

CLEAN HARBORS INC
Form S-3
November 01, 2005

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As filed with the Securities and Exchange Commission on November 1, 2005

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CLEAN HARBORS, INC.

(Exact name of Registrant as specified in its charter)

Massachusetts
(State or other jurisdiction of
incorporation or organization)

4953
(Primary Standard Industrial
Classification Code Number)

04-2997780
(I.R.S. Employer
Identification Number)

**1501 Washington Street
Braintree, Massachusetts 02184-7535
(781) 849-1800**

(Address, including zip code, and telephone number, including
area code, of Registrant's principal executive offices)

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**Approximate date of commencement of proposed sale to the public:
As soon as practicable after this Registration Statement becomes effective.**

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

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If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common Stock, \$.01 par value per share	2,300,000	\$34.49	\$79,327,000	\$9,336.79

(1) Includes 300,000 shares of common stock that the underwriters have the option to purchase solely to cover over-allotments.

(2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(c) under the Securities Act of 1933, as amended. The proposed maximum offering price per share and the amount of the registration fee have been computed on the basis of the average high and low sale prices of the common stock on the Nasdaq National Market on October 26, 2005.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED NOVEMBER 1, 2005

2,000,000 Shares

Common Stock

Clean Harbors, Inc. is selling 2,000,000 shares of common stock.

Our common stock is listed on the NASDAQ National Market under the symbol "CLHB." The last reported sale price on the NASDAQ National Market on October 31, 2005 was \$33.90 per share.

The underwriters have an option to purchase a maximum of 300,000 additional shares to cover over-allotments of shares.

Investing in our common stock involves risks. See "Risk Factors" on page 10.

	<u>Price to Public</u>	<u>Underwriting Discounts and Commissions</u>	<u>Proceeds to us</u>
Per Share	\$	\$	\$
Total	\$	\$	\$
Delivery of the shares of common stock will be made on or about _____, 2005.			

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse First Boston

Needham & Company, LLC

Wedbush Morgan Securities Inc.

CJS Securities, Inc.

The date of this prospectus is _____, 2005.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus or in the documents incorporated by reference into this prospectus, is not complete and may not contain all of the information that may be important to you. You should read this entire prospectus carefully, including the "Risk Factors" section before investing in our common stock. In this prospectus, unless the context requires otherwise, "we," "our," "us," "Clean Harbors" or "the Company" refers to Clean Harbors, Inc. and its subsidiaries.

Our Company

We are one of the largest providers of environmental services and the largest operator of non-nuclear hazardous waste treatment facilities in North America based on 2003 industry reports. We service approximately 55% of North America's commercial hazardous incineration volume, 17% of North America's hazardous landfill volume, and are the industry leader in total hazardous waste disposal facilities. We perform environmental services through a network of more than 100 service locations, and we operate five incineration facilities, nine commercial landfills, seven wastewater treatment operations, and 20 transportation, storage and disposal facilities, or TSDFs, as well as five PCB management facilities and two oil and used oil products recycling facilities.

The wastes that we handle include materials that are classified as "hazardous" because of their unique properties, as well as other materials subject to federal and state environmental regulation. We provide final treatment and disposal services designed to manage hazardous and non-hazardous wastes, which cannot be economically recycled or reused.

Clean Harbors, Inc. was incorporated in Massachusetts in 1980 and has grown through a combination of strategic acquisitions and internal growth. The most significant of such acquisitions was our acquisition in September 2002 of substantially all of the assets of the Chemical Services Division, or CSD, of Safety-Kleen Corp. Our revenues increased from \$350.1 million in 2002 to \$611.0 million in 2003 primarily as a result of that acquisition.

Our Services

We provide a wide range of environmental services and manage our business as two major segments: Technical Services and Site Services.

Technical Services (69% of 2004 revenue). These services involve the transport, treatment and disposal of hazardous wastes, and include physical treatment, resource recovery, fuels blending, incineration, landfill disposal, wastewater treatment, lab chemical disposal, explosives management, and CleanPack® and Apollo Onsite Services. Our CleanPack® services include the collection, logistics management, specialized packaging, transportation and disposal of laboratory chemicals and household hazardous wastes. Our Apollo Onsite Services provide outsourced environmental programs management at customer sites.

Site Services (31% of 2004 revenue). These services provide customers with highly skilled experts who utilize specialty equipment and resources to perform services at any chosen location. Under the Site Services umbrella, our Field Service crews and equipment are dispatched on a planned or emergency basis, and perform services such as confined space entry for tank cleaning, site decontamination, large remediation projects, selective demolition, spill cleanup, railcar cleaning, product recovery and transfer, scarifying and media-blasting and vacuum services. Additional services include used oil and oil products recycling, as well as PCB management and disposal. Also, as part of Site Services, Industrial Services crews focus on industrial cleaning and maintenance projects.

Our Industry

According to industry reports, the hazardous waste disposal market in North America is in excess of \$2.0 billion. We also service the much larger industrial maintenance market. The \$2.0 billion estimate does not include the industrial maintenance market, except to the extent that the costs of disposal of hazardous wastes generated as a result of industrial maintenance are included. The largest generators of hazardous waste materials are companies in the chemical, petrochemical, primary metals, paper, furniture, aerospace and pharmaceutical industries.

The hazardous waste management industry was "created" in 1976 with the passage of the Resource Conservation and Recovery Act, or RCRA. RCRA requires waste generators to distinguish between "hazardous" and "non-hazardous" wastes, and to treat, store and dispose of hazardous waste in accordance with specific regulations. This new regulatory environment, combined with strong economic growth, increased corporate concern surrounding environmental liabilities, and early-stage industry dynamics contributed to growth in the industry.

In the mid to late 1990s, the hazardous waste management industry was characterized by overcapacity, minimal regulatory advances and pricing pressure. However, since 2001, over one-third of all North American commercial incineration capacity has been eliminated, and we believe that competition has been reduced through consolidation and that new regulations have increased the overall barriers to entry.

The collection and disposal of solid and hazardous wastes are subject to local, state, provincial and federal requirements and regulations, which regulate health, safety, the environment, zoning and land-use. Included in these regulations is the Comprehensive Environmental Response, Compensation and Liability Act of 1980, or CERCLA, of the United States. CERCLA holds generators and transporters of hazardous substances, as well as past and present owners and operators of sites where there has been a hazardous release, strictly, jointly and severally liable for environmental cleanup costs resulting from the release or threatened release. Canadian companies are regulated under similar regulations, but the responsibility and liability associated with the waste passes from the generator to the transporter or receiver of the waste, in contrast to provisions of CERCLA.

Corporate Information

We are a publicly traded company listed on The Nasdaq National Market under the symbol "CLHB." Our corporate offices are located at 1501 Washington Street, Braintree, MA 02184-7535, Attention: Executive Offices (telephone (781) 849-1800 ext. 4454). Our website address is www.cleanharbors.com. The information contained or incorporated in our website is not part of this prospectus.

The Offering

Common stock offered by us	2,000,000 shares
Common stock to be outstanding after the offering	19,048,838 shares
Use of Proceeds	We estimate that the net proceeds to us from the offering after underwriting discounts and expenses will be approximately \$ million. We intend to use these proceeds, together with a portion of the \$12.5 million of net proceeds we received in October 2005 from exercise of our previously outstanding common stock purchase warrants, to redeem \$52.5 million principal amount of our outstanding 11 ¹ / ₄ % senior secured notes due 2012 and pay prepayment penalties and accrued interest of approximately \$8.6 million in connection with such redemption. To the extent, if any, that the net proceeds of this offering exceed the approximately \$61.1 million required to be paid in connection with such redemption, we will use such excess for general corporate purposes. See "Use of Proceeds."
Risk Factors	You should carefully read and consider the information under "Risk Factors" and all other information set forth or incorporated by reference in this prospectus before investing in our common stock.
Nasdaq National Market symbol	CLHB

The number of shares of our common stock to be outstanding after this offering is based on the number of shares outstanding as of October 27, 2005, and does not include:

498,690 shares of common stock issuable upon exercise of outstanding common stock purchase warrants expiring September 10, 2009 with an exercise price of \$8.00 per share;

212,821 shares of common stock issuable upon conversion of our outstanding Series B convertible preferred stock with a conversion price of \$16.45 per common share;

290,637 shares of common stock issuable upon the exercise of options outstanding under our employee stock benefit plans which were either then vested or will vest within 60 days thereafter having a weighted average exercise price of \$6.87 per share as of that date;

591,410 shares of common stock issuable from time to time in the future under our Employee Stock Purchase Plan; and

up to 300,000 additional shares of common stock we have agreed to sell if the underwriters exercise in full their over-allotment option.

Unless otherwise stated, all information contained in this prospectus assumes that the underwriters will not exercise their over-allotment option.

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Summary Historical Consolidated Financial Data

The following summary consolidated financial information should be reviewed in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Selected Historical Consolidated Financial Data" and our financial statements and the notes thereto included elsewhere in this prospectus.

The summary historical income statement data set forth below for the years ended December 31, 2002, 2003 and 2004 and the summary historical balance sheet data at December 31, 2003 and 2004 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary historical balance sheet data set forth below as of December 31, 2002 have been derived from the audited consolidated financial statements not included in this prospectus. The summary historical income statement data set forth below for the six months ended June 30, 2004 and 2005 and the summary historical balance sheet data as of June 30, 2005 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The summary historical balance sheet data as of June 30, 2004 has been derived from unaudited consolidated financial statements not included in this prospectus. The unaudited financial statements include, in the opinion of our management, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the data for such periods. The results of operations for the interim periods are not necessarily indicative of operating results for the full year.

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	2005	2004	2004	2003(1)	2002(1)(2)
	(in thousands except per share amounts)				
Income Statement Data:					
Revenues	\$ 338,876	\$ 304,388	\$ 643,219	\$ 610,969	\$ 350,133
Cost of revenues	244,981	223,302	464,838	453,461	252,469
Selling, general and administrative expenses	49,669	50,998	104,509	108,430	61,518
Accretion of environmental liabilities(3)	5,250	5,207	10,394	11,114	1,199
Depreciation and amortization	14,354	11,661	24,094	26,482	15,508
Restructuring				(124)	750
Other acquisition costs					5,406
	24,622	13,220	39,384	11,606	13,283
Income from operations	24,622	13,220	39,384	11,606	13,283
Other income (expense)(4)	510	(1,104)	(1,345)	(94)	129
(Loss) on refinancings(5)		(7,099)	(7,099)		(24,658)
Interest (expense), net	(11,907)	(10,801)	(22,297)	(23,724)	(13,414)
	13,225	(5,784)	8,643	(12,212)	(24,660)
Income (loss) before provision for income taxes and cumulative effect of change in accounting principle	13,225	(5,784)	8,643	(12,212)	(24,660)
Provision for income taxes(6)	1,013	3,526	6,043	5,322	3,787
	12,212	(9,310)	2,600	(17,534)	(28,447)
Income (loss) before cumulative effect of change in accounting principle	12,212	(9,310)	2,600	(17,534)	(28,447)
Cumulative effect of change in accounting principle				66	
	12,212	(9,310)	2,600	(17,600)	(28,447)
Net income (loss)	12,212	(9,310)	2,600	(17,600)	(28,447)
Redemption of Series C preferred stock, dividends on Series B and C preferred stocks and accretion on Series C preferred stock(7)	140	11,616	11,798	3,287	1,291
	\$ 12,072	\$ (20,926)	\$ (9,198)	\$ (20,887)	\$ (29,738)
Net income (loss) attributable to common shareholders	\$ 12,072	\$ (20,926)	\$ (9,198)	\$ (20,887)	\$ (29,738)
	\$.81	\$ (1.49)	\$ (.65)	\$ (1.54)	\$ (2.44)
Basic earnings (loss) per share attributable to common shareholders	\$.81	\$ (1.49)	\$ (.65)	\$ (1.54)	\$ (2.44)

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	For the Six Months Ended June 30,		For the Year Ended December 31,		
Diluted earnings (loss) per share attributable to common shareholders	\$.71	\$ (1.49)	\$ (.65)	\$ (1.54)	\$ (2.44)

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Weighted average common shares outstanding	14,913	14,002	14,099	13,553	12,189
Weighted average common shares outstanding plus potentially dilutive common shares	17,142	14,002	14,099	13,553	12,189

Other Financial Data:

Adjusted EBITDA(8)	\$ 44,226	\$ 31,230	\$ 74,744	\$ 50,744	\$ 36,170
Ratio of Adjusted EBITDA to interest expense	3.7x	2.9x	3.4x	2.1x	2.7x
Capital expenditures(9)	\$ 7,872	\$ 12,887	\$ 26,570	\$ 34,832	\$ 12,460

At June 30,

At December 31,

2005	2004	2004	2003(1)	2002(1)(2)
-------------	-------------	-------------	----------------	-------------------

(in thousands)

Balance Sheet Data:

Working capital	\$ 64,972	\$ 30,820	\$ 50,696	\$ (19,575)	\$ 23,537
Goodwill	19,032	19,032	19,032	19,032	19,032
Total assets	503,770	471,041	504,702	540,159	559,690
Long-term obligations (including current portion)(10)	153,414	153,384	153,129	187,119	174,350
Redeemable preferred stock				15,631	13,543
Stockholders' equity (deficit)	26,362	(3,030)	11,038	7,696	20,420

(1)

We restated our financial statements for the years ended December 31, 2003 and 2002, in order to correct errors related to estimated self-insured workers' compensation and motor vehicle liability claims. We concluded that our previous methodology for estimating our self-insured workers' compensation and motor vehicle insurance claims resulted in an understatement of our self-insured liabilities because negative trends inherent in these types of liabilities were not considered in calculating the self-insured liability. The new methodology involves using an actuarial-based method versus the specific reserve method previously used. For the years ended December 31, 2003 and 2002, the impact of the restatements resulting from correcting our self-insured liabilities on net loss was as follows (in thousands):

	2003	2002
Net loss as previously reported	\$ (17,345)	\$ (28,191)
Restatement adjustment to cost of revenues	(255)	(256)
Net loss as restated	\$ (17,600)	\$ (28,447)

The adjustments for the years ended December 31, 2003 and 2002 did not change the amount of income tax expense previously recorded for those periods. For the years ended December 31, 2003 and 2002, the impact on other accrued expenses resulting from the correction of our self-insured liabilities was as follows (in thousands):

	2003	2002
Other accrued expenses as previously reported	\$ 32,240	\$ 33,863
Restatement adjustment	1,617	1,362
Other accrued expenses as restated	\$ 33,857	\$ 35,225

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At December 31, 2003 and 2002, the impact of this restatement on accumulated deficit was as follows (in thousands):

	2003	2002
Accumulated deficit as previously reported	\$ (60,921)	\$ (43,576)
Restatement adjustment	(1,617)	(1,362)
	\$ (62,538)	\$ (44,938)

The adjustments had no effect on net cash provided by operating activities.

- (2) Effective as of September 7, 2002, we acquired the assets of the Chemical Services Division of Safety-Kleen Corp. Amounts recorded for the year ended December 31, 2002, for revenues, cost of revenues, selling general and administrative expenses, accretion of environmental liabilities, depreciation and amortization, restructuring, other acquisition costs, other income, loss on refinancings, interest expense, provision for income taxes, working capital, total assets, long-term obligations, redeemable preferred stock and stockholders' equity were either significantly impacted by or resulted from the acquisition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Acquisition" and " Results of Operations."
- (3) Effective January 1, 2003, we adopted Statement of Financial Accounting Standards ("SFAS") No. 143. Accretion of environmental liabilities for the six months ended June 30, 2005 and 2004, and the years ended December 31, 2004 and 2003, were due primarily to the implementation as of January 1, 2003 of SFAS No. 143 and accretion of the discount for the remedial liabilities assumed as part of the CSD assets acquired. Accretion of environmental liabilities for the year ended December 31, 2002, related to the accretion of the discount for the remedial liabilities assumed in the acquisition of the CSD assets. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Environmental Liabilities."
- (4) As further discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations Redemption of Series C Preferred Stock," we had outstanding prior to June 30, 2004, 25,000 shares of Series C Convertible Preferred Stock which consisted of two components, namely, the Host Contract and an Embedded Derivative which reflected the right of the holders of the Series C Preferred Stock to convert into our common stock on the terms set forth in the Series C Preferred Stock. The value of the Embedded Derivative was periodically marked to market which resulted in the inclusion of gains (losses) as a component of other income (expense) of \$(1.6) million for the six months ended June 30, 2004, and \$(1.6) million, \$(0.4) million and \$0.1 million for the years ended December 31, 2004, 2003 and 2002, respectively.
- (5) As further discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations The 2004 Refinancing" and " Redemption of Series C Preferred Stock," we repaid on June 30, 2004 our then outstanding debt, redeemed our then outstanding Series C Preferred Stock and settled the Embedded Derivative liability associated with our Series C Preferred Stock. For the year ended December 31, 2004, we recorded refinancing expenses, net of \$7.1 million relating to these activities.
- (6) The fiscal year 2002 provision for income taxes included a \$1.1 million charge to provide a valuation allowance for all net deferred tax assets.
- (7) As further discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations The 2004 Refinancing" and " Redemption of Series C Preferred Stock," we had outstanding prior to June 30, 2004, 25,000 shares of Series C Convertible Preferred Stock. The amount of \$11.8 million for the year ended December 31, 2004 includes \$9.9 million related to the redemption of the Series C Preferred Stock.

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(8)

For all periods presented, "Adjusted EBITDA" consists of 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, change in value of embedded derivative associated with our previously outstanding Series C Preferred Stock (which we redeemed June 30, 2004), and gain (loss) on sale of fixed assets. Such definition of "Adjusted EBITDA" is the same as the definition of "EBITDA" used in our current credit agreement and indenture for covenant compliance purposes. See below for a reconciliation of Adjusted EBITDA to both net income (loss) and net cash provided by operating activities for the specified periods. Our management considers Adjusted EBITDA to be a measurement of performance which provides useful information to both management and investors. Adjusted EBITDA should not be considered an alternative to net income or loss or other measurements under GAAP. Because Adjusted EBITDA is not calculated identically by all companies, our measurements of Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies.

The following is a reconciliation of net income (loss) to Adjusted EBITDA for the following periods (in thousands):

	Six Months Ended June 30,		Year Ended December 31,		
	2005	2004	2004	2003(1)	2002(*)
Net income (loss)	\$ 12,212	\$ (9,310)	\$ 2,600	\$ (17,600)	\$ (28,447)
Accretion of environmental liabilities	5,250	5,207	10,394	11,114	1,199
Depreciation and amortization	14,354	11,661	24,094	26,482	15,508
Restructuring costs				(124)	750
Other acquisition costs					5,406
Loss on refinancings		7,099	7,099		24,658
Interest expense, net	11,907	10,801	22,297	23,724	13,414
Provision for income taxes	1,013	3,526	6,043	5,322	3,787
Non-recurring severance charges		16	25	1,089	
Other non-recurring refinancing-related expenses		1,126	1,326		
Change in value of embedded derivative		1,590	1,590	379	(129)
Other income	(564)				
Loss (gain) on sale of fixed assets	54	(486)	(724)	292	24
Cumulative effect of change in accounting principle				66	
Adjusted EBITDA	\$ 44,226	\$ 31,230	\$ 74,744	\$ 50,744	\$ 36,170

(*)

See footnote (1) above describing the restatement of our financial statements for the year-ended December 31, 2003 and 2002.

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The following reconciles Adjusted EBITDA to net cash provided by operating activities for the following periods (in thousands):

	Six Months Ended June 30,		Year Ended December 31,		
	2005	2004	2004	2003(*)	2002(*)
Adjusted EBITDA	\$ 44,226	\$ 31,230	\$ 74,744	\$ 50,744	\$ 36,170
Interest expense	(11,907)	(10,801)	(22,297)	(23,724)	(13,414)
Provision for income taxes	(1,013)	(3,526)	(6,043)	(5,322)	(3,787)
Allowance for doubtful accounts	(372)	479	1,232	2,439	842
Amortization of deferred financing costs	739	1,558	2,294	2,467	899
Amortization of debt discount	83		77		388
Deferred income taxes			381	(620)	1,676
(Gain) loss on sale of fixed assets	54	(486)	(724)	292	24
Other income	510				
Other non-recurring refinancing-related expenses and other		(1,142)	(1,351)		
Stock options expensed	47		35	29	166
Foreign currency loss (gain) on intercompany transactions	(404)	(600)	(88)	996	
Changes in assets and liabilities, net of acquisition					
Accounts receivable	(1,465)	259	(6,058)	20,265	(9,679)
Unbilled accounts receivable	(1,567)	1,159	4,429	4,539	(9,695)
Deferred costs	952	(54)	538	(838)	(4,433)
Prepaid expenses	2,928	(1,477)	(4,781)	14	(5,277)
Accounts payable	(5,399)	(945)	9,249	2,923	12,201
Closure, post-closure and remedial liabilities	(11,311)	(5,715)	(13,030)	(8,268)	(817)
Deferred revenue	(4,273)	699	(1,086)	(2,121)	8,693
Accrued disposal costs	(164)	464	910	(72)	(5,060)
Income taxes payable	(2,970)	2,510	(734)	685	1,214
Other, net	340	1,418	14,763	(5,571)	(4,462)
Net cash provided by operating activities	\$ 9,034	\$ 15,030	\$ 52,460	\$ 38,857	\$ 5,649

(*) See footnote (1) above describing the restatement of our financial statements for the years ended December 31, 2003 and 2002.

(9) Capital expenditures include costs in connection with bringing our incinerators into compliance with the new MACT standards as follows: \$4.3 million, \$18.9 million and \$2.3 million during the years ended December 31, 2004, 2003, and 2002, respectively.

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

RISK FACTORS

An investment in our common stock involves certain risks, including those we describe below. You should consider carefully these risk factors together with all of the information included or referred to in this prospectus before investing in our common stock.

Risks Relating to Our Business

We assumed significant environmental liabilities as part of the CSD acquisition, and our financial condition and results of operations would be adversely affected if we were required to pay such liabilities more rapidly or in greater amounts than now estimated.

As part of our acquisition of the assets of the CSD effective September 7, 2002, we assumed certain environmental liabilities of the CSD which were valued as of December 31, 2004, at approximately \$184.5 million. We calculate certain of these liabilities on a present value basis in accordance with generally accepted accounting principles (which takes into consideration both the amount of such liabilities and the timing when it is projected that we will be required to pay such liabilities). We anticipate such liabilities will be payable over many years and that cash flows generated from our operations will generally be sufficient to fund the payment of such liabilities when required. However, events not now anticipated (such as future changes in environmental laws and regulations or their enforcement) could require that such payments be made earlier or in greater amounts than now estimated, which could adversely affect our financial condition and results of operations.

If we are unable to obtain at reasonable cost the significant amount of insurance and financial assurances which are required for our operations, our business and results of operations would be adversely affected.

We are required to carry significant amounts of insurance, to occasionally post bid and performance bonds, and to provide substantial amounts of financial assurances to governmental agencies for potential closure and post-closure care of our licensed hazardous waste treatment facilities should those facilities cease operation. Our total estimated closure and post-closure costs requiring financial assurance by regulators as of June 30, 2005, was \$279.3 million. We have placed most of the required financial assurance for closure through a qualified insurance company, Steadfast Insurance Company (a unit of Zurich Insurance N.A.). We were required to and have posted letters of credit of approximately \$73.5 million with Steadfast Insurance Company in order to obtain the insurance policies. The term of our current insurance policy from Steadfast Insurance Company will expire in September 2006, and our ability to continue conducting our operations could be adversely affected if we should become unable to obtain sufficient insurance, surety bonds and financial assurances at reasonable cost to meet our business and regulatory requirements in the future. The availability of insurance may be influenced by developments within the insurance industry itself, as well as the insurers' or sureties' assessment of their risk of loss with us.

The environmental services industry in which we participate is subject to significant economic and business risks.

Our future operating results may be affected by such factors as our ability to: utilize our facilities and workforce profitably in the face of intense price competition; maintain or increase market share in an industry which has experienced significant downsizing and consolidating; realize benefits from cost reduction programs; generate incremental volumes of waste to be handled through our facilities from existing and acquired sales offices and service centers; obtain sufficient volumes of waste at prices which produce revenue sufficient to offset the operating costs of the facilities; minimize downtime and disruptions of operations; and develop the site services business. In particular, economic downturns or recessionary conditions in North America, and increased outsourcing by North American manufacturers

to plants located in countries with lower wage costs and less stringent environmental regulations, have adversely affected and may in the future adversely affect the demand for our services. The hazardous and industrial waste management business is also cyclical to the extent that it is dependent upon a stream of waste from cyclical industries such as the chemical and petrochemical, primary metals, paper, furniture and aerospace industries. If those cyclical industries slow significantly, the business that we receive from those industries is likely to slow.

A significant portion of our business depends upon the demand for major remedial projects and regulatory developments over which we have no control.

Our operations are significantly affected by the commencement and completion of major site remedial projects; cleanup of major spills or other events; seasonal fluctuations due to weather and budgetary cycles influencing the timing of customers' spending for remedial activities; the timing of regulatory decisions relating to hazardous waste management projects; changes in regulations governing the management of hazardous waste; secular changes in the waste processing industry towards waste minimization and the propensity for delays in the remedial market; and changes in the myriad of governmental regulations governing our diverse operations. We do not control such factors and, as a result, our revenue and income can vary significantly from quarter to quarter, and past financial performance for certain quarters may not be a reliable indicator of future performance for comparable quarters in subsequent years.

Seasonality makes it harder for us to manage our business and for investors to evaluate our performance.

Our operations may be affected by seasonal fluctuations due to weather and budgetary cycles influencing the timing of customers' spending for remedial activities. Typically during the first quarter of each calendar year there is less demand for environmental remediation due to weather related reasons, particularly in the northern and midwestern United States and Canada, and increased possibility of unplanned weather related plant shutdowns. This seasonality in our business makes it harder for us to manage our business and for investors to evaluate our performance.

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

Our operations and those of others in the environmental industry are subject to extensive federal, state, provincial and local environmental requirements in both the United States and Canada. While increasing environmental regulation often presents new business opportunities for us, it often results in increased operating and compliance costs. Efforts to conduct our operations in compliance with all applicable laws and regulations, including environmental rules and regulations, require programs to promote compliance, such as training employees and customers, purchasing health and safety equipment, and in some cases hiring outside consultants and lawyers. Even with these programs, we and other companies in the environmental services industry are routinely faced with governmental enforcement proceedings which can result in fines or other sanctions and require expenditures for remedial work on waste management facilities and contaminated sites. Certain of these laws impose strict and, under certain circumstances, joint and several liability for cleanup of releases of regulated materials, and also liability for related natural resource damages.

From time to time, we have paid fines or penalties in governmental environmental enforcement proceedings, usually involving our waste treatment, storage and disposal facilities. Although none of these fines or penalties that we have paid in the past has had a material adverse effect upon us, we might in the future be required to make substantial expenditures as a result of governmental proceedings, which would have a negative impact on our earnings. Furthermore, regulators have the power to suspend or revoke permits or licenses needed for operation of our plants, equipment, and

vehicles based on, among other factors, our compliance record, and customers may decide not to use a particular disposal facility or do business with us because of concerns about our compliance record. Suspension or revocation of permits or licenses would impact our operations and could have a material adverse impact on financial results. Although we have never had any of our facilities' operating permits revoked, suspended or non-renewed involuntarily, it is possible that such an event could occur in the future.

In the past, practices have resulted in releases at and from certain of our facilities, which may require investigation and, in some cases, remediation. We are currently conducting remedial activities at certain of our sites. While, based on available information, we do not believe these remedial activities will result in a material adverse effect upon our operations or financial condition, these activities or the discovery of previously unknown conditions could result in material costs.

Future changes in environmental regulations may require us to make significant capital expenditures.

Changes in environmental regulations can require us to make significant capital expenditures for our facilities. For example, in 2002, the United States Environmental Protection Agency, or EPA, promulgated Interim Standards of the Hazardous Waste Combustor Maximum Achievable Control Technology under the Federal Clean Air Act Amendments. These standards established new emissions limits and operational controls on all new and existing incinerators, cement kilns and light-weight aggregate kilns that burn hazardous waste-derived fuels. We have spent approximately \$25.5 million since September 7, 2002 in order to bring our Kimball, Nebraska, Deer Park, Texas and Aragonite, Utah incineration facilities which we acquired as part of the CSD assets into compliance with the HWC MACT regulations. Future environmental regulations could cause us to make significant additional capital expenditures and adversely affect our results of operations and cash flow.

If our assumptions relating to expansion of our landfills should prove inaccurate, our results of operations and cash flow could be adversely affected.

When we include the expansion airspace in our calculations of available airspace, we adjust our landfill liabilities to the present value of projected costs for cell closure, and landfill closure and post-closure. It is possible that any of our estimates or assumptions could ultimately turn out to be significantly different from actual results. In some cases we may be unsuccessful in obtaining an expansion permit or we may determine that an expansion permit that we previously thought was probable has become unlikely. To the extent that such estimates, or the assumptions used to make those estimates, prove to be significantly different than actual results, or our belief that we will receive an expansion permit changes adversely in a significant manner, the landfill assets, including the assets incurred in the pursuit of the expansion, may be subject to impairment testing, and lower prospective profitability may result due to increased interest accretion and depreciation or asset impairments related to the removal of previously included expansion airspace. In addition, if our assumptions concerning the expansion airspace should prove inaccurate, certain of our cash expenditures for closure of landfills could be accelerated and adversely affect our results of operations and cash flow.

Future conditions might require us to make substantial write-downs in our assets, which would adversely affect our balance sheet and results of operations.

We participate in a highly volatile industry with multiple competitors, several of which have taken large write-offs and asset write-downs, operated under Chapter 11 bankruptcy protection and undergone major restructuring during the past several years. Periodically, we review long-lived assets for impairment. At the end of each of 2004, 2003 and 2002, we determined based on this review that no asset write-downs were required; however, if conditions in the industry were to deteriorate significantly, we could determine that certain of our assets were impaired and we would then be

required to write-off all or a portion of our costs for such assets. Any such significant write-offs would adversely affect our balance sheet and results of operations.

Other Risks Relating to Our Company and Common Stock

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

As of June 30, 2005, we had \$155.2 million of outstanding indebtedness and \$90.4 million of outstanding letters of credit. Our substantial level of indebtedness and outstanding letters of credit may:

adversely impact our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or other general corporate purposes;

require us to dedicate a substantial portion of our cash flow to the payment of interest on our indebtedness and fees on our letters of credit;

subject us to the risk of increased sensitivity to interest rate increases based upon variable interest rates, including our borrowings (if any) under our revolving credit facility;

increase the possibility of an event of default under the financial and operating covenants contained in our debt instruments; and

limit our ability to adjust to rapidly changing market conditions, reducing our ability to withstand competitive pressures and make us more vulnerable to a downturn in general economic conditions of our business than our competitors with less debt.

If we are unable to generate sufficient cash flow from operations in the future to service our debt and fee obligations, we may be required to refinance all or a portion of our existing debt and letter of credit facilities, or to obtain additional financing and facilities. However, we may not be able to obtain any such refinancing or additional facilities on favorable terms or at all.

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

The agreements governing our revolving credit and letter of credit facilities and the indenture relating to our outstanding senior secured notes limit, among other things, our ability and the ability of our restricted subsidiaries to:

incur or guarantee additional indebtedness (including, for this purpose, reimbursement obligations under letters of credit) or issue preferred stock;

pay dividends or make other distributions to our stockholders;

purchase or redeem capital stock or subordinated indebtedness;

make investments;

create liens;

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incur restrictions on the ability of our restricted subsidiaries to pay dividends or make other payments to us;

sell assets, including capital stock of our subsidiaries;

consolidate or merge with or into other companies or transfer all or substantially all of our assets; and

engage in transactions with affiliates.

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As a result of these covenants, we may not be able to respond to changes in business and economic conditions and to obtain additional financing, if needed, and we may be prevented from engaging in transactions that might otherwise be beneficial to us. Our revolving credit and letter of credit facilities require, and our future credit facilities may require, us to maintain specified financial ratios and satisfy certain financial condition tests. Our ability to meet these financial ratios and tests can be affected by events beyond our control, and we may not be able to meet those tests. The breach of any of these covenants could result in a default under our revolving credit and letter of credit facilities. Upon the occurrence of an event of default under our revolving credit and letter of credit facilities or future credit facilities, the lenders could elect to declare all amounts outstanding under such credit facilities, including accrued interest or other obligations, to be immediately due and payable. If amounts outstanding under such credit facilities were to be accelerated, our assets may not be sufficient to repay in full that indebtedness and our other indebtedness, including our senior secured notes.

The instruments governing certain of our indebtedness, including the indenture governing our senior secured notes and our revolving credit and letter of credit facilities, also contain cross-default provisions. Under these provisions, a default under one instrument governing our indebtedness may constitute a default under our other instruments of indebtedness that contain cross default provisions, which could result in the related indebtedness and the indebtedness issued under other instruments becoming immediately due and payable. In such event, we would need to raise funds from alternative sources, which funds may not be available to us on favorable terms, on a timely basis or at all. Alternatively, such a default could require us to sell our assets and otherwise curtail operations to pay our creditors. The proceeds of such a sale of assets, or curtailment of operations, might not enable us to pay all of our liabilities.

We have not paid, and do not anticipate paying for the foreseeable future, dividends on our common stock.

We have not paid, and do not anticipate paying for the foreseeable future, any dividends on our common stock. Furthermore, our current credit agreement prohibits, we anticipate our amended and restated credit agreement which will become effective upon the completion of this offering will prohibit, and our indenture restricts, the payment by us of dividends on our common stock. We intend to retain future earnings, if any, for use in the operation and expansion of our business and payment of our outstanding debt.

Our founder and other directors and executive officers, as a group, will be able to exercise substantial influence over matters submitted to our shareholders for approval.

As of the date of this prospectus and after giving effect to the sale of shares by us in this offering, Alan S. McKim, our founder and chief executive officer, together with other directors and executive officers, will beneficially hold approximately 21.1% of our outstanding common stock assuming no exercise by the underwriters of their over-allotment option, or approximately 20.7% assuming full exercise by the underwriters of such option. As a result, our directors and executive officers will likely be able to exercise substantial influence over matters submitted to our shareholders for approval, including the election of directors, any merger, consolidation or sale of all or substantially all of our assets or any other significant corporate transactions. These shareholders may also delay or prevent a change of control even if such a change of control would benefit our other shareholders. The significant concentration of stock ownership might cause the trading price of our common stock to decline if investors were to perceive that conflicts of interest may exist or arise over any such potential transactions.

Potential future sales of common stock by our directors and executive officers, and our other principal shareholders, may cause our stock price to fall.

Future sales, or the availability for future sales, of substantial amounts of our common stock could adversely affect the market price of our common stock. As described above, as of the date of this prospectus and after giving effect to the sale of shares by us in this offering, our founder and other directors and executive officers will beneficially hold approximately 21.1% (assuming no exercise by the underwriters of their over-allotment option), or 20.7% (assuming full exercise by the underwriters of such option), of our outstanding common stock. In addition, two other holders which each beneficially now own in excess of 5% of our outstanding common stock collectively own an aggregate of 2,223,575 shares (approximately 11.7% of our common stock which will be outstanding upon completion of this offering assuming no exercise of the underwriters' over-allotment option, or 11.5% assuming a full exercise of such option). A decision by one or more of these shareholders to sell a substantial number of their shares could adversely affect the market price of our common stock. All of the approximately 20,050,986 shares (20,350,986 shares if the underwriters' over-allotment option is exercised in full) of our common stock which will be outstanding or subject to then exercisable warrants, conversion rights or options upon the completion of this offering will be freely tradable without restriction or further registration under the Securities Act, except for the approximately 4,034,545 of such shares beneficially held by our "affiliates" as that term is defined in Rule 144 under the Securities Act. The shares held by our "affiliates" include the shares beneficially held by our founder and other directors and executive officers described above. Shares beneficially owned by our affiliates may not be sold except in compliance with the registration requirements of the Securities Act or pursuant to an exemption from registration, such as Rule 144. Furthermore, the shares of common stock beneficially held by our directors and executive officers are subject to lock-up agreements for a period of 90 days after the date of this prospectus.

The Massachusetts Business Corporation Act and our By-Laws contain certain anti-takeover provisions.

Section 8.06 and 7.02 of the Massachusetts Business Corporation Act provide that Massachusetts corporations which are publicly-held must have a staggered board of directors and that written demand by holders of at least 40% of the outstanding shares of each relevant voting group of shareholders is required for shareholders to call a special meeting unless such corporations take certain actions to affirmatively "opt-out" of such requirements. In accordance with these provisions, our By-Laws provide for a staggered Board of Directors which consists of three classes of directors of which one class is elected each year for a three-year term, and require that written application by holders of at least 25% (which is less than the 40% which would otherwise be applicable without such a specific provision in our By-Laws) of our outstanding shares of common stock is required for shareholders to call a special meeting. In addition, our By-Laws prohibit the removal by the shareholders of a director except for cause. These provisions could inhibit a takeover of our company by restricting shareholder action to replace the existing directors or approve other actions which a party seeking to acquire us might propose. A takeover transaction would frequently afford shareholders an opportunity to sell their shares at a premium over then market prices.

As of December 31, 2004, we had a material weakness in our internal control over financial reporting, and we might find other material weaknesses in the future which may adversely affect our ability to provide timely and reliable financial information and satisfy our reporting obligations under federal securities laws.

As of December 31, 2004, we did not maintain effective controls over the completeness and accuracy of our self-insured workers' compensation and motor vehicle liability reserves. Specifically, we did not then have effective controls over estimating and monitoring self-insured workers' compensation and motor vehicle reserves. This control deficiency resulted in the restatement of our consolidated financial statements for the years ending December 31, 2003 and 2002, the restatement of the quarterly

data for the fourth quarter ended December 31, 2003, as well as a fourth quarter audit adjustment in our 2004 financial statements. Additionally, this control deficiency could have resulted in a misstatement of workers' compensation and motor vehicle liability reserves that would have resulted in a material misstatement to annual or interim financial statements that would not be prevented or detected. Our management therefore determined that this control deficiency constituted a "material weakness" in our internal control over financial reporting as of December 31, 2004. Accordingly, the reports in Amendment No. 1 to our annual report on Form 10-K for the year ended December 31, 2004 by both our management and by PricewaterhouseCoopers, LLP, the independent registered public accounting firm which audited our 2004 financial statements, concluded that our internal control over financial reporting was not "effective" as of December 31, 2004.

In order to remediate the control weakness in our internal control over financial reporting described above, we are now using an actuarial-based method for estimating our reserves for self-insured workers' compensation and motor vehicle liability reserves. Although we believe that utilization of this actuarial-based method satisfactorily remediates our internal controls over estimating and monitoring self-insured workers' compensation and motor vehicle reserves, we might find other material weaknesses in our internal control over financial reporting in future periods. To the extent that any significant or material weaknesses exist in our internal control over financial reporting, such weaknesses may adversely affect our ability to provide timely and reliable financial information necessary for the conduct of our business and satisfaction of our reporting obligations under federal securities laws.

IMPORTANT INFORMATION ABOUT THIS PROSPECTUS

You should rely only on the information contained or incorporated by reference in this prospectus or to which we have referred you. We have not authorized anyone to provide you with information that is different. If anyone provides you with different or additional information, you should not rely on it. The information contained or incorporated by reference in this prospectus may be accurate only as of the date on the front cover of this prospectus or the date of the document incorporated by reference. We are not making an offer to sell the shares offered by this prospectus in any jurisdiction where the offer or sale is not permitted.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated herein by reference to our filings under the Securities Exchange Act of 1934 include "forward-looking statements," as defined by federal securities laws, with respect to our financial condition, results of operations and business and our expectations or beliefs concerning future events. Words such as, but not limited to, "believe," "expect," "anticipate," "estimate," "intend," "plan," "targets," "likely," "will," "would," "could" and similar expressions or phrases identify forward-looking statements.

All forward-looking statements involve risks and uncertainties. Many risks and uncertainties are inherent in the environmental services industry. Others are more specific to our operations. The occurrence of the events described, and the achievement of the expected results, depend on many events, some or all of which are not predictable or within our control. Actual results may differ materially from expected results.

Factors that may cause actual results to differ from expected results include, among others:

our significant indebtednesses and ability to incur substantially more debt;

our future cash flow and earnings;

our ability to meet our debt obligations;

our ability to increase our market share;

our ability to retain our significant customers;

our ability to manage the significant environmental liabilities which we assumed in connection with the CSD acquisition which became effective in September 2002;

our ability to manage business growth and diversification and the effectiveness of our information systems;

our ability to compete with competitors in our industry;

the outcome of current and potential legal proceedings;

the availability and costs of liability insurance and financial assurances required by governmental entities relating to our facilities;

our ability to attract and retain qualified management personnel;

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the effects of general industry and economic conditions;

our ability to identify suitable acquisition candidates or joint venture relationships for expansion, to consummate these transactions on favorable terms and to achieve satisfactory operating results from the acquired businesses; and

our ability to avoid unforeseen material liabilities as a result of acquiring new companies.

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All future written and verbal forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We undertake no obligation, and specifically decline any obligation, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur.

See the section of this prospectus entitled "Risk Factors" for a more complete discussion of these risks and uncertainties and for other risks and uncertainties. These factors and the other risk factors described in this prospectus are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements and other unknown or unpredictable factors also could harm our results. Consequently, actual results or developments anticipated by us may not be realized and, even if substantially realized, they may not have the expected consequences to, or effects on, us. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements.

INDUSTRY AND MARKET DATA

We obtained the market and certain other data used in this prospectus from our own research, surveys or studies conducted by third parties and industry or general publications, such as EI Digest, and other publicly available sources. Industry and general publications and surveys generally state that they have obtained information from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. Although we have not independently verified the market data and related information contained in this prospectus, we believe such data and information is accurate as of the date of this prospectus or the respective earlier dates specified in this prospectus.

PRICE RANGE OF COMMON STOCK

Our common stock trades on the NASDAQ National Market under the symbol "CLHB." The following table sets forth the high and low sales prices of our common stock for the indicated periods as reported by NASDAQ.

2005	High	Low
First Quarter	\$ 20.95	\$ 13.74
Second Quarter	24.06	15.21
Third Quarter	34.49	21.48
Fourth Quarter (through October 31, 2005)	35.83	32.73
2004	High	Low
First Quarter	\$ 9.08	\$ 6.45
Second Quarter	9.98	7.21
Third Quarter	12.11	8.26
Fourth Quarter	15.09	10.41
2003	High	Low
First Quarter	\$ 16.52	\$ 8.94
Second Quarter	15.09	8.95
Third Quarter	9.88	4.25
Fourth Quarter	9.35	3.25

On October 31, 2005, the last reported sale price on the Nasdaq National Market was \$33.90 per share.

On September 30, 2005, there were 521 shareholders of record of our common stock, excluding stockholders whose shares were held in nominee name. We estimate that approximately 2,900 additional shareholders held shares in street name at that date.

DIVIDEND POLICY

We have never declared nor paid any cash dividends on our common stock, and we do not intend to pay any dividends on our common stock in the foreseeable future. We currently intend to retain our future earnings, if any, for use in the operation and expansion of our business and payment of our outstanding debt. In addition, our current credit agreement prohibits, we anticipate our amended and restated credit agreement which will become effective upon the closing of this offering as described in "Description of Certain Indebtedness" will prohibit, and our indenture restricts, us from paying cash dividends on our common stock. To the extent permitted by our debt agreements then in effect, our board of directors will determine our future payment of dividends, if any, on our common stock.

USE OF PROCEEDS

We estimate that the net proceeds to us from this offering, after deduction of underwriting discounts and expenses, will be approximately \$ million. We intend to use these net proceeds, together with a portion of the \$12.5 million of net proceeds we received in October 2005 from exercise of our previously outstanding common stock purchase warrants, to redeem \$52.5 million principal amount of our outstanding 11¹/₄% senior secured notes due 2012 and pay prepayment penalties and accrued interest of approximately \$8.6 million in connection with such redemption. To the extent, if any, that the net proceeds of this offering exceed the approximately \$61.1 million required to be paid in connection with such redemption, we will use such excess amount for general corporate purposes.

CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents, long-term debt (including current portion), and stockholders' equity as of June 30, 2005 on an actual basis, and pro forma to reflect (i) the sale of 2,000,000 shares of our common stock in this offering at an assumed public offering price of \$34.22, the last reported sale price of our common stock on the Nasdaq National Market on October 28, 2005, (ii) our receipt of the net proceeds from our sale of such common stock after deducting the underwriting discount and estimated offering expenses payable by us, (iii) the redemption of \$52.5 million principal amount of our outstanding 11¹/₄% senior secured notes due 2012 and payment of prepayment penalties and accrued interest of approximately \$8.6 million in connection with such redemption, (iv) our write-off of the \$0.6 million of unamortized discount relating to the redeemed senior secured notes, and (v) our write-off of the \$1.8 million of deferred financing fees associated with the redeemed senior secured notes. The table does not reflect our issuance during October 2005 of an aggregate of 1,559,250 shares of common stock upon exercise of previously outstanding common stock purchase warrants for an aggregate exercise price of \$12.5 million, or the anticipated write-off of \$2.4 million of deferred financing fees and our incurrence of \$1.7 million of new financing fees associated with the proposed amendment and restatement of our existing revolving credit and synthetic letter of credit facilities concurrently with the closing of this offering as described under "Description of Certain Indebtedness" elsewhere in this prospectus. This table should be read in conjunction with "Use of Proceeds," "Unaudited Pro Forma Financial Data," "Selected Historical Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical financial statements and notes thereto elsewhere in this prospectus.

	As of June 30, 2005	
	Actual	Pro Forma
	(dollars in thousands)	
Cash and cash equivalents	\$ 50,248	\$ 53,225
Long-term debt, including current portion:		
Revolving credit facility(1)	\$	\$
Capital lease obligations	5,210	5,210
Senior secured notes due 2012, net of discount	148,204	96,303
Total long-term debt, including current portion(2)	153,414	101,513
Stockholders' equity:		
Series B convertible preferred stock; Authorized 156,416 shares; issued and outstanding 70,000 shares (liquidation preference of \$3.5 million)	1	1
Common stock, \$.01 par value; Authorized 40,000,000 shares; issued and outstanding 15,364,211 and 17,364,211 shares, respectively	154	174
Additional paid-in capital	66,008	130,078
Accumulated other comprehensive income	7,925	7,925
Accumulated deficit	(47,726)	(56,027)
Total stockholders' equity	26,362	82,151
Total capitalization	\$ 179,776	\$ 183,664

- (1) Our current revolving credit facility allows us to borrow or obtain letters of credit for an aggregate of up to \$30.0 million. As of June 30, 2005, we had no borrowings and \$1.2 million of letters of credit outstanding under our revolving credit facility, and approximately \$28.8 million available to borrow.
- (2) Long-term debt excludes \$90.4 million of letters of credit outstanding on June 30, 2005.

UNAUDITED PRO FORMA FINANCIAL DATA

**Unaudited Pro Forma Income Statement
For the Year Ended December 31, 2004**

The following unaudited pro forma income statement for the year ended December 31, 2004 reflects (i) the sale of 1,915,000 shares of our common stock that we would be required to issue in this offering at an assumed offering price of \$34.22, the last reported sale price on the Nasdaq National Market on October 28, 2005 in order to redeem \$52.5 million principal amount of our outstanding 11¹/₄% senior secured notes due 2012, after deducting underwriting discounts and estimated offering expenses payable by us, with the proceeds from the sale of the remaining 85,000 shares in this offering to be used (under the specified assumptions) for working capital, and (ii) our redemption of \$52.5 million principal amount of our outstanding 11¹/₄% senior secured notes due 2012 for an aggregate redemption price of \$61.4 million consisting of \$52.5 million of principal amount, \$5.9 million of prepayment penalty and \$3.0 million of accrued interest. Pro forma adjustments to interest expense and income taxes have been made as if the redemption occurred on January 1, 2004. The statement does not reflect our anticipated payment of prepayment penalties and accrued interest of approximately \$8.6 million in connection with such redemption and the related write-off of \$0.6 million of unamortized discount and \$1.8 million of deferred financing fees both relating to the \$52.5 million principal amount of notes redeemed, or write-off of \$2.4 million of deferred financing fees and our incurrence of \$1.7 million of new financing fees associated with the proposed amendment and restatement of our existing revolving credit and synthetic letter of credit facilities concurrently with the closing of this offering as described under "Description of Certain Indebtedness" elsewhere in this prospectus. This statement should be read in conjunction with "Use of Proceeds," "Capitalization," "Selected Historical Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical financial statements and notes thereto elsewhere in this prospectus.

	Year Ended December 31, 2004		
	Actual	Pro Forma Adjustments	Pro Forma
	(In thousands, except per share data)		
Revenues	\$ 643,219	\$	\$ 643,219
Cost of revenues	464,838		464,838
Selling, general and administrative expenses	104,509		104,509
Accretion of environmental liabilities	10,394		10,394
Depreciation and amortization	24,094		24,094
Income from operations	39,384		39,384
Other income (expense), net	(1,345)		(1,345)
Loss on refinancing	(7,099)		(7,099)
Interest (expense), net of interest income(1)	(22,297)	6,232	(16,065)
Income before provision for income taxes	8,643	6,232	14,875
Provision for income taxes(2)	6,043	184	6,227
Net income	2,600	6,048	8,648
Redemption of Series C Preferred Stock and dividends and accretion on preferred stocks	11,798		11,798
Net income (loss) attributable to common shareholders	\$ (9,198)	\$ 6,048	\$ (3,150)
Loss per share:			
Basic loss attributable to common shareholders	\$ (0.65)		\$ (0.20)
Diluted loss attributable to common shareholders	\$ (0.65)		\$ (0.20)
Weighted average common shares outstanding(3)	14,099	1,915	16,014

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	Year Ended December 31, 2004		
Weighted average common shares outstanding plus potentially dilutive common shares	14,099	1,915	16,014

- (1) The pro forma adjustment of interest expense consists of the elimination of \$6.2 million of interest expense related to the \$52.5 million reduction in 11¹/₄% senior secured notes outstanding.
- (2) The pro forma adjustment of provision for income taxes consists of a combined increase in U.S. federal and state income taxes of \$0.2 million.
- (3) Does not include (i) the 85,000 shares in this offering to be sold (under the specified assumptions) for working capital purposes and (ii) 1,559,250 shares which we issued in October 2005 upon the exercise of previously outstanding common stock purchase warrants.

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**Unaudited Pro Forma Income Statement
For the Six Months Ended June 30, 2005**

The following unaudited pro forma income statement for the six months ended June 30, 2005 reflects (i) the sale of 1,907,000 shares of our common stock that would be required to issue in this offering at an assumed offering price of \$34.22, the last reported sale price on the Nasdaq National Market on October 28, 2005 in order to redeem \$52.5 million principal amount of our outstanding 11¹/₄% senior secured notes due 2012, after deducting underwriting discounts and offering expenses payable by us, with the proceeds from the sale of the remaining 93,000 shares in this offering to be used (under the specified assumptions) for working capital, and (ii) our redemption of \$52.5 million principal amount of our outstanding 11¹/₄% senior secured notes due 2012 for an aggregate redemption price of \$61.1 million consisting of \$52.5 million of principal amount, \$5.9 million of prepayment penalty and \$2.7 million of accrued interest. Pro forma adjustments to interest expense and income taxes have been made as if the redemption occurred on January 1, 2005. The statement does not reflect our anticipated payment of prepayment penalties and accrued interest of approximately \$8.6 million in connection with such redemption and the related write-off of \$0.6 million of unamortized discount and \$1.8 million of deferred financing fees both relating to the \$52.5 million of principal amount of notes redeemed, or write-off of \$2.4 million of deferred financing fees and our incurrence of \$1.7 million of new financing fees associated with the proposed amendment and restatement of our existing revolving credit and synthetic letter of credit facilities concurrently with the closing of this offering as described under "Description of Certain Indebtedness" elsewhere in this prospectus. This statement should be read in conjunction with "Use of Proceeds," "Capitalization," "Selected Historical Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical financial statements and notes thereto elsewhere in this prospectus.

	Six Months Ended June 30, 2005		
	Actual	Pro Forma Adjustments	Pro Forma
(In thousands except per share data)			
Revenues	\$ 338,876	\$	\$ 338,876
Cost of revenues	244,981		244,981
Selling, general and administrative expenses	49,669		49,669
Accretion of environmental liabilities	5,250		5,250
Depreciation and amortization	14,354		14,354
Income from operations	24,622		24,622
Other income (expense), net	510		510
Loss on refinancing			
Interest (expense), net of interest income(1)	(11,907)	3,119	(8,788)
Income before provision for income taxes	13,225	3,119	16,344
Provision for income taxes(2)	1,013	64	1,077
Net income	12,212	3,055	15,267
Redemption of Series C Preferred Stock and dividends and accretion on preferred stocks	140		140
Net income attributable to common shareholders	\$ 12,072	\$ 3,055	\$ 15,127
Earnings per share:			
Basic earnings attributable to common shareholders	\$ 0.81		\$ 0.90
Diluted earnings attributable to common shareholders	\$ 0.71		\$ 0.80
Weighted average common shares outstanding(3)	14,913	1,907	16,820
Weighted average common shares outstanding plus potentially dilutive common shares	17,142	1,907	19,049

- (1) The pro forma adjustment of interest expense consists of the elimination of \$3.1 million of interest expense related to the \$52.5 million reduction in 11¹/₄% senior secured notes outstanding.
- (2) The pro forma adjustment of provision for income taxes consists of a combined increase in U.S. federal and state income taxes of \$0.1 million.
- (3) Does not include (i) the 93,000 shares in this offering to be sold (under the specified assumptions) for working capital purposes and (ii) 1,559,250 shares which we issued in October 2005 upon the exercise of previously outstanding common stock warrants.

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**Unaudited Pro Forma Balance Sheet
As of June 30, 2005**

The following unaudited pro forma balance sheet as of June 30, 2005 reflects (i) the sale of 2,000,000 shares of our common stock in this offering at an assumed offering price of \$34.22, the last reported sale price on the Nasdaq National Market on October 28, 2005, after deducting underwriting discount and offering expenses payable and (ii) our redemption of \$52.5 million principal amount of our outstanding 11¹/₄% senior secured notes due 2012. Pro forma adjustments to the cash and cash equivalents, deferred financing fees, other accrued expenses, income taxes payable, long-term obligations, common stock, additional paid-in capital and retained deficit have been made as if the redemption of notes had occurred on June 30, 2005. The balance sheet does not reflect either (i) our issuance during October 2005 of an aggregate of 1,559,250 shares of common stock upon exercise of previously outstanding warrants for an aggregate of \$12,474,000, or (ii) our write-off of \$2.4 million of deferred financing fees and our incurrence of \$1.7 million of new financing fees associated with the proposed amendment and restatement of our existing revolving credit and synthetic letter of credit facilities concurrently with the closing of this offering as described under "Description of Certain Indebtedness" elsewhere in this prospectus. This balance sheet should be read in conjunction with "Use of Proceeds," "Capitalization," "Selected Historical Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical financial statements and notes thereto elsewhere in this prospectus.

As of June 30, 2005			
Actual	Pro Forma Adjustments	Pro Forma	
(Dollars in thousands)			
Assets:			
Cash and cash equivalents(1)	\$ 50,248	\$ 2,944	\$ 53,192
Accounts receivable, net	122,460		122,460
Unbilled accounts receivable	6,894		6,894
Deferred costs	3,953		3,953
Prepaid expenses	10,473		10,473
Supplies inventories	11,143		11,143
Income tax receivable	1,444		1,444
Properties held for sale	8,633		8,633
Property, plant and equipment, net	178,944		178,944
Deferred financing fees(2)	8,298	(2,876)	5,422
Goodwill, net	19,032		19,032
Permits and other intangibles, net	78,086		78,086
Deferred tax asset	664		664
Other assets	3,498		3,498
Total assets	\$ 503,770	\$ 68	\$ 503,838
Liabilities and Stockholders' Equity:			
Uncashed checks	\$ 4,609		\$ 4,609
Accounts payable	66,794		66,794
Accrued disposal costs	2,841		2,841
Deferred revenue	17,697		17,697
Other accrued expenses(3)	42,272	(2,740)	39,532
Income taxes payable	736		736
Closure, post-closure and remedial liabilities	175,390		175,390
Long-term obligations(4)	148,204	(51,871)	96,333
Capital lease obligations	5,210		5,210
Other long-term liabilities	13,057		13,057
Accrued pension cost	598		598
Total liabilities	477,408	(54,611)	422,797
Stockholders' Equity:			
Series B convertible preferred stock	1		1
Common stock(5)	154	20	174
Additional paid-in capital(6)	66,008	64,070	130,078
Accumulated other comprehensive income	7,925		7,925
Retained deficit(7)	(47,726)	(9,411)	(57,137)

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As of June 30, 2005

	As of June 30, 2005		
Total stockholders' equity	26,362	54,679	81,041
Total liabilities and stockholders' equity	\$ 503,770	\$ 68	\$ 503,838

- (1) The pro forma adjustment to cash and cash equivalents consists of receipt of cash, net of underwriting discounts and estimated offering costs, of \$64.1 million from the issuance of 2,000,000 of common stock, the redemption of the \$52.5 million principal amount of our outstanding 11¹/₄% senior secured notes due 2012, payment of related prepayment penalties of \$5.9 million on the senior secured notes, and payment of \$2.7 million of related accrued interest.

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- (2) The pro forma adjustment to deferred financing fees relates to our write-off of \$2.9 million of deferred financing fees related to the redemption of \$52.5 million principal amount of our outstanding 11¹/₄% senior secured notes due 2012.
- (3) The pro forma adjustment to other accrued expenses for \$2.7 million relates to our payment of accrued interest on the \$52.5 million principal amount redeemed of our outstanding 11¹/₄% senior secured notes due 2012.
- (4) The pro forma adjustment to long-term debt reflects our redemption of \$52.5 million principal amount of our outstanding 11¹/₄% senior secured notes due 2012 and our write-off of the \$0.6 million of unamortized discount relating to the redeemed senior secured notes.
- (5) The pro forma adjustment to common stock reflects our sale of 2,000,000 shares of our common stock in this offering.
- (6) The pro forma adjustment to additional paid-in capital of \$64.1 million reflects our sale of 2,000,000 shares of our common stock in this offering at an assumed public offering price of \$34.22, the last reported sale price of our common stock on the Nasdaq National Market on October 28, 2005 and our receipt of the net proceeds from our sale of such common stock after deducting underwriting discounts and estimated offering expenses payable by us.
- (7) The pro forma adjustment to retained deficit of \$9.4 million reflects a total of \$9.4 million for prepayment penalties, the related write-off of deferred financing fees, and the related write-off of the unamortized issuance discount associated with the redemption of \$52.5 million principal amount of our outstanding 11¹/₄% senior secured notes due 2012.
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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data should be reviewed in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical financial statements and the notes thereto included elsewhere in this prospectus.

The selected historical income statement data set forth below for the years ended December 31, 2004, 2003 and 2002 and the selected historical balance sheet data as of December 31, 2004 and 2003 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The selected historical income statement data set forth below for the years ended December 31, 2001 and 2000 and the selected historical balance sheet data set forth below as of December 31, 2000, 2001 and 2002 have been derived from our audited consolidated financial statements not included in this prospectus. The selected historical income statement data set forth below for the six months ended June 30, 2005 and 2004 and the selected historical balance sheet data as of June 30, 2005 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The selected historical balance sheet data as of June 30, 2004 has been derived from our unaudited consolidated financial statements not included in this prospectus. The unaudited financial statements include, in the opinion of our management, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the data for such periods. The results of operations for the interim periods are not necessarily indicative of operating results for the full year.

	For the Six Months Ended June 30,		For the Year Ended December 31,				
	2005	2004	2004	2003(1)	2002(1)(2)	2001(1)	2000(1)
(in thousands except per share amounts)							
Income Statement Data:							
Revenues	\$ 338,876	\$ 304,388	\$ 643,219	\$ 610,969	\$ 350,133	\$ 251,601	\$ 233,466
Cost of revenues	244,981	223,302	464,838	453,461	252,469	178,348	165,804
Selling, general and administrative expenses	49,669	50,998	104,509	108,430	61,518	43,727	41,610
Accretion of environmental liabilities(3)	5,250	5,207	10,394	11,114	1,199		
Depreciation and amortization	14,354	11,661	24,094	26,482	15,508	11,113	10,656
Restructuring				(124)	750		
Other acquisition costs					5,406		
Income from operations	24,622	13,220	39,384	11,606	13,283	18,413	15,396
Other income (expense)(4)	510	(1,104)	(1,345)	(94)	129		
(Loss) on refinancings(5)		(7,099)	(7,099)		(24,658)		
Interest (expense), net	(11,907)	(10,801)	(22,297)	(23,724)	(13,414)	(10,724)	(9,795)
Income (loss) before provision for income taxes and cumulative effect of change in accounting principle	13,225 1,013	(5,784) 3,526	8,643 6,043	(12,212) 5,322	(24,660) 3,787	7,689 2,412	5,601 (2,016)

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	For the Six Months Ended June 30,		For the Year Ended December 31,				
Provision for (benefit from) income taxes(6)							
Income (loss) before cumulative effect of change in accounting principle	12,212	(9,310)	2,600	(17,534)	(28,447)	5,277	7,617
Cumulative effect of change in accounting principle				66			
Net income (loss)	12,212	(9,310)	2,600	(17,600)	(28,447)	5,277	7,617
Redemption of Series C preferred stock, dividends on Series B and C preferred stocks and accretion on Series C preferred stock(7)	140	11,616	11,798	3,287	1,291	448	448
Net income (loss) attributable to common shareholders	\$ 12,072	\$ (20,926)	\$ (9,198)	\$ (20,887)	\$ (29,738)	\$ 4,829	\$ 7,169

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Basic earnings (loss) per share:														
Earnings (loss) before cumulative effect of change in accounting principle	\$.81	\$	(1.49)	\$	(0.65)	\$	(1.54)	\$	(2.44)	\$.42	\$.65
Cumulative effect of change in accounting principle, net of tax														
Basic earnings (loss) attributable to common shareholders	\$	.81	\$	(1.49)	\$	(0.65)	\$	(1.54)	\$	(2.44)	\$	.42	\$	.65
Diluted earnings (loss) per share:														
Earnings (loss) before cumulative effect of change in accounting principles	\$	.71	\$	(1.49)	\$	(0.65)	\$	(1.54)	\$	(2.44)	\$	.38	\$	.63
Cumulative effect of change in accounting principle, net of tax														
Diluted earnings (loss) attributable to common shareholders	\$	.71	\$	(1.49)	\$	(0.65)	\$	(1.54)	\$	(2.44)	\$	.38	\$	.63
Weighted average common shares outstanding		14,913		14,002		14,099		13,553		12,189		11,404		11,085
Weighted average common shares outstanding plus potentially dilutive common shares		17,142		14,002		14,099		13,553		12,189		12,676		11,305
Other Financial Data:														
Adjusted EBITDA(8)	\$	44,226	\$	31,230	\$	74,744	\$	50,744	\$	36,170	\$	29,466	\$	25,982
		At June 30,					At December 31,							
		2005	2004	2004	2003	2002(1)(2)	2001(1)	2000(1)						
		(in thousands)												

Balance Sheet Data:														
Working capital	\$	64,972	\$	30,820	\$	50,696	\$	(19,575)	\$	23,537	\$	9,423	\$	15,578
Goodwill		19,032		19,032		19,032		19,032		19,032		19,032		19,799
Total assets		503,770		471,041		504,702		540,159		559,690		156,958		149,568
Long-term obligations (including current portion)(9)		153,414		153,384		153,129		187,119		174,350		53,224		67,727
Redeemable preferred stock								15,631		13,543				
Stockholders' equity (deficit)		26,362		(3,030)		11,038		7,696		20,420		48,463		40,792

(1)

We restated our financial statements for the years ended December 31, 2003 and 2002, and financial information for the years ended December 31, 2001, 2000 and 1999, in order to correct errors related to estimated self-insured workers' compensation and motor vehicle liability claims. We concluded that our previous methodology for estimating our self-insured workers' compensation and motor vehicle insurance claims resulted in an understatement of our self-insured liabilities because negative trends inherent in these types of liabilities were not considered in calculating the self-insured liability. The new methodology involves using an actuarial-based method versus the specific reserve method previously used. For the years ended December 31, 2003, 2002, 2001 and 2000, the impact of the restatements resulting from correcting our self-insured liabilities on net income (loss) was as follows (in thousands):

	2003	2002	2001	2000
Net income (loss) as previously reported	\$ (17,345)	\$ (28,191)	\$ 5,540	\$ 7,118
Restatement adjustment to cost of revenues	(255)	(256)	(263)	499

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	2003	2002	2001	2000
Net income (loss) as restated	\$ (17,600)	\$ (28,447)	\$ 5,277	\$ 7,617

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The adjustments for the years ended December 31, 2003, 2002, 2001 and 2000 did not change the amount of income tax expense previously recorded for those periods. For the years ended December 31, 2003 and 2002, the impact on other accrued expenses resulting from the correction of our self-insured liabilities was as follows (in thousands):

	2003	2002
Other accrued expenses as previously reported	\$ 32,240	\$ 33,863
Restatement adjustment	1,617	1,362
Other accrued expenses as restated	\$ 33,857	\$ 35,225

At December 31, 2003, 2002, 2001 and 2000, the impact of this restatement on accumulated deficit was as follows (in thousands):

	2003	2002	2001	2000
Accumulated deficit as previously reported	\$ (60,921)	\$ (43,576)	\$ (15,385)	\$ (20,477)
Restatement adjustment	(1,617)	(1,362)	(1,106)	(843)
Accumulated deficit as restated	\$ (62,538)	\$ (44,938)	\$ (16,491)	\$ (21,320)

The adjustments had no effect on net cash provided by operating activities.

- (2) Effective as of September 7, 2002, we acquired the assets of the Chemical Services Division of Safety-Kleen Corp. Amounts recorded for the year ended December 31, 2002, for revenues, cost of revenues, selling general and administrative expenses, accretion of environmental liabilities, depreciation and amortization, restructuring, other acquisition costs, other income, loss on refinancings, interest expense, provision for income taxes, working capital, total assets, long-term obligations, redeemable preferred stock and stockholders' equity were either significantly impacted by or resulted from the acquisition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Acquisition" and " Results of Operations."
- (3) Effective January 1, 2003, we adopted Statement of Financial Accounting Standards ("SFAS") No. 143. Accretion of environmental liabilities for the six months ended June 30, 2005 and 2004, and the years ended December 31, 2004 and 2003, were due primarily to the implementation as of January 1, 2003 of SFAS No. 143 and accretion of the discount for the remedial liabilities assumed as part of the CSD assets acquired. Accretion of environmental liabilities for the year ended December 31, 2002, related to the accretion of the discount for the remedial liabilities assumed in the acquisition of the CSD assets. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Environmental Liabilities."
- (4) As further discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations Redemption of Series C Preferred Stock," we had outstanding prior to June 30, 2004, 25,000 shares of Series C Convertible Preferred Stock which consisted of two components, namely, the Host Contract and an Embedded Derivative which reflected the right of the holders of the Series C Preferred Stock to convert into our common stock on the terms set forth in the Series C Preferred Stock. The value of the Embedded Derivative was periodically marked to market which resulted in the inclusion of gains (losses) as a component of other income (expense) of \$(1.6) million for the six months ended June 30, 2004, and \$(1.6) million, \$(0.4) million and \$0.1 million for the years ended December 31, 2004, 2003 and 2002, respectively.
- (5) As further discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations The 2004 Refinancing" and " Redemption of Series C Preferred Stock," we repaid on June 30, 2004 our then outstanding debt, redeemed our then outstanding Series C Preferred Stock and settled the Embedded Derivative liability associated with our Series C

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Preferred Stock. For the year ended December 31, 2004, we recorded refinancing expenses, net, of \$7.1 million relating to these activities.

- (6) The fiscal year 2002 provision for income taxes included a \$1.1 million charge to provide a valuation allowance for all net deferred tax assets. The fiscal years 2001 and 2000 provision for (benefit from) income taxes include benefits of \$1.3 million and \$2.4 million, respectively, relating to the partial reversal of a valuation allowance for deferred taxes previously recorded.
- (7) As further discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations The 2004 Refinancing" and "Redemption of Series C Preferred Stock," we had outstanding prior to June 30, 2004, 25,000 shares of Series C Convertible Preferred Stock. The amount of \$11.8 million for the year ended December 31, 2004 includes \$9.9 million related to the redemption of the Series C Preferred Stock.
- (8) For all periods presented, "Adjusted EBITDA" consists of 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, change in value of embedded derivative associated with our previously outstanding Series C Preferred Stock (which we redeemed June 30, 2004), and gain (loss) on sale of fixed assets. Such definition of "Adjusted EBITDA" is the same as the definition of "EBITDA" used in our current credit agreement and indenture for covenant compliance purposes. See below for a reconciliation of Adjusted EBITDA to both net income (loss) and net cash provided by operating activities for the specified periods. Our management considers Adjusted EBITDA to be a measurement of performance which provides useful information to both management and investors. Adjusted EBITDA should not be considered an alternative to net income or loss or other measurements under GAAP. Because Adjusted EBITDA is not calculated identically by all companies, our measurements of Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies.

The following is a reconciliation of net income (loss) to Adjusted EBITDA for the following periods (in thousands):

	Six Months Ended June 30,		Year Ended December 31,				
	2005	2004	2004	2003(*)	2002(*)	2001(*)	2000(*)
Net income (loss)	\$ 12,212	\$ (9,310)	\$ 2,600	\$ (17,600)	\$ (28,447)	\$ 5,277	\$ 7,617
Accretion of environmental liabilities	5,250	5,207	10,394	11,114	1,199		
Depreciation and amortization	14,354	11,661	24,094	26,482	15,508	11,113	10,656
Restructuring costs				(124)	750		
Other acquisition costs					5,406		
Loss on refinancings		7,099	7,099		24,658		
Interest expense, net	11,907	10,801	22,297	23,724	13,414	10,724	9,795
Provision for (benefit from) income taxes	1,013	3,526	6,043	5,322	3,787	2,412	(2,016)
Non-recurring severance charges		16	25	1,089			
Other non-recurring refinancing-related expenses		1,126	1,326				
Change in value of embedded derivative		1,590	1,590	379	(129)		
Other income	(564)						
Loss (gain) on sale of fixed assets	54	(486)	(724)	292	24	(60)	(70)
Cumulative effect of change in accounting principle				66			
Adjusted EBITDA	\$ 44,226	\$ 31,230	\$ 74,744	\$ 50,744	\$ 36,170	\$ 29,466	\$ 25,982

(*) See footnote (1) above describing the restatement of our financial statements for the years ended December 31, 2003, 2002, 2001 and 2000.

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The following reconciles Adjusted EBITDA to net cash provided by operating activities for the following periods ended (in thousands):

	Six Months Ended June 30,		Year Ended December 31,				
	2005	2004	2004	2003(*)	2002(*)	2001(*)	2000(*)
Adjusted EBITDA	\$ 44,226	\$ 31,230	\$ 74,744	\$ 50,744	\$ 36,170	\$ 29,466	\$ 25,982
Interest expense	(11,907)	(10,801)	(22,297)	(23,724)	(13,414)	(10,724)	(9,795)
(Provision for) benefit from income taxes	(1,013)	(3,526)	(6,043)	(5,322)	(3,787)	(2,412)	2,016
Allowance for doubtful accounts	(372)	479	1,232	2,439	842	587	684
Amortization of deferred financing costs	739	1,558	2,294	2,467	899	636	345
Amortization of debt discount	83		77		388	238	
Deferred income taxes			381	(620)	1,676	1,347	(2,400)
(Gain) loss on sale of fixed assets	54	(486)	(724)	292	24	(60)	(70)
Other income	510						
Other non-recurring refinancing-related expenses and other		(1,142)	(1,351)				
Stock options expensed	47		35	29	166		
Foreign currency loss (gain) on intercompany transactions	(404)	(600)	(88)	996			
Changes in assets and liabilities, net of acquisition							
Accounts receivable	(1,465)	259	(6,058)	20,265	(9,679)	451	(5,774)
Unbilled accounts receivable	(1,567)	1,159	4,429	4,539	(9,695)	(382)	1,669
Deferred costs	952	(54)	538	(838)	(4,433)	(130)	(14)
Prepaid expenses	2,928	(1,477)	(4,781)	14	(5,277)	(399)	(469)
Accounts payable	(5,399)	(945)	9,249	2,923	12,201	120	374
Closure, post-closure and remedial liabilities	(11,311)	(5,715)	(13,030)	(8,268)	(817)	(115)	(38)
Deferred revenue	(4,273)	699	(1,086)	(2,121)	8,693	1,496	154
Accrued disposal costs	(164)	464	910	(72)	(5,060)	1,285	748
Income taxes payable	(2,970)	2,510	(734)	685	1,214	288	80
Other, net	340	1,418	14,763	(5,571)	(4,462)	2,940	77
Net cash provided by operating activities	\$ 9,034	\$ 15,030	\$ 52,460	\$ 38,857	\$ 5,649	\$ 24,632	\$ 13,569

(*) See footnote (1) above describing the restatement of our financial statements for the years ended December 31, 2003, 2002, 2001 and 2000.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS**

You should read the following discussion and analysis of our financial condition and results of operations together with "Selected Historical Consolidated Financial Data" and our consolidated financial statements and related notes included elsewhere in this prospectus. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in the "Risk Factors" section of this prospectus. Our actual results may differ materially from those contained in any forward-looking statements. See the section entitled "Disclosure Regarding Forward-Looking Statements" in this prospectus.

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. and certain of its domestic subsidiaries substantially all of the assets of the Chemical Services Division (the "CSD") of Safety-Kleen Corp. 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.

We believe that significant synergies can be achieved by further integrating the former CSD operations into our business. Since the effective date of the acquisition, we have reduced and plan to continue to reduce expenses by use of common information management systems to minimize disposal costs outside the integrated network of facilities by sending waste to the disposal facilities that we now own. We also have eliminated and plan to continue to eliminate duplicate costs relating to overlapping operations on a geographic basis. Although much of the integration of operations and reduction of the combined entities' overlapping costs has been completed, this process is still ongoing.

In addition, as part of the acquisition, we assumed certain environmental liabilities valued in accordance with generally accepted accounting principles in the United States and a plan to settle obligations that was established at the time of the acquisition (and adjusted to reflect information gathered under the plan through the first anniversary of the acquisition relating to the nature and extent of environmental liabilities that existed as of the acquisition date) of approximately \$184.5 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.

Acquisition

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"). The CSD acquisition is included in our

results of operations since the acquisition date. The sale included the operating assets of certain of the Seller's subsidiaries in the United States and the stock of five of the Seller's subsidiaries in Canada.

The assets of the CSD (including the assets of the CSD Canadian Subsidiaries) which we acquired consist primarily of 44 hazardous waste treatment and disposal facilities including, among others, 22 transportation, storage or disposal facilities (six of which have since been closed by us), six wastewater treatment facilities (one of which has since been closed by us), nine commercial landfills and four incineration facilities. Such facilities are located in 30 states, Puerto Rico, six Canadian provinces and Mexico. The most significant of such facilities include landfills in Buttonwillow, California with approximately 10.0 million cubic yards of remaining capacity, in Lambton, Ontario with approximately 8.9 million cubic yards of remaining capacity, which is the largest of the total of three hazardous waste landfills in Canada, and in Waynoka, Oklahoma with approximately 1.5 million cubic yards of remaining capacity; and incinerators in Deer Park, Texas which is the largest hazardous waste incineration facility in the United States, and in Aragonite, Utah. Additional significant facilities are the incinerators in Mercier, Quebec and Lambton, Ontario.

The primary reasons for the acquisition of the CSD assets were to broaden our disposal capabilities and geographic reach, particularly in the West Coast and Southwest regions of the United States, in Canada and in Mexico, and to significantly expand our network of hazardous waste disposal facilities. In addition, we believed that the acquisition of the CSD's hazardous waste facilities in new geographic areas would allow us to expand our site and industrial services which in turn could increase the utilization and profitability of the facilities. Finally, we believed that the acquisition would result in significant cost savings by allowing us to treat hazardous waste internally, for which we previously paid third parties to dispose of hazardous waste because we lacked the facilities required to dispose of the waste internally.

In accordance with the Acquisition Agreement between the Seller and us dated February 22, 2002, as amended through September 6, 2002, we purchased the assets of the CSD for \$26.6 million in net cash, and incurred direct costs related to the transaction of \$9.7 million for a total purchase price of \$36.3 million. In addition, we assumed with the transaction certain environmental liabilities valued at \$184.5 million.

We have allocated the total purchase price for the CSD assets based upon the estimated fair value of each asset acquired and each liability assumed. The following table shows the final allocation of the

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purchase price and direct costs incurred among the assets acquired, liabilities assumed, and liabilities accrued relating to the CSD assets acquired (in thousands):

	Acquired Assets and Liabilities as Revised December 31, 2003
Current assets	\$ 101,604
Property, plant and equipment	100,804
Intangible assets	72,659
Deferred taxes	5,670
Other assets	1,888
Current closure, post-closure and remedial liabilities	(9,076)
Other current liabilities	(54,749)
Closure, post-closure and remedial liabilities, long-term	(175,473)
Other long-term liabilities	(7,000)
Cost of CSD assets acquired	\$ 36,327
Cash purchase price	\$ 26,580
Estimated transaction costs	9,747
Cost of CSD assets acquired	\$ 36,327

We had the fixed and intangible assets appraised in order to determine the fair values of the property, plant, equipment and intangible assets, which were acquired as part of the assets of the CSD. Intangible assets recorded at \$72.6 million consist of \$68.2 million of permits and \$4.4 million of customer profile databases. The valuation for intangible assets was based on discounted cash flows from operations of the acquired facilities to which those permits and customer profile databases relate. We concluded that the intangible assets acquired have finite lives and will amortize these assets over their estimated useful lives. As the fair value of the assets acquired from the CSD is higher than the purchase price paid, we reduced the recorded value of the fixed assets and intangible assets as of the acquisition date by \$302.5 million in order to record the assets at cost as required by generally accepted accounting principles in the United States after adjusting for changes in estimates. We allocated \$12.7 million of the purchase price to properties held for sale as discussed in Note 6 to our audited consolidated financial statements for the three years ended December 31, 2004 included elsewhere in this prospectus.

In connection with the acquisition of the CSD assets, we recorded integration liabilities of \$11.9 million (after giving effect to subsequent net changes in estimates) which consisted primarily of lease costs, severance, environmental closure and other exit costs to close duplicative facilities and functions. Groups of employees severed and to be severed consist primarily of duplicative selling, general and administrative personnel and personnel at offices which were closed. The following table

summarizes the purchase accounting liabilities recorded in connection with the acquisition of the CSD assets (dollars in thousands):

	Severance		Facilities		Other Liability	Total Liability
	Number of Employees	Liability	Number of Facilities	Liability		
Original reserve established	461	\$ 9,076	12	\$ 3,604	\$ 528	\$ 13,208
Net change in estimate				(59)	(206)	(265)
Utilized through December 31, 2002	(238)	(4,300)	(2)	(15)	(92)	(4,407)
Balance December 31, 2002	223	4,776	10	3,530	230	8,536
Net change in estimate	93	(228)	(1)	(205)	77	(356)
Interest accretion				416		416
Utilized year ended December 31, 2003	(264)	(3,872)		(810)	(307)	(4,989)
Balance December 31, 2003	52	676	9	2,931		3,607
Net change in estimate	(41)	(246)		(423)		(669)
Interest accretion				221		221
Utilized year ended December 31, 2004	(6)	(402)	(1)	(1,021)		(1,423)
Balance December 31, 2004	5	\$ 28	8	\$ 1,708	\$	\$ 1,736

The balance of purchase accounting liabilities at December 31, 2004 of \$1.7 million consists almost entirely of long-term closure, post-closure and remedial liabilities.

Critical Accounting Policies and Estimates

The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent liabilities. The following are the areas that we believe require the greatest amount of judgments or estimates in the preparation of the financial statements: revenue allowance, deferred revenue, allowance for doubtful accounts, accounting for landfills, testing assets for impairment, environmental liabilities, insurance expense, legal matters, and provision for income taxes. Our management discusses each of these critical accounting estimates with the Audit Committee of our Board of Directors prior to each release of our annual financial statements.

Revenue Allowance. We respond to emergencies that pose an immediate threat to public health or the environment and must take action in the field as events unfold. Historically, once the emergency is contained, customers may withhold payment and attempt to renegotiate amounts invoiced. Credits issued in subsequent periods can differ materially from the revenue allowance provided. We establish a revenue allowance to cover the estimated amounts of revenue that may need to be credited to customers' accounts in future periods. The allowance is established based on experience and, when available, based on specific information relating to jobs performed.

Deferred Revenue. In accordance with customary practice in the environmental services industry, we normally submit a bill for services shortly after waste is collected from a customer location and prior to completion of the waste disposal process. We recognize revenue for waste disposal services only when the waste is placed into a landfill, incinerated, treated in a wastewater treatment facility or shipped to a third party for disposal. The amount of deferred revenue stated on our balance sheet as of June 30, 2005 was \$17.7 million. Because a large quantity of waste is on hand and in transit at the end of any month, waste from various sources is mixed subsequent to receipt, waste is received in various size containers, and the amount of waste per container can vary significantly, the calculation of deferred revenue requires the use of significant estimates such as of the average revenue charged for a type of waste and of the average waste volume contained within various size containers.

Allowance for Doubtful Accounts. We establish an allowance for doubtful accounts to cover accounts receivable that may not be collectible. In establishing the allowance for doubtful accounts, we analyze the collectibility of accounts that are large or past due. In addition, we consider historical bad debts and current economic trends in evaluating the allowance for doubtful accounts. Accounts receivable written off in subsequent periods can differ materially from the allowance for doubtful accounts provided.

Accounting for Landfills. We utilize 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 remaining useful life of a landfill. Under this method, we include future estimated construction and asset retirement costs, as well as costs incurred to date, in the amortization base. Additionally, we include probable expansion airspace that has yet to be permitted costs in the calculation of the total remaining useful life of the landfill. This accounting method requires us to make estimates and assumptions, as described below. Any changes in our estimates will impact our income from operations prospectively from the date the changes are made.

Landfill Assets We assess the total cost to develop each landfill site to its capacity based on highly probable airspace. This includes certain projected landfill costs that are uncertain because they are dependent on future events. The total cost to develop a site to its final capacity includes amounts previously expended and capitalized, net of accumulated airspace amortization, and projections of future purchase and development costs and construction costs.

Closure and Post-Closure Costs The costs for closure and post-closure obligations at landfills we own or operate are estimated based on our interpretations of current requirements and proposed or anticipated regulatory changes. The estimates for landfill cell closure, final closure and post-closure costs also consider when the costs would actually be paid and factor in inflation and discount rates. The possibility of changing legal and regulatory requirements and the forward-looking nature of these types of costs make any estimation or assumption uncertain.

Available Airspace Our engineers and accountants determine the useful life of our landfills by estimating the available airspace. This is done by using surveys and other methods to calculate, based on height restrictions and other factors, how much airspace is left to fill and how much waste can be disposed of at a landfill before it has reached its final capacity.

Expansion Airspace We apply 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. These 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.

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

At the time the expansion is included in our 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 we have 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.

These criteria are initially evaluated by our field-based engineers, accountants, managers and others to identify potential obstacles to obtaining the permits. However, our policy provides that, based on the facts and circumstances of a specific landfill, inclusion of unpermitted airspace may still be allowed even if these criteria are not met. In these circumstances, inclusion must be approved through a landfill-specific process that includes approval of our Chief Financial Officer and a review by the Audit Committee of our Board of Directors. When we include the expansion airspace in our calculations of available airspace, we also include the projected costs for final capping, and closure and post-closure of the expansion in the amortization basis of the landfill.

It is possible that any of our estimates or assumptions could ultimately turn out to be significantly different from actual results. In some cases we may be unsuccessful in obtaining an expansion permit or we may determine that an expansion permit that we previously thought was probable has become unlikely. To the extent that such estimates, or the assumptions used to make those estimates, prove to be significantly different than actual results or our belief that we will receive an expansion permit changes adversely in a significant manner, the costs of the landfill, including the costs incurred in the pursuit of the expansion, may be subject to impairment testing, as described below, and lower prospective profitability may be experienced due to increased interest accretion and depreciation or asset impairments related to the removal of previously included expansion airspace.

Testing Assets for Impairment. Testing assets for impairment requires projecting current earnings and cash flows into future periods based on expected trends. In addition, testing assets for impairment requires that judgments be made regarding reporting units and asset groupings. Starting in 2002, goodwill was tested for impairment based on estimated future discounted cash flows. Other assets are tested for impairment based on estimated undiscounted cash flows. Estimating future cash flows requires making projections that can differ materially from actual results.

Environmental Liabilities. As more fully discussed under "Business Environmental Regulation" elsewhere in this prospectus, our waste management facilities are continuously regulated by federal, state, provincial and local laws enacted to regulate discharge of materials into the environment or otherwise protect the environment. In addition, in connection with our acquisition of the assets of the CSD in September 2002, we agreed to assume certain environmental liabilities of the CSD as part of the purchase price for the CSD assets. As of June 30, 2005, we had recorded discounted remedial liabilities of \$148.7 million. We also estimate that it is "reasonably possible" as that term is defined in SFAS No. 5 ("more than remote but less than likely"), that the amount of such remedial liabilities could be up to \$22.0 million greater than such \$148.7 million.

Remedial liabilities are inherently difficult to estimate. Estimating remedial liabilities requires that the existing environmental contamination be understood. There is a risk that the actual quantities of contaminants differ from the results of the site investigation, and there is a risk that contaminants exist that have not been identified by the site investigation. In addition, the amount of remedial liabilities recorded is dependent on the remedial method selected. There is a risk that funds will be expended on a remedial solution that is not successful, which could result in the additional incremental costs of an alternative solution. Such estimates, which are subject to change, are subsequently revised if and when additional information becomes available.

In addition, we must estimate the timing of payments for environmental liabilities years into the future. Because most of our environmental liabilities are discounted to reflect the respective dates on which we expect to make environmental expenditures, significant acceleration in the timing of payments could result in material charges to earnings. Net reductions in our estimates of environmental liabilities resulted in increases to our reported results of operations of \$3.3 million, \$0.3 million, and \$7.6 million for the years ended December 31, 2004, and 2003, and the six months ended June 30, 2005, respectively.

Insurance Expense. It is our policy to retain a significant portion of certain expected losses related primarily to workers' compensation, health insurance, comprehensive general and vehicle liability. Accruals are established for incurred losses based on information that is known at the time. Recording health insurance expense requires that estimates be made of the cost of health benefits to be provided in future periods. Actual expenditures required in future periods can differ materially from accruals established based on estimates. As described under "Selected Historical Consolidated Financial Data," we restated our financial statements for the years ended December 31, 2003 and 2002, and financial information for the years ended December 31, 2001, 2000 and 1999, in order to correct errors relating to the methodology we had established for estimating our workers' compensation and motor vehicle liability claims. The effect of the restatement was to increase cost of revenues by \$0.3 million for each of the years ended December 31, 2003 and 2002.

Legal Matters. As described in "Legal Proceedings" elsewhere in this prospectus, we are subject to legal proceedings which relate to the acquisition of the CSD assets or which have arisen in the ordinary course of business. Accruals are established for legal matters when, in our opinion, it is probable that a liability exists and the liability can be reasonably estimated. As of June 30, 2005, we had reserves of \$34.1 million (substantially all of which we had established as part of the purchase price for the CSD assets) relating to our potential liabilities in connection with such legal proceedings which were then pending or anticipated. We also estimate that it is "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 \$3.0 million greater than such \$34.1 million. Because all of our reasonably possible additional losses relating to legal proceedings liabilities relate to remedial liabilities, the reasonably possible additional losses for legal liabilities are reflected in the tables of reasonably possible additional losses under the heading "Environmental Liabilities" below. Estimates of the cost to settle disputes are adjusted as facts emerge. Actual expenses incurred in future periods can differ materially from accruals established. Substantially all of our legal proceedings liabilities are environmental liabilities and, as such, are included in the tables of changes to remedial liabilities disclosed as part of this Management's Discussion and Analysis of Financial Condition and Results of Operations below.

Provision for Income Taxes. We are required to estimate the provision for income taxes, including the current tax expense together with assessing temporary differences resulting from differing treatments of assets and liabilities for tax and financial accounting purposes. These differences together with net operating loss carryforwards and tax credits are recorded as deferred tax assets or liabilities on the balance sheet. An assessment must then be made of the likelihood that the deferred tax assets will be recovered from future taxable income. To the extent that we determine that it is more likely than not that the deferred asset will not be utilized, a valuation allowance is established. Taxable income in future periods significantly above or below that now projected will cause adjustments to the valuation allowance that could materially decrease or increase future income tax expense.

We attempt to make realistic estimates in providing allowances for assets and recording liabilities. Because estimates are made in good faith, our experience has been that overestimates in one area are often offset by underestimates in other areas. We believe that in the future it is probable that an unexpected event (such as the sudden bankruptcy of a significant customer or supplier that was previously believed to be a large and stable company) could materially affect our results of operations

of a future period; however, due to our risk management programs, we believe that such an event would not be material to our financial condition.

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 operations not managed through our two operating segments are presented herein as "Corporate Items." Corporate item revenues consist of two different operations where the revenues are insignificant and represents approximately one-tenth of one percent of our total revenues. Corporate item cost of revenues represents certain central services that are not allocated to the segments for internal reporting purposes. Corporate item 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 our two segments.

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

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"Selected Historical Consolidated Financial Data" and our financial statements included elsewhere in this prospectus.

	Six Months Ended June 30,		Year Ended December 31,				
	2005	2004	2004	(Restated) 2003	(Restated) 2002	(Restated) 2001	(Restated) 2000
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenues:							
Disposal costs to third parties	4.3	3.9	4.0	4.8	7.0	9.2	10.9
Other cost of revenues	68.0	69.5	68.3	69.4	65.1	61.7	60.1
Total cost of revenues	72.3	73.4	72.3	74.2	72.1	70.9	71.0
Selling, general and administrative expenses	14.7	16.8	16.2	17.8	17.7	17.4	17.8
Accretion of environmental liabilities	1.5	1.7	1.6	1.8	0.3		
Depreciation and amortization	4.2	3.8	3.8	4.3	4.4	4.4	4.6
Restructuring					0.2		
Other acquisition costs					1.5		
Income from operations	7.3	4.3	6.1	1.9	3.8	7.3	6.6
Other income (expense)	0.1	(0.4)	(0.2)				
(Loss) on refinancings		(2.3)	(1.1)		(7.0)		
Interest expense, net	(3.5)	(3.5)	(3.5)	(3.9)	(3.8)	(4.2)	(4.2)
Income (loss) before provision for income taxes and cumulative effect of change in accounting principle	3.9	(1.9)	1.3	(2.0)	(7.0)	3.1	2.4
Provision for (benefit from) income taxes	0.3	1.2	0.9	0.9	1.1	1.0	(0.9)
Income (loss) before cumulative effect of change in accounting principle	3.6	(3.1)	0.4	(2.9)	(8.1)	2.1	3.3
Cumulative effect of change in accounting principle							
Net income (loss)	3.6%	(3.1)%	0.4%	(2.9)%	(8.1)%	2.1%	3.3%

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 six months ended June 30, 2005 and 2004 and each of the three years ended December 31, 2004. See footnote (8) to the "Selected Historical Consolidated Financial Data" elsewhere in this prospectus for a description of the calculation of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net income (loss) and net cash provided by operating activities. 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

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read in conjunction with "Selected Historical Consolidated Financial Data" and the financial statements included elsewhere in this prospectus, in particular Note 23, "Segment Reporting" to our audited financial statements for the three years ended December 31, 2004 and Note 16, "Segment Reporting" to our unaudited financial statements for the six months ended June 30, 2005.

	Six Months Ended June 30,		Years ended December 31,		
	2005	2004	2004	(Restated) 2003(1)	(Restated) 2002(1)
	(in thousands)				
Revenue:					
Technical Services	\$ 224,807	\$ 215,678	\$ 444,617	\$ 422,777	\$ 220,085
Site Services	113,591	88,502	198,609	187,742	128,873
Corporate Items	478	208	(7)	450	1,175
Total	338,876	304,388	643,219	610,969	350,133
Cost of Revenues:					
Technical Services	154,086	146,399	297,926	290,882	144,730
Site Services	88,804	72,164	159,042	148,196	101,773
Corporate Items	2,091	4,739	7,870	14,383	5,966
Total	244,981	223,302	464,838	453,461	252,469
Selling, General & Administrative Expenses:					
Technical Services	24,654	23,045	48,748	48,585	26,627
Site Services	10,744	8,604	18,449	16,999	11,734
Corporate Items	14,271	18,207	36,440	41,472	23,157
Total	49,669	49,856	103,637	107,056	61,518
Adjusted EBITDA:					
Technical Services	46,067	46,234	97,943	83,310	48,728
Site Services	14,043	7,734	21,118	22,547	15,366
Corporate Items	(15,884)	(22,738)	(44,317)	(55,113)	(27,924)
Total(2)	\$ 44,226	\$ 31,230	\$ 74,744	\$ 50,744	\$ 36,170

(1) Certain reclassifications have been made to conform to the current period presentation.

(2) See footnote (8) to the "Selected Historical Consolidated Financial Data" for a discussion of Adjusted EBITDA.

Six Months ended June 30, 2005 versus the Six Months ended June 30, 2004

Revenues

Total revenues for the six months ended June 30, 2005 increased \$34.5 million to \$338.9 million from \$304.4 million for the comparable period in 2004. Technical Services revenues for the six months ended June 30, 2005 increased \$9.1 million to \$224.8 million from \$215.7 million for the comparable period in 2004. The primary increases in Technical Services revenues consisted of a favorable price variance of waste processed through our facilities of \$8.3 million, \$3.9 million due to a strengthening in the Canadian dollar, a \$4.6 million increase in CleanPack® and transportation base revenues, and a \$0.9 million increase in the recycling and reclamation revenues. Partially offsetting these

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increases was a decrease in revenues of \$10.4 million due to an unfavorable volume variance of waste processed through our facilities. The favorable price variance and the unfavorable volume variance of waste processed through our facilities were both due to lower levels of project revenues that tend to have lower gross margins for the six months ended June 30, 2005 as compared to the same period of the

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prior year. Site Services revenues for the six months ended June 30, 2005 increased \$25.1 million to \$113.6 million from \$88.5 million for the comparable period in 2004. Site Services performed two large emergency response jobs during the six months ended June 30, 2005, which accounted for 11.3% of its revenues for that period. There was no comparable job performed in the six months ended June 30, 2004. Excluding these two large jobs, revenue increased \$12.3 million, or 13.8%, for the six months ended June 30, 2005 compared to the six months ended June 30, 2004 as a result of growth initiatives in Canada and the Western United States and an improving economy. Corporate revenues for the period increased \$0.3 million from \$0.2 million to \$0.5 million.

Cost of Revenues

Total cost of revenues for the six months ended June 30, 2005 increased \$21.7 million to \$245.0 million compared to \$223.3 million for the comparable period in 2004. Technical Services cost of revenue increased \$7.7 million to \$154.1 million from \$146.4 million for the comparable period in 2004. Cost of Revenues for the Technical Services increased by approximately \$1.8 million due to the strengthening of the Canadian dollar, costs associated with increased revenues including \$1.9 million increase in employee labor costs, \$1.5 million increase in materials and supplies costs, \$0.7 million in outside disposal and \$2.6 million in increased fuel, utility and other processing costs. These increases were partially offset by reduced outside transportation costs of approximately \$1.3 million. Site Services cost of revenue increased \$16.6 million to \$88.8 million from \$72.2 million for the comparable period in 2004. The increase in cost of revenues for Site Services was attributable to costs related to two major emergency responses in comparison to the same period in 2004 and the opening of additional service locations. As a percentage of revenues, combined cost of revenues in 2005 decreased 1.1% to 72.3% from 73.4% for the comparable period in 2004. This improvement resulted primarily due to our internalization of transportation initiatives, offset by increased outside disposal costs in Site Services. Corporate Items cost of revenue for the six months ended June 30, 2005 decreased \$2.6 million to \$2.1 million from \$4.7 million for the comparable period in 2004. The decrease in Corporate Items cost of revenues was primarily due to changes in estimates of environmental liabilities which resulted in a benefit of \$1.9 million recorded in the first quarter of 2005, reduced insurance claims as well as system enhancements that now result in substantially all waste fees being billed to our customers.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the six months ended June 30, 2005 decreased \$0.2 million to \$49.7 million from \$49.9 million for the comparable period in 2004. Technical Services selling, general and administrative costs increased \$1.7 million to \$24.7 million from \$23.0 million for the comparable period in 2004 primarily due to a \$0.6 million increase in salary and employee benefit costs, a \$0.6 million increase in contract and temporary labor, \$0.2 million increase in sales commissions, \$0.3 million change in estimate of environmental liabilities. Site Services selling, general and administrative expenses for the six months ended June 30, 2005 increased \$2.1 million to \$10.7 million from \$8.6 million for the comparable period in 2004. The increases were related to increased headcount in new locations, increased incentive compensation due to emergency response projects, and increased sales related expenses. Corporate Items selling, general and administrative expenses for the six months ended June 30, 2005 decreased \$3.9 million to \$14.3 million from \$18.2 million for the comparable period in 2004 due to changes in estimates of environmental liabilities of \$4.2 million, lower bonus accruals of \$1.4 million offset by an increase in professional fees of \$1.7 million. The overall benefit to selling, general and administrative expenses related to changes in estimates of environmental liabilities was \$5.3 million for the six months ended June 30, 2005 and \$0.8 million for the comparable period in 2004.

Adjusted EBITDA Contribution

The combined Adjusted EBITDA contribution by segments for the six months ended June 30, 2005 increased \$13.0 million to \$44.2 million from \$31.2 million for the comparable period in 2004. The contribution of Technical Services decreased \$0.2 million. Site Services contribution improved \$6.3 million and Corporate Items cost increased \$6.9 million. The combined Adjusted EBITDA contribution is comprised of revenues of \$338.9 million and \$304.4 million, net of cost of revenues of \$245.0 million and \$223.3 million and selling, general and administrative expenses of \$49.7 million and \$49.9 million for the six-month periods ended June 30, 2005 and 2004, respectively.

Accretion of Environmental Liabilities

Accretion of environmental liabilities for the six-month periods ended June 30, 2005 and 2004 was similar at \$5.2 million and \$5.2 million, respectively.

Depreciation and Amortization

Depreciation and amortization expense for the six months ended June 30, 2005 increased \$2.7 million to \$14.4 million from \$11.7 million for the comparable period in 2004. The increase was primarily due to additions to fixed assets related to purchase accounting adjustments in late 2004, additions incurred in 2004 at our Deer Park incineration facility in order to comply with the Interim Standards of the Hazardous Waste Combustor Maximum Achievable Control Technology (the "HWC MACT") rule and an increase in amortization related to cell construction at our landfill sites.

Other Income (Expense)

For the six-months ended June 30, 2005, other income of \$0.5 million consisted almost entirely of a gain relating to the settlement of an insurance claim.

As more fully described below under "Redemption of Series C Preferred Stock," we issued 25,000 shares of Series C Convertible Preferred Stock ("Series C Preferred Stock") for \$25.0 million in September 2002. The Series C Preferred Stock was recorded on our financial statements as though it consisted of two components, namely (i) non-convertible redeemable preferred stock with a 6.0% annual dividend, and (ii) an embedded derivative (the "Embedded Derivative") which reflected the right of the holders of the Series C Preferred Stock to convert the Series C Preferred Stock into our common stock. On June 30, 2004, we redeemed the Series C Preferred Stock and settled the Embedded Derivative liability. Just prior to the settlement, we valued the Embedded Derivative using the Black-Scholes option-pricing model. The Black-Scholes model determines the value of an option primarily by considering the strike price of the option, the market value of the stock and the volatility of the stock price. The strike price of the Embedded Derivative was \$8.00. For the six month period ended June 30, 2004, we recorded other expense related to the Embedded Derivative of \$1.6 million primarily because of the market price increase of our common stock that occurred during that period.

Loss on Refinancing

As described under "Use of Proceeds" and "Capitalization" elsewhere in this prospectus, we plan during the fourth quarter of 2005 to (i) sell 2,000,000 shares of our common stock, (ii) redeem \$52.5 million principal amount of our outstanding 11¹/₄% senior secured notes due 2012 and pay prepayment penalties of \$5.9 million and accrued interest of approximately \$2.7 million in connection with such redemption, (iii) write-off \$0.6 million of unamortized discount relating to the redeemed senior secured notes, (iv) write-off \$1.8 million of deferred financing fees relating to the redeemed senior secured notes, and (v) write-off an aggregate of \$2.4 million of deferred financing fees, and incur \$1.7 million of new financing fees, associated with the amendment and restatement of our existing revolving credit and synthetic letter of credit facilities concurrently with the sale of the common stock

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as described under "Description of Certain Indebtedness" elsewhere in this prospectus. We therefore expect to record a net loss on refinancing of approximately \$10.7 million in the fourth quarter of 2005.

As further discussed below under "The 2004 Refinancing," we previously had outstanding a \$100.0 million three-year revolving credit facility (the "Revolving Credit Facility"), \$115.0 million of three-year non-amortizing term loans (the "Senior Loans"), \$40.0 million of five-year non-amortizing subordinated loans (the "Subordinated Loans"), Series C Convertible Preferred Stock, \$0.01 par value (the "Series C Preferred Stock") and the related embedded derivative (the "Embedded Derivative") which reflected the right of the holders of the Series C Preferred Stock to convert into our common stock on the terms set forth in the Series C Preferred Stock. On June 30, 2004, we repaid the Revolving Credit Facility, the Senior Loans and the Subordinated Loans, redeemed the Series C Convertible Preferred Stock and settled the related Embedded Derivative liability. We recorded a loss on refinancing of \$7.1 million during the three-month period ended June 30, 2004. Such loss consisted of the write-off of deferred financing costs of \$5.3 million, prepayment penalties of \$3.1 million and other expenses of \$0.3 million. These expenses were partially offset by the gain on the settlement of the Embedded Derivative of \$1.6 million.

Interest (Expense), Net

Interest expense, net of interest income, for the six months ended June 30, 2005 increased \$1.1 million to \$11.9 million from \$10.8 million for the comparable period in 2004. The increase was primarily due to \$1.3 million of interest that was capitalized, effectively reducing net interest expense in 2004, relating to a capital project to comply with air emission standards at our Deer Park incineration facility, which was partially offset by a \$0.2 million decrease in the risk management letter of credit fees for the six months ended June 30, 2005, as compared to the same period in 2004.

As described under "Use of Proceeds" and "Description of Certain Indebtedness" elsewhere in this prospectus, we plan during the fourth quarter of 2005 to (i) redeem \$52.5 million principal amount of our outstanding 11¹/₄% senior secured notes due 2012 and pay prepayment penalties and accrued interest of approximately \$8.6 million in connection with such redemption through the net proceeds from the sale of 2,000,000 shares of our common stock and a portion of the \$12.5 million which we received in October 2005 from the exercise of warrants for 1,559,250 shares of our common stock, and (ii) amend and restate our existing revolving credit and synthetic letter of credit facilities. If we successfully complete these proposed transactions on the terms there described, we estimate that our aggregate interest expense for 2006 will be approximately \$14.1 million.

Income Taxes

Income tax expense for the six months ended June 30, 2005 decreased \$2.5 million to \$1.0 million from \$3.5 million for the comparable period in 2004. Income tax expense for the six months ended June 30, 2005 consisted primarily of Canadian taxes of \$0.8 million, federal alternative minimum tax of \$0.1 million, and state income tax expense of approximately \$0.1 million. Income tax expense for the six months ended June 30, 2004 consisted primarily of Canadian taxes of \$3.4 million, state income tax expense of approximately \$0.2 million, partially offset by a federal tax benefit of \$0.1 million related to the 2000 alternative minimum tax carryback refund. The decrease in Canadian tax expense was the result of a decrease in net income of our Canadian operations, which is primarily attributable to increased interest expense of our Canadian operations. We had approximately \$45.2 million of net operating loss carryforwards at December 31, 2004. During the six month period ended June 30, 2005, there were no significant changes to the year end net operating loss carryforward, primarily due to book income being offset by tax deductions for non-qualified stock options and other timing differences.

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Redemption of Series C Redeemable Preferred Stock and Dividends and Accretion on Preferred Stock

As more fully described below under "Redemption of Series C Preferred Stock," we redeemed 25,000 shares of Series C Preferred Stock on June 30, 2004. For the six-month period ended June 30, 2005, redemption of Series C Redeemable Preferred Stock and dividends and accretion on preferred stocks consisted of dividends on our Series B Convertible Preferred Stock of \$140 thousand.

For the six-month period ended June 30, 2004, redemption of Series C Redeemable Preferred Stock and dividends and accretion on preferred stocks consisted of the following: redemption of the Series C Redeemable Preferred Stock of \$9.9 million, dividends on preferred stocks of \$1.0 million, and amortization of preferred stock discount and issuance costs of \$0.7 million.

Year ended December 31, 2004 versus Year ended December 31, 2003

Revenues

Total revenues for 2004 increased \$32.2 million or 5.3% to \$643.2 million for 2004 from \$611.0 million for 2003. Technical Services revenues for 2004 increased \$21.8 million or 5.2% to \$444.6 million for 2004 from \$422.8 million for 2003. Waste volume variances added \$36.4 million in revenue comparing from 2003 to 2004. Of this amount, \$31.0 million is attributed to Technical Services customers and \$5.4 million relates to Site Services customers. 2004 pricing variance decreased \$24.2 million from 2003 to 2004. \$20.7 million relates to Technical Services accounts and \$3.6 million relates to Site Services accounts. Additionally, the increases in Technical Services revenues resulted from improved CleanPack volumes of \$3.4 million and increased transportation revenues of \$3.4 million. Site Services revenues for 2004 increased \$10.9 million or 5.8% to \$198.6 million for 2004 from \$187.7 million for 2003. We performed a large emergency response job in the year ended December 31, 2003, which accounted for 11.0% of Site Services revenues for that period. In the year ended December 31, 2004, several large emergency response jobs accounted for 5.5% of revenue. Excluding these large jobs, revenue increased \$20.6 million, or 12.4%, for the year ended December 31, 2004 compared to the year ended December 31, 2003 as a result of growth initiatives in Gulf and Western United States, increased volumes of large industrial services projects, significant improvements in oil and PCB recycling divisions related to commodity sales and an improving economy. Changes in foreign exchange rates positively impacted consolidated sales by approximately \$5.9 million.

There are many factors which have impacted, and continue to impact, our revenues. These factors include: economic conditions; integration of operations of the former CSD; 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. We believe that inflation did not have any significant effect on revenues during the three years ended December 31, 2004.

Cost of Revenues

Total cost of revenues for 2004 increased \$11.3 million or 2.5% to \$464.8 million compared to \$453.5 million for 2003. Technical Services costs of revenues increased \$7.0 million or 2.4% to \$297.9 million from \$290.9 million in 2003. Site Services cost of revenue increased \$10.8 million or 7.3% to \$159.0 million from \$148.2 million in 2003. Corporate Items cost of revenues decreased \$6.5 million to \$7.9 million from \$14.4 million in 2003. Technical Services cost of revenue as a percent of revenue decreased 1.8% from 68.8% in 2003 to 67.0% in 2004. Increased costs associated with increased revenues for Technical Services includes processing costs of \$3.7 million and subcontracted services of \$1.2 million. Other significant cost variances include reduction in equipment rentals of \$0.9 million, outside disposal costs reduced by \$2.9 million and increase in equipment repairs of \$3.0 million. Foreign exchange translation related to cost of revenues totaled \$2.7 million. Site Services

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cost of revenue as a percent of revenue increased 1.2% to 80.1% in 2004 from 78.9% in 2003. This increase was attributable to increased non-event revenue of \$4.1 million, startup costs of new Site Services locations and margin erosion due to increased competitive factors. The decrease in cost of revenue for Corporate Items was due to reduced costs at our discontinued waste handling facilities. As a percentage of revenues, combined cost of revenues in 2004 decreased 1.9% to 72.3% from 74.2% in 2003.

We believe that our ability to manage operating costs is important in our ability to remain price competitive. We continue upgrade the quality and efficiency of our waste treatment services through the development of new technology, continued modifications and upgrades at our facilities, and implementation of strategic sourcing initiatives. We plan to continue to focus on achieving cost savings relating to purchased goods and services through the strategic sourcing initiative. No assurance can be given that our efforts to manage future operating expenses will be successful.

Selling, General and Administrative Expenses

Selling, general and administrative expenses in 2004 decreased \$3.9 million to \$104.5 million from \$108.4 million for 2003. Technical Services selling, general and administrative expenses increased \$0.1 million to \$48.7 million from \$48.6 million for 2003. Site Services selling, general and administrative expenses increased by \$1.4 million to \$18.4 million from \$17.0 million in 2003. Increases for Site Services were related to allocations from sales and administrative support. Corporate Items selling, general and administrative expenses for 2004 decreased \$5.1 million to \$36.4 million from \$41.5 million in 2003. The decrease was due to reduced currency exchange expense of \$1.8 million, decreases in headcount resulting in savings of \$3.9 million, decreased professional fees of \$2.8 million, a decrease in the expense for doubtful accounts of \$1.3 million due to the fact that 2003 included an increase in the reserve of approximately \$1.6 million, a \$3.0 million reduction in employee benefits due to lower headcount and benefit plan changes as well as overall improved controls over expenses. These expense reductions were offset by higher bonus accruals (an increase of \$7.6 million mainly for sales and management incentive bonuses) and expenses associated with the refinancing of our capital structure in June 2004 as well as \$1.4 million in expenses related to Sarbanes-Oxley Section 404 compliance.

Accretion of Environmental Liabilities

Accretion of environmental liabilities for 2004 and 2003 was similar at \$10.4 million and \$11.1 million, respectively.

Depreciation and Amortization

Depreciation and amortization expense of \$24.1 million for 2004 decreased from \$26.5 million for 2003 due to changes in estimates in landfill lives and changes in estimates in useful lives of certain assets of \$3.5 million, which was offset by an increase in amortization and depreciation due to capital additions. The impact of the changes in estimate on dilutive loss per share for the year ended December 31, 2004 was a decrease in the loss of \$0.25 per common share.

Other Income (Expense)

As more fully described below under "Redemption of Series C Preferred Stock," we issued 25,000 shares of Series C Convertible Preferred Stock ("Series C Preferred Stock") for \$25.0 million in September 2002. The Series C Preferred Stock was recorded on our financial statements as though it consisted of two components, namely (i) non-convertible redeemable preferred stock with a 6.0% annual dividend (the "Host Contract"), and (ii) an embedded derivative (the "Embedded Derivative") which reflected the right of the holders of the Series C Preferred Stock to convert the Series C

Preferred Stock into our common stock. On June 30, 2004, we redeemed the Series C Preferred Stock and settled the Embedded Derivative liability. Just prior to the settlement, we valued the Embedded Derivative using the Black-Scholes option pricing model. The Black-Scholes model determines the value of an option primarily by considering the strike price of the option, the market value of the stock and the volatility of the stock price. The strike price of the Embedded Derivative was \$8.00. The settlement of the Embedded Derivative liability on June 30, 2004 will result in no additional other income (expense) being recorded in future periods related to the Embedded Derivative. For the year ended December 31, 2004, we recorded other expense related to the Embedded Derivative of \$1.6 million primarily because of the market price increase of our common stock that occurred during the first half of 2004. For the year ended December 31, 2003, we recorded other expense of \$0.4 million for the change in the fair value of the Embedded Derivative because the market price decline of our common stock that occurred during 2003, partially offset by the decrease of the strike price on the embedded derivative from \$10.50 to \$8.00 that occurred because both (i) the Consolidated Adjusted EBITDA for the year ended December 31, 2003 was less than \$115 million and (ii) the average trading price for our common stock for the month of December 2003 was less than \$27.50. Partially offsetting the expense on the Embedded Derivative during the years ended December 31, 2004 and 2003 were, respectively, a net gain and net loss on the disposal of fixed assets of \$0.3 million and \$0.3 million.

Loss on Refinancings

As further discussed below in "The 2004 Refinancing," we previously had outstanding a \$100.0 million three-year revolving credit facility (the "Revolving Credit Facility"), \$115.0 million of three-year non-amortizing term loans (the "Senior Loans"), \$40.0 million of five-year non-amortizing subordinated loans (the "Subordinated Loans"), the Series C Preferred Stock, and the related Embedded Derivative which reflected the right of the holders of the Series C Preferred Stock to convert into our common stock on the terms set forth in the Series C Preferred Stock. On June 30, 2004, we repaid the Revolving Credit Facility, the Senior Loans and the Subordinated Loans, redeemed the Series C Preferred Stock, and settled the related Embedded Derivative liability. We recorded losses associated with our debt refinancing of \$7.1 million during the period ended June 30, 2004. Such expenses consisted of write-off of deferred financing costs of \$5.3 million, prepayment penalties of \$3.1 million and other expenses of \$0.3 million. These expenses were partially offset by the gain on the settlement of the Embedded Derivative of \$1.6 million.

Interest Expense, Net

Interest expense, net of interest income for 2004, decreased \$1.4 million to \$22.3 million from \$23.7 million for 2003. The decrease in interest expense was primarily due to \$1.9 million of capitalized interest relating to a capital project to comply with air emission standards at our Deer Park incineration facility, which was partially offset by reduced interest income on our restricted cash balances and a slight increase in interest expense on capital leases for 2004 as compared to 2003.

Based on current interest rates and the balance of loans outstanding at June 30, 2005, we estimate that interest expense for 2005 will be between \$23.0 million and \$24.0 million.

Income Taxes

Income tax expense in 2004 increased \$0.7 million to \$6.0 million from \$5.3 million for 2003. Income tax expense for 2004 consists primarily of Canadian taxes of \$6.1 million including withholding taxes of \$1.1 million and a net Federal and state income tax benefits of \$74 thousand. Income tax expense for 2003 consisted primarily of current tax expense relating to the Canadian operations of \$5.7 million and \$0.2 million of current state income tax expense due primarily to the profitable operations of certain of our subsidiaries. The 2003 current tax expense was partially offset by foreign deferred tax benefit of \$0.6 million.

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The provision for income taxes in relation to income before provision for income taxes and cumulative effect of change in accounting principle was driven primarily by the profitability of our Canadian operations and the losses experienced in our U.S. operations.

On June 30, 2004, we refinanced our then outstanding debt. As a part of the refinancing, one of our Canadian subsidiaries made a \$91.7 million (U.S.) investment in the preferred stock of one of our domestic subsidiaries and issued, in partial payment for such investment, a promissory note for \$89.4 million (U.S.) payable to one of our domestic subsidiaries. The interest rate on such promissory note is 11.0% per annum. The effect of this transaction was to increase interest income of a U.S. subsidiary and to increase interest expense of a foreign subsidiary. For the year ended December 31, 2005, the full year effect of this transaction will be reflected in our statement of operations.

SFAS No. 109, "Accounting for Income Taxes," requires that a valuation allowance be established when, based on an evaluation of verifiable evidence, there is a likelihood that some portion or all of the deferred tax assets will not be realized. We continually review the adequacy of the valuation allowance for deferred taxes. As discussed previously under the heading "Acquisition," Safety-Kleen was unable to provide historical audited statements of operations and cash flows for the CSD, and we have reported net losses from our U.S. operations since the acquisition. Accordingly, as part of the review of the valuation allowance for deferred taxes for the years ended December 31, 2004 and 2003, we determined that we lack sufficient verified historical taxable income to demonstrate that we will be able to utilize the net operating loss ("NOL") carryforwards and other deferred tax assets for the U.S. entities. Accordingly, no tax benefit has been recorded relating to the loss before provision for income taxes and cumulative effect of change in accounting principle for the U.S. entities for the years ended December 31, 2004 and 2003. The actual realization of the net operating loss carryforwards and other deferred tax assets will depend on our having future taxable income of the appropriate character prior to their expiration. Should we demonstrate the ability to generate future taxable income to utilize the NOL carryforwards and other deferred tax assets, a portion, or all of the valuation allowance would be reduced. Up to \$35.3 million of this valuation allowance reduction could be recorded as a tax benefit on the statement of operations and up to \$4.4 million could reduce the basis of assets acquired from the Sellers. At December 31, 2004, we had regular net operating loss carryforwards of approximately \$45.2 million that begin to expire starting in 2012.

Adjusted EBITDA Contribution

The combined Adjusted EBITDA contribution by segments for 2004 increased \$24.0 million or 47.3% to \$74.7 million from \$50.7 million in 2003. The increase from Technical Services was \$14.6 million. For Site Services, Adjusted EBITDA decreased \$1.4 million and was offset by an increase in Corporate Items of \$10.8 million. The combined Adjusted EBITDA contribution was based on total revenues of \$643.2 million and \$611.0 million, net of cost of revenues of \$464.8 million and \$453.5 million and selling, general and administrative expenses of \$103.6 million and \$107.1 million for the years ended December 31, 2004 and 2003, respectively.

Year ended December 31, 2003 versus Year ended December 31, 2002

Revenues

Total revenues for 2003 increased \$260.9 million or 74.5% to \$611.0 million for 2003 from \$350.1 for 2002. Technical Services revenues for 2003 increased \$202.7 million or 92.1% to \$422.8 million for 2003 from \$220.1 million for 2002. The increases in Technical Services revenues were due to the acquisition of the CSD assets from Safety-Kleen effective on September 7, 2002. Site Services revenues for 2003 increased \$58.8 million or 45.6% to \$187.7 million for 2003 from \$128.8 million for 2002. We performed one large Site Services job in the year ended December 31, 2003, which accounted for 11.0% of Site Services revenues for that period. We performed one emergency services job in the year

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ended December 31, 2002. The job performed in 2002 related to the events of September 11, 2001 and was much lower in revenue compared to the job performed in 2003. Other than the events discussed, the increases in total revenues, Technical Services revenues, and Site Services revenues were due to the acquisition of the CSD from Safety-Kleen.

Our decision to integrate the operations of the former CSD into our business and financial reporting systems, combined with the replacement of the business model of the former CSD with our business model, prevented us from being able to calculate meaningful changes in revenue due to volume, price or mix.

Cost of Revenues

Total cost of revenues for 2003 increased \$201.0 million or 79.6% to \$453.5 million compared to \$252.5 million for 2002. Technical Services costs of revenues increased \$146.2 million or 101.0% to \$290.9 million from \$144.7 million in 2002. Site Services cost of revenue increased \$46.4 million or 45.6% to \$148.2 million from \$101.8 million in 2002. The change in cost of revenues in total and for Technical Services was primarily a result of the CSD acquisition. The cost of Site Service revenues increased because of the CSD acquisition and a large emergency response project in 2003 compared to 2002. As a percentage of revenues, combined cost of revenues in 2003 increased 2.1% to 74.2% from 72.1% for 2002. One of the largest components of cost of revenues is the cost of disposal paid to third parties. Disposal costs paid to third parties in 2003 as a percentage of revenues decreased 2.2% to 4.8% from 7.0% for comparable period in 2002. This decrease in disposal expense was due to our internalizing waste disposal subsequent to the acquisition that we sent to third parties prior to the acquisition. Other cost of revenues as a percentage of revenues increased 4.4% to 69.4% from 65.1% for comparable period in 2002, primarily as a result of reduced facility utilization reflecting the level of waste processed which was due to the general economic environment and the fixed cost nature of the facilities.

Selling, General and Administrative Expenses

Selling, general and administrative expenses in 2003 increased \$46.9 million or 76.3% to \$108.4 million from \$61.5 million for 2002. The increase was primarily due to increased costs associated with our expanded business resulting from the acquisition of the CSD assets in September 2002. The overall increase reflects a full year of combined operations in 2003, instead of only approximately 16 weeks of activity in 2002 which occurred after the acquisition plus costs incurred in 2002 prior to the acquisition in order to have the required infrastructure in place as of the acquisition date. The change in selling, general and administrative expenses by segment was primarily a result of the CSD acquisition. Of the \$46.9 million increase, nearly two-thirds, or \$29.8 million was for payroll and payroll taxes. Other significant increases were for professional fees of \$5.4 million, telephone expenses of \$2.3 million, \$1.7 million to increase the allowance for doubtful accounts, and \$1.6 million for employee benefits.

Accretion of Environmental Liabilities

Accretion of environmental liabilities for 2003 was \$11.1 million which was due primarily to the implementation as of January 1, 2003 of SFAS No. 143 and accretion of the discount for the remedial liabilities assumed as part of the CSD assets acquired. Accretion of environmental liabilities for 2002 was \$1.2 million and related to the accretion of the discount for the remedial liabilities assumed in the acquisition of the CSD assets.

Depreciation and Amortization

Depreciation and amortization expense for 2003 increased \$11.0 million to \$26.5 million from \$15.5 million for 2002. The increase was primarily due to depreciation and amortization relating to assets acquired as part of the CSD acquisition.

Restructuring

For the year ended December 31, 2002, we recorded a restructuring charge of \$0.8 million related to the acquisition. The restructuring charge consisted of \$0.3 million for severance for individuals who were our employees prior to the acquisition, and \$0.5 million of costs associated with our decision to close sales offices and parts of facilities that we operated prior to the acquisition and that became duplicative.

Other Acquisition Costs

Other acquisition costs were \$5.4 million for the year ended December 31, 2002. The primary components of these costs were outside consultant services and expenses related to integration planning and execution following the acquisition.

Other Income (Expense)

As more fully discussed below under "Redemption of Series C Preferred Stock," we issued 25,000 shares of Series C Convertible Preferred Stock ("Series C Preferred Stock") for \$25.0 million in September 2002. The Series C Preferred Stock was recorded on our financial statements as though it consisted of two components, namely (i) a non-convertible redeemable preferred stock (the "Host Contract") which matured in September 2009, and (ii) an "Embedded Derivative" which reflected the right of the holders of the Series C Preferred Stock to convert into our common stock. Generally accepted accounting principles in the United States require that the value of a derivative be marked to market. For the year ended December 31, 2003, we valued the Embedded Derivative using the Black-Scholes option pricing model. The Black-Scholes model determines the value of an option primarily by considering the strike price of the option, the market value of the stock and volatility of the stock. The strike price of the Embedded Derivative was \$8.00 at December 31, 2003. For the year ended December 31, 2003, we recorded other expense of \$0.4 million for the change in the fair value of the Embedded Derivative because of the market price decline of our common stock which occurred during the year, partially offset by the decrease of the strike price on the Embedded Derivative from \$10.50 to \$8.00 that occurred because both (i) the Consolidated Adjusted EBITDA for the year ended December 31, 2003 was less than \$115 million and (ii) the average trading price for our common stock for the month of December 2003 was less than \$27.50. We recorded other (expense) income due to the change in the value of the Embedded Derivative of \$(0.4) million and \$0.1 million for the years ended December 31, 2003 and 2002, respectively. As more fully discussed above under "Other Income (Expense)" for the Year ended December 31, 2004 versus Year ended December 31, 2003, we redeemed all of the Series C Preferred Stock and settled the related Embedded Derivative liability on June 30, 2004.

Loss on Refinancings

Prior to the refinancing of our debt in September 2002, we had outstanding \$35.0 million of 16% Senior Subordinated Notes (the "Subordinated Notes") and \$9.6 million of 10.75% economic development revenue bonds (the "Bonds"). Under the terms of the Subordinated Notes and the Bonds, we were obligated to refinance all of the debt in order to complete the purchase of the CSD assets. The total cost of the extinguishment of that debt in 2002 was \$24.7 million and consisted of (1) a "Make Whole Amount" for the Subordinated Notes of \$17.0 million, (2) the defeasance costs on the

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Bonds of \$3.1 million, and (3) the write-off of deferred financing costs on both the Subordinated Notes and the Bonds of approximately \$4.6 million, of which \$2.4 million represented a write-off of the then unamortized debt issue discount based on the fair market value of warrants issued in connection with the Subordinated Notes on April 30, 2001.

Interest Expense, Net

Interest expense, net of interest income for 2003, increased \$10.3 million or 76.9% to \$23.7 million from \$13.4 million for 2002. The increase in interest expense was primarily due to higher average balances owed during 2003 as compared to 2002, which resulted from our acquisition of the CSD assets.

Income Taxes

Income tax expense in 2003 increased \$1.5 million to \$5.3 million from \$3.8 million for 2002. Income tax expense for 2003 consisted primarily of current tax expense relating to the Canadian operations of \$5.7 million and \$0.2 million of current state income tax expense due primarily to the profitable operations of certain of our subsidiaries. The 2003 current tax expense was partially offset by foreign deferred tax benefit of \$0.6 million. Income tax expense for 2002 consisted of current tax expense relating to the Canadian operations of \$2.1 million and \$0.6 million of current state income tax expense due primarily to the profitable operations of certain of our subsidiaries and \$1.6 million of deferred tax expense. The 2002 current tax expense was partially offset by a \$0.6 million federal tax benefit that was primarily due to favorable resolution of a federal alternative minimum tax net operating loss carryback claim.

SFAS No. 109, "Accounting for Income Taxes," requires that a valuation allowance be established when, based on an evaluation of verifiable evidence, there is a likelihood that some portion or all of the deferred tax assets will not be realized. We continually review the adequacy of the valuation allowance for deferred taxes. As discussed previously under the heading "Acquisition," Safety-Kleen was unable to provide historical audited statements of operations and cash flows for the CSD, and we have reported net losses from our U.S. operations since the acquisition. Accordingly, as part of our review of the valuation allowance for deferred taxes for the years ended December 31, 2002 and 2003, we determined we lacked sufficient verified historical taxable income to demonstrate that we will be able to utilize the net operating loss ("NOL") carryforwards and other deferred tax assets for the U.S. entities. Accordingly, no tax benefit has been recorded relating to the loss before provision for income taxes and cumulative effect of change in accounting principle for the U.S. entities for the years ended December 31, 2003 and 2002. The actual realization of the net operating loss carryforwards and other deferred tax assets will depend on our having future taxable income of the appropriate character prior to their expiration. Should we demonstrate the ability to generate future taxable income to utilize the NOL carryforwards and other deferred tax assets, a portion, or all of the valuation allowance would be reduced. Up to \$28.4 million of this valuation allowance reduction could be recorded as a tax benefit on the Statement of Operations and up to \$4.4 million could reduce the basis of assets acquired from the Sellers. At December 31, 2003, we had regular net operating loss carryforwards of approximately \$60.4 million that begin to expire starting in 2012.

Adjusted EBITDA Contribution

The combined Adjusted EBITDA contribution by segments for 2003 increased \$14.6 million or 40.3% to \$50.7 million from \$36.2 million in 2002. The increase from Technical Services was \$34.6 million, which was complemented by an increase in Site Service Adjusted EBITDA of \$7.1 million and offset by a decrease in Corporate Items cost of \$27.5 million. The combined Adjusted EBITDA contribution was based on total revenues of \$611.0 million and \$350.1 million, net of cost of revenues of \$453.5 million and \$252.5 million and selling, general and administrative expenses of

\$107.1 million and \$61.5 million for the years ended December 31, 2003 and 2002, respectively. In 2003 selling, general and administrative expenses included \$1.1 million of non-recurring severance charges that a majority of our lenders agreed to include as restructuring charges under the definition of "Consolidated Net Income" in our then financing agreements, as amended, and such \$1.1 million thus is included in Adjusted EBITDA contribution for 2003.

Environmental Liabilities

Our environmental liabilities consist of closure and post-closure liabilities at both our landfill and non-landfill sites, and remedial liabilities 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. A discussion of our closure, post-closure and remedial liabilities follows.

Closure and Post-closure Liabilities

Effective January 1, 2003, we adopted SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 requires companies to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When a liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period using the entity's credit-adjusted risk-free interest rate, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. SFAS No. 143 requires upon initial application that companies reflect in their balance sheet: (1) liabilities for any existing asset retirement obligations adjusted for cumulative accretion to the date of adoption of the Statement, (2) asset retirement costs capitalized as an increase to the carrying amount of the associated long-lived asset, and (3) accumulated depreciation on that capitalized cost adjusted for accumulated depreciation to the date of adoption of the Statement. The cumulative effect of initially applying SFAS No. 143 in the year ended December 31, 2003 was recorded as a change in accounting principle which requires that a cumulative effect adjustment be recorded in the statement of operations.

The principal changes from our implementation of SFAS No. 143 were: (1) a reduction in accrued landfill closure and post-closure obligations due to discounting the accruals at our then credit-adjusted risk-free interest rate of 14.0% as required under SFAS No. 143, instead of discounting the accruals at the risk-free interest rate of 4.9% used under purchase accounting at December 31, 2002, (2) a reduction in accrued financial assurance for closure and post-closure care of the facilities which is now expensed in the period incurred under SFAS No. 143, and (3) reductions in the closure and post-closure obligations due to discounting at the credit-adjusted risk-free rate previously undiscounted accrued cell closure costs. These reductions were partly offset by new closure and post-closure obligations recorded for operating non-landfill facilities determined under various probability scenarios as to when operating permits might be surrendered in the future and using the credit-adjusted risk-free rate. The reduction in the value of liabilities assumed in the CSD acquisition from the implementation of SFAS No. 143 of \$46.7 million resulted in a corresponding reduction in the value allocated to the assets acquired (see "Acquisition" above). The implementation also resulted in a net of tax cumulative-effect adjustment of \$66 thousand recorded in the statement of operations for the year ended December 31, 2003. This adjustment was comprised of an increase to asset retirement obligations of \$1.8 million and an increase to net asset retirement costs of \$1.7 million.

Closure and post-closure costs incurred are increased for inflation (1.15% and 2.0% for closure and post-closure liabilities incurred in the years ended December 31, 2004 and 2003, respectively). We use an inflation rate published by the US 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 our credit-adjusted risk-free interest rate (12.5% and 14.0% for closure and post-closure liabilities

incurred in the years ended December 31, 2004 and 2003, respectively). Asset retirement obligations incurred in 2005 are being discounted at the credit-adjusted risk-free rate of 10.25% and inflated at a rate of 2.16%. For the asset retirement obligations incurred in 2004, we estimated our credit-adjusted risk-free interest rate by adjusting the then current yield based on market prices of our \$150 million Senior Secured Notes by the difference between the yield of a US treasury note of the same duration as the Senior Secured Notes and the yield on the 30 year U.S. Treasury Bond. For the asset retirement obligations incurred in 2003 and for the initial application of SFAS No. 143, we estimated our credit-adjusted risk-free interest rate by adjusting the then current yield on intermediate term debt of companies whose debt was then similarly rated by the rating agencies by the difference between the yield of a US treasury note of the same duration as the average maturity on the intermediate term debt 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, we 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 We utilize 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, we include future estimated construction and asset retirement costs, as well as costs incurred to date, in the amortization base. In addition, we include 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, we have 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, we amortize 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's 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 We have 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 our engineers, accountants and external consultants, based on an evaluation of site-specific facts and circumstances, including our interpretation of current regulatory requirements and proposed regulatory changes. Such estimates may change in the future due to various circumstances including, but not limited to, permit modifications, changes in legislation or regulations, technological changes and results of environmental studies.

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, we 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 we believe is probable of ultimately being permitted based on established criteria. We apply 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.

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

At the time the expansion is included in our 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 we have 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.

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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 our Chief Financial Officer and review by the Audit Committee of the Board of Directors. As of December 31, 2004, there were three unpermitted expansions included in our landfill accounting model, which represents 32.4% of our remaining airspace at that date. Of these expansions, two 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 will not be 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 year ended December 31, 2004, and for the six months ended June 30, 2005 would have been higher by \$439 thousand, and \$271 thousand, respectively.

In 2001, prior to our acquisition of the Chemical Services Division from Safety-Kleen, Safety-Kleen commenced the process of obtaining a permit for a new cell at the Lambton Facility. In 2004, we received a modification to the operating permit for such facility that increased permitted airspace at an existing cell and that allowed us to postpone the permitting process for the new cell. We now plan to commence the permitting process for the now unpermitted 7.8 million cubic yards of highly probable airspace in 2006 with the filing of a proposed terms of reference for the environmental assessment.

As of June 30, 2005, we had 11 active landfill sites (including our two non-commercial landfills), which had estimated remaining lives at December 31, 2004 (based on anticipated waste volumes and remaining highly probable airspace) as follows:

Facility Name	Location	Remaining Lives (Years)	Remaining Highly Probable Airspace (cubic yards) (in thousands)		
			Permitted	Unpermitted	Total
Altair	Texas	2	63		63
Buttonwillow	California	44	10,018		10,018
Deer Park	Texas	23	587		587
Deer Trail	Colorado	51	513		513
Grassy Mountain	Utah	24	761	1,366	2,127
Kimball	Nebraska	23	483		483
Lambton	Ontario	51	1,061	7,847	8,908
Lone Mountain	Oklahoma	18	1,463		1,463
Ryley	Alberta	29	1,111		1,111
Sawyer	North Dakota	40	449		449
Westmorland	California	68	2,732		2,732
			19,241	9,213	28,454

We had 2.9 million cubic yards of permitted, but not highly probable, airspace as of December 31, 2004. Permitted, but not highly probable, airspace is permitted airspace we currently do not expect to utilize; therefore, this airspace has not been included in the above table. There were no significant

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changes in estimated remaining lives permitted, unpermitted or remaining highly probable airspace for the 11 active landfill sites at June 30, 2005 as compared to December 31, 2004.

The following table presents the remaining highly probable airspace from December 31, 2002 through June 30, 2005 (in thousands):

	Highly Probable Airspace (cubic yards)
Remaining capacity at December 31, 2002	25,288
Addition of highly probable airspace	4,280
Consumed during 2003	(687)
Change in estimate	150
Remaining capacity at December 31, 2003	29,031
Addition of highly probable airspace	141
Consumed during 2004	(780)
Change in estimate	62
Remaining capacity at December 31, 2004	28,454
Consumed during six months ended June 30, 2005	(319)
Remaining capacity at June 30, 2005	28,135

Changes to landfill assets for the year ended December 31, 2004 were as follows (in thousands):

	Balance at December 31, 2003	Asset Retirement Costs	Capital Additions	Changes in Estimates of Closure and Post-Closure Liabilities	Currency Translations, Reclassifications, and Other	Balance at December 31, 2004
Landfill Assets	\$ 3,579	\$ 958	\$ 2,597	\$ (1,157)	\$ 419	\$ 6,396

Changes to landfill assets for the year ended December 31, 2003 were as follows (in thousands):

Balance at December 31, 2002	Asset Retirement Costs	Capital Additions	Decrease Due to Increase in Highly Probable Airspace and Other Changes in Estimate	Purchase Accounting Adjustment Due to Change in Accounting for Asset Retirement Costs as well as Other Purchase Accounting Adjustments	Currency Translations, Reclassifications, and Other	Balance at December 31, 2003
\$ 14,781	\$ 1,004	\$ 1,669	\$ (11,596)	\$ (2,820)	\$ 541	\$ 3,579

In 2003 and 2004 we reduced closure and post-closure liabilities as a result of increasing highly probable landfill airspace. After acquiring landfills as part of the CSD assets from Safety-Kleen in 2002, our management identified new business opportunities that made possible the expansion, and further utilization, of the assets that the previous owners had believed to be exhausted. The resulting increase in airspace was accounted for by reducing landfill retirement liabilities (due to delaying the closure and post-closure expenditures) and by correspondingly reducing landfill assets by \$11.6 million and \$1.2 million for the years ended December 31, 2003 and 2004 respectively. See the tables of changes to closure and post-closure liabilities below.

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We calculate the rates we use to amortize landfill assets based upon the dollar value of estimated final liabilities, the surveyed remaining airspace of the landfill, and the time estimated to consume the remaining airspace. Consequently, rates vary for each landfill and for each asset category, and we recalculate them each year. During the years ended December 31, 2004, and 2003, we depreciated landfill assets at average rates of \$0.39 and \$2.62 per cubic yard, respectively. The change in the amortization rate of landfill assets resulted primarily from the \$11.6 million reduction in landfill asset described immediately above.

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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.

We record our 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 we are required to follow under our operating permit, or in the event the facility operates with a permit that does not contain a closure plan, based upon closure commitments made by us, (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 we commence 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.

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

	June 30, 2005	Dec. 31, 2004	Dec. 31, 2003
Landfill facilities:			
Cell closure	\$ 16,180	\$ 14,959	\$ 13,744
Facility closure	1,877	1,726	1,713
Post-closure	2,407	2,203	2,246
	20,464	18,888	17,703
Non-landfill retirement liability:			
Facility closure	6,200	6,763	7,992
	26,664	25,651	25,695
Less obligation classified as current	2,776	2,930	6,480
Long-term closure and post-closure liability	\$ 23,888	\$ 22,721	\$ 19,215

All of the landfill facilities included in the table above were active as of June 30, 2005.

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Anticipated payments at June 30, 2005 (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,

Six months ending December 31, 2005	\$ 1,122
2006	3,734
2007	5,295
2008	7,036
2009	2,922
Thereafter	206,345
Undiscounted closure and post-closure liabilities	226,454
Less: Reserves to be provided (including discount of \$119.3 million) over remaining site lives	(199,790)
Present value of closure and post-closure liabilities	\$ 26,664

The changes to closure and post-closure liabilities for the six months ended June 30, 2005 were as follows (in thousands):

	December 31, 2004	New Asset Retirement Obligations	Accretion	Changes in Estimate (Benefit) Charged to Statement of Operations	Currency Translation Reclassifications and Other	Payments	June 30, 2005
Landfill retirement liability	\$ 18,888	\$ 476	\$ 1,372	\$ (153)	\$ (10)	\$ (109)	\$ 20,464
Non-landfill retirement liability	6,763		403	43	(2)	(1,007)	6,200
Total	\$ 25,651	\$ 476	\$ 1,775	\$ (110)	\$ (12)	\$ (1,116)	\$ 26,664

The changes to closure and post-closure liabilities for the year ended December 31, 2004 were as follows (in thousands):

	December 31, 2003	New Asset Retirement Obligations	Accretion	Changes in Estimate Charged to Statement of Operations	Benefit to Statement of Operations for Other Changes in Estimates	Currency Translation, Reclassifications and Other	Payments	December 31, 2004
Landfill retirement liability	\$ 17,703	\$ 958	\$ 2,460	\$ (1,069)	\$ (1,157)	43	\$ (50)	\$ 18,888
Non-landfill retirement liability	7,992		902	(928)	(8)	6	(1,201)	6,763
Total	\$ 25,695	\$ 958	\$ 3,362	\$ (1,997)	\$ (1,165)	49	\$ (1,251)	\$ 25,651

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The changes to closure and post-closure liabilities for the year ended December 31, 2003 were as follows (in thousands):

December 31, 2003	Cumulative Effect of Changes in Accounting for Asset Retirement Obligations	Purchase Accounting Adjustment Due to Change in Accounting for Asset Retirement Obligations	Other Purchase Accounting Adjustments	New Asset Retirement Obligations	Accretion and Other Charges to Expenses	Decrease Due to Increase in Highly Probable Airspace and other Changes in Estimates	Currency Translation, Reclassifications and Other	Payments	December 31, 2003	
Landfill retirement liability	\$ 60,765	\$ (79)	\$ (38,794)	\$ 2,851	\$ 1,004	\$ 3,476	\$ (11,596)	\$ 127	\$ (51)	\$ 17,703
Non-landfill retirement liability		1,381	8,489	761		1,042	49	(1,045)	(2,685)	7,992
Total	\$ 60,765	\$ 1,302	\$ (30,305)	\$ 3,612	\$ 1,004	\$ 4,518	\$ (11,547)	\$ (918)	\$ (2,736)	\$ 25,695

In 2003 and 2004 we reduced closure and post-closure liabilities as a result of increasing highly probable landfill airspace. After acquiring landfills as part of the CSD assets from Safety-Kleen in 2002, Clean Harbors' management identified new business opportunities that made possible the expansion, and further utilization, of the assets that the previous owners had believed to be exhausted. The resulting increase in airspace was accounted for by reducing landfill retirement liabilities (due to delaying the closure and post-closure expenditures) and by correspondingly reducing landfill assets by \$11.6 million and \$1.2 million for the years ended December 31, 2003 and 2004 respectively (see tables of changes to closure and post-closure liabilities immediately above).

We calculate the rates we use to accrue closure and post-closure costs based upon the dollar value of estimated final liabilities, the surveyed remaining airspace of the landfill, and the time estimated to consume the remaining airspace. Consequently, rates vary for each landfill and for each accrual category, and we recalculate them each year. During the years ended December 31, 2004, and 2003, we accrued asset retirement obligations at an average rate of \$1.23 and \$1.46 per cubic yard, respectively. The changes in the accrual rate of asset retirement obligations resulted primarily from the \$11.6 million reduction in landfill retirement liability described immediately above.

The following table shows the adjustment to restated net loss and basic and diluted loss per share as if SFAS No. 143 was adopted as of January 1, 2002 (in thousands, except per share amounts):

	(Restated) 2002
Restated net loss	\$ (28,447)
Accretion of closure and post-closure, net of tax	155
Adjusted net loss	\$ (28,292)
Basic loss per share:	
Restated loss attributable to common shareholders	\$ (2.44)
Accretion of closure and post-closure liabilities, net of tax	0.01
Adjusted restated loss attributable to common shareholders	\$ (2.43)
Diluted loss per share:	
Restated loss attributable to common shareholders	\$ (2.44)
Accretion of closure and post-closure, net of tax	0.01
Adjusted restated loss attributable to common shareholders	\$ (2.43)

(Restated)
2002

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 our remedial liabilities were assumed as part of the acquisition of the CSD from Safety-Kleen Corp, and we believe 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 fixed and the amounts are determinable. Our experience has been that the timing of the payments is not usually fixed 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, we recorded the remedial liabilities assumed as part of the acquisition of the CSD 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 discounted 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 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 ours 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

We record claims for recovery from third parties relating to remedial liabilities only when realization of the claim is probable. The gross remedial liability is recorded separately from the claim for recovery on the balance sheet. At June 30, 2005, and December 31, 2004 and 2003, we had recorded no such claims.

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. 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 are potentially liable for environmental response, removal, remediation and cleanup costs at/or from either an owned or third party site. As described in "Legal Proceedings" elsewhere in this prospectus, 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

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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.

We record environmental-related accruals for remedial obligations at both our landfill and non-landfill operations. See above for further discussion of our methodology for estimating and recording these accruals.

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

	June 30, 2005	December 31, 2004	December 31, 2003
Remedial liabilities for landfill sites	\$ 4,840	\$ 4,985	\$ 5,525
Remedial liabilities for discontinued facilities not now used in the active conduct of our business	92,459	95,116	97,535
Remedial liabilities (including Superfund) for non-landfill open sites	51,427	55,516	54,376
	148,726	155,617	157,436
Less obligation classified as current	11,110	11,328	14,802
Long-term remedial liability	\$ 137,616	\$ 144,289	\$ 142,634

Anticipated payments at June 30, 2005 (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,	
Six months ending December 31, 2005	\$ 5,719
2006	10,990
2007	10,882
2008	11,745
2009	11,507
Thereafter	140,310
Undiscounted remedial liabilities	191,153
Less: Discount	(42,427)
Present value of remedial liabilities	\$ 148,726

The anticipated payments for Long-term Maintenance range from \$4.2 million to \$6.3 million per year over the next five years. Spending on One-Time Projects for the next five years ranges from \$3.7 million to \$5.9 million per year with an average expected payment of \$5.3 million per year. Legal and Superfund liabilities payments are expected to be between \$0.4 million and \$2.3 million per year for the next five years. These estimates are managed on a daily basis, reviewed at least quarterly, and adjusted as additional information becomes available.

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The changes to remedial liabilities for the six months ended June 30, 2005 were as follows (in thousands):

	December 31, 2004	Accretion	Beneficial Changes in Estimate Recorded to Statement of Operations	Currency Translation, Reclassifications and Other	Payments	June 30, 2005
Remedial liabilities for landfill sites	\$ 4,985	\$ 107	\$ (92)	\$ (36)	\$ (124)	\$ 4,840
Remedial liabilities for discontinued sites not now used in the active conduct of our business	95,116	2,168	(3,240)	(30)	(1,555)	92,459
Remedial liabilities (including Superfund) for non-landfill operations	55,516	1,200	(4,144)	(148)	(997)	51,427
Total	\$ 155,617	\$ 3,475	\$ (7,476)	\$ (214)	\$ (2,676)	\$ 148,726

Included in the \$7.5 million change in estimate recorded to the statement of operations is the \$1.9 million reversal of the Helen Kramer landfill site reserve as described in "Legal Proceedings" elsewhere in this prospectus, a \$2.1 million reduction for financial assurance for remedial liabilities that was driven by the renegotiation of financial assurance for closure and post-closure care for six of our facilities and our improved financial performance; and a net \$3.5 million benefit due to (i) the discounting effect of delays in certain remedial projects, (ii) cost reductions negotiated with vendors, and (iii) a pattern of historical spending being less than previously expected and reserved. Of the \$7.5 million benefit recorded for the six months ended June 30, 2005, \$5.3 million of the benefit was recorded to selling, general and administrative expenses. For the three month period ended June 30, 2005, the \$3.4 million benefit was recorded to selling, general and administrative expenses.

The changes to remedial liabilities for the year ended December 31, 2004 were as follows (in thousands):

	December 31, 2003	Accretion	Changes in Estimate Charged to Statement of Operations	Other Changes in Estimate	Currency Translation, Reclassifications and Other	Payments	December 31, 2004
Remedial liabilities for landfill sites	\$ 5,525	\$ 225	\$ (420)	\$	\$ 140	\$ (485)	\$ 4,985
Remedial liabilities for discontinued facilities not now used in the active conduct of our business	97,535	4,390	(841)	392	196	(6,556)	95,116
Remedial liabilities (including Superfund) for non-landfill open sites	54,376	2,417	(29)		765	(2,013)	55,516
Total	\$ 157,436	\$ 7,032	\$ (1,290)	\$ 392	\$ 1,101	\$ (9,054)	\$ 155,617

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The changes to remedial liabilities for the year ended December 31, 2003 were as follows (in thousands):

December 31, 2002	Cumulative Effect of Changes in Accounting for Asset Retirement Obligations	Purchase Accounting Adjustment Due to Change in Accounting for Asset Retirement Obligations	Other Purchase Accounting Adjustments	Accretion and Other Charges to Expense	Currency Translation, Reclassifications and Other	Payments	December 31, 2003	
Remedial liabilities for landfill sites	\$ 4,519	\$	\$	\$ 662	\$ 230	\$ 358	\$ (244)	\$ 5,525
Remedial liabilities for discontinued facilities not now used in the active conduct of our business	104,899	537	(16,363)	6,003	3,804	2,228	(3,573)	97,535
Remedial liabilities (including Superfund) for non-landfill open sites	34,428		(16)	18,059	2,347	978	(1,420)	54,376
Total	\$ 143,846	\$ 537	\$ (16,379)	\$ 24,724	\$ 6,381	\$ 3,564	\$ (5,237)	\$ 157,436

Estimation of Certain Pre-acquisition Contingencies SFAS No. 5

SFAS No. 5, "Accounting for Contingencies," requires that an estimated loss from a loss contingency be accrued and recorded as a liability if it is both probable and estimable, but the Statement does not permit a company acquiring assets to record as part of the purchase price those assumed liabilities which are not both probable and estimable. As described under the headings "Ville Mercier Legal Proceedings" and "Marine Shale Processors" in "Legal Proceedings" elsewhere in this prospectus, we were unable as of December 31, 2002 to estimate the amount of potential remedial liabilities in connection with the facility and sites which are the subject of these proceedings, but, as part of the integration plan of the CSD acquisition, we committed to obtaining the data required so that we could record such potential liabilities as adjustments to the purchase price. We obtained sufficient additional information on these proceedings prior to the first anniversary of the acquisition to allow us to record these potential liabilities as adjustments to the purchase price for the CSD assets in accordance with generally accepted accounting principles in the United States. Accordingly, additional discounted environmental liabilities were recorded as part of the purchase price in the quarter ended September 30, 2003. At June 30, 2005, we had recorded reserves of \$13.4 million and \$10.6 million relating to Marine Shale Processors and the Ville Mercier Legal Proceedings, respectively.

Remedial liabilities, including Superfund liabilities

As described in the tables above under "Reserves for remedial obligations," we had as of June 30, 2005 a total of \$148.7 million of estimated liabilities for remediation of environmental contamination, of which \$4.8 million related to our landfills and \$143.9 million related to non-landfill facilities (including Superfund sites owned by third parties). We periodically evaluate potential remedial liabilities at sites that we own or operate or to which we or the Sellers of the CSD assets (or the respective predecessors of us or the Sellers) transported or disposed of waste, including 56 Superfund sites as of June 30, 2005. We periodically review and evaluate sites requiring remediation, including Superfund sites, giving consideration to the nature (i.e., owner, operator, arranger, transporter or generator) and the extent (i.e., amount and nature of waste hauled to the location, number of years of site operations or other relevant factors) of our (or the Sellers') alleged connection with the site, the

extent (if any) to which we believe we may have an obligation to the Sellers to indemnify cleanup costs in connection with the site, the regulatory context surrounding the site, the accuracy and strength of evidence connecting us (or the Sellers) to the location, the number, connection and financial ability of other named and unnamed potentially responsible parties, or PRPs, and the nature and estimated cost of the likely remedy. Where we conclude that it is probable that a liability has been incurred, we reserve, based upon management's judgment and prior experience, for our best estimate of the liability.

Remediation liabilities are inherently difficult to estimate. Estimating remedial liabilities requires that the existing environmental contamination be understood. There is a risk that the actual quantities of contaminants differ from the results of the site investigation, and there is a risk that contaminants exist that have not been identified by the site investigation. In addition, the amount of remedial liabilities recorded is dependent on the remedial method selected. There is a risk that funds will be expended on a remedial solution that is not successful, which could result in the additional incremental costs of an alternative solution. Such estimates, which are subject to change, are subsequently revised if and when additional information becomes available.

In connection with our acquisition of the CSD assets, we performed extensive due diligence, including hiring third-party engineers and attorneys to estimate accurately the aggregate liability for remedial liabilities to which we became potentially liable as a result of the acquisition. Those remedial liabilities relate to the active and discontinued hazardous waste treatment and disposal facilities which we acquired as part of the CSD assets and 35 Superfund sites owned by third parties for which we agreed to indemnify certain remedial liabilities owed or potentially owed by the Sellers and payable to governmental entities. In the case of each such facility and site, our estimate of remediation liabilities involved an analysis of such factors as: (i) the nature and extent of environmental contamination (if any), (ii) the terms of applicable permits and agreements with regulatory authorities as to cleanup procedures and whether modifications to such permits and agreements will likely need to be negotiated, (iii) the cost of performing anticipated cleanup activities based upon current technology, and (iv) in the case of Superfund and other sites where other parties will also be responsible for a portion of the cleanup costs, the likely allocation of such costs and the ability of such other parties to pay their share. Based upon our analysis of each of the above factors in light of currently available facts and legal interpretations, existing technology, and presently enacted laws and regulations, we estimate that our aggregate liabilities as of December 31, 2004 (as calculated in accordance with generally accepted accounting principles in the United States) for future remediation relating to all of our owned or leased facilities and the Superfund sites for which we have current or potential liability is approximately \$148.7 million. We also estimate that it is "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 \$22.0 million greater than such \$148.7 million. Future changes in either available technology or applicable laws or regulations could affect such estimates of environmental liabilities. Since our satisfaction of the liabilities will occur over many years and in some cases over periods of 30 years or more, we cannot now reasonably predict the nature or extent of future changes in either available technology or applicable laws or regulations and the impact that those changes, if any, might have on the current estimates of environmental liabilities.

The following tables show, respectively, as of December 31, 2004, (i) the amounts of such estimated liabilities associated with the types of facilities and sites involved and (ii) the amounts of such estimated liabilities associated with each facility or site which represents at least 5% of the total and with all other facilities and sites as a group.

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

Type of Facility or Site	Discounted Remedial Liability	% of Total	Discounted Reasonably Possible Additional Losses
Facilities now used in active conduct of our business (16 facilities)	\$ 36,293	24.4%	\$ 7,616
Discontinued CSD facilities not now used in active conduct of our business but acquired because assumption of remedial liabilities for such facilities was part of the purchase price for CSD assets (16 facilities)	92,283	62.0	11,191
Superfund sites owned by third parties on which wastes generated or shipped by the Sellers (or their predecessors) are present (18 sites)	17,929	12.1	1,661
Sites for which we had liabilities prior to the acquisition of CSD assets (4 Superfund sites and 7 other sites)	2,221	1.5	1,491
Total	\$ 148,726	100.0%	\$ 21,959

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

Location	Type of Facility or Site	Discounted Remedial Liability	% of Total	Discounted Reasonably Possible Additional Losses
Baton Rouge, LA	Closed incinerator and landfill	\$ 37,824	25.4%	\$ 5,319
Bridgeport, NJ	Closed incinerator	27,537	18.6	3,363
Marine Shale Processors	Potential third party Superfund site	13,413	9.0	1,368
Mercier, Quebec	Open incineration facility and legal proceedings	11,317	7.6	1,149
Roebuck, SC	Closed incinerator	9,523	6.4	834
San Jose, CA	Open treatment, storage, or disposal facilities	7,480	5.0	844
Various	All other incinerators, landfills, wastewater treatment facilities and service centers (35 facilities)	36,899	24.8	8,598
Various	All other Superfund sites (each representing less than 5% of total liabilities) owned by third parties on which wastes generated or shipped by either us or the Sellers (or their predecessors) are present (21 sites)	4,733	3.2	484
Total		\$ 148,726	100.0%	\$ 21,959

There has been no significant change to discounted reasonably possible additional losses at June 30, 2005 as compared to December 31, 2004.

Revisions to remedial reserve requirements may result in upward or downward adjustments to income from operations in any given period. We believe that our extensive experience in the environmental services business, as well as our involvement with a large number of sites, provides a

reasonable basis for estimating our aggregate liability. It is reasonably possible that legal, technological, regulatory or enforcement developments, the results of environmental studies or other factors could necessitate the recording of additional liabilities and/or the revision of currently recorded liabilities that could be material. The impact of such future events cannot be estimated at the current time.

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 previously held, funds available to borrow under the Revolving Facility and anticipated proceeds from assets held for sale. For the six-month period ended June 30, 2005, we generated cash from operations of \$9.0 million. As of June 30, 2005, cash and cash equivalents were approximately \$50.2 million, funds available to borrow under the Revolving Facility were \$28.8 million, and properties held for sale were \$8.6 million.

We intend to use our existing cash and cash flow from operations to provide for our working capital needs, to fund recurring capital expenditures, to fund small acquisitions, and, over the longer term, to reduce our outstanding debt. 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. As part of the CSD acquisition, we assumed environmental liabilities of the CSD valued at \$184.5 million. We performed extensive due diligence investigations with respect to both the amount and timing of such liabilities. We anticipate such liabilities will be payable over many years and that cash flow from operations will generally be sufficient to fund the payment of such liabilities when required. However, events not now anticipated (such as future changes in environmental laws and regulations) could require that such payments be made earlier or in greater amounts than now anticipated, which could adversely affect our cash flow and financial condition.

Cash Flows for the Six Months ended June 30, 2005

For the six months ended June 30, 2005, we generated approximately \$9.0 million of cash from operating activities. We reported net income for the period of \$12.2 million. In addition, we recorded non-cash expenses during this period, which provided sources of funds totaling \$19.8 million. These non-cash expenses consisted primarily of \$14.4 million for depreciation and amortization and \$5.2 million for the accretion of environmental liabilities. Uses of cash for working capital purposes totaled \$28.1 million, reduced cash flow from operations by the same amount, and consisted primarily of a \$11.3 million decrease in closure, post-closure and remedial liabilities, a \$4.3 million decrease in deferred revenue due to increased efficiency of facility operations, a \$1.6 million increase in unbilled receivables, a \$5.4 million decrease in accounts payable due to the timing of payments made to vendors, and a \$3.0 million decrease in income taxes payable. These uses of cash were partially offset by sources of cash from working capital that totaled \$5.2 million.

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

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

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

Cash Flows for the Year ended December 31, 2004

For the year ended December 31, 2004, we generated approximately \$52.5 million of cash from operating activities. Non-cash expenses, net recorded for the year totaled \$46.4 million. These non-cash expenses consisted primarily of \$24.1 million for depreciation and amortization, \$10.4 million for the accretion of environmental liabilities, refinancing expenses of \$7.1 million, \$2.3 million for amortization of deferred financing costs and a loss on the embedded derivative of \$1.6 million. Other sources of cash totaled \$30.4 million which primarily consisted of an increase in other accrued expenses of \$11.6 million, an increase in accounts payable of \$9.2 million due to the timing of payments made and higher levels of expenses in the fourth quarter of 2004 as compared to the fourth quarter of 2003, a \$4.4 million decrease in unbilled accounts receivable due to improvements in the timeliness of billing our customers in 2004 as compared to 2003, and \$3.7 million decrease in other assets that was almost entirely due to reclassifying to current prepaid expenses the cash value of a closure and post-closure policy for our Kimball facility. These sources of cash were partially offset by other uses of cash that totaled \$27.0 million consisting primarily of a decrease in closure, post-closure and remedial liabilities of \$13.0 million relating primarily to expenditures made for such liabilities, an increase in accounts receivable of \$6.1 million due to a higher level of revenues in the quarter ended December 2004 compared with the quarter ended December 2003, an increase in prepaid expenses of \$4.8 million primarily due to the transfer of the cash value of the closure and post-closure policy for our Kimball facility, a \$1.3 million decrease in supplies inventories due primarily to a program initiated in the fourth quarter of 2004 to outsource to a third party the responsibility of stocking supplies at our Site and Technical Services locations, and a \$1.1 million decrease in the amount of deferred waste on hand as of December 31, 2004 as compared to December 31, 2003.

For year ended December 31, 2004, we generated \$47.6 million of cash from investing activities. Sources of cash from investing activities totaled \$169.3 million and consisted of proceeds from the net sale of restricted investments of \$93.2 million that resulted primarily from our no longer being required to post cash collateral for financial assurance for closure and post closure care of our facilities, proceeds from the sale of marketable securities of \$73.9 million and proceeds from the sale of fixed assets of \$2.2 million. Partially offsetting these sources of cash were uses of cash to acquire property, plant and equipment and permits of \$26.6 million, the purchases of marketable securities of \$90.7 million and the cost of restricted investment purchased of \$4.4 million.

For the year ended December 31, 2004, we used \$75.8 million of cash in our financing activities. Sources of cash from financing activities totaled \$149.3 million and consisted almost entirely of the issuance of Senior Secured Notes (net of issue discount) of \$148.0 million. This was offset by uses of cash from financing activities that totaled \$225.1 million and consisted primarily of repayments of Senior Loans and Subordinated Loans of \$107.2 million and \$40.0 million, respectively, repayment of the former Revolving Credit Facility of \$35.2 million, redemption of the Series C Preferred Stock of \$25.0 million, financing costs incurred of \$10.3 million, debt extinguishment payments of \$3.4 million and dividend payments on the Series B and Series C Preferred Stocks totaling \$2.2 million.

We used the cash generated from investing activities of \$47.6 million together with the \$52.5 million of cash generated from operations and \$0.5 million generated from the favorable foreign exchange impact on cash to fund the financing activities of \$75.8 million previously discussed, and to increase the amount of cash on hand by \$24.8 million.

Cash Flows for the Year ended December 31, 2003

For the year ended December 31, 2003, we generated \$38.9 million of cash from operating activities. Non-cash expenses recorded for the year ended December 31, 2003 totaled \$43.6 million and consisted primarily of \$26.5 million in depreciation and amortization, and \$11.1 million in accretion of environmental liabilities. Other sources of cash totaled \$29.1 million and consisted primarily of reductions in our accounts receivable of \$20.3 million and reductions in our unbilled accounts receivable of \$4.5 million. These reductions in accounts receivable and unbilled accounts receivable resulted primarily from resolving certain issues relating to the integration of the former CSD into our operations. Largely offsetting sources of cash were uses of cash that totaled \$33.9 million and consisted primarily of the net loss for the year of \$17.6 million and \$8.3 million in environmental spending for remedial and landfill liabilities.

For the year ended December 31, 2003, we used approximately \$53.0 million of cash in investing activities. This consisted of approximately \$34.8 million in capital investment, \$20.0 million of which was related to becoming compliant with the new MACT standards, and restricted investments purchased of \$34.9 million to support letters of credit for our financial assurance and insurance programs. These uses were partially offset from proceeds of \$2.3 million realized from the sale of real estate and equipment that we determined to be surplus, proceeds of \$6.6 million generated from the sale of restricted investments, and proceeds of \$7.9 million associated with the acquisition of certain CSD assets (of which \$7.8 million was a global payment received from Safety-Kleen Corp. in settlement of various issues arising from our acquisition of the CSD assets).

For the year ended December 31, 2003, we obtained net funds from financing of \$5.9 million. Cash from financing activities was \$18.5 million, which consisted almost entirely of \$17.5 million in net borrowings on our then revolving credit facility. We used cash from financing activities of \$18.5 million, together with cash generated from operations of \$38.9 million, reductions in cash balances of \$7.3 million and the positive effect of exchange rate change on cash of \$0.9 million to fund net investing activities of \$53.0 million, repay \$7.8 million in senior term loans and fund other financing activities of \$4.8 million.

The 2004 Refinancing

Prior to June 30, 2004, we had outstanding a \$100.0 million three-year revolving credit facility (the "Revolving Credit Facility"), \$115.0 million of three-year non-amortizing term loans (the "Senior Loans") and \$40.0 million of five-year non-amortizing subordinated loans (the "Subordinated Loans"). In addition to such financings, we had established a letter of credit facility (the "L/C Facility") under which we could obtain up to \$100.0 million of letters of credit by providing cash collateral equal to 103% of the amount of such outstanding letters of credit. On June 30, 2004, we refinanced our debt under the Revolving Credit Facility, the Senior Loans and the Subordinated Loans by issuing \$150.0 million of eight-year Senior Secured Notes (the "Senior Secured Notes") and entering into a \$30.0 million revolving credit facility (the "Revolving Facility") as described below. Additionally, we replaced the L/C Facility with a synthetic letter of credit facility (the "Synthetic LC Facility") whereby we may obtain up to \$90.0 million of letters of credit 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 Senior Secured Notes were 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.

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) to apply an amount equal to 50% of the period's Excess Cash Flow (as defined below) to either prepay, repay, redeem or purchase first-lien obligations under the Revolving Facility and Synthetic LC Facility or to make offers ("Excess Cash Flow Offers") to repurchase of 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 EBITDA (which the Indenture defines in the same manner as "Adjusted EBITDA" is defined in footnote (8) under "Selected Historical Consolidated Financial Data" elsewhere in this prospectus) 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 ours.

Excess Cash Flow for the twelve months ended June 30, 2005 was \$29.5 million, and we had at June 30, 2005, no outstanding first-lien obligations which were then payable under the Revolving Facility or Synthetic LC Facility. Accordingly, on September 27, 2005, we sent an Excess Cash Flow Offer to the holders of our outstanding Senior Secured Notes offering to purchase Senior Secured Notes in the amount of 50% of the Excess Cash Flow generated during the twelve-month period ended June 30, 2005. However, during the six-month period ended June 30, 2005, the market price of the Senior Secured Notes was consistently, and is now, in excess of the 104% of principal amount plus accrued interest 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 our Excess Cash Flow Offer prior to the expiration of such offer on October 31, 2005. To the extent the Note holders do not accept such Offer, the Excess Cash Flow earned through June 30, 2005, 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. Both the Revolving Facility and the Synthetic LC Facility were established under a Loan and Security Agreement dated June 30, 2004 (the "Credit Agreement") among us, Fleet Capital Corporation as agent for the Revolving Lenders thereunder, Credit Suisse First Boston as agent for the letter of credit facility lenders (the "LC Facility Lenders") thereunder, and certain other parties. The Revolving Facility allows us to borrow up to \$30.0 million in cash, based upon a formula of eligible accounts receivable. This total is separated into two lines of credit, namely a line for us and our U.S. subsidiaries equal to \$24.7 million and a line for our Canadian subsidiaries of \$5.3 million. The Revolving Facility also allows us to have issued up to \$10.0 million of letters of credit, with the outstanding amount of such letters of credit reducing the maximum amount of borrowings permitted under the Revolving Facility. At June 30, 2005, we had no borrowings and \$1.2 million of letters of credit outstanding under the Revolving Facility, and we had approximately \$28.8 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%. The Credit Agreement requires us to pay an unused line fee of 0.125% per annum on the unused portion of the Revolving Facility. The Revolving Facility matures on June 30, 2009.

Under the Credit Agreement, we are required to maintain a maximum Leverage Ratio (as defined below) of no more than 2.50 to 1.0 for each of the four-quarter periods ended June 30, 2005 through March 31, 2006. The maximum leverage ratio is then reduced in approximately equal increments to no more than 2.30 to 1.0 for the four-quarter period ending December 31, 2008, and to no more than 2.25 to 1.0 for each succeeding quarter. The Leverage Ratio is defined as the ratio of our consolidated indebtedness to our Consolidated EBITDA (which the Credit Agreement defines in the same manner as "Adjusted EBITDA" is defined in footnote (8) under "Selected Historical Consolidated Financial

Data" elsewhere in this prospectus) achieved for the latest four-quarter period. For the four-quarter period ended June 30, 2005, the Leverage Ratio was 1.55 to 1.0, which was within covenant.

We are also required under the Credit Agreement to maintain a minimum Interest Coverage Ratio (as defined below) of not less than 2.70 to 1.0 for each of the four-quarter periods ended June 30, 2005 through December 31, 2005. The minimum interest coverage ratio then decreases in approximately equal increments, to not less than 2.85 to 1.0 for the four-quarter period ending December 31, 2007, and not less than 3.00 to 1.0 for each succeeding four-quarter period. The Interest Coverage Ratio is defined as the ratio of our Consolidated EBITDA to our consolidated interest expense. For the four-quarter period ended June 30, 2005, the Interest Coverage Ratio was 3.78 to 1.0, which was within covenant.

We are also under the Credit Agreement required to maintain a fixed charge coverage ratio of not less than 1.0 to 1.0 for each four-quarter period. For the period ended June 30, 2005, our fixed charge coverage ratio was 2.12 to 1.0, which was within covenant.

Synthetic LC Facility. The Synthetic LC Facility provides that Credit Suisse First Boston (the "LC Facility Issuing Bank") will issue up to \$90.0 million of letters of credit at our request. The 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 our reimbursement obligation, the LC Facility Issuing Bank would be entitled to draw upon the appropriate portion of the \$90.0 million in cash which the LC Facility Lenders under the Credit Agreement 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 our assets and the assets of our domestic subsidiaries. We have no right, title or interest in the Credit-Linked Account established under the Credit Agreement for purposes of the Synthetic LC Facility. We are required to pay (i) a quarterly participation fee at the annual rate of 5.35% of the average daily balance in the Credit-Linked Account and (ii) 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. At June 30, 2005, letters of credit outstanding under the Synthetic LC Facility were \$89.2 million. The term of the Synthetic LC Facility will expire on June 30, 2009.

Proposed 2005 Refinancing

During the fourth quarter of 2005, we plan to issue 2,000,000 shares of common stock, and we estimate that the net proceeds from that offering, after deduction of underwriting discounts and expenses, will be approximately \$ million. We intend to use these net proceeds, together with a portion of the \$12.5 million of the net proceeds we received in October 2005 from exercise of our previously outstanding common stock purchase warrants, to redeem \$52.5 million principal amount of our Senior Secured Notes and pay prepayment penalties and accrued interest of approximately \$8.6 million in connection with such redemption.

Concurrent with and contingent upon the closing of such offering of common stock, we plan to amend and restate our current Credit Agreement to provide for a new revolving credit facility (the "Amended Revolving Facility"). Although changes in market conditions or changes in our results of operations or financial condition could cause revision to the proposed terms or result in our being unable to amend and restate the current Revolving Facility, we now anticipate that the primary changes between the Revolving Facility and the Amended Revolving Facility will be that (i) the facility will increase from the \$30.0 million Revolving Facility to a \$70.0 million Amended Revolving Facility and (ii) the Amended Revolving Facility will allow us to issue \$50.0 million in letters of credit, compared to the \$10.0 million that we are allowed to issue under the Revolving Facility, at an annual fee of 1.5%.

Concurrent with and contingent upon the closing of such offering of common stock, we also plan to amend and restate our current Credit Agreement to provide for a new synthetic letter of credit facility (the "Amended Synthetic LC Facility"). Although changes in market conditions or changes in our results of operations or financial condition could cause revision to the proposed terms or result in our being unable to amend and restate the current Synthetic LC Facility, we now anticipate that the primary changes between the Synthetic LC Facility and the Amended Synthetic LC Facility will be that (i) the facility will decrease from the \$90.0 million Synthetic LC Facility to a \$50.0 million Amended Synthetic LC Facility, and (ii) the 5.35% annual participation fee that we are required to pay under the Synthetic LC Facility will be reduced to an annual rate of approximately 3.10% under the Amended Synthetic LC Facility.

Redemption of Series C Preferred Stock

Prior to June 30, 2004, we had outstanding 25,000 shares of Series C Convertible Preferred Stock, \$0.01 par value ("Series C Preferred Stock"). The Series C Preferred Stock was entitled to receive dividends at an annual rate of 6.0% (such dividends were paid in cash through March 2003 and thereafter accrued and compounded through the redemption date). We issued the Series C Preferred Stock for \$25.0 million on September 10, 2002, and incurred \$2.9 million of issuance costs. We determined that the Series C Preferred Stock should be recorded on our financial statements as though the Series C Preferred Stock consisted of two components, namely: (i) non-convertible redeemable preferred stock (the "Host Contract") with a 6.0% annual dividend and (ii) an embedded derivative (the "Embedded Derivative") which reflected the right of the holders of the Series C Preferred Stock to convert into our common stock on the terms set forth in the Series C Preferred Stock. The Series C Preferred Stock reported on our consolidated balance sheet consisted only of the value of the Host Contract (less the issuance costs) plus the amount of accretion in the value of the Host Contract which had been recorded through the balance sheet date with regard to the discount which was originally recorded for the Host Contract, plus the amount of accretion for issuance costs and accrued dividends. Such discount and issuance costs were being accreted over the life of the Series C Preferred Stock, with such accretion being recorded as a reduction in additional paid-in-capital. During the period from January 1 through June 30, 2004, we recorded accretion on the discount and issuance costs of the Series C Preferred Stock of \$0.7 million. For the six-month period ended December 31, 2004, no accretion was recorded because of the redemption of the Series C Preferred Stock on June 30, 2004. For the year ended December 31, 2003, the amount of accretion recorded as a reduction to additional paid-in capital was \$1.3 million. For the year ended December 31, 2002, we recorded in Other Long-term Liabilities the fair value of the Embedded Derivative and periodically marked that value to market. As of December 31, 2003, the market value of the Embedded Derivative was determined to be \$9.6 million, and we recorded \$0.4 million of Other Expense during 2003 to adjust the carrying value of the Embedded Derivative to fair value. As noted below, on June 30, 2004 we redeemed the Series C Preferred Stock. At that time, the market value of the Embedded Derivative was determined to be \$11.2 million and we recorded other expense of \$1.6 million through June 30, 2004 to reflect such adjustment.

On June 30, 2004, we redeemed the Series C Preferred Stock for \$25.0 million in cash and paid accrued dividends of \$2.0 million. The difference between the \$25.0 million paid and the carrying amount of the Series C Preferred Stock of \$17.2 million on June 30, 2004 was charged to additional paid-in capital. In addition, we issued warrants to purchase 2.8 million shares of our common stock, and we paid \$0.4 million of cash in lieu of warrants for certain other conversion rights of the holders of the Series C Preferred Stock. The warrants issued are exercisable at \$8.00 per common share and expire on September 10, 2009. We settled the \$11.2 million Embedded Derivative liability through the issuance of the 2.8 million warrants (which we valued using the Black-Scholes option pricing model at \$9.2 million) together with the \$0.4 million of cash that was paid in lieu of warrants, which resulted in a gain on the settlement of the Embedded Derivative of \$1.6 million. The gain on the settlement of the

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Embedded Derivative was recorded as a reduction to refinancing-related expenses. The value of the warrants issued of \$9.2 million was credited to additional paid-in capital. Because of the redemption of the Series C Preferred Stock on June 30, 2004, we will not be required to make mark-to-market adjustments to our reported income (loss) associated with the Embedded Derivative for any period subsequent to June 30, 2004.

Contractual Obligations

The following table has been included to assist the reader in analyzing our debt and similar obligations as of June 30, 2005 and our ability to meet such obligations (in thousands):

Contractual Obligations	Total	Remaining 6 months	Payments Due by Period		
			2006 + 2007	2008 + 2009	2010 and beyond
Closure, post-closure and remedial liabilities	\$ 175,390	\$ 6,841	\$ 30,901	\$ 33,210	\$ 104,438
Long-term debt	150,000				150,000
Interest on long-term obligations	119,935	8,524	34,151	34,254	43,006
Capital leases	5,986	1,014	3,299	1,338	335
Operating leases	26,569	4,946	12,220	7,252	2,151
Total contractual obligations	\$ 477,880	\$ 21,325	\$ 80,571	\$ 76,054	\$ 299,930

The current fair value of the closure, post-closure and remedial liabilities of \$175.4 million is net of discounting of \$161.7 million and \$80.5 million of closure and post-closure liabilities to be provided over the remaining site lives.

The following table has been included to assist the reader in understanding other contractual obligations we had as of June 30, 2005 and our ability to meet these obligations (in thousands):

Other Commercial Commitments	Total	Remaining 6 months	Payments Due by Period		
			2006 + 2007	2008 + 2009	2010 and beyond
Standby letters of credit	\$ 90,343	\$ 90,343	\$	\$	\$
Total commercial commitments	\$ 90,343	\$ 90,343	\$	\$	\$

We obtained substantially all of the standby letters of credit described in the above table as security for financial assurance obligations which we were required to provide to regulatory bodies for the hazardous waste facilities and which would be called only in the event that we failed to satisfy closure, post-closure and other obligations under the permits issued by those regulatory bodies for such licensed facilities. As further discussed above under "The 2004 Refinancing," we obtained substantially all of the standby letters of credit described in the above table under our synthetic letter of credit facility (the "Synthetic LC Facility"). The Synthetic LC Facility provides that Credit Suisse First Boston (the "LC Facility Issuing Bank") will issue up to \$90.0 million of letters of credit at our request. The 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 our reimbursement obligation, the LC Facility Issuing Bank would be entitled to draw upon the appropriate portion of the \$90.0 million in cash which the LC Facility Lenders under the Credit Agreement 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 Clean Harbors, Inc. and our domestic subsidiaries.

Off-Balance Sheet Arrangements

Except for our obligations under operating leases and letters of credit described above and performance obligations incurred in the ordinary course of business, we are not now party to any off-balance sheet arrangements involving guarantee, contingency or similar obligations to entities whose financial statements are not consolidated with our results and that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that would be material to investors in our securities.

Capital Expenditures

We anticipate that 2005 capital spending will be between \$25.0 million and \$30.0 million of which \$1.0 million relates to complying with environmental regulations.

Stockholder Matters

Stockholders' equity was \$26.4 million at June 30, 2005, or \$1.54 per weighted average share outstanding, compared to \$11.0 million at December 31, 2004, or \$0.78 per weighted average share outstanding. Stockholders' equity increased due to the profit for the six months ended June 30, 2005 of \$12.2 million, and increases related to the exercise of stock options and stock purchases under the employee stock purchase plan that totaled \$3.9 million. Primarily offsetting these increases to stockholders' equity were decreases due to the unfavorable effects of foreign currency translation of \$0.7 million and dividends declared on the Series B Preferred Stock of \$0.1 million.

As described under "Use of Proceeds" and "Description of Certain Indebtedness" elsewhere in this prospectus, we plan during the fourth quarter of 2005 to (i) sell 2,000,000 shares of our common stock, (ii) redeem \$52.5 million principal amount of our outstanding 11¹/₄% senior secured notes due 2012 and pay prepayment penalties and accrued interest of approximately \$8.6 million in connection with such redemption, (iii) write-off the \$0.6 million of unamortized discount relating to the redeemed senior secured notes, (iv) write-off \$1.8 million of deferred financing fees relating to the redeemed senior secured notes, and (v) write-off an aggregate of \$2.4 million of deferred financing fees, and incur \$1.7 million of new financing fees, associated with the amendment and restatement of our existing revolving credit and synthetic letter of credit facilities concurrently with the sale of the common stock. If we are able to complete these proposed transactions on the terms there described, our stockholders' equity as of June 30, 2005 would increase on a pro forma basis, after giving effect to such transactions and to our issuance in October 2005 of 1,559,250 shares of our common stock upon exercise of previously outstanding common stock purchase warrants, from \$26.4 million to \$90.7 million. See "Capitalization" elsewhere in this prospectus.

On May 18, 2005, we filed Restated Articles of Organization with the Massachusetts Secretary of State. As of the date of these Restated Articles of Organization, the Series B Convertible Preferred Stock is our only series of preferred stock which remains authorized and outstanding. As a result of the filing, the authorized shares of common stock increased from 20,000,000 to 40,000,000, the authorized shares of Series A Convertible Preferred Stock decreased from 894,585 to zero and the authorized shares of Series C Convertible Preferred Stock decreased from 25,000 to zero. Our current authorized number of shares is 40,000,000 for common stock and 1,080,415 for preferred stock (of which 156,416 have been designated as Series B Convertible Preferred Stock).

Our stockholders' equity was \$11.0 million at December 31, 2004, or \$0.78 per weighted average share outstanding, compared to \$7.7 million at December 31, 2003, or \$0.57 per weighted average share outstanding. Stockholders' equity increased due to the issuance of warrants valued at \$9.2 million, earnings for the year ended December 31, 2004 of \$2.6 million, the favorable effect of foreign currency translation of \$2.2 million and increases primarily related to the exercise of stock options and stock

purchases under the employee stock purchase plan that totaled \$0.9 million. These increases to stockholders' equity were partially offset by the loss on redemption of the Series C Preferred Stock of \$9.9 million, the dividends declared on the Series B and C Preferred Stock of \$1.0 million, and the accretion of the Series C Preferred Stock discount and issuance costs of \$0.7 million.

Our stockholders' equity was \$7.7 million at December 31, 2003, or \$0.57 per weighted average share outstanding, compared to \$20.4 million at December 31, 2002, or \$1.67 per weighted average share outstanding. Stockholders' equity decreased due the loss for the year ended December 31, 2003 of \$17.6 million, the dividends declared on the Series B and Series C Preferred Stock of \$1.7 million, and the accretion of the discount and issuance costs of the Series C Preferred Stock of \$1.3 million. These decreases to stockholders' equity were partially offset by the favorable effects of foreign currency translation of \$6.8 million, and increases primarily related to the exercise of stock options and stock purchases under the employee stock purchase plan that totaled \$1.1 million.

In connection with the issuance on April 30, 2001 of Subordinated Notes (that were repaid in September 2002), we issued warrants to purchase 1,519,020 shares of common stock exercisable at \$0.01 per share and expiring on April 30, 2008. The proceeds from the issuance of the Subordinated Notes and warrants were allocated based on the relative fair value of the warrants and Subordinated Notes. During the year ended December 31, 2002, warrants for 281,212 shares were exercised, 892 warrants were cancelled upon net exercise, and 1,236,916 warrants remained outstanding at December 31, 2002. During the year ended December 31, 2003, warrants for 1,236,010 shares were exercised, 906 warrants were cancelled upon net exercise, and no warrants remained outstanding at December 31, 2003.

As described above under "Redemption of Series C Preferred Stock," on June 30, 2004, we issued warrants to purchase 2.8 million shares of our common stock and paid \$0.4 million of cash in lieu of warrants for certain other conversion rights of the holders of our previously outstanding Series C Preferred Stock. The warrants issued are exercisable at \$8.00 per common share and expire on September 10, 2009. As of December 31, 2004, there were 2,775,000 warrants outstanding. On February 11, 2005, warrants for 717,060 shares were exercised in a cashless exercise that resulted in the issuance of 420,571 shares of common stock and cancellation of 294,489 warrants as payment of the exercise price of the issued shares. In October 2005, warrants for an aggregate of 1,559,250 shares were exercised for \$12,474,000 in cash. As of October 14, 2005, warrants for 498,690 shares remained outstanding.

On February 16, 1993, we issued 112,000 shares of Series B Convertible Preferred Stock, \$0.01 par value ("Series B Preferred Stock"), for the acquisition of our Spring Grove facility. The liquidation value of each share of Series B Preferred Stock is the liquidation preference of \$50.00 plus unpaid dividends. Series B Preferred Stock may be converted by the holder into common stock at a conversion rate which, as of December 31, 2004, was equal to \$16.45 per share and is subject to customary antidilution adjustments. There is no expiration date associated with the conversion option. We have the option to redeem the Series B Preferred Stock at the liquidation preference plus any accrued dividends with no redemption premium. Each share of Series B Preferred Stock entitles its holder to receive a cumulative annual cash dividend of \$4.00 per share, or at our election, a common stock dividend of equivalent value. On October 19, 2004, 42,000 shares of Series B Preferred Stock were converted into 127,680 shares of common stock. As of December 31, 2004, we had 70,000 shares of Series B Preferred Stock outstanding.

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. Due to loan covenant restrictions, we paid the third and fourth quarter 2003 and the first and second quarter 2004 dividends in equivalent value of common stock. Dividends for other quarters included in the years ended December 31, 2004, 2003 and 2002 and the six months ended June 30, 2005 were paid in cash.

Recent Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board (the "FASB") issued FASB Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities," which was revised in December 2003 as FIN 46R. FIN 46R further explains how to identify a Variable Interest Entity ("VIE") and how to determine when a business enterprise should include the assets, liabilities, noncontrolling interest and results of that VIE in its financial statements. FIN 46R is required in financial statements of public entities that have interests in structures that are commonly referred to as special purpose entities. FIN 46R had no material impact on our results of operations since we have no special purpose entities.

In December 2003, the FASB issued a revision to Statement of Financial Accounting Standards ("SFAS") No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," to improve financial statement disclosure for defined benefit plans. This statement requires additional disclosures about the assets (including plan assets by category), obligations and cash flows of defined pension plans and other defined benefit postretirement plans. It also requires reporting of various elements of pension and other postretirement benefit costs on a quarterly basis. Generally, the disclosure requirements are effective for interim periods beginning after December 15, 2003; however, information about foreign plans is effective for fiscal years ending after June 15, 2004. We adopted the revised SFAS No. 132 effective December 31, 2004. See Note 22 to our audited financial statements for the three years ended December 31, 2004, for further discussion of employee benefit plans.

In December 2003, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 104, "Revenue Recognition," which supercedes SAB 101, "Revenue Recognition in Financial Statements." SAB 104's primary purpose is to rescind accounting guidance contained in SAB 101 related to multiple element revenue arrangements, superceded as a result of the issuance of Emerging Issues Task Force ("EITF") 00-21, "Revenue Arrangements with Multiple Deliverables." The issuance of SAB 104 reflects the concepts contained in EITF 00-21. The other revenue recognition concepts contained in SAB 101 remain largely unchanged. The issuance of SAB 104 did not have a material impact on our results of operations, financial position or cash flows.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4." SFAS No. 151 amends Accounting Research Bulletin ("ARB") No. 43, Chapter 4, to clarify that abnormal amounts of idle facility expense, freight, handling costs and wasted materials (spoilage) should be recognized as current-period charges. In addition, SFAS No. 151 requires that allocation of fixed production overhead to inventory be based on the normal capacity of the production facilities. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. We expect that the adoption of SFAS No. 151 will not have a material impact on our results of operations, financial position or cash flows.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29." SFAS No. 153 amends Accounting Principles Board ("APB") Opinion No. 29, by eliminating the exception to the basic measurement principle (fair value) for exchanges of similar productive assets. That exception required that some nonmonetary exchanges, although commercially substantive, be recorded on a carryover basis. This Statement eliminates the exception and replaces it with a general exception for exchanges that do not have commercial substance. SFAS No. 153 is effective for nonmonetary exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of SFAS No. 153 is not expected to have a material impact on our results of operations, financial position or cash flows.

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), "Share-Based Payment." SFAS No. 123(R) replaces SFAS No. 123, "Accounting for Stock-Based Compensation," and supercedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS No. 123(R) requires companies to

report compensation cost relating to share-based payment transactions to be recognized in financial statements. That cost will be measured based upon the fair value of the equity or liability instruments issued. On March 29, 2005, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin 107, "Share-Based Payment," that expresses the views of the SEC staff regarding the application of SFAS No. 123(R). We are studying the Statement and the Bulletin. The Statement will increase our compensation expense starting January 1, 2006.

In March 2005, the FASB issued FASB Interpretation No. 47 ("FIN 47"), "Accounting for Conditional Asset Retirement Obligations." FIN 47 clarifies that the term "conditional asset retirement obligation" as used in SFAS No. 143, "Accounting for Assets Retirements Obligations," refers to a legal obligation to perform an asset retirement activity in which the timing and or method of settlement are conditional on a future event that may or may not be within the control of the entity. Furthermore, the uncertainty about the timing and or method of settlement of a conditional asset retirement obligations should be factored into the measurement of the liability when sufficient information exists. FIN 47 clarifies that an entity is required to recognize the liability for the fair value of a conditional asset when incurred if the liability's fair value can be reasonably estimated. We are studying FIN 47 and have not determined what effect, if any, FIN 47 will have on our results of operations, financial condition or cash flows. We will implement FIN 47 effective January 1, 2006.

In June 2005, the FASB issued Statement No. 154, "Accounting Changes and Error Corrections," a replacement of APB Opinion No. 20 and FASB Statement No. 3. The Statement applies to all voluntary changes in accounting principle, and changes the requirements for accounting for and reporting of a change in accounting principle. Statement 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle unless it is impracticable. Opinion 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. Statement 154 improves financial reporting because its requirements enhance the consistency of financial information between periods. Because the Statement relates to corrections of errors and changes in accounting that could occur in future periods, we cannot now predict what effect, if any, the statement will have on future results of operations.

BUSINESS

Clean Harbors, Inc. through its subsidiaries (hereinafter collectively referred to as "Clean Harbors" or "we" or "our") is one of the largest providers of environmental services and the largest operator of non-nuclear hazardous waste treatment facilities in North America based on 2003 industry reports. We service approximately 55% of North America's commercial hazardous incineration volume, 17% of North America's hazardous landfill volume, and are the industry leader in total hazardous waste disposal facilities. We provide services and solutions to a diversified industry base with over 45,000 customers, including more than 175 Fortune 500 companies, in the United States, Canada, Mexico and Puerto Rico. We perform environmental services through a network of more than 100 service locations, and operate five incineration facilities, nine commercial landfills, seven wastewater treatment operations, and 20 treatment, storage and disposal facilities, or TSDFs, as well as five PCB management facilities and two oil and used oil products recycling facilities. We can provide low cost solutions to our customers due to our large scale, industry knowledge, recent cost cutting and productivity-enhancing initiatives, and ability to internalize our waste streams.

The wastes that we handle include materials that are classified as "hazardous" because of their unique properties, as well as other materials subject to federal and state environmental regulation. We provide final treatment and disposal services designed to manage hazardous and non-hazardous wastes, which cannot be economically recycled or reused. We transport, treat and dispose of industrial wastes for commercial and industrial customers, health care providers, educational and research organizations, other environmental services companies and governmental entities.

Clean Harbors, Inc. was incorporated in Massachusetts in 1980 and its principal offices are located in Braintree, Massachusetts. The Company's shares of common stock trade on the Nasdaq National Market under the symbol "CLHB."

Acquisition

Effective September 7, 2002, we purchased from Safety-Kleen Services, Inc., or the Seller, and certain of the Seller's domestic subsidiaries (collectively, the "Sellers"), substantially all of the assets of the Chemical Services Division, or CSD, of Safety-Kleen Corp., or Safety-Kleen. The sale included the operating assets of certain of the Seller's subsidiaries in the United States and the stock of five of the Seller's subsidiaries in Canada, or the CSD Canadian Subsidiaries. The sale was made pursuant to a Sale Order issued on June 18, 2002 by the Bankruptcy Court for the District of Delaware as part of the proceedings under Chapter 11 of the Bankruptcy Code in which Safety-Kleen and its domestic subsidiaries (including the Sellers) had been operating since June 2000 as debtors in possession. The Sale Order authorized the sale of the assets of the CSD to Clean Harbors free and clear of all liens, claims, encumbrances and interests except for certain liabilities and obligations we assumed as part of the purchase price.

The assets of the CSD (including the assets of the CSD Canadian Subsidiaries) which we acquired consist primarily of 44 hazardous waste treatment and disposal facilities including, among others, 22 TSDFs (six of which we have since closed), six wastewater treatment facilities (one of which we have since closed), nine commercial landfills, and four incineration facilities. Such facilities are located in 30 states, Puerto Rico, six Canadian provinces and Mexico. The most significant of such facilities include landfills in Buttonwillow, California with approximately 10.0 million cubic yards of remaining capacity, in Lambton, Ontario with approximately 8.9 million cubic yards of remaining capacity which is the largest of the total of three hazardous waste landfills in Canada, and in Waynoka, Oklahoma with approximately 1.5 million cubic yards of remaining capacity; and incinerators in Deer Park, Texas, which is the largest hazardous waste incineration facility in the United States, and in Aragonite, Utah. Additional significant facilities are the incinerators in Mercier, Quebec and in Lambton, Ontario.

The primary reasons for the acquisition of the CSD assets were to broaden our disposal capabilities and geographic reach, particularly in the West Coast and Southwest regions of the United States, in Canada and in Mexico, and to significantly expand our network of hazardous waste disposal facilities. In addition, we believed that the acquisition of the CSD's hazardous waste facilities in new geographic areas would allow us to expand our site and industrial services. The performance of site and industrial services often involves hazardous waste disposal components that potentially increase the utilization and profitability of our facilities. Finally, we believed that the acquisition would result in significant cost savings by allowing us to internally treat and dispose of hazardous waste for which we previously paid third parties because we lacked the facilities required to dispose of the waste internally.

Industry

According to industry reports, the hazardous waste disposal market in North America is in excess of \$2.0 billion. We also service the much larger industrial maintenance market. The \$2.0 billion estimate does not include the industrial maintenance market, except to the extent that the costs of disposal of hazardous wastes generated as a result of industrial maintenance are included.

There are substantial barriers to entry into the hazardous waste management industry including high regulatory compliance costs and expertise, the arduous federal, state, provincial and local permitting processes for new disposal facilities, and the requirement for an extensive asset network, operating knowledge and major capital expenditures to purchase or construct new disposal facilities. As a result, no new hazardous waste incinerators or hazardous waste landfills have commenced commercial operations in North America in the last decade. We believe that industry fundamentals are improving. Capacity has been reduced in recent years causing stabilization in pricing, and new regulatory requirements have increased in-house disposal costs and outsourcing. Furthermore, customers are using fewer providers for their hazardous waste treatment and disposal needs as they seek to limit their outside vendors and the number of facilities in which their hazardous waste materials are disposed.

The hazardous waste management industry was "created" in 1976 with the passage of the Resource Conservation and Recovery Act, or RCRA. RCRA requires waste generators to distinguish between "hazardous" and "non-hazardous" wastes, and to treat, store and dispose of hazardous waste in accordance with specific regulations. This new regulatory environment, combined with strong economic growth, increased corporate concern surrounding environmental liabilities, and early-stage industry dynamics contributed to growth in the industry. The largest generators of hazardous waste materials are companies in the chemical, petrochemical, primary metals, paper, furniture, aerospace and pharmaceutical industries. Hazardous waste types processed or transported include flammables, combustibles and other organics, acids and caustics, cyanides and sulfides, solids and sludge, industrial wastewaters, items containing PCBs (such as utility transformers), and medical waste.

In the mid to late 1990s, the hazardous waste management industry was characterized by overcapacity, minimal regulatory advances and pricing pressure. However, since 2001, over one-third of all North American commercial incineration capacity has been eliminated, and we believe that competition has been reduced through consolidation and that new regulations have increased the overall barriers to entry. Underscoring these trends, we believe that the number of major industry participants in the North American hazardous waste sector has declined from over 20 in the early 1990s to only five major participants today. Since the mid 1990s, approximately 500,000 tons of incineration capacity has been eliminated as eight major incinerators were deactivated, substantially increasing average capacity utilization. Additionally, new Maximum Achievable Control Technologies, or MACT, standards have been implemented, which we believe will increase compliance costs and drive increased outsourcing of incineration as customers with captive (i.e., in-house and non-commercial) incinerators choose to outsource rather than make the substantial investment in their facilities which would be required to achieve compliance.

The environmental services industry today includes a broad range of services including the following:

Collection, Transportation and Logistics Management specialized handling, packaging, transportation and disposal of industrial waste, laboratory quantities of hazardous chemicals, household hazardous wastes, and pesticides;

Incineration the preferred method for treatment of organic hazardous waste because it effectively destroys the contaminants;

Landfill Disposal used primarily for the disposal of inorganic wastes;

Physical Waste Treatment used to reduce the volume or toxicity of waste or make it suitable for further treatment, reuse, or disposal;

Resource Recovery and Fuels Blending removes contaminants to restore fitness for an intended purpose and to reduce the volume of waste;

Wastewater Treatment separates wastes including industrial liquid wastes containing heavy metals, organics and suspended solids through physical and chemical treatment so that the treated water can be discharged into local sewer systems under permits; and

Site Services includes the maintenance of industrial facilities and equipment such as recurring cleaning in order to continue operations, maintain and improve operating efficiencies, and satisfy safety requirements; the planned cleanup of hazardous waste sites and the cleanup of accidental spills and discharges, such as those resulting from transportation accidents; and the cleanup and restoration of buildings, equipment, and other sites and facilities that have been contaminated.

The collection and disposal of solid and hazardous wastes are subject to local, state, provincial and federal requirements and regulations, which regulate health, safety, the environment, zoning and land-use. Included in these regulations is the Comprehensive Environmental Response, Compensation and Liability Act of 1980, or CERCLA, of the United States. CERCLA holds generators and transporters of hazardous substances, as well as past and present owners and operators of sites where there has been a hazardous release, strictly, jointly and severally liable for environmental cleanup costs resulting from the release or threatened release. Canadian companies are regulated under similar regulations, but the responsibility and liability associated with the waste passes from the generator to the transporter or receiver of the waste, in contrast to provisions of CERCLA.

Competitive Strengths

Leading Provider of Hazardous Waste Services and Disposal We are one of the largest providers of environmental services and the largest operator of non-nuclear hazardous waste treatment facilities in North America based on 2003 industry reports. We operate, in the aggregate, the largest number of incinerators, hazardous waste landfills, wastewater treatment facilities and TSDFs in North America, and provide multi-faceted and low cost services to a broad mix of customers. We attract and better serve our customers because of our capabilities and the size, scale and geographic location of our assets, which allow us to serve multiple locations. Finally, as our collections of waste increase, our size allows us to increase our cash flow and earnings as we can internalize a greater volume of waste in our incinerators and landfills.

Large and Diversified Customer Base We service over 175 of the Fortune 500 companies and more than 45,000 customers overall, including commercial and industrial customers, health care providers, educational and research organizations, other environmental services companies and governmental entities. This diversification limits our exposure to any one customer or industry and reduces credit exposure to higher risk customers.

Stable and Recurring Revenue Base We have long-standing relationships with our customers, averaging 15 years with our top ten customers. Our diversified customer base also provides stable and recurring revenues as a majority of our revenues are derived from previously served customers with recurring needs for our services. In addition, the costs to our customers of switching providers are high. This is due to many customers' desire to audit disposal facilities prior to their qualification as approved sites and to limit the number of facilities to which their wastes are shipped in order to reduce their potential liability under U.S. environmental regulations. We have been selected as an approved vendor by large generators of waste because we possess comprehensive collection, recycling, treatment, transportation, disposal, and waste tracking capabilities and have the expertise necessary to comply with applicable environmental laws and regulations. Those customers who have selected us as an approved vendor often continue to use our services.

Comprehensive Service Capabilities Our comprehensive service offerings allow us to act as a full service provider to our customers. Our full service orientation creates incremental revenue growth as customers seek to minimize the number of outside vendors and demand "one-stop" service providers. Our expanded geographic coverage maximizes the number of customer facilities that we can service.

Integrated Network of Assets We have the most extensive collection of incinerators, landfills, treatment facilities and TSDFs in North America. Our broad network enables us to effectively handle a waste stream from origin through disposal and to efficiently direct and internalize our waste streams to reduce costs.

Regulatory Compliance We have recently made substantial capital investments in our facilities to ensure that they are in substantial compliance with current federal, state, provincial and local regulations. Companies that rely on in-house disposal may find the current regulatory requirements to be too capital-intensive or complicated, and may choose to outsource many of their hazardous waste disposal needs.

Effective Cost Management Our significant scale allows us to maintain low costs through standardized compliance procedures, significant purchasing power, extensive research and development capabilities and our ability to efficiently utilize logistics and transportation to economically direct waste streams. We also have the ability to internalize the substantial majority of all hazardous waste that we process in our own disposal assets. Finally, we are committed to reducing costs and have significantly reduced headcount and other operating costs since our acquisition of the CSD assets.

Proven and Experienced Management Team Our 15 executive officers collectively have over 225 years of experience in the environmental services industry. Our Chief Executive Officer founded our Company in 1980, and the average tenure of the 14 other members of the executive management team exceeds 14 years.

Business Strategy

Our strategy is to develop and maintain ongoing relationships with a diversified group of customers who have recurring needs for environmental services. We strive to be recognized 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.

Improve Utilization of Existing Waste Facilities We currently operate an extensive network of hazardous waste management properties and have made substantial investments in these facilities to date, which will provide us with significant operating leverage as volumes increase. In addition, there are opportunities to expand waste handling capacity at these facilities by

modifying the terms of the existing permits and by adding capital equipment and new technology. Through selected permit modifications, we can expand the range of treatment services offered to our customers without the large capital investment necessary to acquire or build new waste management facilities.

Focus on Cost Reductions We continually seek to increase efficiency and to reduce costs in our business. Since the acquisition of the CSD assets, we have significantly reduced headcount and other operating costs through enhanced technology, process reengineering and more stringent expense management.

Capitalize on Outsourcing and Demand for Service Provider Consolidation We believe that our large industrial customers increasingly require a comprehensive range of environmental services to be provided by a smaller number of service providers. This trend should place smaller operators at a competitive disadvantage due to their size and limited financial resources. Furthermore, many of our customers are seeking to focus on their core competencies and are outsourcing their hazardous waste disposal needs. New environmental regulations, such as the MACT standards, have significantly increased regulatory compliance costs, leading to a decrease in captive incinerator capacity and additional outsourcing as these customers choose to shut down their incinerators rather than invest substantial capital like we have invested in our facilities. We seek to work with our customers to handle a greater amount of their hazardous waste disposal needs arising from these outsourcing trends and to capitalize on the demand for the expanded portfolio of environmental services that we offer.

Expand Network of Service Centers We believe that the Site Services Division has a competitive advantage, particularly in areas where service centers are located at or near a TSDF. We currently operate 20 TSDFs and more than 100 service locations. By opening additional service centers in close proximity to the TSDFs we now operate, we believe that we can, with minimal capital expenditures, increase our market share within the site services segment of the waste disposal market. We believe much of this additional waste can be sent to our existing facilities at competitive transportation costs thereby increasing utilization and enhancing overall profitability.

Develop New Services and Penetrate the Industrial Maintenance Services Industrial waste customers continue to demand alternatives to traditional waste disposal in order to increase recycling and reclamation activities and to minimize the end disposal of hazardous waste. We plan to utilize our technological expertise and track record of innovation to further improve and expand the range of services that we offer, and to develop less expensive methods of disposal. In 1999, we added industrial cleaning and maintenance to our service offerings. We believe that this multi-billion dollar market offers significant opportunities for growth because of our minimal current penetration and our ability to leverage our existing assets as hazardous wastes are often removed in the cleaning process.

Selective Acquisition Strategy We also intend to actively pursue small accretive "bolt-on" acquisitions in certain services or market sectors where we believe such acquisitions can enhance and expand our business with minimal capital outlay. We believe that we can expand existing services, especially in our non-disposal services, through strategic acquisitions in order to generate incremental revenues from existing and new customers and to obtain greater market share.

Services

We provide a wide range of environmental services and manage our business as two major segments: Technical Services and Site Services.

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Technical Services (69% of 2004 revenue). These services involve the collection, transport, treatment and disposal of hazardous and non-hazardous wastes, and include physical treatment, resource recovery, fuels blending, incineration, landfill disposal, wastewater treatment, lab chemical disposal, explosives management, and CleanPack® services. Our CleanPack® services include the collection, identification and categorization, specialized packaging, transportation and disposal of laboratory chemicals and household hazardous wastes. Our technical services are provided through a network of service centers from which a fleet of trucks or railcars is dispatched to pick up customers' wastes either on a predetermined schedule or on-demand and to deliver such wastes to permitted facilities, which are usually owned by us. Our service centers can also dispatch chemists to a customer location for the collection of chemical and laboratory waste for disposal.

Site Services (31% of 2004 revenue). These services provide customers with highly skilled experts who utilize specialty equipment and resources to perform services at any chosen location. Under the Site Services umbrella, our Field Service crews and equipment are dispatched on a planned or emergency basis, and perform services such as confined space entry for tank cleaning, site decontamination, large remediation projects, selective demolition, spill cleanup, railcar cleaning, product recovery and transfer, scarifying and media-blasting and vacuum services. Additional services include used oil and oil products recycling, as well as PCB management and disposal.

Also, as part of Site Services, Industrial Services crews focus on industrial cleaning and maintenance projects. Our Industrial Services manage hazardous, non-hazardous, wet and dry materials and specialize in chemical cleaning, hydro blasting, liquid/dry vacuuming, sodium bicarbonate blasting, line cleaning, boiler cleanouts, and steam cleaning of our customers' process equipment and systems, as well as video inspection. Additionally, specialized project work such as dewatering, and on-site material processing utilizing thermal treatment units are also performed on customers' sites. We market these services through our internal sales organizations and, in many instances, delivery of services in one area supports or leads to business in our other service lines or segments.

The table below shows for each of the six month periods ended June 30, 2004 and 2005, and the three years ended December 31, 2004, the total revenues contributed by our principal lines of business (in thousands):

	Six Months Ended June 30,		Years Ended December 31,		
	2005	2004	2004	2003	2002
Technical Services	\$ 224,807	\$ 215,678	\$ 444,617	\$ 422,777	\$ 220,085
Site Services	113,591	88,502	198,609	187,742	128,873
Other	478	208	(7)	450	1,175
Total	\$ 338,876	\$ 304,388	\$ 643,219	\$ 610,969	\$ 350,133

Additional segment information can be found in the financial statements and the notes thereto appearing elsewhere in this prospectus, especially Note 23, "Segment Reporting," to our audited financial statements for the three years ended December 31, 2004, and Note 16, "Segment Reporting," to our unaudited financial statements for the six months ended June 30, 2005 and 2004.

Technical Services

Technical Services provides the collection, transportation and logistics management of containerized and bulk waste, as well as the categorizing, packaging and removal of laboratory chemicals for disposal (CleanPack®). Through a highly coordinated transportation fleet, we provide reliable, cost effective transportation and disposal to customers across North America. From the Technical Service Centers, trucks are dispatched to pick up customers' waste on a predetermined schedule as well as on demand, and then deliver it to one of our nearby transfer, storage and disposal

("TSD") facilities. From these same Technical Service Centers, specially trained chemists are dispatched to customer locations to safely collect, label and package all quantities of laboratory chemicals for disposal.

Collection, Transportation and Logistics Management

As an integral part of our services, industrial wastes are collected from customers and transported by us to and between our facilities for treatment or bulking for shipment to final disposal locations. Customers typically accumulate waste in containers, such as 55 gallon drums, bulk storage tanks or 20 cubic yard roll-off boxes. In providing this service, we utilize a variety of specially designed and constructed tank trucks and semi-trailers as well as third party transporters, including railroads. Liquid waste is frequently transported in bulk, but may also be transported in drums. Heavier sludge or bulk solids are transported in sealed, roll-off boxes or bulk dump trailers. Our fleet is equipped with a mobile satellite monitoring system and communications network, which allows real time communication with the transportation fleet.

Treatment and Disposal

We transport, treat and dispose of industrial wastes for commercial and industrial customers, health care providers, educational and research organizations, other environmental services companies and governmental entities. The wastes handled include substances, which are classified as "hazardous" because of their corrosive, ignitable, infectious, reactive or toxic properties, and other substances subject to federal, state and provincial environmental regulation. We provide final treatment and disposal services designed to manage hazardous and non-hazardous wastes, which cannot be otherwise economically recycled or reused.

We operate a network of TSDFs that primarily focuses on the collection of waste from smaller to mid-size generators. These TSDFs collect, temporarily store and/or consolidate compatible waste streams for more efficient transportation to final recycling, treatment or disposal destinations. TSDFs in the United States have Part B permits under RCRA that, among other things, allow us to store waste for up to one year for bulking, treatment or transfer purposes. Larger customers typically ship directly to the end disposal sites with full truckloads of material. Depending upon the content, the material collected at the TSDFs is either disposed of at our incineration, landfill or wastewater treatment facilities, disposed of at end disposal facilities not owned by us, or recycled. Waste types processed or transferred in drums or bulk quantities include:

Flammables, combustibles and other organics;

Acids and caustics;

Cyanides and sulfides;

Solids and sludge;

Industrial wastewaters;

Items containing PCBs, such as utility transformers and electrical light ballasts;

Medical waste;

Other regulated wastes; and

Non-hazardous industrial waste.

We receive detailed waste profiles prepared by our customers to document the nature of the waste. A sample of the delivered waste is tested to ensure that it conforms to the customer-generated waste profile record and to select an appropriate method of treatment and disposal. Once the wastes are

characterized, compatible wastes are consolidated to achieve economies in storage, handling, transportation and ultimate treatment and disposal. At the time of acceptance of a customer's waste at our facility, a unique computer "bar code" identification label is assigned to each container of waste, enabling the use of sophisticated computer systems to track and document the status, location and disposition of the waste.

Physical Treatment. Physical treatment methods include distillation, separation and stabilization. These methods are used to reduce the volume or toxicity of waste material or to make it suitable for further treatment, reuse, or disposal. Distillation uses either heat or vacuum to purify liquids for resale. Separation utilizes techniques such as sedimentation, filtration, flocculation and centrifugation to remove solid materials from liquids. Stabilization refers to a category of waste treatment processes designed to reduce contaminant mobility or solubility and convert waste to a more chemically stable form. Stabilization technology includes many classes of immobilization systems and applications. Stabilization is a frequent treatment method for metal-bearing wastes received at several of our facilities, which treat the waste to meet specific federal land disposal restrictions. After treatment, the waste is tested to confirm that it has been rendered non-hazardous. It can then be sent to a non-hazardous waste landfill, at significantly lower cost than disposal at a hazardous waste landfill.

Resource Recovery and Fuels Blending. Resource recovery involves the treatment of wastes using various methods, which effectively remove contaminants from the original material to restore its fitness for its intended purpose and to reduce the volume of waste requiring disposal. We operate treatment systems for the reclamation and reuse of certain wastes, particularly solvent-based wastes generated by industrial cleaning operations, metal finishing and other manufacturing processes.

Spent solvents that can be recycled are processed through thin film evaporators and other processing equipment and are distilled into usable products. Upon recovery of these products, we either return the recovered solvents to the original generator or sell them to third parties. Organic liquids and solids with sufficient heat value are blended to meet strict specifications for use as supplemental fuels for incinerators, cement kilns, industrial furnaces and other high efficiency boilers. We have installed fuels blending equipment at some TSDFs to prepare these supplemental fuels. When possible, we burn fuel blended material at our incinerators. Otherwise, we send the fuel blended material to supplemental fuel users that are licensed to accept the blended fuel material. Although we pay a fee to the users who accept this product, this disposal method is substantially less costly than other disposal methods.

Incineration. Incineration is the preferred method for the treatment of organic hazardous waste, because it effectively destroys the contaminants at temperatures in excess of 2,000 degrees Fahrenheit. High temperature incineration effectively eliminates organic wastes such as herbicides, halogenated solvents, pesticides, and pharmaceutical and refinery wastes, regardless of whether they are gases, liquids, sludge or solids. Federal and state incineration regulations require a destruction and removal efficiency of 99.99% for most organic wastes and 99.9999% for PCBs and dioxin.

We have five active incineration facilities that offer a wide range of technological capabilities to customers through this network. In the United States, we operate a fluidized bed thermal oxidation unit for maximum destruction efficiency of hazardous waste with an annual capacity of 55,000 tons, and two solids and liquids-capable incineration facilities with a combined estimated annual capacity of 185,000 tons. We also operate two hazardous waste liquid injection incinerators in Canada with total annual capacity of approximately 178,000 tons.

Our incineration facilities in Kimball, Nebraska, Deer Park, Texas and Aragonite, Utah are designed to process liquid organic wastes, sludge, solids, soil and debris. The Deer Park facility has two kilns and a rotary reactor. Our incineration facilities in Kimball, Nebraska and Deer Park, Texas have on-site landfills for the disposal of ash and other waste material produced as a result of the incineration process.

Our incineration facilities in Mercier, Quebec and Lambton, Ontario are liquid injection incinerators, designed primarily for the destruction of liquid organic waste. Typical waste streams include wastewater with low levels of organics and other higher concentration organic liquid wastes not amenable to conventional physical or chemical waste treatment.

The North American hazardous waste incineration market is now served by a total of 12 major incineration facilities operated by a total of seven companies. We own five of these active incineration facilities and offer a wide range of technological capabilities to our customers through this network. The primary competitors in the incineration market are Onyx (a subsidiary of Veolia Environnement (NYSE: VE)), Teris, LLC (a subsidiary of Suez Lyonnaise des Eaux), Von Roll America/WTI (a joint venture), and Ross Incineration Services, Inc. (a private company).

Landfills. Landfills are used primarily for the disposal of inorganic wastes. In the United States and Canada, we operate nine commercial landfills. Seven commercial landfills are designed and permitted for the disposal of hazardous wastes and two landfills are operated for non-hazardous industrial waste disposal and, to a lesser extent, municipal solid waste.

Of the seven commercial landfills used for disposal of hazardous waste, five are located in the United States, and two are located in Canada. As of December 31, 2004, the useful economic lives (for accounting purposes) of these landfills include approximately 27.4 million cubic yards of remaining capacity. This estimate of the useful economic lives of these landfills includes permitted airspace and unpermitted airspace that management believes to be probable of being permitted based on our analysis of various factors. In addition to the capacity included in the useful economic lives of these landfills, there are approximately 35.2 million cubic yards of additional unpermitted airspace capacity included in the footprints of these landfills that may ultimately be permitted. There can be no assurance that this unpermitted additional capacity will be permitted.

In addition to hazardous waste landfill sites, we operate two non-hazardous industrial landfills with 0.5 million cubic yards of remaining permitted capacity. These two facilities are located in the United States and have been issued operating permits under the authority of Subtitle D of RCRA. Prior to issuance of a permit, we must demonstrate to the permitting agency that our non-hazardous industrial landfills have, and must subsequently employ, operational programs protective of the integrity of the landfill, human health and the surrounding environment. Our non-hazardous landfill facilities are permitted to accept commercial industrial waste, including wastes from foundries, demolition and construction, machine shops, automobile manufacturing, printing, metal fabrications and recycling.

The commercial hazardous landfill sector is one of the most consolidated in the hazardous treatment and disposal industry. The North American hazardous waste landfill disposal market is serviced by 22 facilities owned by a total of 10 companies. While most of these companies operate two or fewer facilities, we and Waste Management, Inc. have a significant share of the North American market. Other competitors include Envirosource, Inc., American Ecology Corp., EQ and Stalex Canada.

Wastewater Treatment. We operate wastewater treatment facilities that offer a range of wastewater treatment technologies. These wastewater treatment operations involve processing hazardous and non-hazardous wastes through the use of physical and chemical treatment methods. The solid waste materials produced by these wastewater processing operations are then disposed of at facilities which are owned by us, or at off-site facilities owned and operated by unrelated businesses, while the treated effluent is discharged to the local sewer system under permit.

Our wastewater treatment facilities treat a broad range of industrial liquid and semi-liquid wastes containing heavy metals, organics and suspended solids, including:

Acids and caustics;

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Ammonias, sulfides and cyanides;

Heavy metals, ink wastes and plating solutions;

Landfill leachate and scrubber waters; and

Oily wastes and water-soluble coolants.

Wastewater treatment can be economical as well as environmentally sound, by combining different wastewaters in a "batching" process that reduces costs for multiple waste stream disposal. For instance, acidic waste from one source can be neutralized with alkaline from a second source to produce a neutral solution.

We compete against a number of competitors with multiple facilities (e.g., Rhodia a division of Teris LLC, which is a subsidiary of Suez Lyonnaise des Eaux, Philip Services Corp. (Other OTC:PSCD.PK), US Filter, a subsidiary of Veolia Environnement (NYSE: VE), Heritage Environment Services LLC, a private company, and Envirite, Inc., a private company). There are also a number of operators with single facilities that process high volumes of waste in niche markets (e.g., Dupont Environmental Treatment, a subsidiary of E. I. DuPont de Nemours and Company (NYSE: DD), and Empak, a private company).

Explosives Management.

We dispose of munitions and other explosives at our facility in Colfax, Louisiana.

CleanPack® Services

CleanPack® provides specialized handling, packaging, transportation and disposal of laboratory quantities of outdated hazardous chemicals, household hazardous wastes, and waste pesticides and herbicides. CleanPack® chemists utilize our CHOICE® waste management software system to support our lab pack services and complete the regulatory information required for every pick-up. The CleanPack® operation services a wide variety of customers including:

Pharmaceutical companies;

Engineering, and research and development departments of industrial companies;

College, university and high school laboratories;

Commercial laboratories;

Hospital and medical care laboratories;

State and local municipalities; and

Thousands of agribusinesses and residents through household hazardous waste and pesticide/herbicide collection programs.

CleanPack® chemists collect, identify, label, and package waste into Department of Transportation approved containers. Lab packed wastes are then transported to one of our facilities where the waste is consolidated for recycling, reclamation, fuels blending, aqueous treatment, incineration or secure chemical landfill. Other services provided by our CleanPack® operations include:

Household Hazardous Waste. We perform one-day, multi-day or mobile household hazardous waste and pesticide collection programs throughout the U.S. and Canada. These collection programs provide communities and their residents the opportunity to properly dispose of their

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paints, solvents, batteries, fluorescent lamps, cleaners, pesticides and other potentially hazardous materials.

Reactive Materials Services. Reactive materials technicians utilize specialized equipment and training to stabilize and desensitize highly reactive and potentially explosive chemicals.

CustomPack® Services. We provide training, technical support, and disposal services for customers with the resources and experience to package their own waste chemicals.

Laboratory Move Services. CleanPack® chemists properly and safely segregate, package, transport, and unpackage hazardous chemicals being moved from older laboratories to newer laboratories.

Laboratory Closures Services. CleanPack® crews perform comprehensive, site-specific chemical removal and disposal, as well as decontamination for facilities and laboratories undergoing a closure or major cleanout.

Site Services

We provide a wide range of environmental site 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. These services are provided to a wide range of clients including large chemical, petroleum, transportation, utility, and governmental agencies. Our strategy is to identify, evaluate, and solve customers' environmental problems, on a planned or emergency basis, by providing a comprehensive interdisciplinary response to the specific requirements of each job or project.

Site Services is responsible for providing trained, skilled labor and specialty equipment to perform various services on a customer's site or other location. Field Service crews and equipment are dispatched on a planned or emergency basis to manage routine cleaning in hazardous environments or emergencies such as a chemical or oil spill clean up. Industrial Service crews focus on industrial cleaning and maintenance projects that typically require fast turnaround, or complex onsite material processing.

Field Services. Crews and equipment are dispatched on a scheduled or emergency basis to perform everything from site decontamination and remediation projects to selective demolition, emergency response, spill cleanup and vacuum services. Whether the action is planned, corrective or the result of an emergency response, Clean Harbors' multidisciplinary team of remedial action professionals provide solutions to a variety of industrial cleanup problems. Clean Harbors Field Services performs a wide variety of services including:

Emergency response

Site decontamination

Excavation and removal

Product recovery and transfer

Scarifying and media-blasting

Tank cleaning

Vacuum services

Utility services

Demolition

Rail car cleaning

Used oil and oil products recycling

Remediation and environmental construction

PCB management and disposal

Industrial Services. The fast turnaround of industrial cleaning and maintenance projects requires the right technologies, experience and care. Every project that Clean Harbors Industrial Services performs incorporates techniques of chemistry, operational analysis and experience to identify the right process and procedure to satisfy customer needs. Clean Harbors Industrial Services focuses on planned cleaning activities most often associated with plant maintenance, shutdowns, routine boiler cleanouts, heat exchangers, process vessels and tanks and includes the following services:

Chemical cleaning

Hydro blasting

Vacuum services

Steam cleaning

Sodium bicarbonate blasting

Dewatering and pressing

Material processing

Boiler cleaning services

Line cleaning

Video inspection

Other Services

Apollo Onsite Services. Our Apollo Onsite Services Program is an on-site solution that allows customers to outsource all or portions of their environmental management program. The Apollo Program serves the dual purpose of not only improving customers' waste stream management, but also can make their entire environmental program safer, more cost effective and self-sufficient. Select Clean Harbors' technicians work on a customer's site in tandem with customer to deliver proper waste transportation and disposal, lab chemical packing (CleanPack®), and can include field services and industrial services. Whether a customer requires a single field technician or a multi-person team of diversified experience, we design the right program to satisfy the customer's specific need. Apollo Onsite Services utilize a hand-in-hand, team approach that leverages our extensive resources and infrastructure, including Web-enhanced technologies and online services. Additionally, the Apollo Onsite Program leverages our transportation and disposal assets by providing incremental volumes to process at our facilities. The Apollo Onsite Services Program provides:

Management of drum, bulk and lab pack quantities of hazardous and non-hazardous wastes;

Specialized environmental labor;

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Management of waste from source to final destination;

Chemical consolidation, bulking and packaging;

Solid waste management;

Transportation and logistics for offsite disposal; and

Inspection of satellite and 90-day storage facilities.

Information Management Services. Our Online Services allow customers free access to their waste information online, 24 hours per day, seven days per week. Customers can create, submit, edit and view their waste profiles; automatically receive quarterly waste tracking reports; and have the ability to view,

print or download signed manifests. Additionally, they can view collection schedules and place orders over the Internet.

Personnel Training. We provide comprehensive personnel training programs for our own employees and for our customers on a commercial basis. Such programs are designed to promote safe work practices under potentially hazardous conditions, whether or not toxic chemicals are present, in compliance with stringent regulations promulgated under RCRA and the Federal Occupational Safety and Health Act ("OSHA"). Our Technical Training Center includes confined space entry, exit and extraction equipment, an air-system demonstration maze, respirator fit testing room, leak and spill response equipment, and a layout of a mock decontamination zone, all designed to fulfill the requirements of OSHA Hazardous Waste and Emergency Response Standards.

Seasonality and Cyclical Nature of Business

Our operations may be affected by seasonal fluctuations due to weather and budgetary cycles influencing the timing of customers' spending for remedial activities. Typically during the first quarter of each year there is less demand for environmental services due to the cold weather, particularly in the northern and midwestern United States and Canada. The main reason for this effect is reduced volumes of waste being received at our facilities and higher operating costs associated with operating in sub-freezing weather and high levels of snowfall. In addition, factory closings for the year-end holidays reduce the volume of industrial waste generated, which results in lower volumes of waste handled by us during the first quarter of the following year.

The hazardous and industrial waste management business is cyclical to the extent that it is dependent upon a stream of waste from cyclical industries such as the chemical and petrochemical, primary metals, paper, furniture, aerospace and pharmaceutical industries. If the business of those cyclical industries slows significantly, the revenues that are obtained from those industries is likely to slow.

Customers

Our principal customers are utility, chemical, petroleum, petrochemical, pharmaceutical, transportation and industrial firms, educational institutions, other environmental service companies and government agencies. Our sales efforts are directed toward establishing and maintaining relationships with businesses that have ongoing requirements for one or more of our services. Our customer list includes many of the largest industrial companies in the United States. We believe that our diverse customer base, in terms of number, industry and geographic location, as well as the large geographical area in which our facilities are located in North America, provides us with a recurring revenue base. A majority of our revenues are derived from previously served customers with recurring needs for our services. For the fiscal years ended December 31, 2004, 2003 and 2002, no single customer accounted for more than 5% of our revenues. We believe the loss of any single customer would not have a material adverse effect on our financial condition or results of operations.

Under applicable U.S. environmental laws and regulations, generators of hazardous wastes retain legal liability for the proper handling of those wastes up to and including their ultimate disposal. In response to these potential concerns, many large generators of industrial wastes and other purchasers of waste management services (such as general contractors on major remediation projects) have decreased the number of providers they use for such services. We have been selected as an approved vendor by large generators because we possess comprehensive collection, recycling, treatment, transportation, disposal, and waste tracking capabilities and have the expertise necessary to comply with applicable environmental laws and regulations. By becoming an approved vendor for a large waste generator or other purchaser, we become eligible to provide waste management services to the multiple plants and projects of each generator or purchaser located in our service areas. However, in order to

obtain such approved vendor status, it may be necessary for us to bid against other qualified competitors in terms of the services and pricing to be provided. Furthermore, large generators or other purchasers of waste management services often periodically audit our facilities and operations to ensure that our waste management services are being performed in compliance with applicable laws and regulations and other criteria established by us and such customers.

Geographical Information

For the year ended December 31, 2004, we derived approximately \$557.8 million or 86.7% of revenues from customers located in the United States and Puerto Rico, approximately \$84.7 million or 13.2% of revenues from customers located in Canada, and less than 1.0% of revenues from customers in Mexico. For the year ended December 31, 2003, we derived approximately \$540.7 million or 88.5% of revenues from customers located in the United States and Puerto Rico, approximately \$70.3 million or 11.5% of revenues from customers located in Canada, and less than 1.0% of revenues from customers in Mexico. Prior to the acquisition of the CSD assets effective September 7, 2002, we derived substantially all of our revenues from environmental services provided to customers located in the United States and Puerto Rico. Following the acquisition of the CSD assets, we derived approximately \$32.6 million or 9.3% of 2002 revenues from customers located in Canada.

As of December 31, 2004, we had property, plant and equipment, net of depreciation and amortization of approximately \$180.5 million, and permits and other intangible assets of \$99.5 million. Of these totals, approximately \$23.5 million or 13.0% of long-lived assets and \$25.2 million or 25.3% of permits and other intangible assets were in Canada, with the balance being in the United States and Puerto Rico (except for insignificant assets in Mexico).

Competitive Conditions

The hazardous and industrial waste management industry, in which we compete, is highly competitive. The sources of competition vary by locality and by type of service rendered, with competition coming from the other major waste services companies and hundreds of privately owned firms that offer waste services. We compete against three major companies, which are Philip Services Corp., Onyx Environmental Services (a division of Veolia Environnement), and Waste Management, Inc. We also compete against regional waste management companies and numerous small companies. Each of these competitors is able to provide one or more of the environmental services offered by us. In addition, we compete with many firms engaged in the transportation, brokerage and disposal of hazardous wastes through recycling, waste-derived fuels programs, thermal treatment or landfill. The principal methods of competition for all our services are price, quality, reliability of service rendered and technical proficiency in handling industrial and hazardous wastes properly. We believe that we offer a more comprehensive range of environmental services than our competitors in major portions of our service territory, that our ability to provide comprehensive services supported by unique information technologies capable of managing the customers' overall environmental program constitutes a significant competitive advantage, and that our stable ownership allows us to focus on building long-term relationships with our customers.

Treatment and disposal operations are conducted by a number of national and regional environmental services firms. We believe that our ability to collect and transport waste products efficiently, quality of service, safety, and pricing are the most significant factors in the market for treatment and disposal services.

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

In the United States, the original generators of hazardous waste remain liable under federal and state environmental laws for improper disposal of such wastes. Even if waste generators employ companies that have proper permits and licenses, knowledgeable customers are interested in the reputation and financial strength of the companies they use for management of their hazardous wastes. We believe that our technical proficiency and reputation are important considerations to our customers in selecting and continuing to utilize our services.

Compliance/Health & Safety

We regard compliance with applicable environmental regulations and the health and safety of our workforce as critical components of our overall operations. We strive to maintain the highest professional standards in our compliance and health and safety activities. Our internal operating requirements are in many instances more stringent than those imposed by regulation. Our compliance program has been developed for each of our waste management facilities and service centers under the direction of our corporate staff. The compliance and health and safety staffs are responsible for facilities permitting and regulatory compliance, health and safety, field safety, compliance training, transportation compliance, and related record keeping. To ensure the effectiveness of our regulatory compliance program, our Compliance organization monitors daily operational activities and issues a monthly report to senior management concerning the status of environmental compliance and health and safety programs. We also have an Environmental Health and Safety (EHS) Compliance Internal Audit Program designed to identify any weaknesses or opportunities for improvement in our ongoing compliance programs. We also perform periodic audits and inspections of the disposal facilities of other firms utilized by us.

Our facilities are frequently inspected and audited by regulatory agencies, as well as by customers. Although our facilities have been cited on occasion for regulatory violations, we believe that each facility is currently in substantial compliance with applicable requirements. Major facilities and service centers have a full-time compliance or health and safety representative to oversee the implementation of our compliance program at the facility or service center. These highly trained regulatory specialists are independent from operations and report to the Senior Vice President of Compliance and Regulatory Affairs, who ultimately reports to the General Counsel.

Employees

As of June 30, 2005, we employed approximately 3,813 active full-time employees, of which approximately 423 employees belong to unions. The table below shows the employees and union or non-union affiliation. We believe that our relationship with our employees is satisfactory.

	Number of Employees
Unions in the United States:	
International Brotherhood of Teamsters	173
Utility Workers of America	17
Unions in Canada:	
Communication, Energy and Paper Workers' Union	92
International Brotherhood of Teamsters	127
International Union of Operating Engineers	14
Non-union employees	3,390
	3,813

As part of our commitment to employee safety and quality customer service, we have an extensive compliance program and a trained environmental, health and safety staff. We adhere to a risk management program designed to reduce potential liabilities to us and to our customers.

Intellectual Property

We have invested significantly in the development of proprietary technology and also to establish and maintain an extensive knowledge of the leading technologies and incorporate these technologies into the environmental services that we offer and provide to our customers. We currently hold a total of three patents (which will expire in 2009, 2010 and 2013, respectively) and 17 trademarks in the United States, and we license software and other intellectual property from various third parties. We enter into confidentiality agreements with certain of our employees, consultants and corporate partners, and control access to software documentation and other proprietary information. We believe that we hold adequate rights to all intellectual property used in our business and that we do not infringe upon any intellectual property rights held by other parties.

Management of Risks

We adhere to a program of risk management policies and practices designed to reduce potential liability, as well as to manage customers' ongoing environmental exposures. This program includes installation of risk management systems at our facilities, such as fire suppression, employee training, environmental, auditing and policy decisions restricting the types of wastes handled. We evaluate all revenue opportunities and decline those that we believe involve unacceptable risks.

We dispose of waste at our incineration, wastewater treatment and landfill facilities, or at facilities owned and operated by other firms that we have audited and approved. Typically, we apply established technologies to the treatment, storage and recovery of hazardous wastes. We believe our operations are conducted in a safe and prudent manner and in substantial compliance with applicable laws and regulations.

Insurance and Financial Assurance

Our insurance programs cover the potential risks associated with our multifaceted operations from two primary exposures: direct physical damage and third party liability. We maintain a casualty insurance program providing coverage for vehicles, employer's liability and commercial general liability

in the aggregate amount of \$30.0 million, \$27.0 million and \$28.0 million, respectively, per year, subject to a retention of \$0.5 million per occurrence. We also have workers' compensation insurance whose limits are established by state statutes. Since the early 1980s, casualty insurance policies have typically excluded liability for pollution, which is covered under a separate pollution liability program.

We have pollution liability insurance policies covering potential risk in three areas: as a contractor performing services at customer sites, as a transporter of waste and for waste processing at our facilities. We have contractor's liability insurance of \$10.0 million per occurrence and \$10.0 million in the aggregate, covering off-site remedial activities and associated liabilities. Steadfast Insurance Company (a unit of Zurich Insurance N.A.) provides pollution liability coverage for waste in-transit with single occurrence and aggregate liability limits of \$40.0 million. This Steadfast policy covers liability in excess of \$250 thousand for pollution caused by sudden and accidental occurrences during transportation of waste from the time waste is picked up from a customer until its delivery to the final disposal site.

Federal and state regulations require liability insurance coverage for all facilities that treat, store or dispose of hazardous waste. RCRA and the Toxic Substances Control Act and comparable state hazardous waste regulations typically require hazardous waste handling facilities to maintain pollution liability insurance in the amount of \$1.0 million per occurrence and \$2.0 million in the aggregate for sudden occurrences, and \$3.0 million per occurrence and \$6.0 million in the aggregate for non-sudden occurrences. We have a policy from Steadfast Insurance Company insuring our treatment, storage and disposal activities that meets the regulatory requirements. In addition, this policy provides excess limits above the regulatory requirements up to \$30.0 million.

Under our insurance programs, coverage is obtained for catastrophic exposures, as well as those risks required to be insured by law or contract. It is our policy to retain a significant portion of certain expected losses related primarily to employee benefit, workers' compensation, commercial general and vehicle liability. Provisions for losses expected under these programs are recorded based upon our estimates of the aggregate liability for claims. We believe that policy cancellation terms are similar to those of other companies in other industries.

Operators of hazardous waste handling facilities are also required by federal and state regulations to provide financial assurance for closure and post-closure care of those facilities should the facilities cease operation. Closure would include the cost of removing the waste stored at a facility which ceased operating and sending the material to another facility for disposal and the cost of performing certain procedures for decontamination of the facilities. Total closure and post-closure financial assurance required by regulators is approximately \$279.3 million. We have placed all of the required financial assurance for closure through a qualified insurance company, Steadfast Insurance Company, which per terms of the policy required us to provide \$73.5 million of letters of credit as collateral.

Our ability to continue conducting our industrial waste management operations could be adversely affected if we should become unable to obtain sufficient insurance or surety bonds to meet our business and regulatory requirements in the future. The availability of insurance may also be influenced by developments within the insurance industry, although other businesses in the environmental services industry would likely be similarly impacted by such developments.

Environmental Regulation

While our business has benefited substantially from increased governmental regulation of hazardous waste transportation, storage and disposal, the environmental services industry itself has become the subject of extensive and evolving regulation by federal, state, provincial and local authorities. We are required to obtain federal, state, provincial and local permits or approvals for each of our hazardous waste facilities. Such permits are difficult to obtain and, in many instances, extensive studies, tests, and public hearings are required before the approvals can be issued. We have acquired all

operating permits and approvals now required for the current operation of our business, and have applied for, or are in the process of applying for, all permits and approvals needed in connection with continued operation and planned expansion or modifications of our operations.

We make a continuing effort to anticipate regulatory, political and legal developments that might affect operations, but are not always able to do so. We cannot predict the extent to which any environmental legislation or regulation that may be enacted or enforced in the future may affect our operations.

Federal Regulation of Hazardous Waste

The most significant federal environmental laws affecting us are the Resource Conservation and Recovery Act ("RCRA"), The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as the Superfund Act, the Clean Air Act, the Clean Water Act and the Toxic Substances Control Act ("TSCA").

RCRA. RCRA is the principal federal statute governing hazardous waste generation, treatment, transportation, storage and disposal. Pursuant to RCRA, the Environmental Protection Agency (the "EPA") has established a comprehensive, "cradle-to-grave" system for the management of a wide range of materials identified as hazardous or solid waste. States that have adopted hazardous waste management programs with standards at least as stringent as those promulgated by the EPA, have been delegated authority by the EPA to administer their facility permitting programs in lieu of the EPA's program.

Every facility that treats, stores or disposes of hazardous waste must obtain a RCRA permit from the EPA or an authorized state agency, unless a specific exemption exists, and must comply with certain operating requirements. Under RCRA, hazardous waste management facilities in existence on November 19, 1980 were required to submit a preliminary permit application to the EPA, the so-called Part A Application. By virtue of this filing, a facility obtained interim status, allowing it to operate until licensing proceedings are instituted pursuant to more comprehensive and exacting regulations (the Part B permitting process). Interim Status facilities may continue to operate pursuant to the Part A Application until their Part B permitting process is concluded.

RCRA requires that Part B permits contain provisions for required on-site study and cleanup activities, known as "corrective action," including detailed compliance schedules and provisions for assurance of financial responsibility. See "Environmental Liabilities" under "Management's Discussion and Analysis of Financial Condition and Results of Operations" elsewhere in this prospectus for a discussion of our environmental liabilities. See "Insurance and Financial Assurance" above for a discussion of our financial assurance requirements.

The Superfund Act. The Superfund Act is the primary federal statute regulating the cleanup of inactive hazardous substance sites and imposing liability for cleanup on the responsible parties. It also provides for immediate response and removal actions coordinated by the EPA to releases of hazardous substances into the environment, and authorizes the government to respond to the release or threatened release of hazardous substances or to order responsible persons to perform any necessary cleanup. The statute provides for strict, and in certain cases, joint and several liability for these responses and other related costs, and for liability for the cost of damages to natural resources, to the parties involved in the generation, transportation and disposal of such hazardous substances. Under the statute, we may be deemed liable as a generator or transporter of a hazardous substance which is released into the environment, or as the owner or operator of a facility from which there is a release of a hazardous substance into the environment. See "Legal Proceeding" elsewhere in this prospectus for a description of certain such proceedings involving us.

The Clean Air Act. The Clean Air Act was passed by Congress to control the emissions of pollutants into the air and requires permits to be obtained for certain sources of toxic air pollutants such as vinyl chloride, or criteria pollutants, such as carbon monoxide. In 1990, Congress amended the Clean Air Act to require further reductions of air pollutants with specific targets for non-attainment areas in order to meet certain ambient air quality standards. These amendments also require the EPA to promulgate regulations, which (i) control emissions of 189 hazardous air pollutants; (ii) create uniform operating permits for major industrial facilities similar to RCRA operating permits; (iii) mandate the phase-out of ozone depleting chemicals; and (iv) provide for enhanced enforcement.

The Clean Air Act requires the EPA, working with the states, to develop and implement regulations, which result in the reduction of volatile organic compound ("VOC") emissions and emissions of nitrogen oxides ("NOx") in order to meet certain ozone air quality standards specified by the Clean Air Act. In late 2000, the Texas Natural Resource Conservation Commission (now known as the Texas Commission on Environmental Quality, or TCEQ) enacted new Clean Air Act Regulations dealing with the monitoring and control of emissions of NOx and VOCs. These new regulations were required because of a revision in the designation of the Houston Metropolitan Area from a serious ozone non-attainment area to a severe ozone non-attainment area. This new designation will require our Deer Park, Texas incineration facility to further reduce emissions of NOx. NOx emissions contribute to the formation of ground-level ozone, which can be harmful to human health and the environment.

The Interim Standards of the Hazardous Waste Combustor Maximum Achievable Control Technology (the "HWC MACT") rule of the Clean Air Act Amendments were promulgated on February 13, 2002. This rule established new emission limits and operational controls on all new and existing incinerators, cement kilns, industrial boilers and light-weight aggregate kilns that burn hazardous waste-derived fuel.

Facilities subject to the HWC MACT rule were required to comply with the new emission standards by September 30, 2003, or they could apply for an extension with compliance being required by September 30, 2004. We submitted the required documentation of substantial compliance at all of our three U.S. incinerator facilities on or before the September 30, 2004 deadline. We made most of the capital expenditures required to achieve that compliance in the fiscal years ended December 31, 2002 through 2004; however, there will be some additional performance testing and documentation costs in 2005.

Clean Water Act. This legislation prohibits discharges into the waters of the United States without governmental authorization and regulates the discharge of pollutants into surface waters and sewers from a variety of sources, including disposal sites and treatment facilities. The EPA has promulgated "pretreatment" regulations under the Clean Water Act, which establish pretreatment standards for introduction of pollutants into publicly owned treatment works ("POTWs"). In the course of the treatment process, our wastewater treatment facilities generate wastewater, which we discharge to POTWs pursuant to permits issued by the appropriate governmental authority. We are required to obtain discharge permits and conduct sampling and monitoring programs. We believe each of our operating facilities complies in all material respects with the applicable requirements.

In December 2000, the EPA promulgated new effluent limitations, pretreatment standards and source performance standards for centralized wastewater treatment ("CWT") facilities. CWT facilities receive and treat a wide variety of hazardous and non-hazardous wastewaters from off-site companies and discharge the treated water directly to waterways or to municipal sewer systems. The new rules set stringent limits for the discharge of metals, organic compounds and oil. All of our wastewater treatment facilities are affected by the new rules and were in substantial compliance with the discharge standards by December 2004.

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Toxic Substances Control Act. We also operate a network of collection, treatment and field services (remediation) activities throughout North America that are regulated under provisions of the TSCA. TSCA established a national program for the management of substances classified as PCBs, which include waste PCBs as well as RCRA wastes contaminated with PCBs. The rules set minimum design and operating requirements for storage, treatment and disposal of PCB wastes. Since their initial publication, the rules have been modified to enhance the management standards for TSCA-regulated operations including the decommissioning of PCB transformers and articles; detoxification of transformer oils; incineration of PCB liquids and solids; landfill disposal of PCB solids; and remediation of PCB contamination at customer sites.

Other Federal Laws. In addition to regulations specifically directed at the transportation, storage, and disposal facilities, there are a number of regulations that may "pass-through" to the facilities based on the acceptance of regulated waste from affected client facilities. Each facility that accepts affected waste must comply with the regulations for that waste, facility or industry. Examples of this type of regulation are National Emission Standards for Benzene Waste Operations and National Emissions Standards for Pharmaceuticals Production. Each of our facilities addresses these regulations on a case-by-case basis determined by its ability to comply with the pass-through regulations.

In our transportation operations, we are regulated by the U.S. Department of Transportation, the Federal Railroad Administration, the Federal Aviation Administration and the U.S. Coast Guard, as well as by the regulatory agencies of each state in which we operate or through which our vehicles pass.

Health and safety standards under the Occupational Safety and Health Act, or OSHA, are applicable to all of our operations. This includes both the Technical Services and Site Services operations.

State and Local Regulations

Pursuant to the EPA's authorization of their RCRA equivalent programs, a number of states have regulatory programs governing the operations and permitting of hazardous waste facilities. Accordingly, the hazardous waste treatment, storage and disposal activities of a number of our facilities are regulated by the relevant state agencies in addition to federal EPA regulation.

Some states classify as hazardous some wastes that are not regulated under RCRA. For example, Massachusetts considers used oil as "hazardous wastes" while RCRA does not. Accordingly, we must comply with state requirements for handling state regulated wastes, and, when necessary, obtain state licenses for treating, storing, and disposing of such wastes at our facilities.