resignation from the board of managers effective upon consummation of the Closing.

(f) Seller Parent Guarantee. Seller Parent shall have delivered a guarantee substantially in the form of Annex 6.1(f) hereto (the "Seller Parent Guarantee").

(g) Redemption of Financial Debt. The Financial Debt shall have been redeemed in whole.

(h) Audit Reports and Consents. Buyer shall have received (i) manually signed counterparts of the reports of Moore Stephens Frost and Ernst & Young LLP with respect to the audited financial statements of the Company described in Section 3.6(a)(i) and (ii) consents, manually signed by each of Moore Stephens Frost and Ernst & Young LLP, to Buyer's inclusion of such reports in the Report on Form 8-K to be filed by Buyer pursuant to the Securities Exchange Act in connection with the transactions contemplated hereunder, and Buyer's incorporation by reference of such reports in Buyer's registration statements on Forms S-3 and S-8 under the Securities Act, for which Buyer shall have provided to Seller prior to Closing the applicable registration file numbers.

SECTION 6.2 Conditions to Obligations of Seller. The obligation of Seller to consummate the sale of the Membership Interests and to take the other actions to be taken by Seller at the Closing is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived in whole or in part by Seller):

(a) Representations and Warranties. Each of the representations and warranties of Buyer set forth in this Agreement, which representations and warranties shall be deemed for purposes of this Section 6.2(a) not to include any qualification or limitation with respect to materiality (whether by reference to "material," "Material Adverse Effect" or otherwise), shall be true and correct as of the Closing Date, with the same effect as though such representations and warranties had been made on and as of the Closing Date, except that such representations and warranties that are made as of a specific date need only be true in all material respects as of such date; provided, however, that notwithstanding anything herein to the contrary, this Section 6.2(a) shall be deemed to have been satisfied even if such representations or warranties are not true and correct unless the failure of such representations or warranties to be so true and correct, in the aggregate, has had, or is reasonably likely to have, a Material Adverse Effect on Buyer.

(b) Covenants. All of the covenants, agreements, undertakings and obligations that Buyer is required to perform or to comply with at or prior to Closing pursuant to this Agreement and the Agreement, dated as of May 3, 2006, among McKinsey & Company, Inc. United States, Seller and Buyer, shall have been duly performed and substantially complied with in all material respects or if breached, shall have been remedied, cured or waived at or prior to Closing.

(c) No Injunction. No temporary restraining order, preliminary or permanent injunction or other Order issued by a Governmental Entity prohibiting, preventing or enjoining the consummation of the transactions contemplated hereby shall be in effect.

SECTION 6.3 Documentation to be Delivered at Closing. In addition to the instruments and documents required by this Agreement to be exchanged or delivered by the parties at Closing:

(a) As to Seller. At the Closing, Seller shall deliver to Buyer:

(i) a certificate or certificates evidencing all of the then issued and outstanding Membership Interests, duly endorsed in blank, in proper form for transfer, and with any requisite transfer tax stamps properly affixed thereto;

(ii) a certificate dated as of the Closing Date and signed by a senior executive officer or officers, representing that the conditions referred to in Sections 6.1(a) and 6.1(b) have been satisfied;

(iii) an incumbency certificate certifying as to the names and signatures of the officers authorized to sign this Agreement and each of the documents to be delivered hereunder;

(iv) minute books and all books, papers, records, and other property belonging to the Company;

(v) resignation letters of each member of the board of managers of the Company, effective upon consummation of the Closing;

(vi) a certificate signed by an officer of Seller stating that Seller is not a foreign person, in a form that complies with Treasury Regulations Section 1.1445-2(b)(2)(i); and

(vii) an opinion or opinions from counsel (including in-house counsel as to the matters of authorization, execution and delivery) addressed to Buyer and dated as of the Closing Date as to the due authorization, execution and delivery of this Agreement by Seller and the validity and enforceability thereof, and as to the due authorization, execution and delivery of the Seller Parent Guarantee and the validity and enforceability thereof.

(b) As to Buyer. At the Closing, Buyer shall deliver to Seller:

(i) the cash payment contemplated by Section 1.2 by wire transfer of immediately available funds or by such other means as mutually agreed upon by the parties;

(ii) a certificate, dated as of the Closing Date and signed by a senior executive officer or officers, representing that the conditions referred to in Sections 6.2(a) and 6.2(b) have been satisfied;

(iii) an incumbency certificate certifying as to the names and signatures of the officers authorized to sign this Agreement and each of the documents to be delivered hereunder; and

(iv) an opinion or opinions from counsel (including in-house counsel as to the maters of authorization, execution and delivery) addressed to Seller and dated as of the Closing Date as to the due authorization, execution and delivery of this Agreement by Buyer and the validity and enforceability thereof.

ARTICLE VII
TERMINATION

SECTION 7.1 Termination. Notwithstanding anything in this Agreement to the contrary, this Agreement and the purchase of the Membership Interests contemplated herein may, by written notice, be terminated at any time prior to the Closing Date:

(a) by either Buyer or Seller, upon their mutual written consent;

(b) by either Buyer or Seller, without liability to the terminating party on account of such termination if the Closing has not occurred (other than through the failure of the party seeking to terminate this Agreement to comply fully with its obligations hereunder) on or before November 30, 2006, or such other date as Buyer and Seller may mutually agree to (the "Outside Date");

(c) by either Buyer or Seller, if any Governmental Entity shall have issued, enacted, entered, promulgated or enforced any Order, or taken any other action restraining, enjoining or otherwise prohibiting the purchase of the Membership Interests or the consummation of any other transactions contemplated herein and such Order or other action shall have become final and non-appealable; provided, that the right to terminate this Agreement pursuant to this Section 7.1(c) shall not be available to any party that has failed to comply fully with its obligations hereunder in any manner that shall have proximately contributed to the occurrence of such Order; provided further, that in the event any Governmental Entity with jurisdiction over the enforcement of any applicable antitrust or competition Laws provides notice to Buyer that Buyer is required, as a condition to the approval of the transactions contemplated hereunder, to agree to dispose of or divest particular assets or categories of assets, or businesses, of the Company (or, in lieu thereof, approximately equivalent assets or categories of assets and businesses of Buyer or its Subsidiaries or any Related Person of Buyer), and Buyer has used its reasonable best efforts to cause such Governmental Entity to withdraw or otherwise waive such condition to the approval of the transactions contemplated hereunder, but such efforts have been unsuccessful, Buyer may terminate this Agreement pursuant to this Section 7.1(c) by delivering to Seller written notice of such termination and a cash payment in the amount of $2,500,000 by wire transfer of immediately available funds to an account specified by Seller;

(d) by Buyer, if any of the conditions set forth in Section 6.1 becomes incapable of satisfaction prior to the Outside Date and shall not have been waived by Buyer; or

(e) by Seller, if any of the conditions set forth in Section 6.2 becomes incapable of satisfaction prior to the Outside Date and shall not have been waived by Seller.

SECTION 7.2 Effect of Termination. In the event of the termination and abandonment of this Agreement pursuant to Section 7.1, this Agreement (other than Section 5.6 (Expenses), this Section 7.2, Section 10.4 (Notices), Section 10.5 (Governing Law), Section 10.6 (Arbitration) and Section 10.8 (Confidentiality), which shall remain in full force and effect) shall forthwith become null and void and no party hereto (or any of their respective Representatives or stockholders) shall have any Liability or further obligation to any other party hereto, except as provided in this Section 7.2; provided, however, that if this Agreement is terminated by a party because of the breach of this Agreement by the other party or because one or more of the conditions to the terminating party's obligations under this Agreement is not satisfied as a result of the other party's failure to fully comply with its obligations under this Agreement, the terminating party's rights to pursue all legal remedies will survive such termination unimpaired.

ARTICLE VIII
SURVIVAL OF REPRESENTATIONS; INDEMNIFICATION

SECTION 8.1 Survival of Representations and Warranties. The representations and warranties made herein shall terminate as provided in this Section 8.1. Upon such termination, no party shall have any liability to the other party with respect to a claim of violation of a representation or warranty unless the party entitled to indemnification pursuant to this Article VIII (the "Indemnified Party") shall have complied with the provisions of Section 8.5 and shall have given appropriate notice to the party liable for indemnification pursuant to this Article VIII (the "Indemnifying Party") before the termination of the relevant representation or warranty as provided in this section.

All of the representations and warranties of the parties shall survive the Closing for twenty-four (24) months following the Closing Date, except for (i) the representations and warranties contained in Sections 3.1 (Organization and Good Standing), 3.2 (Capitalization), 3.3 (Corporate Authority; Enforceability), 3.20 (Insurance Relating to El Dorado Incidents), 4.1 (Organization and Good Standing) and 4.2 (Corporate Authority; Enforceability), which shall survive the execution and delivery of this Agreement and the Closing without limitation, (ii) the representations and warranties contained in Section 3.9 (Taxes), which shall survive until sixty (60) days after the expiration of the applicable statute of limitations with respect to the matters addressed in such Section and (iii) the representations and warranties contained in Section 3.16 (Environmental Matters), which shall survive the execution and delivery of this Agreement and the Closing for sixty (60) months following the Closing Date.

SECTION 8.2 Indemnification and Reimbursement by Seller. Except as otherwise provided in this Article VIII, Seller shall indemnify and hold harmless Buyer and its successors and assigns permitted pursuant to Section 10.1 (collectively, the "Buyer Indemnified Persons") from and against, and shall reimburse the Buyer Indemnified Persons for, any and all out of pocket losses, out of pocket expenses (including costs of investigation and defense and reasonable attorneys' and accountants' fees) or out of pocket damages, whether or not involving a third-party claim, in all cases net of amounts taken into account in accordance with Section 8.7 (collectively, "Damages"), incurred thereby or caused thereto, directly or indirectly, based on, arising out of, resulting from, relating to, or in connection with:

(a) Any breach of or inaccuracy in any representation or warranty made by Seller in this Agreement, other than those in Section 3.9 (Taxes), Section 3.16 (Environmental Matters), Section 3.20 (Insurance Relating to El Dorado Incidents) or those, if any, that have been waived in writing by Buyer or of which Seller notified Buyer in writing prior to the Closing and in respect of which Buyer provided written notice to Seller in accordance with Section 5.8 that such breach would cause, in the reasonable opinion of Buyer, the condition set forth in Section 6.1(a) not to be satisfied; provided, that a claim in writing in reasonable detail with respect thereto is made by Buyer to Seller on or before the applicable termination date set forth in Section 8.1;

(b) Any breach or violation of or failure to fully perform any covenant, agreement, undertaking or obligation of Seller set forth in this Agreement, other than those, if any, that have been waived in writing by Buyer; or

(c) Any breach of or inaccuracy in any representation or warranty made by Seller in Section 3.16 (Environmental Matters) of this Agreement, other than those, if any, that have been waived in writing by Buyer or of which Seller notified Buyer in writing prior to the Closing and in respect of which Buyer provided written notice to Seller in accordance with Section 5.8 that such breach would cause, in the reasonable opinion of Buyer, the condition set forth in Section 6.1(a) not to be satisfied; provided, that a claim in writing in reasonable detail with respect thereto is made by Buyer to Seller on or before the applicable termination date set forth in Section 8.1. Notwithstanding the foregoing, the parties agree that Seller shall not have any indemnification obligations pursuant to this Section 8.2(c) with respect to any Damages based on, arising out of, resulting from, relating to, or in connection with (i) facts and circumstances in existence prior to July 25, 2001, in which case Buyer acknowledges its sole remedy shall be the Company's right to indemnification set forth in Section 9.1(a) of the ENSCO Agreement and (ii) conditions or activities at the HEAT Site, in which case Buyer acknowledges its sole remedy shall be the Company's right to any indemnity proceeds under the indemnification provisions set forth in the HEAT Settlement Agreement. In the event that the Company makes any payment pursuant to Article I, Section H.2 of the HEAT Settlement Agreement following the Closing Date in respect of a Loss (as defined in the HEAT Settlement Agreement), and subject to compliance by the Company with Section 8.5 and Section 8.6 hereof, Seller will promptly reimburse the Company in an amount equal to such amount paid by the Company; provided, that in no event shall Seller be required to reimburse the Company for any amounts paid in respect of a Loss for which Seller or Seller Parent have previously made a payment pursuant to Article I, Section H.2 of the HEAT Settlement Agreement. Notwithstanding the foregoing, Seller shall have no obligation to reimburse the Company for any payment made in respect of a Liability taken into account for purposes of calculating the Purchase Price.

(d) Any breach of or inaccuracy in any representation or warranty made by Seller in Section 3.20 (Insurance Relating to El Dorado Incidents) of this Agreement, other than those, if any, that have been waived in writing by Buyer.

SECTION 8.3 Indemnification and Reimbursement by Buyer . Except as otherwise provided in this Article VIII, Buyer shall indemnify and hold harmless Seller and its successors and assigns permitted pursuant to Section 10.1 (collectively, the "Seller Indemnified Persons") from and against, and shall reimburse the Seller Indemnified Persons for, any and all Damages incurred thereby or caused thereto, directly or indirectly, based on, arising out of, resulting from, relating to, or in connection with:

(a) any breach of or inaccuracy in any representation or warranty made by Buyer in this Agreement, other than those, if any, that have been waived in writing by Seller or of which Buyer notified Seller in writing prior to the Closing; provided, that a claim in writing in reasonable detail with respect thereto is made by Seller to Buyer on or before the applicable termination date set forth in Section 8.1;

(b) any breach or violation of or failure to fully perform any covenant, agreement, undertaking or obligation of Buyer set forth in this Agreement, other than those, if any, that have been waived in writing by Seller;

(c) the WARN Act resulting or arising from or otherwise relating to any act or omission to act by or of Buyer, the Company or an Affiliate (after the Closing Date) with regard to any site of employment or one or more facilities or operating units within any site of employment of the Company;

(d) any claim made against Seller or its Affiliates by an employee of the Company relating to the termination of such employee by Buyer, the Company or an Affiliate after the Closing; or

(e) the operations of the Company, except to the extent such Damages are subject to indemnification by Seller pursuant to Section 8.2.

SECTION 8.4 Limitations on Indemnification Obligations.

(a) Seller's aggregate liability for all Damages under Section 8.2(a) and Section 8.2(c) shall be limited to an amount not to exceed $8,000,000 (the "Cap"); provided that Seller's aggregate liability for all Damages in respect of any liability of Seller for Taxes as set forth in Section 9.1(a) shall not be subject to this limitation and shall not be taken into account in applying this provision.

(b) With respect to all Damages subject to indemnification pursuant to Section 8.2(a), Section 8.2(c) or Section 9.1, Seller shall not be required to indemnify the Buyer Indemnified Persons for any Damages (or series of related Damages) of less than $25,000 ("De Minimis Loss").

(c) Any Liability taken into account for purposes of calculating the Working Capital Adjustment or for which reserves are included on the Interim Balance Sheet shall not be subject to indemnification under this Article VIII up to the respective amounts included in such calculation or such reserves.

(d) In no event shall Seller be liable to Buyer for damages on account of loss of anticipated profits or any consequential damages whatsoever from the transactions contemplated by this Agreement.

(e) Notwithstanding anything to the contrary contained herein (other than Section 8.4(b) and Section 8.7), the indemnification obligations of the parties in respect of Taxes are exclusively the subject of Article IX and are not the subject of or otherwise covered by this Article VIII.

SECTION 8.5 Notice and Payment of Claims.

(a) Notice. Subject to the provisions of Section 8.6 of this Agreement, the Indemnified Party shall notify the Indemnifying Party as soon as reasonably practicable, but in no event later than ten (10) days, after the Indemnified Party becomes aware of, and shall provide to the Indemnifying Party as soon as practicable thereafter all information and documentation necessary to support and verify, any Damages that the Indemnified Party shall have determined to have given rise to a claim for indemnification hereunder, and the Indemnifying Party shall be given access to all books and records in the possession or under the control of the Indemnified Party which the Indemnifying Party reasonably determines to be related to such claim. Notwithstanding the foregoing, the failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of any Liability that it may have to the Indemnified Party, except to the extent that the Indemnifying Party is prejudiced by the Indemnified Party's failure to give such notice.

(b) Payment. In the event an action for indemnification under this Article VIII shall have been finally determined, such final determination shall be paid to Seller or Buyer, as the case may be, on demand in immediately available funds in U.S. dollars. An action, and the liability for and amount of Damages therefor, shall be deemed to be "finally determined" for purposes of this Article VIII when the parties to such action have so determined by mutual agreement or, if disputed, when a final non-appealable Order shall have been entered.

SECTION 8.6 Procedure for Indemnification - Third Party Claims.

(a) If any third party shall notify the Indemnified Party with respect to any matter (a "Third Party Claim") which may give rise to a claim for indemnification against the Indemnifying Party under this Article VIII, then the Indemnified Party shall promptly (and in any event within ten (10) days after receiving notice of the Third Party Claim) notify an Indemnifying Party thereof in writing. Notwithstanding the foregoing, the failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of any Liability that it may have to the Indemnified Party, except to the extent that the Indemnifying Party is prejudiced by the Indemnified Party's failure to give such notice.

(b) Any Indemnifying Party will have the right at any time to assume and thereafter conduct the defense of the Third Party Claim with counsel of its choice reasonably satisfactory to the Indemnified Party; provided, however, that the Indemnifying Party will not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnified Party (not to be withheld unreasonably) unless the judgment or proposed settlement involves only the payment of money damages and does not impose an injunction or other equitable relief upon the Indemnified Party.

(c) Unless and until an Indemnifying Party assumes the defense of the Third Party Claim as provided in Section 8.6(b) above, however, the Indemnified Party may defend against the Third Party Claim in any manner it reasonably may deem appropriate.

(d) In no event will the Indemnified Party consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnifying Party.

SECTION 8.7 Mitigation of Damages.

(a) If any event shall occur which would otherwise entitle an Indemnified Party to assert a claim for indemnification hereunder, no Damages shall be deemed to have been sustained by such Indemnified Party to the extent of any:

(i) net proceeds received by such Indemnified Party from any insurance policy of the Company in effect at any time prior to the Closing (less the costs of recovering such proceeds, retrospective premium adjustments, experience-based premium adjustments or other forms of self-insurance), with respect thereto, from which policies the parties hereto shall make claims for recovery; or

(ii) any offsetting Tax benefits received or to be received by the Indemnified Party.

(b) An Indemnified Party shall pay over to the Indemnifying Party, immediately upon receipt thereof, (i) all insurance recoveries received by the Indemnified Party in respect of, and (ii) all other amounts recovered by the Indemnified Party in reduction, refund or rebate of, or credit for, in each case, any Liability in respect of which the Indemnifying Party has made a payment to the Indemnified Party pursuant to this Article VIII.

SECTION 8.8 Exclusive Remedy. The parties hereto acknowledge and agree that, subject to the provisions of Sections 10.6 and 10.8(e) of this Agreement, the foregoing indemnification provisions in this Article VIII shall be the exclusive remedy of the parties with respect to the transactions contemplated by this Agreement (other than as otherwise expressly provided herein). Each party hereto hereby waives, to the extent that it may do so, any other rights or remedies that may arise at law or in equity, including under any applicable statute, rule or regulation.

ARTICLE IX
TAX MATTERS

SECTION 9.1 Liability for Taxes and Related Matters.

(a) Seller Liability for Taxes. Except to the extent treated as a liability in the calculation of the Working Capital Adjustment, Seller shall be liable for and indemnify Buyer for all Taxes imposed on or due from the Company (i) for any taxable year or period that ends on or before the Closing Date (a "Pre-Closing Period"), and (ii) with respect to any taxable year or period beginning before and ending after the Closing Date (a "Straddle Period"), the portion of such taxable year ending on and including the Closing Date. Except to the extent treated as an asset in the calculation of the Working Capital Adjustment, Seller shall be entitled to any refund of Taxes of the Company received for such periods.

(b) Buyer Liability for Taxes. Buyer shall be liable for and indemnify Seller for all Taxes imposed on or due from the Company for any taxable year or period that begins after

the Closing Date (a "Post-Closing Period") and, with respect to any Straddle Period, the portion of such taxable year beginning after the Closing Date.

(c) Taxes for Straddle Periods. To the extent permitted by law or administrative practice in each relevant jurisdiction, the taxable year of the Company shall be closed at the close of business on the Closing Date. To the extent that the taxable year of the Company is not closed pursuant to the previous sentence and it is therefore necessary to determine the liability for Taxes for a Straddle Period, the determination of the Taxes for the portion of the year or period ending on, and the portion of the year or period beginning after, the Closing Date shall be determined by assuming that the Company had a taxable year or period which ended at the close of business on the Closing Date, except that exemptions, allowances or deductions that are calculated on an annual basis (other than net operating losses and tax credits carried forward from years ending prior to the Closing Date), shall be prorated on the basis of the number of days in the annual period elapsed through the Closing Date as compared to the number of days in the annual period elapsing after the Closing Date. Net operating losses and tax credits carried forward from year ending prior to the Closing shall be allocated first, to the extent that they can be utilized, to the taxable year or period ending on the Closing Date.

(d) Adjustment to Purchase Price. Any payment by Buyer, on the one hand, or Seller, on the other hand, under this Section 9.1, pursuant to Article VIII or pursuant to Section 1.3 will be treated as an adjustment to the Purchase Price for all Tax purposes.

(e) Tax Returns. Seller shall file, or cause to be filed, when due all Tax Returns that are required to be filed by or for the Company for taxable years or periods ending on or before the Closing Date, and Buyer shall file, or cause to be filed, when due all Tax Returns that are required to be filed by or for the Company for taxable years or periods ending after the Closing Date. If Seller could be liable for any Taxes with respect to any Tax Return filed by Buyer, Buyer shall (i) cause such Tax Return to be prepared on a basis which is consistent with the Company's Tax Returns previously filed and in accordance with past practices, (ii) deliver a copy of such Tax Return along with accompanying work papers to Seller not less than thirty (30) days prior to the due date (as extended, if applicable) for the filing of such Tax Return (the "Due Date"), (iii) if, at any time prior to the Due Date, Seller notifies Buyer that Seller objects to any item reflected on such Tax Return which item may affect Seller's liability for Taxes, Buyer shall, prior to the Due Date, make any and all changes to such item or items requested by the Seller and Buyer shall not file any such Tax Return until it has made such changes and received Seller's agreement thereto. If Buyer has fully complied with this Section 9.1(e) with respect to a Tax Return to be filed by Buyer, Seller shall pay Buyer the Taxes for which Seller is liable pursuant to Section 9.1(a) but which are payable with such Tax Return within five (5) days (x) prior to the Due Date for the filing of such Tax Returns or (y) after the date that Buyer has provided Seller with the revised Tax Return referred to in clause (iii) of the previous sentence, whichever is later. If Buyer fails to satisfy any of its obligations pursuant to this Section 9.1(e) with respect to any Tax Return, Seller shall, in addition to any other remedies available to Seller, have no obligation to indemnify Buyer for any Taxes reflected on such Tax Return.

(f) Contest Provisions. Buyer shall promptly notify Seller and provide a copy of such notification to the Tax Director of Seller Parent in writing upon receipt by Buyer, any of its Affiliates or the Company of notice of any pending, proposed, threatened or actual Tax audit or Tax deficiency, assessment or other claim which may affect the Taxes for any Pre-Closing Period or any Straddle Period for which Seller would be liable pursuant to Section 9.1(a). Seller shall promptly notify Buyer in writing upon receipt by Seller or any of its Affiliates of notice of any pending, proposed, threatened or actual Tax audit or Tax deficiency, assessment or other claim which may affect the Taxes for any Straddle Period for which Buyer would be liable pursuant to Section 9.1(b). Seller shall have the sole right to control the defense in any Tax audit or administrative or court proceeding (a "Tax Contest") relating to any Pre-Closing Period of the Company and to employ counsel and other advisors of its choice at its expense.

In the event of any Tax Contest relating to a Straddle Period of the Company, (i) to the extent the issues can be separated into those for which Seller would be liable under Section 9.1(a) and those for which Buyer would be liable under Section 9.1(b), then each of Seller and Buyer shall control the defense of those issues for which it would be liable, employing counsel and other advisors of its own choice, at its expense, (ii) with respect to all other issues, Buyer shall be entitled to control the defense employing counsel and other advisors of its choice at its expense, provided that Seller (along with counsel and other advisors of its choice) shall be entitled to participate in the defense of and to take over such defense if Buyer is not prosecuting the defense diligently, vigorously and professionally. Neither Buyer nor the Company may agree to settle any Tax claim which may affect the Taxes for which Seller would be liable under Section 9.1(a) without the prior written consent of Seller, which consent shall not be unreasonably withheld.

SECTION 9.2 Transfer Taxes. Any transfer taxes arising from the sale of the Membership Interests shall be borne by Buyer.

SECTION 9.3 Allocation of Purchase Price. Buyer and Seller acknowledge that for U.S. Federal income tax purpose and certain state income tax purposes, the purchase of the Company will be treated as the purchase of assets and the assumption of liabilities by the Buyer. Buyer and Seller agree to determine the total amount of the consideration for such purchase (which shall include the Purchase Price, all adjustments thereto and the amount of the liabilities of the Company treated as assumed by the Buyer for Tax purposes) and to allocate such consideration among the assets of the Company for all Tax purposes in accordance with the rules under Section 1060 of the Code. Prior to Closing, Seller will prepare and provider to Buyer a preliminary allocation schedule setting forth the estimated amount of the consideration and its allocation, and such schedule shall be finalized and agreed to after the Purchase Price is determined. Seller and Buyer agree to file IRS Forms 8594 reporting such determination and allocation and to follow such determination and allocation for all Tax reporting purposes. If the total consideration is adjusted after the final allocation schedule has been prepared and agreed to, Seller will prepare and provide to Buyer a revised allocation schedule and Buyer and Seller will file amended IRS Forms 8594 reflecting the revised allocation schedule.

SECTION 9.4 No Tax Withholding. Provided that Seller has delivered the certificate described in Section 6.3(a)(vi), Buyer shall not withhold any amount in respect of Taxes from the Purchase Price.

ARTICLE X
MISCELLANEOUS

SECTION 10.1 Assignments; Successors; No Third Party Rights. No party may assign any of its rights under this Agreement without the prior written consent of the other party hereto (which may not be unreasonably withheld or delayed), and any purported such assignment without such consent shall be void. Subject to the foregoing, this Agreement and all of the provisions hereof shall apply to, be binding upon, and inure to the benefit of the parties hereto and their successors and permitted assigns and the parties indemnified pursuant to Article VIII. Nothing in this Agreement, express or implied, is intended to confer upon any Person other than the parties hereto any rights or remedies of any nature whatsoever under or by reason of this Agreement or any provision of this Agreement. This Agreement and all of its provisions and conditions are for the sole and exclusive benefit of the parties to this Agreement and their successors and permitted assigns.

SECTION 10.2 Entire Agreement. This Agreement, including the Disclosure Schedule and exhibits hereto and the other agreements and written understandings referred to herein or otherwise entered into by the parties hereto on the date hereof, constitutes the entire agreement and understanding and supersedes all other prior covenants, agreements, undertakings, obligations, promises, arrangements, communications, representations and warranties, whether oral or written, by any party hereto or by any director, manager, officer, employee, agent, Related Person or Representative of any party hereto. There are no covenants, agreements, undertakings or obligations with respect to the subject matter of this Agreement other than those expressly set forth or referred to herein and no representations or warranties of any kind or nature whatsoever, express or implied, including any implied warranties of merchantability or fitness for a particular purpose, are made or shall be deemed to be made herein by the parties hereto except those expressly made herein.

SECTION 10.3 Amendment or Modification. This Agreement may be amended or modified only by written instrument signed by all of the parties hereto.

SECTION 10.4 Notices. All notices, requests, instructions, claims, demands, consents and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given on the date delivered by hand or by courier service (such as Federal Express), or by other messenger (or, if delivery is refused, upon presentment), or upon receipt by facsimile transmission, or upon delivery by registered or certified mail (return receipt requested), postage prepaid, to the parties at the following addresses:

(a) If to Buyer:

Clean Harbors, Inc.
1501 Washington Street
Braintree, MA 02185
Telephone: 781-849-1800
Facsimile: 781-848-1632
Attention: Chief Financial Officer

With a copy to:

Davis, Malm & D'Agostine, P.C.
One Boston Place, 37th Floor
Boston, MA 02108
Telephone: 617-589-3803
Facsimile: 617-305-3103
Attention: C. Michael Malm

(b) If to Seller:

SITA U.S.A., Inc.
c/o Suez Environnement, S.A.
1, Rue d'Astorg
75383 Paris Cedex 08 France
Telephone: +33 (0) 1-58-185000
Facsimile: +33 (0) 1-58-184863
Attention: Directeur Juridique

With a copy to:

Suez Environnement, S.A.
1, Rue d'Astorg
75383 Paris Cedex 08 France
Telephone: +33 (0) 1-58-185000
Facsimile: +33 (0) 1-58-184863
Attention: Directeur Juridique

And a copy to:

Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004
Telephone: (212) 558-4000
Facsimile: (212) 558-3588
Attention: Richard A. Pollack

or to such other persons or addresses as the person to whom notice is given may have previously furnished to the other in writing in the manner set forth above (provided that notice of any change of address shall be effective only upon receipt thereof).

SECTION 10.5 **GOVERNING LAW. THIS AGREEMENT SHALL BE DEEMED TO BE MADE IN, AND IN ALL RESPECTS SHALL BE INTERPRETED, CONSTRUED AND GOVERNED BY AND IN ACCORDANCE WITH THE LAWS OF, THE STATE OF NEW YORK WITHOUT REGARD TO THE CONFLICT OF LAW PRINCIPLES THEREOF.**

SECTION 10.6 Arbitration.

(a) Except as set forth in Section 10.6(b), any controversy or claim arising out of or relating to this Agreement or the breach thereof shall be settled by arbitration administered by the American Arbitration Association (the "AAA") in accordance with its Commercial Arbitration Rules, and Title 9 of the U.S. Code. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The number of arbitrators shall be one (1), and such arbitrator shall be selected by mutual agreement of the parties, if possible, and thereafter by the administering authority, and the place of arbitration shall be New York, New York. The arbitrator may award the costs of the arbitration to the prevailing party and should in so doing consider the extent (in percentage terms, if possible) to which each party has prevailed on its claims or counterclaims. The arbitrator will have no authority to award punitive damages or any other damages not measured by the prevailing party's actual damages, and may not, in any event, make any ruling, finding or award that does not conform to the terms and conditions of the Agreement. Either party may make an application to the arbitrator seeking injunctive relief to maintain the status quo until such time as the arbitration award is rendered or the controversy is otherwise resolved. Either party may apply to any court having jurisdiction hereof and seek injunctive relief in order to maintain the status quo until such time as the arbitration award is rendered or the controversy is otherwise resolved.

(b) The provisions of Section 10.6(a) shall not apply to the matters described in Section 1.3 of this Agreement, which shall be resolved as described therein.

SECTION 10.7 Severability. In case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such provision or provisions shall be ineffective only to the extent of such invalidity, illegality or unenforceability, without invalidating the remainder of such provision or provisions or the remaining provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein, unless such a construction would be unreasonable.

SECTION 10.8 Confidentiality.

(a) Following the Closing, Seller shall treat as confidential and shall safeguard and not use to the detriment of Buyer or its Affiliates any and all information, knowledge and data of the Company by using the same degree of care, but no less than a reasonable standard of care, to

prevent the unauthorized use, dissemination or disclosure of such information, knowledge and data as Seller used with respect thereto prior to the execution of this Agreement.

(b) Buyer shall treat as confidential and shall safeguard and not use to the detriment of Seller or its Affiliates any information relating to the business of Seller and its Affiliates; provided, however, that nothing in this Section 10.8(b) shall prevent the disclosure of any such information, knowledge or data to any directors, officers or employees of Buyer to whom such disclosure is necessary or desirable in the conduct of the business of the Company following the Closing if such Persons are informed by Buyer of the confidential nature of such information and are directed by Buyer to comply with the provisions of this Section 10.8(b). **Buyer acknowledges that its failure to maintain as confidential any and all information of Seller and its Affiliates, in accordance with this Section 10.8(b), could cause Seller and its Affiliates irreparable harm and, thus, it agrees to use its best efforts to maintain as confidential and safeguard such information.**

(c) The parties hereto acknowledge that the confidentiality obligations set forth herein shall not extend to information, knowledge and data that (i) is or becomes generally available to the public other than as a result of disclosure of a party in breach of this Section 10.8, (ii) is required to be disclosed by a court or Governmental Entity of competent jurisdiction, (iii) was or becomes available to a party hereto on a non-confidential basis from a source (other than the party owing a duty of confidentiality under this Section 10.8) or (iv) is necessary or appropriate to be disclosed in making a filing required by Law or for obtaining any consent or approval required for the consummation of the transactions contemplated herein.

(d) If the transactions contemplated by this Agreement are not consummated for any reason, the parties hereto shall promptly return to each other all books, records and any other information (whether written or in electronic form) furnished by a party, its Affiliates or Representatives (including all copies, if any, thereof).

(e) In the event of a breach of the obligations hereunder by Buyer or Seller, the aggrieved party, in addition to all other available remedies, will be entitled to injunctive relief to enforce the provisions of this Section 10.8 in any court of competent jurisdiction.

SECTION 10.9 Actions of the Company. Whenever this Agreement requires the Company to take any action, such requirement shall be deemed to involve, with respect to actions to be taken at or prior to the Closing, an undertaking on the part of Seller to cause the Company to take such action and, with respect to actions to be taken after the Closing, an undertaking on the part of Buyer to cause the Company to take such action.

SECTION 10.10 Descriptive Headings; Construction. The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of, or to affect the meaning, construction or interpretation of, this Agreement. Unless the context of this Agreement clearly requires otherwise, (a) references to the plural include the singular, the singular the plural, the part the whole, (b) references to any gender include all genders, (c) “or” has the inclusive

meaning frequently identified with the phrase "and/or," (d) "including" has the inclusive meaning frequently identified with the phrase "including, but not limited to," and (e) references to "hereunder" or "herein" relate to this Agreement.

SECTION 10.11 Counterparts. For the convenience of the parties hereto, this Agreement may be executed in any number of counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts shall together constitute the same agreement.

SECTION 10.12 Knowledge. When references are made in this Agreement to information being "to the knowledge of Seller" or similar language, such knowledge shall refer to the knowledge of the officers set forth in Schedule 10.12 of the Disclosure Schedule. Such individuals shall be deemed to have "knowledge" of a particular fact or other matter if such individual is actually aware of such fact or other matter (and shall not include any deemed or constructive knowledge or awareness).

SECTION 10.13 Schedules. The disclosure of any matter in any schedule to the Disclosure Schedule shall be deemed to be a disclosure for all other schedules of the Disclosure Schedule in respect of which it is evident such matter relates, but shall expressly not be deemed to constitute an admission by Seller or Buyer or to otherwise imply that any such matter is material for the purposes of this Agreement.

SECTION 10.14 Definitions. For the purposes of this Agreement:

"AAA" has the meaning set forth in Section 10.6(a) herein.

"Accounting Expert" has the meaning set forth in Section 1.3(d) herein.

"Accounts Receivable" has the meaning set forth in Section 3.6(c) herein.

"Acquired Employee" means any active employee of the Company on the Closing Date, plus any employee of the Company who is on leave of absence, paid or unpaid, or who is otherwise absent from active employment for any other reason and whose employer-employee relationship with the Company has not been terminated by the Company prior to the Closing Date.

"Action" means a civil, criminal or administrative action, suit, demand, claim, hearing, proceeding (including without limitation any dispute resolution proceeding) or investigation.

"Adjustment Amount" has the meaning set forth in Section 1.3(c) herein.

"Affiliate" means, with respect to any specified Person, a Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such specified Person, including, without limitation, each Subsidiary of such specified Person. For the purposes of this definition, "control", when used with respect to any specified Person, means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through ownership of voting securities or by contract, credit arrangement or

otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agreement" has the meaning set forth in the preamble hereto.

"Balance Sheet" has the meaning set forth in Section 3.6(a) herein.

"Bankruptcy Exception" has the meaning set forth in Section 3.3 herein.

"Business Day" means any day other than a Saturday, Sunday or a day on which banks are required or authorized to be closed in the City of New York.

"Buyer" has the meaning set forth in the preamble hereto.

"Buyer's Advisors" has the meaning set forth in Section 5.2(a) herein.

"Buyer Indemnified Persons" has the meaning set forth in Section 8.2 herein.

"Cap" has the meaning set forth in Section 8.4(a) herein.

"Closing" has the meaning set forth in Section 2.1 herein.

"Closing Date" has the meaning set forth in Section 2.1 herein.

"Closing Payment" has the meaning set forth in Exhibit 1.2 hereto.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

"Company" has the meaning set forth in the recitals herein.

"Company's Organizational Documents" has the meaning set forth in Section 3.1(b) herein.

"Competing Business" has the meaning set forth in Section 5.9(a) herein.

"Contract" means an agreement, license, lease, sublease, insurance policy, understanding, contract, license, instrument of indebtedness, mortgage, indenture, promise, undertaking or other commitment or obligation.

"Damages" has the meaning set forth in Section 8.2 herein.

"De Minimis Loss" has the meaning set forth in Section 8.4(b) herein.

"Dollars" and the sign "$" each mean the lawful money of the United States of America.

"Due Date" has the meaning set forth in Section 9.1(e) herein.

"El Dorado Incidents" means the fires at the Company's El Dorado facility on January 2, 2005 and July 2, 2005.

"ENSCO Agreement" means the Asset Purchase Agreement, by and among the Company, Environmental Systems Company, ENSCO, Inc., MSE Environmental, Inc. and ENSCO West, Inc., dated as of June 27, 2001, as amended by the Settlement and Release Agreement and Amendment No. 1 to the Asset Purchase Agreement, dated October 30, 2003.

"Environmental Law" means any and all federal, state or local law, the common law, or judicial or administrative decision, regulation or order, regulating, pertaining to or imposing liability, penalties or fines for: (i) releases or threatened releases of Hazardous Substances or materials containing Hazardous Substances; (ii) the manufacture, recycling, sale, handling, transport, use, reuse, treatment, storage or disposal of Hazardous Substances or materials containing Hazardous Substances; (iii) pollution of the environment or the protection of human health, safety or welfare from exposure to any Hazardous Substance; or (iv) the protection of the environment, wildlife, marine sanctuaries and wetlands, including but not limited to all endangered and threatened species. Environmental Laws shall include, without limitation, the federal Comprehensive Environmental Response, Compensation and Liability Act; the Solid Waste Disposal Act; the Toxic Substances Control Act; the Atomic Energy Act; the Federal Insecticide, Fungicide and Rodenticide Act; the Clean Water Act; the Clean Air Act; the Oil Pollution Act of 1990; the Emergency Planning and Community Right to Know Act; the National Environmental Policy Act; the Endangered Species Act; and the Safe Drinking Water Act, in each case, as amended.

"ERISA" has the meaning set forth in Section 3.10(a) herein.

"ERISA Affiliate" means any entity required to be treated as a single employer with Seller under Section 414 of the Code or Section 4001 of ERISA, other than the Company.

"Finally determined" has the meaning set forth in Section 8.5(b) herein.

"Financial Assurances" has the meaning set forth in Section 3.19 herein.

"Financial Debt" has the meaning set forth in Exhibit 1.2 hereto.

"Financial Statements" has the meaning set forth in Section 3.6(a) herein.

"GAAP" means generally accepted accounting principles in the United States of America as in effect immediately prior to the Closing.

"Governmental Entity" means any federal, state, local, municipal, county or other governmental, quasi-governmental, judicial, legislative, administrative or regulatory authority, body, agency, court, tribunal, commission or other similar entity (including any branch, department or official thereof).

"Hazardous Substance" means (i) those materials, pollutants and/or substances defined as such in the following federal statutes and their state counterparts, as each may be amended from time to time, and all regulations thereunder: the Hazardous Materials Transportation Act, the Solid Waste Disposal Act, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act, the Clean Water Act, the Safe Drinking Water Act, the Atomic Energy Act, the Federal Insecticide, Fungicide and Rodenticide Act and the Clean Air Act; (ii) petroleum and petroleum products including crude oil and any fractions thereof; (iii) natural gas, synthetic gas and any mixtures thereof; and (iv) radon.

"HEAT Settlement Agreement" means HEAT Site, Sales and Marketing, and Procurement Settlement Agreement, among Seller Parent, Seller, the Company, Rhodia, Inc., Rhodia S.A. and HEAT Treatment Services Inc., dated December 13, 2004.

"HEAT Site" means the real property formerly owned by the Company located at 4460 Singleton Boulevard, Dallas, Texas, 75212.

"IFRS" means International Financial Reporting Standards as in effect immediately prior to the Closing.

"Indemnified Party" has the meaning set forth in Section 8.1 herein.

"Indemnifying Party" has the meaning set forth in Section 8.1 herein.

"Interim Balance Sheet" has the meaning set forth in Section 3.6(a) herein.

"IP Rights" has the meaning set forth in Section 3.17(a) herein.

"IRS" means the United States Internal Revenue Service.

"Knowledge" has the meaning set forth in Section 10.12 herein.

"Law" means any federal, state, foreign or local law, statute, ordinance, rule, regulation, Order, judgment, award, declaration, decision or decree by any Governmental Entity.

"Leased Real Property" has the meaning set forth in Section 3.13(c) herein.

"Liability" means any debt, liability, commitment or obligation of any kind, character or nature whatsoever, whether known or unknown, choate or inchoate, secured or unsecured, accrued, fixed, absolute, contingent or otherwise, and whether due or to become due.

"LIBOR" means (i) an one-month London interbank offered rate shown on page 3750 of Telerate or any successor page as the composite offered rate for London interbank dollar deposits as shown under the heading "USD," as of 11:00 a.m. London time on the second Business Day preceding the Closing Date; (ii) if the rate specified in clause (i) of this definition does not appear, an interest rate *per annum* based on the rates at which dollar deposits for such specified period are displayed on page "LIBO" of the Reuters Monitor Money Rates Service or such other page as may

replace the LIBO page on that service for the purpose of displaying London interbank offered rates of major banks as of 11:00 a.m. London time on the second Business Day preceding the Closing Date, it being understood that if two or more rates appear on such page, LIBOR will be the arithmetic average of such displayed rates and if fewer than two such rates are displayed, this clause (ii) of this definition shall not be applicable; and (iii) if the rate specified in clause (i) does not appear and if clause (ii) of this definition is not applicable, an interest rate *per annum* equal to the average of the rates *per annum* at which dollar deposits for such specified period in immediately available funds for delivery two (2) Business Days thereafter are offered by four leading banks in the London interbank dollar market selected by Seller at approximately 11:00 a.m. London time on such day.

"Liens" means any charges, claims, community property interests, conditions, conditional sale or other title retention agreements, covenants, easements, encumbrances, equitable interests, exceptions, liens, mortgages, options, pledges, reservations, rights of first refusal, building use restrictions, rights of way, security interests, servitudes, statutory liens, variances, warrants, or restrictions of any kind, including any restrictions on use, voting, transfer, receipt of income, or exercise of any other attribute of ownership.

"Material Adverse Effect" on a Person means a material adverse effect on the financial condition, properties, business, operations, assets, results of operations or prospects of the Person and its Subsidiaries, taken as a whole; provided, however, that a Material Adverse Effect shall not include an effect resulting from any change (i) in Law (with respect to the Company, other than any change in Law that has a materially disproportionate effect on the operations of the Company's El Dorado facility as compared to the industry as a whole) or GAAP or interpretations thereof that apply to the Person, (ii) that is the result of factors generally affecting the industries in which the Person or its operations participates, (iii) in local, regional, national or international conditions affecting the business of such Person generally, (iv) in the United States economy or financial markets generally, (v) that is the result of an unplanned shutdown or extended outage of the Company's El Dorado facility that has been remedied prior to Closing or (vi) that is the result of the public announcement of the transactions contemplated hereunder.

"Membership Interests" has the meaning set forth in the recitals herein.

"Order" means any award, decision, injunction, judgment, decree, settlement, order, process, ruling or verdict entered, issued, made or rendered by any court, administrative agency, arbitrator, other Governmental Entity or other tribunal of competent jurisdiction.

"Ordinary Course of Business" means, with respect to any Person, the ordinary and usual course of business of such Person, in a manner consistent with such Person's past practice.

"Outside Date" has the meaning set forth in Section 7.1(b) herein.

"Owned Real Property" has the meaning set forth in Section 3.13(b) herein.

"Permitted Liens" has the meaning set forth in Section 3.13(a) herein.

"Person" means any individual, firm, corporation, general or limited partnership, limited liability company, Governmental Entity, joint venture, estate, trust, association, organization or other entity of any kind or nature.

"Post-Closing Period" has the meaning set forth in Section 9.1(b) herein.

"Pre-Closing Period" has the meaning set forth in Section 9.1(a) herein.

"Purchase Price" has the meaning set forth in Exhibit 1.2 hereto.

"Purchase Price Adjustment Items" has the meaning set forth in Exhibit 1.2 hereto.

"Real Property Leases" has the meaning set forth in Section 3.13(c) herein.

"Related Person" means, with respect to a Person, any Affiliate of such Person, and any officer, director, manager, partner, stockholder, member, employee, agent or representative of such Person or of any such Person's Affiliates.

"Representatives" means, with respect to a Person, the officers, directors, managers, employees, agents, consultants, advisors or other representative of such Person, including legal counsel, accountants and financial advisors.

"Retained Employees" has the meaning set forth in Section 5.9(b) herein.

"Review Period" has the meaning set forth in Section 1.3(b) herein.

"Securities Act" means the Securities Act of 1933, as amended.

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Seller" has the meaning set forth in the preamble hereto.

"Seller Benefit Plans" has the meaning set forth in Section 3.10(a) herein.

"Seller Group" means any "affiliated group" (as defined in Section 1504(a) of the Code without regard to the limitations contained in Section 1504(b) of the Code) that includes Seller or any predecessor of or successor to Seller (or another such predecessor or successor).

"Seller Indemnified Persons" has the meaning set forth in Section 8.3 herein.

"Seller Parent" means Suez Environnement, S.A.

"Seller Parent Financial Statements" has the meaning set forth in Section 3.6(a) herein.

"Seller Parent Guarantee" has the meaning set forth in Section 6.1(f) herein.

"Service Date" means, with respect to an employee of the Company, the earlier of (i) the date such employee commenced employment at the Company or (ii) the date on which such employee is deemed to have commenced employment at the Company for purposes of the Seller Benefit Plans by reason of credit for employment by a prior employer.

"Statement of Objections" has the meaning set forth in Section 1.3(c) herein.

"Straddle Period" has the meaning set forth in Section 9.1(a) herein.

"Subject Company" has the meaning set forth in Section 5.9(a) herein.

"Subsidiary" means with respect to any Person, any corporation or other entity of which such Person has, directly or indirectly, ownership of securities or other interests having the power to elect a majority of such corporation's board of directors (or similar governing body), or otherwise having the power to direct the business and policies of that corporation other than securities or interests having such power only upon the happening of a contingency that has not occurred.

"Tax" or "Taxes" shall mean all federal, state, local or foreign income, gross receipts, windfall profits, severance, property, production, sales, use, license, excise, franchise, employment, withholding or similar taxes imposed on the income, properties or operations of the Company or the Seller Group, together with any interest, additions or penalties with respect thereto and any interest in respect of such additions or penalties.

"Tax Contest" has the meaning set forth in Section 9.1(f) herein.

"Tax Returns" means any return, report, notice, form, declaration, claim for refund, estimate, election, or information statement or other document relating to any Tax, including any schedule or attachment thereto, and any amendment thereof.

"Third Party Claim" has the meaning set forth in Section 8.6(a) herein.

"Ultimate Parent" means Suez, S.A.

"Unaudited June 30 Financial Statements" has the meaning set forth in Section 3.6(a) herein.

"WARN Act" has the meaning set forth in Section 3.7(d) herein.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their officers duly authorized as of the date first written above.

SITA U.S.A., INC.

By: /s/ ERIC GERNATH
Name: Eric Gernath
Title: Chief Executive Officer

CLEAN HARBORS, INC.

By: /s/ ALAN S. McKIM
Name: Alan S. McKim
Title: Chief Executive Officer

EXHIBIT 1.2

The Purchase Price shall be calculated in accordance with the table and defined terms as set forth below:

	Amount	
Beginning with	$52,700,000(1)	(the Closing Payment),
then plus (if positive) or minus (if negative)	$	(the CapEx Adjustment),
then plus (if positive) or minus (if negative)	$	(the Working Capital Adjustment),
then plus	$	(the Cash Balance at Closing),
equals	$	(the "Purchase Price"), subject to the Purchase Price Cap.

(1) Reflects a reduction in respect of anticipated severance expenses, which are for Buyer's account.

where:

"Closing Payment" means $52,700,000. For the avoidance of doubt, the Closing Payment shall be determined without taking into account the Financial Debt;

"Financial Debt" means the aggregate principal amount outstanding of the (i) Tax-Exempt Adjustable Mode Environmental Facilities Revenue Bonds (Ensco, Inc. Project) Series 2000, (ii) Tax-Exempt Adjustable Mode Environmental Facilities Revenue Bonds (Ensco, Inc. Project) Series 2001, and (iii) Tax-Exempt Variable Rate Demand/Fixed Rate Environmental Facilities Revenue Bonds (Teris L.L.C. Project) Series 2000, each of which was issued by the Arkansas Development Finance Authority;

"CapEx Adjustment" means the difference between (a) the aggregate amount of capital expenditures that were included in the "2006 Budget Month by month.xls" file (attached as Annex 1 hereto) and actually made by the Company during the period beginning on January 1, 2006 and ending on the Closing Date and (b) the aggregate amount of capital expenditures that were anticipated to have been made by the Company during such period, according to the "2006 Budget Month by month.xls" file (with proration as required to the extent that the Closing Date occurs between measurement dates therein);

"Working Capital Adjustment" means the difference between (a) Working Capital as of Closing and (b) Working Capital as of March 31, 2006, which is calculated (utilizing the defined terms below) as follows:

Current Assets

Trade Accounts Receivables, net	22,627,000
Other Accounts Receivable	4,235,000
Parts Inventories	5,908,000
Prepaids and Other Current Assets	2,278,000
Subtotal	35,048,000
LESS: Affiliate Receivables	(2,179,000)
Receivables for Expected Insurance Reimbursement	(1,980,000)
Total Current Assets	30,889,000

Current Liabilities

Accounts Payable	11,067,000
Accrued Liabilities	6,218,000
Accrued Disposal Costs	3,485,000
Subtotal	20,770,000
LESS: Partial Reversal of Reserves	(200,000)
Total Current Liabilities	20,570,000
WORKING CAPITAL AS OF MARCH 31, 2006	10,319,000

"Working Capital" means the difference between:

(a) "Current Assets", which for purposes of this Agreement is the sum of (i) trade accounts receivables, net, (ii) other accounts receivables, (iii) parts inventories and (iv) prepaid and other current assets, less (x) receivables for expected insurance reimbursement (which, as of March 31, 2006, was in the amount of $1,980,000)(2) and (y) receivables, if any, from any Affiliate of the Company, but (z) does not include cash; and

---

(2) To the extent such expected insurance reimbursement (or recoveries for deductibles or other uninsured loss related thereto) is not received by the Company prior to Closing, Seller shall have the option to cause the assignment by the Company of such claims to Seller or any of its Affiliates. If Seller does not elect to cause such assignment, or if such assignment is determined to be illegal or impermissible, then Buyer shall use its reasonable best efforts to cause the Company to pursue such claims and to promptly pay over any recoveries received following the Closing to Seller. See Section 5.18.

(b) “Current Liabilities”, which for purposes of this Agreement is the sum of (i) accounts payables, (ii) accrued liabilities (including interest on the Financial Debt and any benefits accrued by Acquired Employees under the Company’s vacation policy and sick leave program) and (iii) accrued disposal cost (as calculated based upon a physical inventory conducted by Buyer as of the Closing Date, and using the same methodology employed by the Company in preparing the Balance Sheet), less (x) $200,000 (representing a partial reversal of reserves), but does not include (y) the Company’s obligations in respect of the Financial Debt;

“Cash Balance at Closing” means the amount of cash in the Company’s cash account as of Closing; and

“Purchase Price Adjustment Items” means, collectively, the CapEx Adjustment, the Working Capital Adjustment and the Cash Balance at Closing.

“Purchase Price Cap” means $56,000,000. For the avoidance of doubt, in no event shall the Purchase Price (as adjusted by all Purchase Price Adjustment Items) exceed $56,000,000.

ANNEX 6.1(f)

GUARANTEE

GUARANTEE dated as of _______________, 2006 by Suez Environnement, S.A., a société anonyme incorporated under the laws of France (the "Guarantor"), in favor of Clean Harbors, Inc., a Massachusetts corporation (the "Guaranteed Party").

Section 1. Guarantee. The Guarantor absolutely, unconditionally and irrevocably guarantees to the Guaranteed Party the prompt payment when due, subject to any applicable grace period, of all present and future payment obligations (the "Obligations") of SITA U.S.A., Inc. (the "Obligor") to the Guaranteed Party under Section 8.2 and Section 9.1(a) of the Purchase and Sale Agreement, dated as of May 3, 2006 (the "Guaranteed Agreement"), between the Obligor and the Guaranteed Party. For the avoidance of doubt, Guarantor's obligations hereunder shall be subject to compliance by the Guaranteed Party with the provisions of Article VIII and Article IX, as the case may be, of the Guaranteed Agreement, and in no event shall exceed the limitations on the Obligor's indemnification obligations set forth in Section 8.4 of the Guaranteed Agreement.

Section 2. Nature of Guarantee. The Guarantor's obligations hereunder shall not be affected by the existence, validity, enforceability, perfection or extent of any collateral for the Obligations or by any other circumstance relating to the Obligations that might otherwise constitute a legal or equitable discharge of or defense to the Guarantor, except that, save as expressly provided herein, the Guarantor does not waive any defense that is available to the Obligor. The Guarantor agrees that the Guaranteed Party may resort to the Guarantor for payment of any of the Obligations whether or not such Guaranteed Party shall have resorted to any collateral therefor or shall have proceeded against the Obligor or any other obligor principally or secondarily obligated with respect to any of the Obligations. The Guaranteed Party shall not be obligated to file any claim relating to the Obligations in the event that the Obligor becomes subject to a bankruptcy, reorganization or similar proceeding, and the failure of the Guaranteed Party so to file shall not affect the Guarantor's obligations hereunder. In the event that any payment to the Guaranteed Party in respect of any Obligation is rescinded or must otherwise be returned for any reason whatsoever, the Guarantor shall remain liable hereunder with respect to such Obligation as if such payment had not been made. The Guarantor reserves the right to assert defenses which the Obligor may have to payment of any Obligation other than (a) defenses arising from the bankruptcy or insolvency of the Obligor and (b) defenses based on (i) the corporate status of the Obligor and (ii) the power and authority of the Obligor to enter into the Guaranteed Agreement and to perform its obligations thereunder or the failure by the Obligor to obtain any necessary consents to enter into any of the Guaranteed Agreement or to perform the said obligations.

Section 3. Subrogation. The Guarantor will not exercise any rights which it may acquire by way of subrogation until all the Obligations to the Guaranteed Party shall have been indefeasibly paid in full. Subject to the foregoing, upon payment of any of the Obligations, the Guarantor shall be subrogated to the rights of the Guaranteed Party against the Obligor with respect to the Obligations, and the Guaranteed Party agree to take at the Guarantor's expense such steps as the Guarantor may reasonably request to implement such subrogation.

Section 4. No Waiver; Cumulative Rights. No failure on the part of the Guaranteed Party to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Guaranteed Party of any right, remedy or power hereunder preclude any other or future exercise of any right, remedy or power. Each and every right, remedy and power hereby granted to the Guaranteed Party or allowed it by law or other agreement shall be cumulative and not exclusive of any other, and may be exercised by the Guaranteed Party at any time or from time to time.

Section 5. Representations and Warranties. The Guarantor hereby represents and warrants as of the date of this Guarantee that:

(a) the Guarantor is duly organized, validly existing and in good standing under the laws of France and has full corporate power to execute, deliver and perform this Guarantee;

(b) the execution, delivery and performance of this Guarantee have been and remain duly authorized by all necessary corporate action and do not contravene any provision of the Guarantor's certificate of incorporation or bylaws, as amended to date, or any law, regulation, rule, decree, order, judgment or contractual restriction binding on the Guarantor or its assets; and

(c) this Guarantee constitutes a legal, valid and binding obligation of the Guarantor enforceable against the Guarantor in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws of general applicability relating to or affecting creditors' rights and to general equity principles.

Section 6. Assignment. Neither the Guarantor nor the Guaranteed Party may assign its rights, interests or obligations hereunder to any other person (except by operation of law) without the prior written consent of the Guarantor or the Guaranteed Party, as the case may be.

Section 7. Notices. All notices or demands on the Guarantor shall be deemed effective when received, shall be in writing and shall be delivered by hand or by registered mail, or by facsimile transmission promptly confirmed by registered mail, addressed to the Guarantor at:

Suez Environnement, S.A.
1, Rue d'Astorg
75383 Paris Cedex 08 France
Telephone: +33 (0) 1-58-185000
Facsimile: +33 (0) 1-58-184863
Attention: Directeur Juridique

With a copy to:

Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004
Telephone: (212) 558-4000
Facsimile: (212) 558-3588
Attention: Richard A. Pollack

or to such other address or facsimile number as the Guarantor shall have notified the Guaranteed Party in a written notice delivered to the Guaranteed Party in accordance with the Guaranteed Agreement.

Section 8. Continuing Guarantee. This Guarantee shall remain in full force and effect and shall be binding on the Guarantor, its successors and assigns until all of the Obligations have been satisfied in full.

Section 9. GOVERNING LAW. **THIS GUARANTEE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.**

Section 10. Arbitration. Any controversy or claim arising out of or relating to this Guarantee or the breach hereof shall be settled by arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules, and Title 9 of the U.S. Code. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The number of arbitrators shall be one (1), and such arbitrator shall be selected by mutual agreement of the Guarantor and the Guaranteed Party, if possible, and thereafter by the administering authority, and the place of arbitration shall be New York, New York. The arbitrator may award the costs of the arbitration to the prevailing party and should in so doing consider the extent (in percentage terms, if possible) to which each party has prevailed on its claims or counterclaims. The arbitrator will have no authority to award punitive damages or any other damages not measured by the prevailing party's actual damages, and may not, in any event, make any ruling, finding or award that does not conform to the terms and conditions of this Guarantee.

IN WITNESS WHEREOF, this Guarantee has been duly executed and delivered by the Guarantor to the Guaranteed Party as of the date first above written.

SUEZ ENVIRONNEMENT, S.A.

By: ____

Name:
Title:

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Alan S. McKim, certify that:

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

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

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

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

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

/s/ Alan S. McKim

Alan S. McKim
President and Chief Executive Officer

Date: May 10, 2006

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, James M. Rutledge, certify that:

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

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

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

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

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

/s/ James M. Rutledge

James M. Rutledge
Executive Vice President and
Chief Financial Officer

Date: May 10, 2006

EXHIBIT 32

CLEAN HARBORS, INC. AND SUBSIDIARIES

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

Pursuant to 18 U.S.C. §1350, each of the undersigned certifies that, to his knowledge, this Quarterly Report on Form 10-Q for the period ended March 31, 2006 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in this report fairly presents, in all material respects, the financial condition and results of operations of Clean Harbors, Inc.

/s/ Alan S. McKim

Alan S. McKim
Chief Executive Officer

Date: May 10, 2006

/s/ James M. Rutledge

James M. Rutledge
Executive Vice President and
Chief Financial Officer

Date: May 10, 2006