

US ECOLOGY, INC.
Form 10-K
March 04, 2010

UNITED STATES SECURITIES AND
EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

- x ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2009
- o TRANSITION REPORT PURSUANT TO Section 13 or 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.

Commission file number: 0-11688

US ECOLOGY, INC.
(Exact name of Registrant as specified in its Charter)

Delaware (State or other jurisdiction)	95-3889638 (I.R.S. Employer Identification Number)
300 E. Mallard Dr., Suite 300 Boise, Idaho (Address of principal executive offices)	83706 (Zip Code)

(208) 331-8400
(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE
SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

Title of each class
Common Stock, \$0.01 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the
Act. Yes o No x

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

The aggregate market value of the registrant's voting stock held by non-affiliates on June 30, 2009 was approximately \$305.5 million based on the closing price of \$17.92 per share as reported on the NASDAQ Global Market System.

At March 2, 2010, the registrant had outstanding 18,319,851 shares of its Common Stock.

Documents Incorporated by Reference

Listed hereunder are the documents, any portions of which are incorporated by reference and the Parts of this Form 10-K into which such portions are incorporated:

1. The registrant's definitive proxy statement for use in connection with the Annual Meeting of Stockholders to be held on or about May 24, 2010 to be filed within 120 days after the registrant's fiscal year ended December 31, 2009, portions of which are incorporated by reference into Part III of this Form 10-K.
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US ECOLOGY, INC. (formerly known as American Ecology Corporation)
 FORM 10-K
 TABLE OF CONTENTS

Item	Page
PART I	
	3
1.	4
1A.	12
1B.	16
2.	16
3.	16
4.	17
PART II	
5.	17
6.	18
7.	19
7A.	33
8.	34
9.	56
9A.	56
9B.	56
PART III	
10.	57
11.	57
12.	57
13.	58
14.	58
PART IV	
15.	58
SIGNATURES	59

PART I

Cautionary Statement for Purposes of Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995

This annual report on Form 10-K contains forward-looking statements within the meaning of federal securities laws. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements include those statements preceded by, followed by, or that include the words "may," "could," "would," "should," "believe," "expect," "anticipate," "plan," "estimate," "target," "project," "intend" and similar expressions. These statements include, among others, statements regarding our financial and operating results, strategic objectives and means to achieve those objectives, the amount and timing of capital expenditures, the likelihood of our success in expanding our business, financing plans, budgets, working capital needs and sources of liquidity.

Forward-looking statements are only predictions and are not guarantees of performance. These statements are based on management's beliefs and assumptions, which in turn are based on currently available information. Important assumptions include, among others, those regarding demand for Company services, expansion of service offerings geographically or through new or expanded service lines, the timing and cost of planned capital expenditures, competitive conditions and general economic conditions. These assumptions could prove inaccurate. Forward-looking statements also involve known and unknown risks and uncertainties, which could cause actual results to differ materially from those contained in any forward-looking statement. Many of these factors are beyond our ability to control or predict. Such factors include, but are not limited to, a loss of a major customer, compliance with and changes to applicable laws and regulations, access to cost effective transportation services, access to insurance and other financial assurances, loss of key personnel, lawsuits, labor disputes, adverse economic conditions including a tightened credit market, government funding or competitive pressures, incidents or adverse weather conditions that could limit or suspend specific operations, implementation of new technologies, production rates for thermal treatment services, market conditions and pricing for recycled materials, our ability to replace business from our completed Honeywell Jersey City project, our ability to perform under required contracts, our ability to permit and contract for timely construction of new or expanded disposal cells, our willingness or ability to pay dividends, and our ability to effectively integrate any acquisitions.

Except as required by applicable law, including the securities laws of the United States and the rules and regulations of the SEC, we are under no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on our forward-looking statements. Although we believe that the expectations reflected in forward-looking statements are reasonable, we cannot guarantee future results or performance. Before you invest in our common stock, you should be aware that the occurrence of the events described in the "Risk Factors" section in this report could harm our business, prospects, operating results, and financial condition.

Investors should also be aware that while we do, from time to time, communicate with securities analysts, it is against our policy to disclose to them any material non-public information or other confidential commercial information. Accordingly, stockholders should not assume that we agree with any statement or report issued by any analyst irrespective of the content of the statement or report. Furthermore, we have a policy against issuing or confirming financial forecasts or projections issued by others. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not the responsibility of US Ecology, Inc.

Item 1. Business

General

The table below contains definitions that are used throughout this Annual Report on Form 10-K.

Term	Meaning
AEA	Atomic Energy Act of 1954 as amended
US Ecology, the Company, “we,” “our,” “us”	US Ecology, Inc., and its subsidiaries
CERCLA or “Superfund”	Comprehensive Environmental Response, Compensation and Liability Act of 1980
FUSRAP	U.S. Army Corps of Engineers Formerly Utilized Site Remedial Action Program
LARM	Low-activity radioactive material exempt from federal Atomic Energy Act regulation for disposal
LLRW	Low-level radioactive waste regulated under the federal Atomic Energy Act for disposal
NORM/NARM	Naturally occurring and accelerator produced radioactive material
NRC	U.S. Nuclear Regulatory Commission
PCBs	Polychlorinated biphenyls
RCRA	Resource Conservation and Recovery Act of 1976
SEC	U. S. Securities and Exchange Commission
TCEQ	Texas Commission on Environmental Quality
TSCA	Toxic Substances Control Act of 1976
USACE	U.S. Army Corps of Engineers
USEPA	U.S. Environmental Protection Agency
WUTC	Washington Utilities and Transportation Commission

US Ecology, Inc., (formerly known as American Ecology Corporation) through our subsidiaries, provides radioactive, hazardous, PCB and non-hazardous industrial waste management and recycling services to commercial and government entities, such as refineries and chemical production facilities, manufacturers, electric utilities, steel mills, medical and academic institutions and waste broker / aggregators. Headquartered in Boise, Idaho, we are one of the nation's oldest providers of such services. US Ecology and its predecessor companies have been in business for more than 50 years. We operate nationally and employed 221 people as of December 31, 2009.

Our filings with the SEC are posted on our website at www.usecology.com. The information found on our website is not part of this or any other report we file with or furnish to the SEC. The public can also obtain copies of these filings by visiting the SEC's Public Reference Room at 100 F Street NE, Washington DC 20549, or by calling the SEC at 1-800-SEC-0330 or by accessing the SEC's website at www.sec.gov.

US Ecology was most recently incorporated as a Delaware corporation in May 1987 as American Ecology Corporation. On February 22, 2010, the Company changed its name from American Ecology Corporation to US Ecology, Inc. Our wholly-owned primary operating subsidiaries are US Ecology Nevada, Inc., a Delaware corporation ("USEN"); US Ecology Washington, Inc., a Delaware corporation ("USEW"); US Ecology Texas, Inc., a Delaware corporation ("USET"); US Ecology Idaho, Inc., a Delaware corporation ("USEI") and US Ecology Field Services, Inc., a Delaware corporation ("USEFS"). American Ecology Recycle Center, Inc., a Delaware corporation ("AERC") previously operated our discontinued Oak Ridge, Tennessee LLRW processing business. US Ecology Illinois, Inc., a California corporation, operates our closed property in Sheffield, Illinois.

We operate within two business segments: Operating Disposal Facilities and Non-Operating Disposal Facilities. These segments reflect our current operational status and internal reporting structure. Operating Disposal Facilities accept hazardous, LARM and LLRW and include our RCRA hazardous waste treatment and disposal facilities in Beatty, Nevada; Grand View, Idaho; and Robstown, Texas; and our AEA disposal facility in Richland, Washington. Our Washington, Idaho and (to a lesser degree) Texas facilities also accept certain NORM/NARM waste and LARM. Non-Operating Disposal Facilities include our former disposal facilities in Sheffield, Illinois; Beatty, Nevada; and Bruneau, Idaho and a former hazardous waste processing and deep-well injection operation in Winona, Texas. Income taxes are assigned to the corporate office. All other items are included in the segment where they originated. Inter-company transactions have been eliminated from the segment information and are not significant between segments. Financial information with respect to each segment is further discussed in Note 15 of the consolidated financial statements located in Item 8 - Financial Statements and Supplementary Data to this Form 10-K.

The following table summarizes each segment:

Subsidiary	Location	Services
	Operating Disposal Facilities	
USEI	Grand View, Idaho	Hazardous, non-hazardous industrial, PCB, NORM/NARM, LARM and mixed waste treatment and disposal, rail transfer station
USET	Robstown, Texas	Hazardous, non-hazardous industrial, LARM and NORM/NARM waste treatment and disposal, recycling services, rail transfer station
USEN	Beatty, Nevada	Hazardous, non-hazardous industrial and PCB waste treatment and disposal
USEW	Richland, Washington	LLRW, NORM/NARM and LARM waste disposal
	Non-Operating Facilities	
US Ecology Illinois, Inc. ("USE")	Sheffield, Illinois	Closed LLRW disposal facility under long-term care: State of Illinois is licensee
USE	Sheffield, Illinois	Non-operating hazardous waste disposal facility: USE is permittee
American Ecology Environmental Services Corporation ("AEESC")	Winona, Texas	Non-operating hazardous waste processing and deep well facility: AEESC is permittee
USEI	Bruneau, Idaho	Closed hazardous waste disposal facility: USEI is permittee

Operating Disposal Facilities

A significant portion of our disposal revenue is derived from discrete waste clean-up projects ("Event Business") which vary widely in size, duration and unit pricing. The duration of Event Business projects can last from a one-week clean up of a small contaminated site to a multiple year clean-up project. The one-time nature of Event Business, diverse spectrum of waste types received and widely varying unit pricing necessarily creates variability in revenue and earnings. This variability may be influenced by general economic conditions, funding availability, changes in laws and regulations, government enforcement actions or court orders, public controversy, litigation, weather, real estate redevelopment project timing, government appropriation and funding commitment cycles and other factors. The types

and amounts of waste received from recurring customers (“Base Business”) also vary quarter-to-quarter, sometimes significantly, but are generally more predictable than Event Business.

Depending on project-specific customer needs and competitive economics, transportation services may be offered at or near our cost to help secure new business. For waste transported by rail from the eastern United States and other locations distant from our Grand View, Idaho or Robstown, Texas facilities, transportation-related revenue can account for as much as three-fourths (75%) of total project revenue.

The types of waste received, also referred to as “service mix,” can produce significant quarter-to-quarter and year-to-year variations in revenue, gross profit, gross margin, operating profit and net income for both Base and Event business. Event Business contributed approximately 44% and 50% of revenue for the years ended December 31, 2009 and 2008, respectively. Base Business represented approximately 56% and 50% of disposal revenue (excluding transportation revenue) for the years ended December 31, 2009 and 2008, respectively. Our strategy is to expand our Base Business while securing both short-term and extended-duration Event Business. When Base Business covers our fixed overhead costs, a significant portion of disposal revenue generated from Event Business is generally realized as operating income and net income. This strategy takes advantage of the operating leverage inherent to the largely fixed-cost nature of the waste disposal business. Contribution margin is influenced by whether the waste may be directly disposed (“direct disposal”) or requires the application of chemical reagents (variable costs) to treat the waste prior to disposal.

To maximize utilization of our railcar fleet, we periodically deploy available railcars to transport waste from clean-up sites to disposal facilities operated by other companies. Such transportation services may be bundled with for-profit logistics and field services support work.

Grand View, Idaho RCRA/TSCA Facility. Our Grand View, Idaho facility was purchased in 2001. It is located on 1,252 acres of Company-owned land about 60 miles southeast of Boise, Idaho in the Owyhee Desert. We own an additional 159 acres approximately two miles east of the facility, which is used as a clay source for disposal unit liner construction and 189 acres where our rail transfer station is located approximately 30 miles northeast of the disposal site. The disposal facility is permitted to accept hazardous, toxic and non-hazardous waste regulated under RCRA and TSCA. This facility is also permitted to accept certain NORM and NARM radioactive material and LARM exempted from NRC regulation for disposal purposes, including certain “mixed” hazardous and radioactive waste generated by commercial and government customers including certain waste received under our USACE contract. We also treat and “delist” hazardous electric arc furnace dust (“K061”) from steel mills. Delisted waste is subject to lower state fees applicable to non-hazardous waste. The facility is regulated under permits issued by the Idaho Department of Environmental Quality and the USEPA.

Robstown, Texas RCRA Facility. Our Robstown Texas facility began operations in 1973. It is located on 240 acres owned by the Company near Robstown, Texas about 10 miles west of Corpus Christi. In 2005, we purchased an additional 200 acres of adjacent land for future expansion. We also own 174 acres of non-adjacent land where we have operated a rail transfer station since 2006. This facility is permitted to accept hazardous and non-hazardous waste regulated under RCRA. The facility is regulated under a permit issued by the TCEQ and is permitted to accept certain LARM and mixed wastes. In 2008, we began providing hydrocarbon treatment and recycling services using thermal desorption equipment owned and operated by a third party under contract.

Beatty, Nevada RCRA/TSCA Facility. Our Beatty, Nevada facility, which began receiving hazardous waste in 1970, is located in the Amargosa Desert about 120 miles northwest of Las Vegas, Nevada and about 30 miles east of Death Valley, California. USEN leases 80 acres from the State of Nevada for hazardous and PCB waste treatment and disposal operations. In April 2007, we renewed our lease with the State of Nevada as a year-to-year periodic tenancy until (i) the site reaches full capacity and can no longer accept waste (generally estimated at about 12-14 years); (ii) the lease is terminated by us at our option; or (iii) the State terminates the lease due to our breach of the lease terms. All other terms, including those relating to rents and fees, were unchanged from the previous lease. The Company-leased land is located within a 400 acre buffer zone leased by the State of Nevada from the federal government which the Company believes is a viable location for future expansion. The facility is regulated under permits issued by the Nevada Department of Environmental Protection and the USEPA. The State of Nevada assesses disposal fees to fund a dedicated trust account to pay for closure and post-closure costs.

Richland, Washington LLRW Facility. Our Richland, Washington LLRW facility has been in operation since 1965 and is located on 100 acres of land leased from the State of Washington on the U.S. Department of Energy Hanford

Reservation 35 miles west of Richland, Washington. USEW subleases this property from the State of Washington. The lease between the State of Washington and the federal government expires in 2063. We renewed our sublease with the State of Washington in July 2005 for 10 years with four 10-year renewal options. The facility is licensed by the Washington Department of Health for health and safety purposes. The WUTC sets disposal rates for LLRW. Rates are set at an amount sufficient to cover operating costs and provide us with a reasonable profit. In 2007, we entered a new rate agreement with the WUTC that expires January 1, 2014. The State of Washington assesses user fees for local economic development, state regulatory agency expenses and a dedicated trust account to pay for long-term care after the facility closes. The State of Washington maintains a separate trust fund for future closure expenses. The Richland facility is also home to our On-Site Services group, which arranges LLRW and LARM waste packaging, shipment and disposal services.

Non-Operating Disposal Facilities

Bruneau, Idaho RCRA Site. This remote 83 acre desert site, acquired along with the Grand View, Idaho disposal operation in 2001, was closed by the prior owner under an approved RCRA plan. Post-closure monitoring is expected to continue for approximately 20 more years in accordance with permit and regulatory requirements.

Sheffield, Illinois RCRA Site. We previously operated two hazardous waste disposal areas next to the Sheffield LLRW disposal area. The first opened in 1968 and ceased operations in 1974. The second accepted waste from 1974 through 1983. We expect to perform groundwater remediation and monitoring at the site for approximately 16 more years.

Winona, Texas Site. From 1980 to 1994, Gibraltar Chemical Resources operated the Winona hazardous waste processing and deep well facility. In 1994, we purchased the facility. Solvent recovery, deep well injection and waste brokering operations were conducted on a nine acre site until 1997 when we ceased operations. We are proceeding under a post-closure order with the State of Texas and expect to perform monitoring for a 30 year post-closure care period. We own an additional 298 acres adjacent to the permitted site.

INDUSTRY

In the 1970s and 1980s, industry growth was driven by new environmental laws and actions by federal and state agencies to regulate existing hazardous waste management facilities and direct the clean up of contaminated sites under the federal Superfund law. By the early 1990s, excess hazardous waste management capacity had been constructed by the waste services industry. At the same time, to better manage risk and reduce expenses, many waste generators instituted industrial process changes and other methods to reduce waste production. Waste volumes shipped for disposal from Superfund and other properties also diminished as contaminated sites were cleaned up. These factors led to highly competitive market conditions that still apply today.

We believe that a baseline demand for hazardous waste services will continue into the future with fluctuations driven by general and industry-specific economic conditions, identification of new clean-up needs, clean-up project schedules and public policy decisions. We further believe that the ability to deliver specialized niche services while aggressively competing for large volume clean-up projects and non-niche commodity business opportunities differentiates successful from less successful companies. We seek to control variable costs, expand service lines, expand waste throughput capabilities, build market share and ultimately increase profitability. Past initiatives that have successfully contributed to our increased operating income include, but are not limited to:

- acquiring our Grand View, Idaho treatment and disposal facility and rail transfer station in 2001;

- expanding our radioactive material and hazardous waste permits to manage additional types of waste;

- expanding our rail transportation services through a fleet of Company-owned rail cars;

- constructing a second truck-to-rail transload building in Idaho and developing a rail transfer station in Texas;

- constructing new, high-capacity waste treatment buildings in Texas and Nevada with automated waste treatment additive delivery systems and expanded waste storage capabilities;

- opening an organic chemical waste treatment laboratory in Texas to improve treatment “recipes” and reduce costs at all three of our RCRA facilities; and

establishing a thermal recycling service at our Robstown, Texas site which allows the facility to accept a broad spectrum of recyclable, hydrocarbon-based materials.

Our Richland, Washington disposal facility, serving the Northwest and Rocky Mountain Compacts, is one of two operating Compact disposal facilities in the nation. Both were in full operation for decades before passage of the federal LLRW Policy Act in 1980. While our Washington disposal facility has substantial unused capacity, it can only accept LLRW from the 11 western states comprising the two Compacts served. The Barnwell, South Carolina site, operated by EnergySolutions exclusively serves the three-state Atlantic Compact. LLRW from states outside the Northwest Compact region may be disposed at a non-compact, commercial disposal site in Clive, Utah, also operated by EnergySolutions.

7

Pricing at the three AEA licensed LLRW disposal facilities heightened demand for more cost-effective disposal of soil, debris, consumer products, industrial wastes and other materials containing LARM including “mixed wastes” exhibiting both hazardous and radioactive properties. In addition to commercial demand, a substantial amount of LARM is generated by government clean-up projects. The NRC, USEPA and USACE have authorized the use of hazardous waste disposal facilities to dispose of certain LARM, encouraging expansion of this compliant, cost-effective alternative. Our Grand View, Idaho RCRA hazardous waste facility has significantly increased waste throughput based on permit modifications allowing expanded LARM acceptance. Our Robstown, Texas disposal facility is also permitted to accept LARM on a more limited basis. We believe we are well positioned to grow our LARM business based on our:

- industry reputation and commercial branding;
- existing permits, including recent modifications allowing additional waste types;
- safety and regulatory compliance record;
- decades of experience safely handling radioactive materials at multiple facilities;
- high volume waste throughput capabilities including rail transportation and field services support; and
- competitive pricing.

Permits, Licenses and Regulatory Requirements

Our hazardous, industrial, non-hazardous and radioactive materials business is subject to extensive federal and state environmental, health, safety, and transportation laws, regulations, permits and licenses. Local government controls also apply. The responsible government regulatory agencies regularly inspect our operations to monitor compliance. They have authority to enforce compliance through the suspension or revocation of operating licenses and permits and the imposition of civil or criminal penalties in case of violations. We believe that this body of law and regulations and the specialized services we provide contribute to demand and represent a significant obstacle to new market entrants.

RCRA provides a comprehensive framework for regulating hazardous waste transportation, treatment, storage and disposal. LARM and NORM/NARM may also be managed under RCRA permits, as is authorized for our facilities in Grand View, Idaho and Robstown, Texas. RCRA regulation is the responsibility of the USEPA, which may delegate authority to state agencies. Chemical compounds and residues derived from USEPA listed industrial processes are subject to RCRA standards unless they are delisted through rulemaking such as the steel mill waste treatment process employed at our Grand View, Idaho facility. RCRA liability may be imposed for improper waste management or failure to take corrective action for releases of hazardous substances. To the extent wastes are recycled or beneficially reused, regulatory controls and permitting requirements under RCRA diminish.

CERCLA and its amendments impose strict, joint and several liability on owners or operators of facilities where a release of hazardous substances has occurred, on parties who generated hazardous substances released at such facilities and on parties who arranged for the transportation of hazardous substances. Liability under CERCLA may be imposed if releases of hazardous substances occur at treatment, storage, or disposal sites. Since waste generators are subject to the same liabilities, we believe that they are motivated to minimize the number of disposal sites used. Disposal facilities require USEPA authorization to receive CERCLA wastes. Our three hazardous waste disposal facilities have this authorization.

TSCA regulates the treatment, storage and disposal of PCBs. Regulation and licensing of PCB wastes is the responsibility of the USEPA. Our Grand View, Idaho and Beatty, Nevada disposal facilities have TSCA treatment,

storage and disposal permits. Our Texas facility has a TSCA storage permit and may dispose of PCB-contaminated waste in limited concentrations not requiring a TSCA disposal permit.

The AEA assigns the NRC regulatory authority over receipt, possession, use and transfer of certain radioactive materials, including disposal. The NRC has adopted regulations for licensing commercial LLRW disposal and has delegated regulatory authority to certain states including Washington, where our Richland facility is located. The NRC and U.S. Department of Transportation regulate the transport of radioactive materials. Shippers must comply with both the general requirements for hazardous materials transportation and specific requirements for transporting radioactive materials.

The Energy Policy Act of 2005 amended the AEA to classify discrete (i.e. concentrated versus diffuse) NORM/NARM as byproduct material. The law does not apply to interstate Compacts ratified by Congress pursuant to the LLRW Policy Act. NRC regulations issued in 2006 to implement the law limit receipt of certain NARM waste at our Grand View, Idaho facility to non-production accelerators. This did not materially affect our Idaho business and did not affect our Washington business.

Obtaining authorization to construct and operate new radioactive or hazardous waste facilities is a lengthy and complex process. We believe we have demonstrated significant expertise in this area. We also believe we possess all permits, licenses and regulatory approvals required to maintain regulatory compliance and operate our facilities and have the specialized expertise required to obtain additional approvals to continue growing our business in the future.

We incur costs and make capital investments to comply with environmental regulations. These regulations require that we operate our facilities in accordance with permit-specific requirements. Our Idaho and Texas facilities are also required to provide required financial assurance for closure and post-closure obligations should our facilities cease operations. Both human resource and capital investments are required to maintain compliance with these requirements.

Insurance, Financial Assurance and Risk Management

We carry a broad range of insurance coverage, including general liability, automobile liability, real and personal property, workers' compensation, directors' and officers' liability, environmental impairment liability and other coverage customary to the industry. We do not expect the impact of any known casualty, property, environmental or other contingency to be material to our financial condition, results of operations or cash flows.

As noted above, applicable regulations require financial assurance to cover the cost of final closure and post-closure obligations at certain of our operating and non-operating disposal facilities. Acceptable forms of financial assurance include third-party standby letters of credit, surety bonds and insurance. Alternatively, we may be required to collect fees from waste generators to fund state-controlled escrow or trust accounts during the operating life of the facility. Through December 31, 2009, we have met our financial assurance requirements through insurance, standby letters of credit and self-funded restricted trusts.

Insurance policies covering our closure and post-closure obligation were renewed in December 2005 and expire in December 2010. Under the renewal terms, we established an interest bearing trust account to guarantee our non-operating site closure and post-closure liability, subject to regulatory approval. We are also required by our insurer to maintain collateral equal to 15% of our aggregate financial assurance insurance policies for our operating sites through the policy term. While we expect to timely renew these policies, if we are unable to obtain adequate closure, post-closure or environmental insurance in the future, any partial or completely uninsured claim against us, if successful, could have a material adverse effect on our financial condition, results of operations and cash flows. Failure to maintain adequate financial assurance could also result in regulatory action including early closure of facilities. As of December 31, 2009, we have provided collateral of \$4.8 million in funded trust agreements, issued \$4.0 million in letters of credit for financial assurance and have insurance policies of approximately \$34 million for closure and post-closure obligations. While we have been able to obtain the required financial assurance, premium and collateral requirements may increase, which may have an adverse impact on our results of operations.

Primary casualty insurance programs generally do not cover accidental environmental contamination losses. To provide insurance protection for potential claims, we maintain environmental impairment liability insurance and professional environmental consultant's liability insurance for non-nuclear occurrences. For nuclear liability coverage, we maintain Facility Form and Workers' Form nuclear liability insurance provided under the federal Price Anderson Act. This insurance covers the operations of our facilities, suppliers and transporters. We purchase primary property, casualty and excess liability policies through traditional third-party insurance carriers.

Significant Customers

We dispose of LARM and hazardous waste under a contract with the USACE. We also arrange transportation of waste to our disposal facilities for both government and industry customers which contributes significant revenue. In June 2005, we entered into an Event Business clean-up project contract with Honeywell International, Inc.

(“Honeywell”) to transport, treat and dispose approximately 1.3 million tons of chromite ore processing residue at our Grand View, Idaho disposal facility. This clean-up project was completed in October 2009. Honeywell accounted for 38%, 43% and 41% of our revenue in 2009, 2008 and 2007 respectively. No other customer accounted for more than 10% of revenue for 2009, 2008 or 2007.

Markets

Disposal Services. Waste containing heavy metals or hazardous waste that does not require treatment prior to disposal is generally commoditized and subject to highly competitive pricing. These commoditized services are also sensitive to transportation distance and related costs. Waste transported by rail is typically less expensive, on a per mile basis, than waste transported by truck. Hazardous waste containing organic chemical compounds and LARM services are less of a commoditized service.

Our Robstown, Texas hazardous waste facility is well positioned to serve refineries, chemical production plants and other industries concentrated near the Texas Gulf coast. The facility also accepts certain NORM and LARM. In 2006, we constructed a rail transfer station approximately five miles from this facility that extends the facility's geographic reach. In 2007, our Texas facility expanded its laboratory to include analysis of organic chemical compounds, which are contained in many of the wastes produced by customers. In June 2008, we began operating a high-throughput thermal desorption unit at the facility which allows us to accept a broad spectrum of recyclable, hydrocarbon-based materials.

Our Beatty, Nevada facility primarily competes for business in California, Arizona, Utah and Nevada. Due to the site's superior geologic and climate conditions in the Amargosa Desert, the Beatty, Nevada facility also competes for wastes from more distant locations. The Beatty, Nevada facility competes over a larger geographic area for PCB waste due to the more limited number of TSCA disposal facilities nationwide.

Our Grand View, Idaho facility accepts waste from across the nation shipped through our rail transfer station located adjacent to a main east-west rail line. Waste throughput has been significantly enhanced by rail track expansions in 2006 and 2008 and the construction of a second rail-to-truck indoor transfer building in 2006. The Grand View facility's primary markets are RCRA, LARM and mixed waste clean-up projects, and brokered waste. Permit modifications have expanded LARM services. Substantial waste volumes have been received under our contract with Honeywell which was completed in October of 2009, and a contract with the USACE that is also utilized by other federal agencies. The current USACE contract expires in 2010; however, multi-year projects initiated before that date may continue for five years beyond 2010 under the same terms. Based on past public statements, we believe that the USACE generally expects the federal clean-up program funding the contract to continue through 2021. For this reason and due to limited competition, we expect to enter a follow-on contract in 2010.

To meet USEPA land disposal restrictions ("LDRs"), waste stabilization, encapsulation, chemical oxidation and other treatment technologies are used at our Grand View, Idaho, Beatty, Nevada and Robstown, Texas facilities. These capabilities allow all three sites to manage a much broader spectrum of wastes than if LDR treatment was not offered. Our Robstown, Texas facility also offers thermal desorption treatment and recycling services.

Our Richland, Washington disposal facility serves LLRW producers in the eight states of the Northwest Compact. The three Rocky Mountain Compact states may also use our facility. Since we are a designated monopoly LLRW service provider in the Northwest Compact, the State of Washington approves our disposal rates. Since NORM/NARM is not subject to Compact restrictions, we may accept this waste from all fifty states. Rate regulation does not apply to NORM/NARM pricing since monopoly conditions do not apply.

Competition

We compete with large and small companies in each of the commercial markets we serve. While niche services apply, the radioactive, hazardous and non-hazardous industrial waste management industry is generally very competitive. We believe that our primary hazardous waste and PCB disposal competitors are Clean Harbors, Inc., Waste Control Specialists, LLC and Waste Management, Inc. We believe that our primary radioactive material disposal competitors are EnergySolutions, Inc. and Waste Control Specialists, LLC. The principal competitive factors applicable to both of these business areas are:

price;

specialized permits and "niche" service offerings;

customer service;

operational efficiency and technical expertise;

regulatory compliance and worker safety;

industry reputation and brand name recognition;

transportation distance; and

local community support.

We believe that we are competitive in all markets we serve and that we offer a nationally unique mix of services, including niche technologies and services that favorably distinguish us from competitors. We also believe that our strong brand name recognition from more than five decades of experience, compliance and safety record, customer service reputation and positive relations with regulators and local communities enhance our competitive position. Advantages exist for competitors that have technology, permits or equipment to handle a broader range of waste, that operate in jurisdictions imposing lower disposal fees and/or are located closer to where wastes are generated.

We do not compete with companies seeking federal government contracts to manage and/or operate radioactive waste treatment and disposal facilities owned by the U.S. Department of Energy (“USDOE”). We accept minimal amounts of remediation waste from USDOE facilities at Company disposal facilities from time to time; however, this is not a material part of our business.

Seasonal Effects

Market conditions and federal funding decisions generally have a larger effect on revenue than does seasonality. Operating revenue is generally lower in the winter months, however, and increases when short-term, weather-influenced clean-up projects are more frequently undertaken. While large, multi-year clean-up projects tend to continue in winter months, the pace of waste shipments may be slower due to weather.

Personnel

On December 31, 2009, we had 221 employees, of which 10 were members of the Paper, Allied-Industrial Chemical & Energy Workers International Union, AFL-CIO and CLC (PACE) at our Richland, Washington facility.

Executive Officers of Registrant

The following table sets forth the names, ages and titles, as well as a brief account of the business experience of each person who is an executive officer of US Ecology:

Name	Age	Title
James R. Baumgardner	47	President and Chief Executive Officer
Simon G. Bell	39	Vice President of Operations
John M. Cooper	55	Vice President and Chief Information Officer
Jeffrey R. Feeler	40	Vice President and Chief Financial Officer
Eric L. Gerratt	39	Vice President and Controller
Steven D. Welling	51	Senior Vice President, Sales and Marketing

James R. Baumgardner was appointed President and Chief Executive Officer in January 2010. Mr. Baumgardner previously served as the Company’s President and Chief Operating Officer from January 2009 to January 2010 and as the Company’s Senior Vice President and Chief Financial Officer from 1999 to 2006. From 2006 to 2008, he was Senior Vice President and Chief Financial Officer with SECOR International Inc., a Redmond, Washington based provider of environmental consulting services. Prior to 1999, he held various positions in corporate banking, corporate treasury and investment banking. He holds an MBA and a BS from Oregon State University.

Simon G. Bell was appointed Vice President of Operations in August of 2007 and is responsible for managing both operating and closed facilities. From 2005 to August 2007, he was Vice President of Hazardous Waste Operations and

from 2002 to 2005, our Idaho facility General Manager and Environmental Manager. His 18 years of industry experience includes service as general manager of a competitor disposal facility and mining industry experience in Idaho, Nevada and South Dakota. He holds a BS in Geology from Colorado State University.

John M. Cooper joined us in July 2002 and is Vice President and Chief Information Officer. Previously, he served as Vice President, Information Systems for BMC West Corporation and was Director of Business Development for the High Tech Industry at Oracle Corporation. Mr. Cooper offers more than 20 years of computer industry experience. He holds a BS in Physics from Utah State University.

Jeffrey R. Feeler was appointed Vice President, Chief Financial Officer, Treasurer and Secretary in May 2007. He joined US Ecology in 2006 as Vice President, Controller, Chief Accounting Officer, Treasurer and Secretary. He previously held financial and accounting management positions with MWI Veterinary Supply, Inc. (2005-2006), Albertson's, Inc. (2003-2005) and Hewlett-Packard Company (2002-2003). From 1993 to 2002, he held various accounting and auditing positions for PricewaterhouseCoopers LLP. Mr. Feeler is a Certified Public Accountant and holds a BBA of Accounting and a BBA of Finance from Boise State University.

Eric L. Gerratt joined US Ecology in August 2007 as Vice President and Controller. He previously held various financial and accounting management positions at SUPERVALU, Inc (2006-2007) and Albertson's, Inc. (2003-2006). From 1997 to 2003, he held various accounting and auditing positions for PricewaterhouseCoopers LLP. Mr. Gerratt is a Certified Public Accountant and holds a BS in Accounting from the University of Idaho.

Steven D. Welling joined us in 2001 through the EnviroSAFE Services of Idaho (now US Ecology Idaho) acquisition. He previously served as National Accounts Manager for EnviroSOURCE Technologies and Western Sales Manager for EnviroSAFE Services of Idaho and before that managed new market development and sales for a national bulk chemical transportation company. Mr. Welling holds a BS from California State University-Stanislaus.

Item 1A. Risk Factors

In addition to the factors discussed elsewhere in this Form 10-K, the following are important factors which could cause actual results or events to differ materially from those contained in any forward-looking statements made by or on behalf of us.

A significant portion of our business depends upon non-recurring event clean-up projects over which we have no control.

A significant portion of our disposal revenue is attributable to discrete Event Business which varies widely in size, duration and unit pricing. For the year ended December 31, 2009, approximately 44% of our treatment and disposal revenues were derived from Event Business projects. The one-time nature of Event Business necessarily creates variability in revenue and earnings. This variability is further influenced by service mix, general economic conditions, funding availability, changes in laws and regulations, government enforcement actions, public controversy, litigation, weather, property redevelopment plans and other factors. As a result of this variability, we can experience significant quarter-to-quarter and year-to-year volatility in revenue, gross profit, gross margin, operating income and net income. Also, while many large project opportunities are identifiable years in advance, both large and small project opportunities also routinely arise with little prior notice. This uncertainty, which is inherent to the hazardous and radioactive waste disposal industry, is factored into our budgeting and externally communicated business projections. Our projections combine historical experience with identified sales pipeline opportunities and planned initiatives for new or expanded service lines. A reduction in the number and size of new clean-up projects won to replace completed work could have a material adverse affect on our business.

The completion of, loss of or failure to renew one or more significant contracts could adversely affect our profitability.

Our multiple year Honeywell Jersey City project was completed in October 2009. Under this four year contract, which began in 2005, we received approximately 1.3 million tons of waste at our Grand View, Idaho facility. Revenue from Honeywell represented 38%, 43% and 41% of total revenue in 2009, 2008 and 2007, respectively. Waste received from the Honeywell Jersey City project contained high metals concentrations of chromite ore processing residue soil and debris that is a commodity material resulting in the waste stream being one of our lower margin treatment services. However, in 2009 we experienced increased profitability on the waste received from Honeywell as a result of an approximate 30% reduction in our additive costs used to treat the waste prior to disposal, a reduction in personnel as we prepared for the end of the project and, to a limited degree, increased logistics and processing efficiencies realized over the duration of the project. At the same time, economic conditions significantly impacted our non-Honeywell business resulting in the Honeywell portion of our business becoming a more significant portion of our total overall business. As a result, operating income generated from the Honeywell Jersey City project grew to an estimated 30% of our total operating income, more than in any other year. We expect that replacement of revenue and operating income from the Honeywell Jersey City project to come from our expanded treatment and disposal capabilities, expanded permits, thermal recycling services, utilization of our railcar fleet to secure other unidentified

remedial cleanup projects, expanding services to waste brokers and strategic acquisitions. The time frame required to replace the Honeywell Jersey City project revenue and earnings is dependent on a number of factors, many of which are outside the control of the Company, including but not limited to general economic conditions, capital in the commercial credit markets, general level of government funding on environmental matters, real estate development and other industrial investment opportunities. If we are unable to replace the contribution from the Honeywell Jersey City project with new projects could result in a material adverse affect on our business.

We have a multiple year contract with the USACE which accounted for approximately 8% of our total revenues for the year ended December 31, 2009. We have a long-term disposal contract with the USACE that was scheduled to expire in 2009 but has been extended to expire in 2010. While multi-year USACE projects may continue under the contract for up to five years beyond 2010, the contract does not guarantee any funding beyond assigned project-specific task orders or a follow-on contract for projects first awarded after 2010. Reduced appropriations for the USACE and/or other government clean-up work, a reduction in project-specific task orders, and/or the loss of or failure to renew these or other large contracts and task orders combined with failure to replace their contribution with new projects could result in a material adverse affect on our business.

Adverse economic conditions, government funding or competitive pressures affecting our customers could harm our business.

We serve oil refineries, chemical production plants, steel mills, waste broker-aggregators serving small manufacturers and other industrial customers that are, or may be, affected by changing economic conditions and competition. These customers may be significantly impacted by a deterioration in general economic conditions and may curtail waste production and/or delay spending on plant maintenance, waste clean-up projects and other discretionary work. Spending by government agencies may also be reduced due to declining tax revenues that may result from a general deterioration in economic conditions. Factors that can impact general economic conditions and the level of spending by our customers include the general level of consumer and industrial spending, increases in fuel and energy costs, residential and commercial real estate and mortgage market conditions, labor and healthcare costs, access to credit, consumer confidence and other macroeconomic factors affecting spending behavior. Market forces may also compel customers to cease or reduce operations, declare bankruptcy, liquidate or relocate to other countries, any of which could adversely affect our business.

Our operations are significantly affected by the commencement and completion of both large and multiple, smaller clean-up projects; potential seasonal fluctuations due to weather; budgetary decisions and cash flow limitations influencing the timing of customer spending for remedial activities; the timing of regulatory agency decisions and judicial proceedings; changes in government regulations and enforcement policies and other factors that may delay or cause the cancellation of clean-up projects. We do not control such factors, which can cause our revenue and income to vary significantly from quarter-to-quarter and year-to-year.

If we fail to comply with applicable laws and regulations our business could be adversely affected.

The changing regulatory framework governing our business creates significant risks. We could be held liable if our operations cause contamination of air, groundwater or soil. Under current law, we may be held liable for damage caused by conditions that existed before we acquired the assets or operations involved. Also, we may be liable if we arrange for the transportation, disposal or treatment of hazardous substances that cause environmental contamination at facilities operated by others, or if a predecessor made such arrangements and we are a successor. Liability for environmental damage could have a material adverse effect on our financial condition, results of operations and cash flows.

Stringent regulations of federal and state governments have a substantial impact on our business. Local government controls also apply. Many complex laws, rules, orders and regulatory interpretations govern environmental protection, health, safety, land use, zoning, transportation and related matters. Failure to obtain on a timely basis or comply with applicable federal, state and local governmental regulations, licenses, permits or approvals for our waste treatment and disposal facilities could prevent or restrict our ability to provide certain services, resulting in a potentially significant loss of revenue and earnings. Changes in environmental regulations may require us to make significant capital or other expenditures. Changes in laws or regulations or changes in the enforcement or interpretation of existing laws regulations or permitted activities may require us to modify existing operating licenses or permits, or obtain additional approvals. New governmental requirements that raise compliance standards or require changes in operating practices or technology may impose significant costs and/or limit operations.

Our revenues are primarily generated as a result of requirements imposed on our customers under federal and state laws, and regulations to protect public health and the environment. If requirements to comply with laws and regulations governing management of PCB, hazardous or radioactive waste were relaxed or less vigorously enforced, demand for our services could materially decrease and our revenues and earnings could be significantly reduced.

Our market is highly competitive. Failure to compete successfully could have a material adverse effect on our business, financial condition and results of operation.

We face competition from companies with greater resources, service offerings we do not provide and lower pricing in certain instances. An increase in the number of commercial treatment or disposal facilities for hazardous or radioactive waste, significant expansion of existing competitor permitted capabilities or a decrease in the treatment or disposal fees charged by competitors could materially and adversely affect our results of operations. Our business is also heavily affected by waste tipping fees imposed by government agencies. These fees, which vary from state to state and are periodically adjusted, may adversely impact the competitive environment in which we conduct our business.

If we are unable to obtain regulatory approvals and contracts for construction of additional disposal space by the time our current disposal capacity is exhausted, our business would be adversely affected.

Construction of new disposal capacity at our operating disposal facilities beyond currently permitted capacity requires state regulatory agency approvals. Administrative processes for such approval reviews vary. The State of Texas, which regulates our Robstown facility, provides for an adjudicatory hearing process administered by a hearing officer appointed by the State. While we have historically been successful in obtaining timely approvals for proposed disposal facility expansions including those involving adjudicatory processes, there can be no assurance that we will be successful in obtaining future expansion approvals in a timely manner or at all. If we are not successful in receiving these approvals, our disposal capacity could eventually be exhausted, preventing us from accepting additional waste at an affected facility. This would have a material adverse effect on our business.

We may not be able to obtain timely or cost effective transportation services which could adversely affect our profitability.

Revenue at each of our facilities is subject to potential risks from disruptions in rail or truck transportation services relied upon to deliver waste to our facilities. Increases in fuel costs and unforeseen events such as labor disputes, public health pandemics, natural disasters and other acts of God, war, or terror could prevent or delay shipments and reduce both volumes and revenue. Our rail transportation service agreements with our customers generally allow us to pass on fuel surcharges assessed by the railroads, which decrease or eliminate our exposure to fuel cost increases. Transportation services may be limited by economic conditions, including increased demand for rail or trucking services, resulting in periods of slower service to the point that individual customer needs cannot be met. No assurance can be given that we can procure transportation services in a timely manner at competitive rates or pass through fuel cost increases in all cases. Such factors could also limit our ability to achieve revenue and earnings objectives.

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

We are required by law, license, permit, and prudence to maintain various insurance instruments and financial assurances. We carry a broad range of insurance coverages that are customary for a company of our size in our business. We obtain these coverages to mitigate risk of loss, allowing us to manage our self-insured exposure from potential claims. We are self-insured for employee health-care coverage. Stop-loss insurance is carried covering liability on claims in excess of \$150,000 per individual or on an aggregate basis for the monthly population. Accrued costs related to the self-insured health care coverage were \$212,000 and \$234,000 at December 31, 2009 and 2008, respectively. We also maintain a Pollution and Remediation Legal Liability Policy pursuant to RCRA regulations subject to a \$250,000 self-insured retention. In addition, we are insured for consultant's environmental liability subject to a \$100,000 self-insured retention. We are also insured for losses or damage to third party property or people subject to a \$50,000 self-insured retention. If our insurers were unable to meet their obligations, or our own obligations for claims were more than expected, there could be a material adverse effect to our financial condition and results of operation.

Through December 31, 2009, we have met our financial assurance requirements through insurance. Our current closure and post-closure policies were renewed in December 2005 and expires in December 2010. This renewal required us to establish a self-fund trust for our non-operating site closure and post-closure liability and provide collateral equal to 15% of financial assurance through the term of the policy. We currently have in place all financial assurance instruments necessary for our operations. While we expect to continue renewing these policies, if we were unable to obtain adequate closure, post-closure or environmental insurance in the future, any partially or completely uninsured claim against us, if successful and of sufficient magnitude, could have a material adverse effect on our results of operations and cash flows. Additionally, continued access to casualty and pollution legal liability insurance

with sufficient limits, at acceptable terms, is important to obtaining new business. Failure to maintain adequate financial assurance could also result in regulatory action including early closure of facilities. As of December 31, 2009, we have provided collateral of \$4.8 million in funded trust agreements and issued \$4.0 million in letters of credit through our primary bank for financial assurance insurance policies of approximately \$34 million for closure and post-closure obligations. While we believe we will be able to maintain the requisite financial assurance policies at a reasonable cost, premium and collateral requirements may materially increase. Such increases could have a material adverse effect on our financial condition and results of operations.

Loss of key management or sales personnel could harm our business.

We have an experienced management team and rely on the continued service of our senior managers to achieve our objectives. We also have a senior sales team with industry experience averaging over 15 years. Our objective is to retain our present management and sales teams and identify, hire, train, motivate and retain highly skilled personnel. The loss of any key management employee or sales personnel could adversely affect our business and results of operations.

The hazardous and radioactive waste industry in which we operate is subject to litigation risk.

The handling of radioactive, PCBs and hazardous material subjects us to potential liability claims by employees, contractors, property owners, neighbors and others. There can be no assurance that our existing liability insurance is adequate to cover claims asserted against us or that we will be able to maintain adequate insurance in the future. Adverse rulings in legal matters could also have a material adverse effect on our financial condition and results of operations.

Our business requires the handling of dangerous substances. Improper handling of such substances could result in an adverse impact on our business.

We are subject to unexpected occurrences related, or unrelated, to the routine handling of dangerous substances. A fire or other incident, such as the fire in 2004 in our Robstown, Texas waste treatment building, could impair one or more facilities from performing normal operations. This could have a material adverse impact on our financial condition and results of operations. Improper handling of these substances could also violate laws and regulations resulting in fines and/or suspension of operations.

Failure to perform under our contracts may adversely harm our business.

Certain contracts require us to meet specified performance criteria. Our ability to meet these criteria requires that we expend significant resources. If we or our subcontractors are unable to perform as required, we could be subject to substantial monetary penalties and/or loss of the affected contracts which may adversely affect our business.

We may not be able or willing to pay future dividends.

Our ability to pay dividends is subject to our future financial condition and certain conditions such as continued compliance with bank covenants. Our Board of Directors must also approve any dividends at their sole discretion. Pursuant to our credit agreement, we may only declare quarterly or annual dividends if on the date of declaration no event of default has occurred, no other event or condition that upon notice or continuation would constitute a default, and payment of the dividend will not result in a default. Unforeseen events or situations could cause non-compliance with these bank covenants, or cause the Board of Directors to discontinue or reduce the amount of any dividend payment.

We may not be able to effectively implement thermal desorption recycling and other new technologies.

We expect to continue implementing new technologies at our facilities. If we are unable to obtain targeted revenue streams from the thermal desorption recycling technology placed into service at our Robstown, Texas facility in 2008 our financial condition and results of operations could be adversely impacted. This could occur due to any number of risk factors including changes in market conditions including increased competition, outlets for recycled materials, equipment malfunction, disputes with the equipment owner/operator, the performance of the owner/operator in meeting its contractual obligations, regulatory compliance, and equipment operation and maintenance costs. In addition, if we are unable to identify and implement other new technologies in response to market conditions and

customer requirements in a timely, cost effective manner, our financial condition and results of operations could also be adversely impacted.

Integration of potential acquisitions may impose substantial costs and delays and cause other unanticipated adverse impacts.

Acquisitions involve multiple risks. Our inability to successfully integrate the operations of an acquired business into our operations could have a material adverse effect on our business. These risks include but are not limited to:

changing market conditions;

increased competition;

the need to spend substantial operational, financial and management resources integrating new businesses, technologies and processes and related difficulties integrating the operations, personnel or systems;

retention of key personnel and customers;
 impairments of goodwill and other intangible assets; and
 environmental and other liabilities associated with past operations.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The following table describes our non-disposal related properties and facilities at December 31, 2009 owned or leased by us.

Location	Segment	Function	Size	Own/Lease
Boise, Idaho	Corporate	Corporate office	11,492 sq. ft.	Lease
Elmore County, Idaho	Operating Disposal Facility	Rail transfer station	189 acres	Own
Robstown, Texas	Operating Disposal Facility	Rail transfer station	174 acres	Own
Bruneau, Idaho	Non-operating Disposal Facility	Former disposal facility	83 acres	Own
Sheffield, Illinois	Non-operating Disposal Facility	Former disposal facility	374 acres	Own
Winona, Texas	Non-operating Disposal Facility	Former deep well facility	298 acres	Own

The following table describes our treatment and disposal properties owned or leased by us, total acreage owned or controlled by us at the facility, estimated amount of permitted airspace available at each facility, the estimated amount of non-permitted airspace and the estimated life at each facility. All estimates are as of December 31, 2009.

Location	Own/Lease	Total Acreage	Permitted Airspace (Cubic Yards)	Non-Permitted Airspace (Cubic Yards)	Estimate Life (in years)
Beatty, Nevada	Lease	80	1,494,372	-	14
Grand View, Idaho	Own	1,411	2,034,825	28,100,000	81
Robstown, Texas	Own	440	2,209,409	-	19
Richland, Washington (1)	Sublease	100	661,330	-	46

(1) The Richland, Washington facility is on land subleased from the State of Washington. Our sublease has 6 years remaining on the base term with four 10-year renewal options, giving us control of the property until the year 2055

provided that we meet our obligations and operate in a compliant manner. The facility's intended operating life is equal to the period of the sublease.

Item 3. Legal Proceedings

In the ordinary course of business, we are involved in judicial and administrative proceedings involving federal, state or local governmental authorities. Actions may also be brought by individuals or groups in connection with alleged violations of existing permits, alleged damages from exposure to hazardous substances purportedly released from our operated sites, provision of services to customers, disputes with employees, contractors or vendors and other litigation. We maintain insurance coverage for property and damage claims which may be asserted against us. Periodically, management reviews and may establish or adjust reserves for legal and administrative matters, or fees expected to be incurred in connection therewith. As of December 31, 2009, we did not have any ongoing, pending or threatened legal action that management believes would have a material adverse effect on our financial position, results of operations or cash flows.

Item 4. Intentionally Omitted

PART II

Item 5. Market For Registrant's Common Equity, Related Stockholder Matters And Issuer Purchases Of Equity Securities

Our common stock is listed on the NASDAQ Global Select Market under the symbol ECOL. As of February 19, 2010 there were approximately 10,423 beneficial owners of our common stock. High and low sales prices for the common stock for each quarter in the last two years are shown below:

	2009		2008	
	High	Low	High	Low
First Quarter	\$ 21.21	\$ 13.56	\$ 26.84	\$ 18.51
Second Quarter	\$ 20.42	\$ 13.59	\$ 30.54	\$ 24.50
Third Quarter	\$ 19.73	\$ 15.87	\$ 33.83	\$ 24.73
Fourth Quarter	\$ 19.90	\$ 15.97	\$ 27.73	\$ 14.17

The following graph compares the five-year cumulative total return on our common stock with the comparable five-year cumulative total returns of the NASDAQ Composite Index and a waste industry peer group of publicly traded companies for fiscal year 2009. The companies which make up the selected industry peer group are Clean Harbors, Inc; Perma-Fix Environmental Services, Inc; and Waste Management Inc. The graph assumes that the value of the investment in US Ecology common stock and each index was \$100 at December 31, 2003 and assumes the reinvestment of dividends. The chart below the graph sets forth the data points in dollars as of December 31 of each year.

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We have paid the following dividends on our common stock (\$s in thousands except per share amounts):

	2009		2008	
	Per share	Dollars	Per share	Dollars
First Quarter	\$ 0.18	\$ 3,267	\$ 0.15	\$ 2,737
Second Quarter	0.18	3,267	0.15	2,737
Third Quarter	0.18	3,267	0.18	3,286
Fourth Quarter	0.18	3,267	0.18	3,294
Total	\$ 0.72	\$ 13,068	\$ 0.66	\$ 12,054

In June 2008, we entered into a credit facility with Wells Fargo Bank that provides us with \$15.0 million of unsecured borrowing capacity and matures on June 15, 2010. Pursuant to our credit agreement, we may only declare quarterly or annual dividends if on the date of declaration, no event of default has occurred, or no other event or condition has occurred that would constitute an event of default after giving effect to the payment of the dividend. No events of default have occurred to date.

Item 6. Selected Financial Data

This summary should be read in conjunction with the consolidated financial statements and related notes.

\$s in thousands, except for per share data

	2009	2008	2007	2006	2005
Revenue	\$ 132,519	\$ 175,827	\$ 165,520	\$ 116,838	\$ 79,387
Insurance proceeds (1)	661	-	-	704	901
Operating income	23,102	34,521	30,867	24,458	19,432
Gain on settlement of litigation (2)	-	-	-	-	5,327
Income tax expense (benefit)	9,513	13,735	12,322	9,979	9,676
Net income	13,970	21,498	19,396	15,889	15,438
Earnings per share - basic	\$ 0.77	\$ 1.18	\$ 1.06	\$ 0.88	\$ 0.88
Earnings per share - diluted:	\$ 0.77	\$ 1.18	\$ 1.06	\$ 0.87	\$ 0.86
Shares used in earnings per share calculation:					
Basic	18,146	18,236	18,217	18,071	17,570
Diluted	18,173	18,290	18,257	18,202	17,950
Dividends paid per share	\$ 0.72	\$ 0.66	\$ 0.60	\$ 0.60	\$ 0.30
Total assets	\$ 123,662	\$ 127,445	\$ 117,076	\$ 104,041	\$ 89,396
Working capital (3)	38,830	36,892	29,846	24,459	31,484
Long-term debt, net of current portion	10	21	27	24	-
Stockholders' equity	93,498	91,942	83,098	73,355	63,886
Return on invested capital (4)	14.3%	18.7%	17.2%	18.7%	19.5%

(1)

Relates to insurance recoveries from an employee dishonesty claim in 2009 and a treatment building fire in 2004 for the 2006 and 2005 recoveries.

- (2) For the year ended December 31, 2005, we recognized a gain associated with a legal settlement with the State of Nebraska.
- (3) Calculated as current assets minus current liabilities.
- (4) Calculated as operating income less applicable taxes divided by the sum of stockholders equity, long-term debt, closure and post-closure obligations, monetized operating leases less cash and short-term investments.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

We are a hazardous, PCB, non-hazardous and radioactive waste services company providing treatment, disposal, recycling and transportation services to commercial and government entities including but not limited to oil refineries, chemical production facilities, manufacturers, electric utilities, steel mills, biotechnology companies, military installations, waste broker aggregators and medical and academic institutions. The majority of the waste received at our facilities is produced in the United States. We generate revenue from fees charged to treat and dispose of waste at our four fixed disposal facilities located near Grand View, Idaho; Richland, Washington; Beatty, Nevada; and Robstown, Texas. We manage a dedicated fleet of railcars and arrange for the transportation of waste to our facilities. Transportation services have contributed significant revenue in recent years. We also utilize this railcar fleet to provide transportation services for disposal at facilities operated by other companies on a less frequent basis. We or our predecessor companies have been in the waste business since 1952.

Our customers may be divided into categories to better evaluate period-to-period changes in our treatment and disposal revenue based on service mix and type of business (recurring "Base" or "Event" clean-up business). Each of these categories is described in the table below with information on the percentage of total treatment and disposal revenues for each category for the years ended December 31, 2009 and 2008.

Customer Category	Description	% of 2009 Treatment and Disposal Revenue (1)	% of 2008 Treatment and Disposal Revenue (1)
Broker	Companies that collect and aggregate waste from their direct customers, comprised of both Base and Event clean-up business.	36%	30%
Private Clean-up	Private sector clean-up project waste, typically Event business.	19%	25%
Government	Federal and State government clean-up project waste, comprised of both Base business and Event clean-up business.	15%	19%
Refinery	Petroleum refinery customers, comprised of both Base and Event clean-up business.	12%	6%
Other industry	Electric utilities, chemical manufacturers and other industrial customers not included in other categories, comprised of both recurring Base business and Event clean-up business.	10%	11%
Rate regulated	Northwest and Rocky Mountain Compact customers paying rate-regulated disposal fees set by the State of Washington, predominantly Base business.	7%	6%
Steel	Steel mill customers, comprised of both Base and Event clean-up business.	1%	3%

(1)Excludes all transportation service revenue

A significant portion of our disposal revenue is attributable to discrete Event Business projects which vary widely in size, duration and unit pricing. For the year ended December 31, 2009, approximately 44% of our treatment and disposal revenue was derived from Event Business projects. The one-time nature of Event Business, diverse spectrum of waste types received and widely varying unit pricing necessarily creates variability in revenue and earnings. This variability may be influenced by general economic conditions, funding availability, changes in laws and regulations, government enforcement actions or court orders, public controversy, litigation, weather, real estate redevelopment project timing, government appropriation and funding commitment cycles and other factors. The types and amounts of waste received from Base Business also vary from quarter-to-quarter. As a result of this variability, we can experience significant quarter-to-quarter and year-to-year differences in revenue, gross profit, gross margin, operating income and net income. Also, while many large projects are pursued months or years in advance of work performance, both large and small clean-up project opportunities routinely arise with little prior notice. This uncertainty, which is inherent to the hazardous and radioactive waste disposal business, is factored into our projections and externally communicated business outlook statements. Our projections combine historical experience with identified sales pipeline opportunities, new or expanded service line projections and prevailing market conditions. Management believes that the significant adverse general economic conditions emerging in late 2008 and continuing into 2010 exacerbate the uncertainty inherent to projecting future results.

Depending on project-specific customer needs and competitive economics, transportation services may be offered at or near our cost to help secure new business. For waste transported by rail from the eastern United States and other locations distant from our Grand View, Idaho facility, transportation-related revenue can account for as much as three-fourths (75%) of total project revenue. While bundling transportation and disposal services reduces overall gross profit as a percentage of total revenue (“gross margin”), this value-added service has allowed us to win multiple projects that management believes we could not otherwise have competed for successfully. Our acquisition of a Company-owned railcar fleet to supplement railcars obtained under operating leases has reduced our reliance on short-term rentals and ultimately has reduced transportation expenses.

The increased waste volumes resulting from projects won through this bundling strategy have driven operating leverage benefits and increased profitability. While waste treatment and other variable costs are project-specific, the earnings contribution from the individual projects generally increases as overall disposal volumes increase. Management believes that maximizing operating income and earnings per share is a higher priority than maintaining or increasing gross margin. We plan to continue aggressively bidding bundled transportation and disposal services based on this strategy.

To maximize utilization of our railcar fleet, we periodically deploy available railcars to transport waste from clean-up sites to disposal facilities operated by other companies. Such transportation services may be bundled with for-profit logistics and field services support work.

We serve oil refineries, chemical production plants, steel mills, waste broker-aggregators serving small manufacturers and other industrial customers that are generally affected by adverse economic conditions and a tight credit environment. Such conditions may cause our customers as well as those they serve to curtail operations resulting in lower waste production and/or delayed spending on off-site waste shipments, maintenance, waste clean-up projects and other work. Factors that can impact general economic conditions and the level of spending by our customers include, but are not limited to, consumer and industrial spending, increases in fuel and energy costs, conditions in the real estate and mortgage markets, labor and healthcare costs, access to credit, consumer confidence and other economic factors affecting spending behavior. Market forces may also induce customers to reduce or cease operations, declare bankruptcy, liquidate or relocate to other countries, any of which could adversely affect our business. To the extent our business is either government funded or driven by government regulations or enforcement actions, we believe it is less susceptible to general economic conditions. However, spending by government agencies may also be reduced due to declining tax revenues resulting from a weak economy or changes in policy. Disbursement of funds appropriated by Congress may also be delayed for administrative or other reasons.

Adverse economic trends arising in the second half of 2008 and continuing into 2010 have resulted in a decrease in near-term demand for our services from industrial production and manufacturing activities and waste-generating businesses that support them. These conditions also impact spending on real estate “brownfield” redevelopment projects and other discretionary industry clean-up projects. We have tightened our credit standards in response to these trends, which may also impact our business. Demand for our services may benefit from greater emphasis on enforcement by the current federal administration as well as increased federal funding for environmental remediation, including funds specifically appropriated for remediation by the American Recovery and Reinvestment Act of 2009 (“ARRA”). While we have received ARRA funding commitments on certain projects served by the Company and believe additional opportunities exist, this process has been slower than initially anticipated due to administratively burdensome reporting requirements by government agencies and we are not able to estimate the overall opportunity to the Company represented by the ARRA.

Overall Performance

On a consolidated basis, our financial performance for the year ended December 31, 2009 (“2009”) declined as compared to the years ended December 31, 2008 (“2008”) and December 31, 2007 (“2007”). A significant portion of our

disposal revenue is derived from government Event clean-up projects, which are primarily driven by federal, state and (to a lesser extent) local government appropriations. Government Event projects include federal and state Superfund projects which, like other remediation work, depend on project-specific funding.

We have a contract with the USACE to provide disposal services for the USACE FUSRAP clean-up program. The current USACE contract expires in 2010, however, multi-year projects underway before the expiration date may continue for five years under the same terms. The USACE expects the federal clean-up program, which funds the contract, to continue through approximately 2021. Given our current level of service to the USACE, we believe follow-on contracting is likely. From time to time the USEPA and other federal agencies use our contract to dispose of Superfund and other federal clean-up waste. Annual FUSRAP funding has remained generally constant. In 2009, USACE revenue was approximately 8% of total revenue or \$11.2 million as compared to 6% or \$11.4 million and 7% or \$12.2 million of total revenue in 2008 and 2007, respectively. Treatment and disposal revenue from the USACE declined 23% in 2009 as compared with 2008, partially offset by increased transportation services being offered.

We believe that private sector remediation projects are driven by economic conditions, regulatory agency enforcement actions and settlements including regulatory enforcement actions, judicial proceedings, availability of private funds, post-remediation real estate redevelopment plans and other factors. During economic downturns, management believes that privately-funded remediation projects that are not driven by enforcement actions are more likely to be delayed than when the economy is healthy. The economic condition of a specific industry category (e.g. refinery or steel mill production) is also relevant, however, as is the financial condition of specific customers. We serve multiple private clean-up efforts on an ongoing basis. The revenue and gross margin for individual projects vary considerably depending on the amount of waste shipped to our disposal sites, the rate at which the waste is shipped and unit pricing.

In 2005, we entered into a large project contract with Honeywell to transport, treat and dispose approximately 1.3 million tons of chromite ore processing residue. Treatment of metals-bearing waste is generally a commoditized service and we believe we earned this business through a combination of our high volume waste throughput capability, the superior environmental conditions present at our site in the Owyhee Desert of southwestern Idaho and competitive pricing for bundled transportation and disposal services. Initial Honeywell shipments were received at our Grand View, Idaho facility in July 2005 and the project was completed in October 2009. Honeywell revenue was 38%, 43% and 41% of our total revenue in 2009, 2008 and 2007, respectively.

Work on Study Area 7, the primary Honeywell Jersey site, was completed in early October 2009. While this work represented a significant portion of the Company's total revenue, approximately 75% of the revenue from this contract is for transportation services provided at or near our cost. In addition, the treatment of chromite ore processing residue (COPR) is a commodity material resulting in the waste stream being one of our lower margin treatment services. However, in 2009 we experienced increased profitability on the waste received from Honeywell as a result of an approximate 30% reduction in our additive costs used to treat the waste prior to disposal, a reduction in personnel as we prepared for the end of the project and, to a limited degree, increased logistics and processing efficiencies realized over the duration of the project. At the same time, economic conditions significantly impacted our non-Honeywell business resulting in the Honeywell portion of our business becoming a more significant portion of our total overall business. As a result, operating income generated from the Honeywell Jersey City project grew to an estimated 30% of our total operating income, more than in any other year. The Honeywell contract remains in effect for work at other smaller Honeywell Study Area sites in the Jersey City area. We expect that our expanded treatment and disposal capabilities, expanded permits, thermal recycling services, utilization of our railcar fleet on other projects and a continued strategy of maximizing operating leverage at our disposal sites and expanding services to waste brokers will generate sufficient cash flows to continue to fund operations after completion of the Honeywell contract.

We employ a sales incentive plan that rewards Base Business revenue. During 2009, Base Business revenue decreased 6% compared to 2008 levels. Base Business revenue was approximately 56% of total 2009 treatment and disposal revenue, up from 50% in 2008. The hazardous waste business is highly competitive and no assurance can be given that we will maintain these Base Business revenue levels or increase our market share.

2007 to 2009 year-to-year comparisons are affected by multiple significant events including, but not limited to:

Adjustments in amounts reserved for future closure and post-closure costs at operating and non-operating hazardous waste facilities in 2009 and 2008 based on updated cost estimates and timing of closure and post-closure cost activities.

Increased amounts reserved for future closure and post-closure costs at operating and non-operating hazardous waste facilities in 2007 for increased closure cost estimates and acceleration of closure projects.

Settlement of an employee dishonesty insurance claim in the fourth quarter of 2009.

These events are discussed in detail below.

2009 Events

Employee dishonesty insurance proceeds: In 2009, we received and recognized net insurance proceeds related to recovery of an employee dishonesty claim for \$661,000.

Operating and Non-operating facility closure expenses: In 2009, we recognized net favorable adjustments of \$331,000 related to changes in cost estimates to close our operating and non-operating sites and perform post-closure monitoring.

21

Thermal asset impairment charge: In 2009, we recorded an asset impairment charge of \$244,000 related to discontinuation of thermal services at our Beatty, Nevada facility.

2008 Events

Operating and Non-operating facility closure expenses: In 2008, we recognized a favorable adjustment of \$857,000 based on written confirmation from the State of Nevada that cash contributed by the Company and held in a dedicated State account maintained to satisfy closure and post-closure obligations at our Beatty, Nevada facility could be used to fund interim closure work carried out by the Company. We also recognized favorable adjustments of approximately \$230,000 related to changes in cost estimates to close our operating and non-operating sites and perform post-closure monitoring. Partially offsetting these favorable adjustments was a charge of \$164,000 primarily related to higher than estimated costs incurred in 2008 to grout and close the remaining deep well at our non-operating Winona, Texas facility.

2007 Events

Operating and Non-operating facility closure expenses: In 2007, we incurred \$394,000 of expenses related to changes in closure cost estimates to close our operating and non-operating sites and perform post-closure monitoring activities. These increases in estimates were primarily a result of higher petroleum-based disposal cell liner material costs and soil excavation and placement costs which had escalated faster than the rate of inflation.

Results of Operations

The below table summarizes our operating results and percentage of revenues for the years ended December 31, 2009, 2008 and 2007.

\$s in thousands	2009	%	2008	%	2007	%
Revenue	\$ 132,519	100.0%	\$ 175,827	100.0%	\$ 165,520	100.0%
Transportation costs	52,708	39.8%	82,064	46.7%	79,326	47.9%
Other direct operating costs	43,535	32.9%	44,322	25.2%	40,681	24.6%
Gross profit	36,276	27.3%	49,441	28.1%	45,513	27.5%
Selling, general and administrative expenses	13,835	10.4%	14,920	8.5%	14,646	8.8%
Insurance proceeds	(661)	-0.5%	-		-	
Operating income	23,102	17.4%	34,521	19.6%	30,867	18.7%
Other income (expense)						
Interest income	116	0.1%	413	0.2%	732	0.4%
Interest expense	(2)		(7)		(3)	
Other	267	0.2%	306	0.2%	122	0.1%
Total other income	381	0.3%	712	0.4%	851	0.5%
Income before income tax	23,483	17.7%	35,233	20.0%	31,718	19.2%
Income tax expense	9,513	7.2%	13,735	7.8%	12,322	7.5%
Net income	\$ 13,970	10.5%	\$ 21,498	12.2%	\$ 19,396	11.7%

Segments

We operate within two segments, Operating Disposal Facilities and Non-operating Disposal Facilities, which are combined with our discontinued Processing operations and with Corporate to arrive at consolidated income. Only the Operating Disposal Facilities segment reports significant revenue and profits. Non-operating Disposal Facilities generate virtually no revenue and no profit. Corporate generates no revenue and provides administrative, management and support services to the other segments. Income taxes are assigned to Corporate. All other items are included in the segment where they originated. Inter-company transactions have been eliminated from the segment information and are not significant between segments. Detailed financial information for our reportable segments can be found in Note 15 of the consolidated financial statements under Item 8 - Financial Statements and Supplementary Data to this Form 10-K.

2009 Compared to 2008

Revenue. Revenue decreased 25% to \$132.5 million for 2009, down from \$175.8 million for 2008. This decrease reflects lower revenue on bundled rail transportation and disposal contracts and lower treatment and disposal revenue. During 2009, we disposed of 774,000 tons of hazardous and radioactive waste, down 35% from 1.2 million tons disposed in 2008. Our average selling price for treatment and disposal services (excluding transportation) in 2009 was 23% higher than our average selling price in 2008. This increase primarily reflects the pricing for the thermal recycling service initially introduced at our Robstown, Texas facility in the second half of 2008.

During 2009, treatment and disposal revenue (excluding transportation services) from recurring Base Business was 6% lower than 2008 and represented 56% of non-transportation revenue in 2009. This compared to 50% of non-transportation revenue in 2008. This decrease primarily reflects Base Business declines in our other industry, steel and broker industry business categories partially offset by growth in our refinery business.

Event Business treatment and disposal revenue in 2009 decreased 24% compared to 2008 and comprised 44% of non-transportation revenue. This compared to 50% of non-transportation revenue in 2008. As discussed further below, this reflects decreased treatment and disposal revenue from private and government customer categories, partially offset by increases in our broker and other industry business categories.

The following table summarizes revenue growth (both Base and Event Business) by industry customer type for 2009 as compared to 2008.

	Treatment and Disposal Revenue Growth 2009 vs. 2008
Refinery	71%
Rate regulated	4%
Broker	0%
Other industry	-24%
Private	-34%
Government	-35%
Steel	-66%

Treatment and disposal revenue from our refinery customers increased 71% in 2009 compared to 2008. This increase is primarily due to initial introduction of thermal recycling services at our Robstown, Texas facility in the second half of 2008.

Rate-regulated business at our Richland, Washington low-level radioactive waste facility increased 4% in 2009 compared to 2008. Our Richland facility operates under a State-approved revenue requirement. This increase is primarily due to our annual rate adjustments based on an inflation index.

Broker business was flat in 2009 compared to 2008. Our Broker business saw an increase in waste shipments for our thermal recycling services at our Robstown, Texas facility in 2009. Excluding brokered thermal recycling services, our broker business declined 3% in 2009 as compared with 2008.

Other industry revenue decreased 24% in 2009 compared to 2008. This decrease reflects a PCB waste clean-up project for an electric utility customer shipped to our Grand View, Idaho facility that was completed in 2008 coupled with a decline in business with electric utility, manufacturing and other industrial customers as a result of weaker year-over-year economic conditions and industrial production.

Treatment and disposal revenue from private clean-up customers for 2009 decreased 34% compared to 2008. The decrease is due primarily to decreased shipments on the Honeywell Study Area 7 and Molycorp, Pennsylvania projects in 2009 compared to 2008. The Honeywell Study Area 7 site and other much smaller Honeywell Study Area sites contributed 38% of total revenue (including transportation) in 2009, or \$50.6 million compared to 43% of total revenue (including transportation), or \$76.4 million, in 2008. The Molycorp project, which was completed in the second quarter of 2009, contributed 2% of total revenue (including transportation), or \$2.1 million in 2009, as compared to 5% of total revenue (including transportation), or \$9.6 million in 2008.

Government clean-up business revenue decreased 35% in 2009 compared to 2008. This decrease reflects state-funded clean-up projects shipped to our Robstown, Texas and Beatty, Nevada facilities, a US Army remediation project shipped to our Grand View, Idaho facility from an overseas military base and a military base cleanup project shipping to our Beatty, Nevada facility which were all completed in 2008 and not replaced in 2009. Revenue from cleanup work under the USACE contract declined slightly in gross revenue, contributing 8% of total revenue or \$11.2 million in 2009 compared to 6% of total revenue or \$11.4 million in 2008. Treatment and disposal revenue from the USACE, however, declined 23% in 2009 as compared with 2008, partially offset by increased transportation services being offered. Project-specific timing at the multiple USACE clean-up sites we serve drove this variability. Each such site typically is remediated over multiple years in discretely funded project phases that may involve different types of waste being shipped to different disposal companies. These phases vary by type and amount of waste shipped and duration. No USACE projects served by the Company were cancelled or awarded to competitors during 2009. We believe the timing and disbursement of funds for discrete work phases in 2009 were negatively impacted by competing administrative demands and reporting requirements associated with USACE implementation of the ARRA.

Treatment and disposal revenue from steel mill customers decreased 66% in 2009 compared to 2008. This reflects business lost to zinc recyclers offering a cost-effective alternative to land disposal as well as substantially reduced steel production levels in 2009 at mills currently served by the Company.

Gross Profit. In 2009, gross profit decreased 27% to \$36.3 million, down from \$49.4 million in 2008. This decrease reflects a decrease of 35% in disposal volumes in 2009 compared to 2008, which was partially offset by an increase in our average selling price for treatment and disposal services (excluding transportation) of 23% in 2009. The decrease is also partially attributable to net positive adjustments to our closure and post-closure obligations in 2008 of \$923,000 compared to net favorable adjustments of \$331,000 in 2009.

Gross margin was 27% in 2009 down from 28% in 2008. This reflects lower treatment and disposal waste volumes partially offset by a decrease in low margin and pass through transportation revenue. Disposal gross margins (excluding transportation revenue and costs) were 45% in 2009 as compared to 52% in 2008. This decrease reflects reduced operating leverage caused by significantly lower waste volumes as well as a greater percentage of waste requiring treatment (and increased variable costs) prior to disposal.

Use of additives to meet USEPA treatment standards is a variable cost dependent on the type of waste treated. Except for disposal unit airspace, treatment additives and (to a much lesser degree) employee overtime and energy costs, most other direct costs are fixed and do not significantly vary with changes in waste volume. This highlights the operating leverage inherent to the disposal business. Management focuses on earnings rather than gross margin, since increased gross margin could result in lower waste throughput, reduced operating leverage and lower gross profit.

Selling, General and Administrative (“SG&A”). SG&A expenses as a percentage of total revenue increased to 10% in 2009 as compared to 8% in 2008. In total dollars, SG&A expenses decreased 7%, or \$1.1 million, to \$13.8 million in 2009, down from \$14.9 million in 2008. The decrease in SG&A expenses was due to lower incentive compensation due to lower revenue and earnings, lower sales commissions on reduced revenues and lower travel and administrative costs resulting from ongoing 2009 cost control initiatives. These decreases were partially offset by a \$244,000 asset impairment charge related to the discontinuation of thermal services at our Beatty, Nevada facility.

Insurance proceeds. During the second quarter of 2009, management of the Company discovered evidence indicating that from November 2007 through April 2009 a former employee embezzled approximately \$714,000 in the aggregate from the Company through an entity purporting to provide truck transportation services to one of the Company’s wholly-owned subsidiaries. The Company has insurance policies in place that cover employee dishonesty claims and received net proceeds of \$661,000 related to its claim in the fourth quarter of 2009.

Interest income and expense. Interest income is earned on cash balances and short-term investments and is a function of prevailing market rates and balances. In 2009, we earned \$116,000 of interest income, down from \$413,000 in 2008. This decrease was due to a lower average rate of interest earned on investments in 2009 compared to 2008, partially offset by higher average balances of cash equivalents and short-term investments in 2009.

Other income (expense). Other income (expense) includes business activities not included in current year ordinary and usual revenue and expenses. In 2009, we recognized \$267,000 in other income primarily for royalty income from a previously sold municipal waste landfill in Texas and a gain on the sale of a parcel of property associated with our discontinued operation in Winona, Texas. This income was partially offset by foreign currency transaction losses related to waste shipments from a Canadian customer. Other income in 2008 was \$306,000, primarily from royalty income from the Texas municipal landfill.

Income tax expense. Our effective income tax rate for the year ended December 31, 2009 was 40.5% compared to 39.0% in 2008. This increase reflects higher state income tax rates. This increase also reflects lower pre-tax earnings in 2009 which increased the impact of non-tax-deductible expenses on our effective tax rate.

As of December 31, 2009, we had approximately \$83.0 million in state net operating loss carry forwards (“NOLs”) for which we maintain nearly a full valuation allowance. These state NOLs are located in states where we currently do little or no business, and consider it unlikely that we will utilize these NOLs in the future.

As of December 31, 2009 and 2008, we had no unrecognized tax benefits. We recognize interest assessed by taxing authorities as a component of interest expense. We recognize any penalties assessed by taxing authorities as a component of selling, general and administrative expenses. Interest and penalties for both 2009 and 2008 were not material.

2008 Compared to 2007

Revenue. Revenue increased 6% to \$175.8 million for 2008, up from \$165.5 million for 2007. This increase was primarily attributable to increased treatment and disposal revenue driven by an 13% increase in Base Business revenue and a 5% increase in Event Business revenue in 2008 compared to 2007. The increase is also partially attributable to higher revenue from transportation services on bundled rail transportation and disposal contracts. During 2008, we disposed of 1.2 million tons of hazardous and radioactive waste, up 7% from 1.1 million tons disposed in 2007. Our average selling price for treatment and disposal services (excluding transportation) in 2008 was 4% higher than our average selling price in 2007. Management believes this reflects normal variations in service mix that are inherent to the business.

During 2008, treatment and disposal revenue from recurring Base Business grew 13% and represented 50% of non-transportation revenue in 2008 compared to 48% in 2007. Base Business revenue increased in 2008 as a result of strong growth in our broker and other industry business categories. Event Business revenue was 5% higher in 2008 than in 2007, and represented 50% of our non-transportation revenue in 2008 and 52% in 2007. Event Business growth was attributable to higher disposal revenue from waste broker, government clean-up and refinery customers.

The following table summarizes revenue growth (both Base and Event Business) by industry customer type for 2008 as compared to 2007.

	Treatment and Disposal Revenue Growth 2008 vs. 2007
Broker	23%
Other industry	22%
Refinery	19%

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Government	17%
Private	-5%
Rate	
regulated	-10%
Steel	-21%

Our broker business increased 23% in 2008 compared to 2007, reflecting continued success teaming with national and regional waste broker companies that do not compete with us. Waste brokered to us for treatment and recycling during the second half of 2008 at the thermal desorption unit installed at our Robstown, Texas facility contributed to this growth.

Our other industry revenue category increased 22% in 2008 compared to 2007. This increase was due primarily to a large PCB waste clean-up for an electric utility customer shipped to our Grand View, Idaho facility in early 2008 and increased shipments from new Base Business customers.

Treatment and disposal revenue from refinery customers grew 19% in 2008 as compared to 2007. This growth is primarily attributable to a contaminated soil cleanup project shipped to our Idaho facility in 2008 and the introduction of our thermal desorption recycling service in Texas in the second half of 2008.

Government clean-up business revenue increased 17% in 2008 over 2007. This increase reflects a state-funded contaminated soil clean-up project shipping to our Robstown, Texas and Beatty, Nevada facilities in 2008 and increased shipments from military base clean-ups by the Department of Defense. These increases were partially offset by reduced waste disposal shipments from the USACE in 2008 as compared with 2007. This reduction reflects timing as task orders are completed and new task orders commenced as well as a higher percentage of available appropriations being spent by the USACE on transportation due to higher fuel charges. Including rail transportation services provided to the USACE, total revenue under the USACE contract contributed 6% of total revenue in 2008, or \$11.4 million, as compared to 7% of total revenue in 2007, or \$12.2 million.

Treatment and disposal revenue from private clean-up customers decreased approximately 5% during 2008 over the same period last year. The Molycorp project which ramped down to completion in the second quarter of 2009 was partially responsible for this decline. Molycorp contributed 5% of total revenue (including transportation), or \$9.6 million in 2008 as compared to 9% of total revenue (including transportation), or \$14.5 million in 2007. The decrease is also partially attributable to shipments to our Beatty, Nevada facility from a large brownfield redevelopment project completed in 2007. These decreases were partially offset by increased shipments from the Honeywell Jersey City project which was completed in October 2009. Including both transportation and disposal revenue, Honeywell contributed 43% of total revenue for 2008, or \$76.4 million. This compares to 41% of total revenue (including transportation) for 2007, or \$67.9 million.

Rate-regulated business at our Richland, Washington low-level radioactive waste facility decreased 10% in 2008 over 2007. Our Richland facility operates under a State-approved revenue requirement established a new, six year rate which took effect in 2008. The 2008 decrease primarily reflects a lower revenue requirement in 2008 than the previous rate agreement in effect for 2007. The current rate agreement provides for annual rate adjustments based on a specified inflation index.

Treatment and disposal revenue from our steel mill customers decreased 21% during in 2008 compared to 2007. This decline was a result of business lost to zinc recyclers offering an alternative to disposal as well as reduced steel production levels in the second half of 2008 at mills served by the Company.

Gross Profit. Gross profit in 2008 increased by 9% to \$49.4 million, up from \$45.5 million in 2007. This increase was attributable to increased waste volumes disposed of in 2008 as compared to 2007 and net favorable adjustments of \$923,000 in our closure and post-closure obligations recorded in 2008. During 2008, we received written confirmation from the State of Nevada that cash contributed by us and held in a dedicated state account to satisfy closure and post-closure obligations at our Beatty, Nevada hazardous waste disposal facility can be used to fund interim closure work. As a result, an \$857,000 obligation previously recorded for closure activities at the Beatty, Nevada facility was removed. The remaining \$66,000 of net favorable adjustment reflects year-end cost estimate revisions for closure activities and post-closure obligations at our Grand View, Idaho facility and non-operating Sheffield, Illinois facility, partially offset by increased costs to close our deep-well injection system at our non-operating facility in Winona, Texas. Gross margin was 28% for both 2008 and 2007.

Treatment and disposal gross margin (excluding transportation services) was 52% of treatment and disposal revenue in 2008 compared to 53% of treatment and disposal revenue in 2007. The service mix of waste received at our facilities can have a significant impact on our gross margin on a period-to-period basis. Treatment of metals-bearing hazardous wastes, such as the Honeywell Jersey City chromite ore waste, is a commoditized service with lower gross margins than other waste materials that require no treatment prior to disposal or higher margin niche treatment services such as treatment of waste containing organic chemical compounds and radioactive material disposal.

Use of additives to meet USEPA treatment standards is a variable cost dependent on the type of waste treated. Except for disposal unit airspace, treatment additives and (to a much lesser degree) employee overtime and energy costs, most other direct costs are fixed and do not significantly vary with changes in waste volume. This highlights the operating leverage inherent to the disposal business. Management focuses on earnings rather than gross margin, since increased gross margin could result in lower waste throughput, reduced operating leverage and lower gross profit.

During 2007 gross profit and gross margin were reduced by approximately \$394,000 for charges related to closure and post-closure expenses at our operating and non-operating facilities in Robstown and Winona, Texas and Sheffield, Illinois.

Selling, General and Administrative. SG&A expenses as a percentage of total revenue declined to 8% in 2008 as compared to 9% in 2007. In total dollars, SG&A expenses increased 2% to \$14.9 million in 2008, up from \$14.6 million in 2007. The increase in SG&A expenses was due to higher payroll and benefit expenses, bad debt expense and stock and performance based compensation expense. The increase also reflects \$129,000 of business development expenses on an acquisition opportunity the Company elected not to pursue during the year.

Interest income and expense. Interest income is earned on cash balances and short-term investments and is a function of prevailing market rates and balances. In 2008, we earned \$413,000 of interest income, down from \$732,000 in 2007. This decrease was due to a lower average rate of interest earned on investments in 2008 compared to 2007, partially offset by higher average balances of cash equivalents and short-term investments in 2008.

Other income (expense). Other income (expense) includes business activities not included in current year ordinary and usual revenue and expenses. In 2008, we recognized \$306,000 in other income primarily for royalty income from a previously sold municipal waste landfill in Texas. Other income in 2007 was \$122,000, primarily from a \$26,000 net gain on sale of excess property associated with our discontinued operation in Winona, Texas and \$88,000 in royalty income from the Texas municipal landfill.

Income tax expense. Our effective income tax rate for the years ended December 31, 2008 was 39.0% compared to 38.8% in 2007. The lower 2007 effective tax rate reflects the realization of approximately \$325,000 in state investment tax credits on our filed income tax returns.

As of December 31, 2008, we had approximately \$72.4 million in state NOLs for which we maintain nearly a full valuation allowance. These state NOLs are located in states where we currently do little or no business, and consider it unlikely that we will utilize these NOLs in the future.

As of December 31, 2008 and 2007, we had no unrecognized tax benefits. We recognize interest assessed by taxing authorities as a component of interest expense. We recognize any penalties assessed by taxing authorities as a component of selling, general and administrative expenses. Interest and penalties for both 2008 and 2007 were not material.

Liquidity and Capital Resources

Our principal source of cash is from operations. The \$31.3 million in cash and cash equivalents at December 31, 2009 was comprised of cash and cash equivalents immediately available for operations.

We have a \$15.0 million unsecured revolving line of credit (the "Revolving Credit Agreement") with Wells Fargo Bank, National Association ("Wells Fargo") expiring on June 15, 2010. This unsecured line-of-credit is available to supplement daily working capital if needed. Monthly interest-only payments are required on outstanding debt levels based on a pricing grid, under which the interest rate decreases or increases based on our ratio of funded debt to earnings before interest, taxes, depreciation and amortization. We can elect to borrow monies utilizing LIBOR plus an applicable spread or the prime rate. The Revolving Credit Agreement contains quarterly financial covenants, including a maximum leverage ratio, a maximum funded debt ratio and a minimum required tangible net worth. Pursuant to our Revolving Credit Agreement, we may only declare quarterly or annual dividends if on the date of declaration, no event of default has occurred, or no other event or condition has occurred that would constitute an event of default after giving effect to the payment of the dividend. At December 31, 2009 we were in compliance with all financial covenants in the Revolving Credit Agreement. We have a standby letter of credit to support our closure and

post-closure obligation of \$4.0 million that expires in December 2010. At December 31, 2009, we had a borrowing capacity of \$11.0 million after deducting the outstanding letter of credit, with no borrowings outstanding. Based on discussions with Wells Fargo and other financial institutions, we do not currently expect difficulties in renewing or replacing the existing Revolving Credit Agreement on terms and conditions that we find to be acceptable.

On October 28, 2008, our Board of Directors authorized management to repurchase up to 600,000 shares, or approximately 3%, of our outstanding common stock. On December 11, 2008, the program was extended to February 28, 2009. On February 23, 2009, the program was again extended through December 31, 2009. The program expired on December 31, 2009. No stock was repurchased during the fourth quarter of 2009. During 2008 and through December 31, 2009, the Company repurchased 155,315 shares under the plan at an average price of \$16.68 per share using cash on hand.

Work under our Honeywell contract represented 38% of total revenue for the year ended December 31, 2009. Work on Study Area 7, the primary Honeywell Jersey site, was completed in early October 2009. While this work represented a significant portion of the Company's total revenue, approximately 75% of the revenue from this contract is for transportation services provided at or near our cost. In addition, the treatment of chromite ore processing residue (COPR) is a commodity material resulting in the waste stream being one of our lower margin treatment services. However, in 2009 we experienced increased profitability on the waste received from Honeywell as a result of an approximate 30% reduction in our additive costs used to treat the waste prior to disposal, a reduction in personnel as we prepared for the end of the project and, to a limited degree, increased logistics and processing efficiencies realized over the duration of the project. At the same time, economic conditions significantly impacted our non-Honeywell business resulting in the Honeywell portion of our business becoming a more significant portion of our total overall business. As a result, operating income generated from the Honeywell Jersey City project grew to an estimated 30% of our total operating income, more than in any other year. The Honeywell contract remains in effect for work at other smaller Honeywell Study Area sites in the Jersey City area. We expect that our expanded treatment and disposal capabilities, expanded permits, thermal recycling services, utilization of our railcar fleet on other projects and a continued strategy of maximizing operating leverage at our disposal sites and expanding services to waste brokers will generate sufficient cash flows to continue to fund operations after completion of the Honeywell contract.

Management believes that cash on hand and cash flow from operations will be sufficient to meet all operating cash needs during the next 12 months.

Operating Activities. In 2009, net cash provided by operating activities was \$36.8 million. This reflects net income of \$14.0 million, decreases in receivables of \$14.4 million, utilization of a \$2.8 million income tax receivable, changes in deferred income taxes of \$1.8 million and depreciation, amortization and accretion of \$9.0 million. Partially offsetting these sources of cash were decreases in accounts payable and accrued liabilities of \$1.1 million, decreases in deferred revenue of \$3.3 million and decreases in accrued salaries and benefits of \$1.2 million. Impacts on net income are due to the factors discussed above under Results of Operations. The decrease in receivables is primarily attributable to a decline in revenue in 2009 compared with the 2008. Days sales outstanding were 68 days as of December 31, 2009, compared to 66 days at December 31, 2008. The decrease in income tax receivable reflects application of prior year over-payments to current year tax liabilities generated during in 2009. The decrease in accounts payable and accrued liabilities and deferred revenue is primarily attributable to lower waste disposal volumes in 2009 compared to 2008. The decrease in accrued salaries and benefits reflects incentive compensation earned for 2008 performance and paid in the first quarter of 2009.

In 2008, cash provided by operating activities was \$30.6 million. This was primarily attributable to net income of \$21.5 million, depreciation, amortization and accretion of \$10.6 million and changes in deferred income taxes. These amounts were partially offset by decreases in closure and post-closure obligations of \$1.9 million, a decrease in accounts payable and accrued liabilities of \$1.8 million, increases in income tax receivables of \$1.8 million, and increases in accounts receivable (net of the increase in deferred revenue) of \$1.1 million. The increase in net income is discussed above under Results of Operations. The decrease in closure and post-closure obligations was due primarily to the removal of the closure obligation related to our Beatty, Nevada facility and payments made on our closure and post-closure obligations. The decrease in accounts payable and accrued liabilities is primarily attributable to reimbursements related to our rate-regulated business in Richland, Washington. The increase in tax receivables was the result of accelerated tax deductions related to bonus depreciation, accelerated amortization of cell space and other tax planning strategies. The increase in accounts receivable was primarily attributable to revenue growth. Days sales outstanding increased to 66 days as of December 31, 2008 compared to 65 days as of December 31, 2007.

In 2007, cash provided by operating activities was \$30.7 million. This was primarily attributable to net income of \$19.4 million, changes in deferred tax of \$2.9 million, accrued salaries and benefits and stock based compensation. These amount