

US ECOLOGY, INC.  
Form 10-Q  
November 08, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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

**For the Quarterly Period Ended: September 30, 2011**

**or**

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

**For the transition period from to**

**Commission File Number: 0-11688**

## US ECOLOGY, INC.

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**  
(State of Incorporation)

**95-3889638**  
(I.R.S. Employer Identification Number)

**Lakepointe Centre I,**  
**300 E. Mallard, Suite 300**

**Boise, Idaho**  
(Address of Principal Executive Offices)

**83706**  
(Zip Code)

**(208) 331-8400**

(Registrant's Telephone Number, Including Area Code)

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

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

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

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐  
(Do not check if smaller reporting company)

Smaller Reporting Company ☐

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

The number of shares of the registrant's common stock, \$0.01 par value, outstanding as of November 4, 2011 was 18,317,514.



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US ECOLOGY, INC.

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	September 30, 2011	December 31, 2010
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 6,059	\$ 6,342
Receivables, net	28,708	33,553
Prepaid expenses and other current assets	2,709	2,635
Income taxes receivable	29	
Deferred income taxes	872	455
Total current assets	38,377	42,985
Property and equipment, net	101,038	105,822
Restricted cash	4,115	4,115
Intangible assets, net	38,863	41,740
Goodwill	20,815	21,790
Other assets	721	897
Total assets	\$ 203,929	\$ 217,349
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities:		
Accounts payable	\$ 5,516	\$ 5,033
Deferred revenue	4,076	3,620
Accrued liabilities	9,031	8,188
Accrued salaries and benefits	4,459	4,051
Income taxes payable	971	2,615
Current portion of closure and post-closure obligations	2,462	778
Current portion of capital lease obligations	3	7
Total current liabilities	26,518	24,292
Long-term closure and post-closure obligations	14,788	15,995
Long-term capital lease obligations	1	3
Reducing revolving line of credit	48,000	63,000
Other long-term liabilities	157	201
Unrecognized tax benefits	429	
Deferred income taxes	18,068	19,146

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Total liabilities	107,961	122,637
Contingencies and commitments		
Stockholders' Equity:		
Common stock \$0.01 par value, 50,000 authorized; 18,318 and 18,311 shares issued, respectively	183	183
Additional paid-in capital	62,188	61,892
Retained earnings	35,779	33,940
Treasury stock, at cost, 93 and 119 shares, respectively	(1,555)	(1,979)
Accumulated other comprehensive (loss) income	(627)	676
Total stockholders' equity	95,968	94,712
Total liabilities and stockholders' equity	\$ 203,929	\$ 217,349

See Notes to Consolidated Financial Statements.

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## US ECOLOGY, INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)  
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenue	\$ 39,670	\$ 25,984	\$ 113,350	\$ 65,356
Other direct operating costs	18,810	10,229	54,825	30,239
Transportation costs	5,571	5,383	20,689	11,027
Gross profit	15,289	10,372	37,836	24,090
Selling, general and administrative expenses	5,722	3,929	15,874	10,839
Operating income	9,567	6,443	21,962	13,251
Other income (expense):				
Interest income	6	16	21	47
Interest expense	(395)		(1,277)	(1)
Foreign currency loss	(3,661)	(35)	(2,193)	(59)
Other	73	65	245	179
Total other income (expense)	(3,977)	46	(3,204)	166
Income before income taxes	5,590	6,489	18,758	13,417
Income tax expense	1,864	2,551	7,087	5,366
<b>Net income</b>	<b>\$ 3,726</b>	<b>\$ 3,938</b>	<b>\$ 11,671</b>	<b>\$ 8,051</b>
<b>Earnings per share:</b>				
Basic	\$ 0.20	\$ 0.22	\$ 0.64	\$ 0.44
Diluted	\$ 0.20	\$ 0.22	\$ 0.64	\$ 0.44
<b>Shares used in earnings per share calculation:</b>				
Basic	18,202	18,172	18,194	18,167
Diluted	18,227	18,186	18,219	18,186
<b>Dividends paid per share</b>	<b>\$ 0.18</b>	<b>\$ 0.18</b>	<b>\$ 0.54</b>	<b>\$ 0.54</b>

See Notes to Consolidated Financial Statements.



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## US ECOLOGY, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)  
(unaudited)

	Nine Months Ended September 30,	
	2011	2010
<b>Cash Flows From Operating Activities:</b>		
Net income	\$ 11,671	\$ 8,051
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	9,911	5,011
Amortization of intangible assets	1,076	
Accretion of closure and post-closure obligations	970	830
Unrealized foreign currency loss	2,217	
Deferred income taxes	(904)	117
Stock-based compensation expense	623	789
Unrecognized tax benefits	429	
Net loss on sale of property and equipment	99	167
Changes in assets and liabilities:		
Receivables	4,585	(1,456)
Income tax receivable	(31)	
Other assets	80	(646)
Accounts payable and accrued liabilities	2,392	1,884
Deferred revenue	516	483
Accrued salaries and benefits	483	(78)
Income tax payable	(1,646)	861
Closure and post-closure obligations	(437)	(215)
Other		18
Net cash provided by operating activities	32,034	15,816
<b>Cash Flows From Investing Activities:</b>		
Purchases of property and equipment	(7,493)	(9,023)
Proceeds from sale of property and equipment	57	61
Purchases of short-term investments		(4,998)
Maturities of short-term investments		6,375
Restricted cash		686
Net cash used in investing activities	(7,436)	(6,899)
<b>Cash Flows From Financing Activities:</b>		
Payments on reducing revolving line of credit	(29,400)	
Proceeds from reducing revolving line of credit	14,400	
Dividends paid	(9,832)	(9,816)
Proceeds from stock option exercises	97	
Payment of capital lease obligations	(6)	(9)
Net cash used in financing activities	(24,741)	(9,825)
Effect of foreign exchange rate changes on cash	(140)	
<b>Decrease in cash and cash equivalents</b>	<b>(283)</b>	<b>(908)</b>
Cash and cash equivalents at beginning of period	6,342	31,347

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<b>Cash and cash equivalents at end of period</b>	\$	6,059	\$	30,439
<b>Supplemental Disclosures</b>				
Income taxes paid, net of receipts	\$	9,233	\$	4,387
Interest paid		986		
<b>Non-cash investing and financing activities:</b>				
Capital expenditures in accounts payable		868		868
Closure/Post-closure retirement asset				1,257
Restricted stock issued from treasury shares	\$	424	\$	611

See Notes to Consolidated Financial Statements.

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## US ECOLOGY, INC.

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(\$s in thousands)  
(unaudited)

	Common Shares Issued	Par Value Common Stock	Additional Paid-In Capital	Comprehensive Income	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total
<b>Balance 12-31-2009</b>	<b>18,305,614</b>	<b>\$ 183</b>	<b>\$ 61,459</b>		<b>\$</b>	<b>\$ 34,446</b>	<b>\$ (2,590)</b>	<b>\$ 93,498</b>
Net income				\$ 8,051		8,051		8,051
Comprehensive income				\$ 8,051				
Dividend paid						(9,816)		(9,816)
Stock-based compensation			789					789
Issuance of restricted common stock from treasury shares			(611)				611	
<b>Balance 9-30-2010</b>	<b>18,305,614</b>	<b>\$ 183</b>	<b>\$ 61,637</b>		<b>\$</b>	<b>\$ 32,681</b>	<b>\$ (1,979)</b>	<b>\$ 92,522</b>
<b>Balance 12-31-2010</b>	<b>18,310,614</b>	<b>\$ 183</b>	<b>\$ 61,892</b>		<b>\$ 676</b>	<b>\$ 33,940</b>	<b>\$ (1,979)</b>	<b>\$ 94,712</b>
Net income				\$ 11,671		11,671		11,671
Foreign currency translation				(1,303)	(1,303)			(1,303)
Comprehensive income				\$ 10,368				
Dividend paid						(9,832)		(9,832)
Stock option exercises	6,900		97					97
Stock-based compensation			623					623
Issuance of restricted common stock from treasury shares			(424)				424	
<b>Balance 9-30-2011</b>	<b>18,317,514</b>	<b>\$ 183</b>	<b>\$ 62,188</b>		<b>\$ (627)</b>	<b>\$ 35,779</b>	<b>\$ (1,555)</b>	<b>\$ 95,968</b>

See Notes to Consolidated Financial Statements.

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**US ECOLOGY, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(unaudited)**

**NOTE 1 GENERAL**

**Basis of Presentation**

The accompanying unaudited consolidated financial statements include the results of operations, financial position and cash flows of US Ecology, Inc., and its wholly-owned subsidiaries (collectively, "US Ecology" or "the Company"). All significant intercompany balances have been eliminated.

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments necessary to present fairly, in all material respects, the results of the Company for the periods presented. These consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted pursuant to the rules and regulations of the SEC. These consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's 2010 Annual Report on Form 10-K filed with the SEC on March 15, 2011. The results of operations and cash flows for the three and nine months ended September 30, 2011 are not necessarily indicative of results to be expected for the entire fiscal year.

The Company's Consolidated Balance Sheet as of December 31, 2010 has been derived from the Company's audited Consolidated Balance Sheet as of that date.

**Use of Estimates**

The preparation of the Company's consolidated financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions. Some of these estimates require difficult, subjective or complex judgments about matters that are inherently uncertain. As a result, actual results could differ from these estimates, in some cases materially. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

*Financial Instruments.* Cash and cash equivalents, accounts receivable, short-term borrowings, restricted cash, accounts payable and accrued liabilities as presented in the consolidated financial statements approximate fair value because of the short-term nature of these instruments.

**NOTE 2 ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)**

The components of accumulated other comprehensive income/(loss) were as follows (in thousands):

	September 30, 2011		December 31, 2010	
Cumulative adjustment of foreign currency statements	\$	(627)	\$	676
Accumulated other comprehensive (loss) income	\$	(627)	\$	676

**NOTE 3 CONCENTRATION AND CREDIT RISK**

Major Customers. No customer represented more than 10% of total revenue for the three and nine months ended September 30, 2011. Revenue under the Company's multiple year disposal contract with the U.S. Army Corps of Engineers ( USACE ) represented 19% and 18% of total revenue for the three and nine months ended September 30, 2010, respectively. Revenue from General Electric, Inc. ( GE ) represented 11% of total revenue for the three months ended September 30, 2010. No other customer represented more than 10% of total revenue for the three and nine months ended September 30, 2010.

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No customers accounted for more than 10% of total trade receivables as of September 30, 2011. The following customers accounted for more than 10% of total trade receivables as of December 31, 2010:

Customer	Percent of Receivables December 31, 2010
U.S. Army Corps of Engineers	12%
Honeywell International, Inc.	10%
General Electric, Inc.	10%

Credit Risk Concentration. We maintain most of our cash and short-term investments with nationally recognized financial institutions like Wells Fargo National Association ( Wells Fargo ). Substantially all of our balances are uninsured and are not used as collateral for other obligations. Concentrations of credit risk on accounts receivable are believed to be limited due to the number, diversification and character of the obligors and our credit evaluation process.

**NOTE 4 RECEIVABLES**

Receivables were as follows:

(in thousands)	September 30, 2011	December 31, 2010
Trade	\$ 26,699	\$ 32,221
Unbilled revenue	1,434	1,463
Other	1,083	207
	29,216	33,891
Allowance for doubtful accounts	(508)	(338)
	\$ 28,708	\$ 33,553

**NOTE 5 PROPERTY AND EQUIPMENT**

(in thousands)	September 30, 2011	December 31, 2010
Cell development costs	\$ 61,510	\$ 58,944
Land and improvements	13,083	13,016
Buildings and improvements	51,017	44,228
Railcars	17,375	17,375
Vehicles and other equipment	33,051	31,252
Construction in progress	3,331	10,556
	179,367	175,371

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Accumulated depreciation and amortization	(78,329)	(69,549)
	\$ 101,038	\$ 105,822

Depreciation expense for the three months ended September 30, 2011 and 2010 was \$3.6 million and \$1.9 million, respectively. Depreciation expense for the nine months ended September 30, 2011 and 2010 was \$9.9 million and \$5.0 million, respectively.

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On October 31, 2010, the Company, through a wholly-owned subsidiary, acquired 100% of the outstanding shares of Seaway TLC Inc. and its wholly-owned subsidiaries Stablex Canada Inc. and Gulfstream TLC, Inc. (collectively Stablex ). The following unaudited pro forma financial information presents the combined results of operations as if Stablex had been combined with us beginning on January 1, 2010. The pro forma financial information includes the accounting impact of the business combination, including the amortization of intangible assets, depreciation of property, plant and equipment and interest expense. The unaudited pro forma financial information is presented for informational purposes only. It is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of the period presented, nor should it be taken as an indication of our future consolidated results of operations.

(in thousands, except per share data)	(unaudited) Three months ended September 30, 2010	(unaudited) Nine months ended September 30, 2010
Pro forma combined revenues	\$ 29,895	\$ 85,355
Pro forma combined net income	\$ 2,922	\$ 6,080
Earnings per share		
Basic	\$ 0.16	\$ 0.33
Dilutive	\$ 0.16	\$ 0.33

**NOTE 7 GOODWILL AND INTANGIBLE ASSETS**

Goodwill and intangible assets as of September 30, 2011 and December 31, 2010 reflect our acquisition of Stablex on October 31, 2010 (see Note 6). Prior to the acquisition of Stablex, the Company had no goodwill or intangible assets. The goodwill has been assigned to the Operating Disposal Facilities reporting segment. Changes in goodwill for the three and nine months ended September 30, 2011 were as follows:

(in thousands)	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2011
Balance, beginning of period	\$ 22,419	\$ 21,790
Foreign currency translation	(1,604)	(975)
Balance, end of period	\$ 20,815	\$ 20,815



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Below is a summary of amortizable and other intangible assets:

(in thousands)	September 30, 2011	December 31, 2010
Amortized intangible assets		
Developed software	\$ 337	\$ 352
Database	96	100
Customer relationships	3,919	4,102
Technology - Formulae and processes	8,740	9,149
Permits, licenses and lease	26,844	28,101
	39,936	41,804
Accumulated amortization	(1,236)	(235)
Unamortized intangible assets		
Tradename	163	171
	\$ 38,863	\$ 41,740

Amortization expense for the three and nine months ended September 30, 2011 was \$358,000 and \$1.1 million, respectively. There was no amortization of intangibles in the three and nine months ended September 30, 2010.

**NOTE 8 DEBT**

We have a credit agreement (the "Credit Agreement") with Wells Fargo which provides for borrowings in an aggregate of \$89.4 million, net of commitment reductions. The Credit Agreement provides a \$20.0 million revolving line of credit (the "Revolving Line of Credit") with a maturity date of June 15, 2013 and a \$69.4 million reducing revolving line of credit (the "Reducing Revolving Line of Credit"), net of commitment reductions with a maturity date of November 1, 2015.

***Revolving Line of Credit***

The Revolving Line of Credit provides up to \$20 million in revolving credit loans or letters of credit for working capital needs (the "Commitment Amount"). These revolving loans are available based on the Prime Rate or LIBOR, at the Company's option, plus an applicable margin, which is determined according to 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 ("EBITDA"). At September 30, 2011, the effective interest rate of the Revolving Line of Credit was 1.9%. Interest only payments are due either monthly or on the last day of any interest period, as applicable. At September 30, 2011 and December 31, 2010 there were no amounts outstanding under the Revolving Line of Credit. At September 30, 2011, the availability under the Revolving Line of Credit was \$16.0 million with \$4.0 million of the line of credit issued in the form of a standby letter of credit utilized as collateral for closure and post-closure financial assurance.

***Reducing Revolving Line of Credit***

The Reducing Revolving Line of Credit provides an initial commitment amount of \$75.0 million, the proceeds of which were used to acquire all of the shares of Stablex, and thereafter will be used to provide financing for working capital needs (the Reducing Revolving Commitment Amount). The initial Reducing Revolving Commitment Amount is reduced by \$2.8 million on the last day of each June, September, December and March beginning June 30, 2011, and continuing through November 1, 2015. At September 30, 2011, the net commitment amount under the Reducing Revolving Line of Credit after consideration of scheduled commitment reductions was \$69.4 million. Under the Reducing Revolving Line of Credit revolving loans are available based on the Prime Rate or LIBOR, at the Company's option, plus an applicable margin, which is determined according to a pricing grid under which the interest rate decreases or increases based on our ratio of funded debt to EBITDA. At September 30, 2011, the effective interest rate of the Reducing Revolving Line of Credit was 2.4%. Interest only payments are due either monthly or on the last day of any interest period, as applicable. There was \$48.0 million and \$63.0 million outstanding on the Reducing Revolving Line of Credit at September 30, 2011 and December 31, 2010, respectively. At September 30, 2011, the availability for additional borrowings under the Reducing Revolving Line of Credit was \$21.4 million.

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In addition to standard fees, origination and commitment fees apply based on the average daily unused portion of the Commitment Amount and the Reducing Revolving Commitment Amount. The Credit Agreement contains certain quarterly financial covenants, including a maximum funded debt ratio, a maximum fixed charge coverage ratio, a minimum required tangible net worth and a minimum current ratio. In addition, we may only declare quarterly or annual dividends if on the date of declaration, no 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. Obligations under the Credit Agreement are guaranteed by US Ecology and all of its subsidiaries.

At September 30, 2011, we were in compliance with all of the financial covenants in the Credit Agreement.

**NOTE 9 CLOSURE AND POST-CLOSURE OBLIGATIONS**

Closure and post-closure obligations are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated. We perform periodic reviews of both non-operating and operating facilities and revise accruals for estimated post-closure, remediation and other costs when necessary. Our recorded liabilities are based on estimates of future costs and are updated periodically to reflect existing environmental conditions, current technology, laws and regulations, permit conditions, inflation and other factors.

Changes to reported closure and post-closure obligations were as follows:

(in thousands)	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2011
Beginning obligation	\$ 17,314	\$ 16,773
Accretion expense	323	970
Payments	(281)	(431)
Currency translation	(106)	(62)
Ending obligation	17,250	17,250
Less current portion	(2,462)	(2,462)
Long-term portion	\$ 14,788	\$ 14,788

**NOTE 10 INCOME TAXES**

During the three months ended September 30, 2011, the Company recorded unrecognized tax benefits of \$420,000 and accrued interest of \$9,000 related to filing positions taken on our recently filed 2010 U.S. income tax returns. As of September 30, 2011, we had unrecognized tax benefits of \$429,000 (including interest of \$9,000) that, if recognized, would positively affect the effective tax rate. We had no unrecognized tax benefits as of December 31, 2010. The Company does not anticipate the total unrecognized tax benefits to increase or decrease materially within the next twelve months. 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 the three and nine months ended September 30, 2011 and 2010 were not material.

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Our effective tax rate for the three and nine months ended September 30, 2011 was 33.4% and 37.8%, respectively, down from 39.3% and 40.0% for the three and nine months ended September 30, 2010, respectively. The decrease in our effective tax rate reflects a reduction in our estimated state income tax rate, favorable adjustments resulting from filing our 2010 income tax returns and higher earnings levels in 2011 as compared with the same period in 2010.

We file a consolidated U.S. federal income tax return with the Internal Revenue Service ( IRS ) as well as income tax returns in various states and Canada. We may be subject to examination by taxing authorities in the U.S. and Canada for tax years 2008 through 2010. Additionally, we may be subject to examinations by various state and local taxing jurisdictions for tax years 2006 through 2010. We are currently not aware of any examinations by taxing authorities.

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In the ordinary course of business, we are periodically 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 permit modifications at existing facilities, proposed new facilities, alleged violations of existing permits, or alleged damages suffered from exposure to hazardous substances purportedly released from our operating sites or non-operating sites, as well as other litigation. We maintain insurance intended to cover property and damage claims asserted as a result of our operations. Periodically, management reviews and may establish reserves for legal, environmental and administrative matters, or fees expected to be incurred in connection therewith.

**NOTE 12 COMPUTATION OF EARNINGS PER SHARE**

(in thousands, except per share data)	Three Months Ended September 30,			
	2011		2010	
	Basic	Diluted	Basic	Diluted
Net income	\$ 3,726	\$ 3,726	\$ 3,938	\$ 3,938
Weighted average common shares outstanding	18,202	18,202	18,172	18,172
Dilutive effect of stock options and restricted stock		25		14
Weighted average shares outstanding		18,227		18,186
Earnings per share	\$ 0.20	\$ 0.20	\$ 0.22	\$ 0.22
Anti-dilutive shares excluded from calculation		308		342

(in thousands, except per share data)	Nine Months Ended September 30,			
	2011		2010	
	Basic	Diluted	Basic	Diluted
Net income	\$ 11,671	\$ 11,671	\$ 8,051	\$ 8,051
Weighted average common shares outstanding	18,194	18,194	18,167	18,167
Dilutive effect of stock options and restricted stock		25		19
Weighted average shares outstanding		18,219		18,186
Earnings per share	\$ 0.64	\$ 0.64	\$ 0.44	\$ 0.44
Anti-dilutive shares excluded from calculation		327		333

**NOTE 13 TREASURY STOCK**

During the nine months ended September 30, 2011, the Company issued 25,400 shares of restricted stock from our treasury stock position at an average cost of \$16.68 per share.



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We operate within two segments, Operating Disposal Facilities and Non-Operating Disposal Facilities. The Operating Disposal Facilities segment represents facilities currently accepting waste. The Non-Operating Disposal Facilities segment represents facilities that are no longer accepting waste.

Income taxes are assigned to Corporate. All other items are included in the segment of origin. Intercompany transactions have been eliminated from the segment information and are not significant between segments.

Summarized financial information concerning our reportable segments is shown in the following tables:

(in thousands)	Operating Disposal Facilities	Non- Operating Disposal Facilities	Corporate	Total
<b><u>Three months ended September 30, 2011</u></b>				
Revenue - Treatment and disposal	\$ 34,558	\$ 6	\$	\$ 34,564
Revenue - Transportation services	5,106			5,106
Total revenue	39,664	6		39,670
Other direct operating costs	18,752	58		18,810
Transportation costs	5,571			5,571
Gross profit (loss)	15,341	(52)		15,289
Selling, general & administration	2,925		2,797	5,722
Operating income (loss)	12,416	(52)	(2,797)	9,567
Interest income (expense), net	6		(395)	(389)
Foreign currency gain (loss)	218		(3,879)	(3,661)
Other income	73			73
Income (loss) before tax	12,713	(52)	(7,071)	5,590
Income tax expense			1,864	1,864
Net income (loss)	\$ 12,713	\$ (52)	\$ (8,935)	\$ 3,726
Depreciation, amortization & accretion	\$ 4,217	\$ 55	\$ 13	\$ 4,285
Capital expenditures	\$ 1,773	\$	\$ 46	\$ 1,819
Total assets	\$ 194,961	\$ 91	\$ 8,877	\$ 203,929

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(in thousands)	Operating Disposal Facilities	Non- Operating Disposal Facilities	Corporate	Total
<b><u>Three months ended September 30, 2010</u></b>				
Revenue - Treatment and disposal	\$ 20,662	\$ 9	\$	20,671
Revenue - Transportation services	5,313			5,313
Total revenue	25,975	9		25,984
Other direct operating costs	10,171	58		10,229
Transportation costs	5,383			5,383
Gross profit (loss)	10,421	(49)		10,372
Selling, general & administration	1,214		2,715	3,929
Operating income (loss)	9,207	(49)	(2,715)	6,443
Interest income (expense), net	3		13	16
Foreign currency gain (loss)	(35)			(35)
Other income	61	4		65
Income (loss) before tax	9,236	(45)	(2,702)	6,489
Income tax expense			2,551	2,551
Net income (loss)	\$ 9,236	\$ (45)	\$ (5,253)	\$ 3,938
Depreciation, amortization & accretion	\$ 2,142	\$ 51	\$ 11	\$ 2,204
Capital expenditures	\$ 4,124	\$ 20	\$	\$ 4,144
Total assets	\$ 92,306	\$ 57	\$ 36,140	\$ 128,503

(in thousands)	Operating Disposal Facilities	Non- Operating Disposal Facilities	Corporate	Total
<b><u>Nine months ended September 30, 2011</u></b>				
Revenue - Treatment and disposal	\$ 94,113	\$ 17	\$	94,130
Revenue - Transportation services	19,220			19,220
Total revenue	113,333	17		113,350
Other direct operating costs	54,653	172		54,825
Transportation costs	20,689			20,689
Gross profit (loss)	37,991	(155)		37,836
Selling, general & administration	7,757		8,117	15,874
Operating income (loss)	30,234	(155)	(8,117)	21,962
Interest income (expense), net	19		(1,275)	(1,256)
Foreign currency gain (loss)	125		(2,318)	(2,193)
Other income	244	1		245
Income (loss) before tax	30,622	(154)	(11,710)	18,758
Income tax expense			7,087	7,087
Net income (loss)	\$ 30,622	\$ (154)	\$ (18,797)	\$ 11,671
Depreciation, amortization & accretion	\$ 11,757	\$ 164	\$ 36	\$ 11,957
Capital expenditures	\$ 7,369	\$ 12	\$ 112	\$ 7,493
Total assets	\$ 194,961	\$ 91	\$ 8,877	\$ 203,929



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(in thousands)	Operating Disposal Facilities	Non- Operating Disposal Facilities	Corporate	Total
<b><u>Nine months ended September 30, 2010</u></b>				
Revenue - Treatment and disposal	\$ 55,003	\$ 22	\$	\$ 55,025
Revenue - Transportation services	10,331			10,331
Total revenue	65,334	22		65,356
Other direct operating costs	30,028	211		30,239
Transportation costs	11,027			11,027
Gross profit (loss)	24,279	(189)		24,090
Selling, general & administration	3,957		6,882	10,839
Operating income (loss)	20,322	(189)	(6,882)	13,251
Interest income (expense), net	5		41	46
Foreign currency gain (loss)	(59)			(59)
Other income	171	8		179
Income (loss) before tax	20,439	(181)	(6,841)	13,417
Income tax expense			5,366	5,366
Net income (loss)	\$ 20,439	\$ (181)	\$ (12,207)	\$ 8,051
Depreciation, amortization & accretion	\$ 5,654	\$ 152	\$ 35	\$ 5,841
Capital expenditures	\$ 9,000	\$ 20	\$ 3	\$ 9,023
Total assets	\$ 92,306	\$ 57	\$ 36,140	\$ 128,503

**Revenue, Property and Equipment and Intangible Assets Outside of the United States**

We provide services in the United States and Canada. The table below summarizes revenues by geographic area where the underlying services were performed for the three and nine months ended September 30, 2011 and 2010:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
United States	\$ 30,248	\$ 25,984	\$ 85,100	\$ 65,356
Canada	9,422		28,250	
	\$ 39,670	\$ 25,984	\$ 113,350	\$ 65,356

Long-lived assets by geographic location, consisting of property and equipment and intangible assets net of accumulated depreciation and amortization as of September 30, 2011 and December 31, 2010 were as follows:

(in thousands)	September 30, 2011	December 31, 2010
United States	\$ 73,080	\$ 74,734
Canada	66,821	72,828
	\$ 139,901	\$ 147,562

**NOTE 15 SUBSEQUENT EVENT**

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On October 3, 2011, we declared a quarterly dividend of \$0.18 per common share to stockholders of record on October 14, 2011. The dividend was paid using cash on hand on October 21, 2011 in an aggregate amount of \$3.3 million.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of  
US Ecology, Inc.  
Boise, Idaho

We have reviewed the accompanying consolidated balance sheet of US Ecology, Inc. and subsidiaries (the Company) as of September 30, 2011, the related consolidated statements of operations for the three-month and nine-month periods ended September 30, 2011 and 2010, and the consolidated statements of cash flows and of stockholders' equity for the nine-month periods ended September 30, 2011 and 2010. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of US Ecology, Inc. and subsidiaries as of December 31, 2010, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated March 15, 2011, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2010 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche LLP

Boise, Idaho

November 8, 2011

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## US ECOLOGY, INC.

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

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

## Overview

US Ecology, Inc., through its subsidiaries, is a hazardous, Polychlorinated biphenyl ( 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. We generate revenue from fees charged to treat and dispose of waste at our five fixed disposal facilities located near Beatty, Nevada; Grand View, Idaho; Richland, Washington; Robstown, Texas; and Blainville, Quebec, Canada. We manage a dedicated fleet of railcars and arrange for the transportation of waste to our facilities. We also utilize our railcar fleet to provide transportation services for disposal at facilities operated by other companies on a less frequent basis. Transportation and logistics services are a significant revenue source for us. We, or our predecessor companies, have been in the waste business since 1952.

On October 31, 2010, the Company acquired Stablex Canada Inc ( Stablex ). Stablex is a provider of hazardous waste services that operates a permitted hazardous waste processing and disposal facility in Blainville, Québec, Canada about 30 miles northwest of Montreal, Canada. The net purchase price of \$77.5 million in U.S. dollars ( USD ) was funded through a combination of cash on hand and borrowings under a \$75.0 million Reducing Revolving Line of credit facility.

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 three and nine months ended September 30, 2011 and 2010.

Customer Category	Description	% of Treatment and Disposal Revenue (1) for the Three Months ended September 30, 2011	% of Treatment and Disposal Revenue (1) for the Three Months ended September 30, 2010
Broker	Companies that collect and aggregate waste from their direct customers, comprised of both Base and Event clean-up business.	57%	38%
Other industry	Electric utilities, chemical manufacturers, steel mill and other industrial customers not included in other categories, comprised of both recurring Base Business and Event clean-up business.	14%	9%
Private Clean-up		11%	15%

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	Private sector clean-up project waste, typically Event Business.		
Refinery	Petroleum refinery customers, comprised of both Base and Event clean-up business.	8%	7%
Government	Federal and State government clean-up project waste, comprised of both Base Business and Event clean-up business.	6%	24%
Rate regulated	Northwest and Rocky Mountain Compact customers paying rate-regulated disposal fees set by the State of Washington, predominantly Base Business.	4%	7%

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(1) Excludes all transportation service revenue

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<b>Customer Category</b>	<b>Description</b>	<b>% of Treatment and Disposal Revenue (1) for the Nine Months ended September 30, 2011</b>	<b>% of Treatment and Disposal Revenue (1) for the Nine Months ended September 30, 2010</b>
Broker	Companies that collect and aggregate waste from their direct customers, comprised of both Base and Event clean-up business.	50%	42%
Other industry	Electric utilities, chemical manufacturers, steel mill and other industrial customers not included in other categories, comprised of both recurring Base Business and Event clean-up business.	15%	11%
Private Clean-up	Private sector clean-up project waste, typically Event Business.	11%	8%
Government	Federal and State government clean-up project waste, comprised of both Base Business and Event clean-up business.	10%	21%
Refinery	Petroleum refinery customers, comprised of both Base 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.	4%	7%

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(1) Excludes all transportation service revenue

A significant portion of our treatment and disposal revenue is attributable to discrete Event Business projects which vary widely in size, duration and unit pricing. Approximately 43% and 39% of this revenue was derived from Event Business projects for the three and nine months ended September 30, 2011, respectively. 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 quarter to quarter. As a result of this variability, we can experience significant quarter-to-quarter and year-to-year fluctuations 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.

Depending on project-specific customer needs and competitive economics, transportation services may be offered at or near our cost to help secure additional 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 approach has allowed us to win multiple projects that management believes we could not have otherwise competed for successfully. Our Company-owned railcar fleet has reduced our reliance on short-term rentals reducing transportation expenses and creating competitive advantages on specific projects.

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The increased waste volumes resulting from projects won through this bundling strategy drive operating leverage 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 cash flow, operating income and earnings per share is a higher priority than maintaining or increasing gross margin. We plan to continue aggressively bidding for 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,

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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, government programs and regulatory changes, 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 global 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 revenue resulting from a weak economy or changes in policy. Disbursement of funds appropriated by Congress may also be delayed for administrative or other reasons.



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## Results of Operations

The following table summarizes our results of operations for the three and nine months ended September 30, 2011 and 2010 in dollars and as a percentage of total revenue.

(in thousands, except per share amounts)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2011	%	2010	%	2011	%	2010	%
Revenue	\$ 39,670	100.0%	\$ 25,984	100.0%	\$ 113,350	100.0%	\$ 65,356	100.0%
Direct operating costs	18,810	47.4%	10,229	39.4%	54,825	48.4%	30,239	46.3%
Transportation costs	5,571	14.0%	5,383	20.7%	20,689	18.3%	11,027	16.9%
Gross profit	15,289	38.6%	10,372	39.9%	37,836	33.3%	24,090	36.8%
Selling, general and administrative expenses	5,722	14.4%	3,929	15.1%	15,874	14.0%	10,839	16.6%
Operating income	9,567	24.2%	6,443	24.8%	21,962	19.3%	13,251	20.2%
Other income (expense):								
Interest income	6	0.0%	16	0.1%	21	0.0%	47	0.1%
Interest expense	(395)	-1.0%		0.0%	(1,277)	-1.1%	(1)	0.0%
Foreign currency loss	(3,661)	-9.2%	(35)	-0.2%	(2,193)	-1.9%	(59)	-0.1%
Other	73	0.2%	65	0.3%	245	0.2%	179	0.3%
Total other income (expense)	(3,977)	-10.0%	46	0.2%	(3,204)	-2.8%	166	0.3%
Income before income taxes	5,590	14.2%	6,489	25.0%	18,758	16.5%	13,417	20.5%
Income taxes	1,864	4.8%	2,551	9.8%	7,087	6.3%	5,366	8.2%
Net income	\$ 3,726	9.4%	\$ 3,938	15.2%	\$ 11,671	10.2%	\$ 8,051	12.3%
Earnings per share:								
Basic	\$ 0.20		\$ 0.22		\$ 0.64		\$ 0.44	
Dilutive	\$ 0.20		\$ 0.22		\$ 0.64		\$ 0.44	
Shares used in earnings per share calculation:								
Basic	18,202		18,172		18,194		18,167	
Dilutive	18,227		18,186		18,219		18,186	
Dividends paid per share	\$ 0.18		\$ 0.18		\$ 0.54		\$ 0.54	
<b>Other Financial Data:</b>								
Adjusted EBITDA (1)	\$ 14,062		\$ 8,841		\$ 34,542		\$ 19,881	

(1) For all periods presented, Adjusted EBITDA consists of net income plus net interest expense, income tax expense, depreciation, amortization, stock based compensation and accretion of closure and post-closure liabilities. We also exclude foreign currency gain/loss and other income/expense as these amounts are not considered part of usual business operations. Adjusted EBITDA is a complement to results provided in accordance with accounting principles generally accepted in the United States ( GAAP ) and we believe that such information provides additional useful information to analysts, stockholders and other users to understand the Company's operating performance. Since Adjusted EBITDA is not a measurement determined in accordance with GAAP and is thus susceptible to varying calculations, Adjusted EBITDA as presented may not be comparable to other similarly titled measures of other companies. Items excluded from Adjusted EBITDA are significant components in understanding and assessing our financial performance. Adjusted EBITDA should not be considered in isolation to or as an alternative to, or substitute for, net income, cash flows generated by operations or other financial statement data presented in the consolidated financial statements as indicators of financial performance.



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The following reconciliation itemizes the differences between reported net income and Adjusted EBITDA for the three and nine months ended September, 30, 2011 and 2010:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net Income	\$ 3,726	\$ 3,938	\$ 11,671	\$ 8,051
Income tax expense	1,864	2,551	7,087	5,366
Interest expense	395		1,277	1
Interest income	(6)	(16)	(21)	(47)
Foreign currency loss	3,661	35	2,193	59
Other (income)	(73)	(65)	(245)	(179)
Depreciation and amortization of plant and equipment	3,604	1,912	9,911	5,011
Amortization of intangibles	358		1,076	
Stock-based compensation	210	194	623	789
Accretion of closure & post-closure liabilities	323	292	970	830
Adjusted EBITDA	\$ 14,062	\$ 8,841	\$ 34,542	\$ 19,881

## Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

**Revenue** - Revenue increased 53% to \$39.7 million for the third quarter of 2011, up from \$26.0 million in the third quarter of 2010. This increase reflects 67% growth in treatment and disposal ( T&D ) revenue and a 4% decrease in transportation service revenue compared to the third quarter of 2010. Total revenue growth in the third quarter of 2011 includes \$9.4 million from Stablex which was acquired on October 31, 2010. Excluding Stablex, T&D revenue during the third quarter of 2011 grew 26% as compared with the third quarter of 2010. Transportation service revenue decreased 20% as compared to the same time period in 2010.

During the third quarter of 2011 we disposed of a total of 287,000 tons of waste, or 20% more than the 240,000 tons disposed of in the third quarter of 2010. Excluding Stablex, volumes decreased 2% in the third quarter of 2011 compared to the third quarter of 2010. Average selling price increased 41% during the third quarter of 2011 compared to the same quarter last year due to a favorable service mix at our U.S. operations, the addition of higher priced treatment services provided at Stablex and general pricing increases.

During the third quarter of 2011, T&D revenue from recurring Base Business customers was 76% higher than the third quarter of 2010 and comprised 57% of T&D revenue. This compares to 53% of T&D revenue in the third quarter of 2010. Excluding Stablex, T&D revenue from recurring Base Business was 32% higher than the third quarter of 2010 and comprised 58% of T&D revenue. This increase primarily reflects higher revenue from broker and other industry customers.

Event Business revenue in the third quarter of 2011 increased 46% compared to the same quarter in 2010 and was 43% of T&D revenue for the third quarter of 2011. This compares to 47% of T&D in the third quarter of 2010. Excluding Stablex, T&D revenue from Event Business increased 7% in the third quarter of 2011 compared to the third quarter of 2011 and comprised 42% of T&D revenue. As discussed further below, this primarily reflects increased T&D revenue from broker, refinery and private clean-up customer categories.

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The following table summarizes our third quarter 2011 revenue growth (both Base and Event Business) by customer type as compared with the third quarter of 2010.

**Treatment and Disposal Revenue Growth**  
**Three Months Ended September 30, 2011 vs.**  
**Three Months Ended September 30, 2010**

Other industry	150%
Broker	142%
Refinery	80%
Private clean-up	22%
Rate regulated	-3%
Government	-62%

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Our other industry revenue category increased 150% in the third quarter of 2011 compared to the third quarter of 2010. This increase primarily reflects the addition of Stablex. Excluding Stablex, other industry revenue increased 33% in the third quarter of 2011 compared to the third quarter of 2010 on strong shipments from numerous industrial based customers.

Our broker business increased 142% in the third quarter of 2011 compared to the same quarter in 2010. This increase primarily reflects the addition of Stablex. Excluding Stablex, broker business increased 65% in the third quarter of 2011 compared to the third quarter of 2010. This increase was the result of shipments across our broad broker base customer group including a brokered demilitarization project.

T&D revenue from our refinery customers increased 80% in the third quarter of 2011 compared to the same quarter in 2010. Excluding Stablex, T&D revenue from our refinery customers increased 58% due to higher volumes and improved pricing on thermal recycling projects.

T&D revenue from private clean-up customers increased 22% in the third quarter of 2011 compared to the third quarter of 2010. Excluding Stablex, revenue from private clean-up customers increased 22% in the third quarter of 2011 compared to the same period in 2010. This increase reflects multiple private remediation projects shipping in 2011 that were not shipping in 2010, partially offset by lower shipments from GE on the Hudson River cleanup project.

Rate-regulated business at our Richland, Washington low-level radioactive waste disposal facility decreased 3% in the third quarter of 2011 compared to the third quarter of 2010. Our Richland facility operates under a State-approved annual revenue requirement. The decrease is due to the timing of revenue recognition for the rate-regulated portion of the business.

Government clean-up business revenue decreased 62% in the third quarter of 2011 compared to the third quarter of 2010. This decrease was primarily attributable to lower shipments from the USACE and a field services contract where we provided logistics and project management oversight brokering disposal services to an alternative disposal facility in the third quarter of 2010 that was not replaced in 2011. Event Business under our USACE contract contributed \$1.7 million, or 4% of total revenue in the third quarter of 2011 compared to \$5.0 million, or 19%, of total revenue in the third quarter of 2010. Excluding transportation service revenue, T&D revenue with the USACE decreased 50% in the third quarter of 2011 compared with the third quarter of 2010. This decrease was due to project-specific timing at the multiple USACE clean-up sites. No USACE projects served by the Company were cancelled or awarded to competitors during the quarter.

**Gross Profit.** Gross profit for the third quarter of 2011 increased 47% to \$15.3 million, up from \$10.4 million in the third quarter of 2010. This increase primarily reflects increased volumes of waste disposed and higher average selling prices in the third quarter of 2011 compared to the same period in 2010.

Gross margin was 39% in the third quarter of 2011, down from 40% in the third quarter of 2010. Our T&D gross margin (which excludes transportation revenue and costs) was 46% in the third quarter of 2011 compared to 51% in the third quarter of 2010. The decrease in gross margin and T&D gross margin primarily reflects the addition of Stablex and increased contributions from our thermal recycling operations, both of which operate a lower gross margin than our other operations.

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**Selling, General and Administrative ( SG&A ).** As a percentage of total revenue, SG&A expenses for the third quarters of 2011 and 2010 were 14% and 15%, respectively. SG&A expenses were \$5.7 million in the third quarter of 2011 and \$3.9 million in the same quarter of 2010. The increase reflects \$1.0 million in SG&A expenses related to the Stablex facility in the third quarter of 2011. Also contributing to the higher SG&A expenses during the third quarter of 2011 were increased incentive compensation and other general administrative costs resulting from increase business activity levels.

**Interest expense.** Interest expense is incurred on borrowings under our Credit Agreement. Interest expense in the third quarter of 2011 was \$395,000. There was no interest expense in the third quarter of 2010. The increase in interest expense reflects borrowings on our Credit Agreement which were incurred primarily to acquire Stablex.

**Foreign Currency Gain (Loss).** In the third quarter of 2011, we recognized \$3.7 million in foreign currency losses compared to a foreign currency loss of \$35,000 in the third quarter of 2010. Foreign currency gain (loss) reflects

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changes in business activity conducted in a currency other than the USD, our functional currency. In 2010, we acquired Stablex, a Canadian company, whose functional currency is the Canadian dollar ( CAD ). As part of our treasury management strategy we established intercompany loans between our parent company, US Ecology, and Stablex. These intercompany loans are payable by Stablex to US Ecology in CAD requiring us to revalue the outstanding loan balance through our statements of operations based on USD/CAD currency movements from period to period. At September 30, 2011 we had \$51.0 million of intercompany loans subject to currency revaluation. During the third quarter of 2011, the CAD weakened relative to the USD resulting in a \$3.8 million foreign currency translation loss in the Company's Consolidated Statement of Operations.

**Other income (expense).** Other income (expense) includes non-operating business activities and unusual revenue and expenses. In the third quarter of 2011 and 2010, we recognized \$73,000 and \$65,000, respectively, in other income, primarily royalty income from a previously sold municipal waste landfill in Texas.

**Income tax expense.** Our effective tax rate for the third quarter of 2011 was 33.4% down from 39.3% in the third quarter of 2010. The decrease in our effective tax rate reflects a reduction in our estimated state income tax rate, favorable adjustments resulting from filing our 2010 income tax returns and higher earnings levels in 2011 as compared with the same period in 2010. During the three months ended September 30, 2011, the Company recorded unrecognized tax benefits of \$420,000 and accrued interest of \$9,000 related to filing positions taken on our recently filed 2010 U.S. income tax returns. As a result, as of September 30, 2011 we had unrecognized tax benefits of \$429,000 (including interest of \$9,000) that, if recognized, would favorably affect the effective tax rate. We had no unrecognized tax benefits as of December 31, 2010.

**Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010**

**Revenue** - Revenue increased 73% to \$113.4 million for the first nine months of 2011, up from \$65.4 million in the first nine months of 2010. This increase reflects 71% growth in T&D revenue and 86% growth in transportation service revenue compared to the first nine months of 2010. Total revenue growth in the first nine months of 2011 reflects \$28.3 million from Stablex, which was acquired on October 31, 2010. Excluding Stablex, T&D revenue during the first nine months of 2011 grew 27% as compared with the same period of 2010. Transportation service revenue grew 47% as compared to the same time period in 2010.

During the first nine months of 2011 we disposed of a total of 701,000 tons of waste, or 46% more than the 479,000 tons disposed of in the first nine months of 2010. Excluding Stablex, volumes increased 16% in the first nine months of 2011 compared to the same period of 2010. Average selling price increased 20% during the first nine months of 2011 as compared to the same period last year as a result of favorable service mix at our U.S. operations and the addition of higher priced treatment services provided at Stablex.

During the first nine months of 2011, T&D revenue from recurring Base Business customers was 71% higher than the first nine months of 2010 and comprised 61% of T&D revenue. This compared to 60% of T&D revenue in the first nine months of 2010. Excluding Stablex, T&D revenue from recurring Base Business was 23% higher than the first nine months of 2010 and comprised 60% of T&D revenue. This increase primarily reflects higher revenue from refinery, broker and other industry customers.

Event Business revenue in the first nine months of 2011 increased 61% compared to the same period in 2010 and was 39% of T&D revenue in the first nine months of 2010. This compares to 40% of T&D revenue in the first nine months of 2010. Excluding Stablex, T&D revenue from

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Event Business increased 23% in the first nine months of 2011 compared to the same period of 2010 and comprised 40% of T&D revenue. As discussed further below, this reflects increased T&D revenue from private clean-up, broker and refinery customer categories.

The following table summarizes our revenue growth (both Base and Event Business) by customer type for the first nine months of 2011 as compared with the first nine months of 2010.



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**Treatment and Disposal Revenue Growth  
Nine Months Ended September 30, 2011 vs.  
Nine Months Ended September 30, 2010**

Other industry	137%
Private clean-up	134%
Broker	97%
Refinery	52%
Rate regulated	1%
Government	-22%

Our other industry revenue category increased 137% in the first nine months of 2011 compared to the first nine months of 2010. This increase primarily reflects the addition of Stablex. Excluding Stablex, other industry revenue increased 19% in the first nine months of 2011 compared to the same period of 2010.

T&D revenue from private clean-up customers increased 134% in the first nine months of 2011 compared to the first nine months of 2010, including the addition of Stablex. Excluding Stablex, revenue from private clean-up customers increased 78% in the first nine months of 2011 compared to the same period in 2010. This increase is due to an increased number of private remediation projects shipping in 2011 that were not shipping in 2010.

Our broker business increased 97% in the first nine months of 2011 compared to the same period in 2010. This increase primarily reflects the addition of the Stablex facility in the current year. Excluding Stablex, broker business increased 35% in the first nine months of 2011 compared to the first nine months of 2010. This increase was the result of shipments from a brokered demilitarization project and higher shipments across a broad range of customers and industries.

T&D revenue from our refinery customers increased 52% in the first nine months of 2011 compared to the same period in 2010. This increase includes the addition of Stablex in the current year. Excluding Stablex, T&D revenue from our refinery customers increased 40%, reflecting higher volumes and improved pricing of thermal recycling projects.

Rate-regulated business at our Richland, Washington low-level radioactive waste disposal facility increased 1% in the first nine months of 2011 compared to the first nine months of 2010. Our Richland facility operates under a State-approved annual revenue requirement. The increase is due to the timing of revenue recognition for the rate-regulated portion of the business.

Government clean-up business revenue decreased 22% in the first nine months of 2011 compared to the first nine months of 2010. This decrease was primarily attributable to a field services contract where we provided logistics and project management oversight brokering disposal services to an alternative disposal facility in the first nine months of 2011 and lower shipments from the USACE. Event Business under our USACE contract contributed \$9.1 million, or 8% of total revenue in the first nine months of 2011 compared to \$11.7 million, or 18%, of total revenue in the first nine months of 2010. Excluding transportation service revenue, T&D revenue with the USACE decreased 8% in the first nine months of 2011 compared to the same period of 2010. This decrease was due to project-specific timing at the multiple USACE clean-up sites. No USACE projects served by the Company were cancelled or awarded to competitors during the nine month period.

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**Gross Profit.** Gross profit for the first nine months of 2011 increased 57% to \$37.8 million, up from \$24.1 million in the first nine months of 2010. This increase primarily reflects increased volumes of waste disposed and an increase in average selling price in the first nine months of 2011 compared to the same period in 2010.

Gross margin was 33% in the first nine months of 2011, down from 37% in the first nine months of 2010. Our T&D gross margin (which exclude transportation revenue and costs) was 42% in the first nine months of 2011 compared to 45% in the first nine months of 2010. This decrease primarily reflects the addition of Stablex and growth in our thermal recycling services, which have lower gross margins than our other operations.

**Selling, General and Administrative ( SG&A ).** As a percentage of total revenue, SG&A expenses for the first nine months of 2011 and 2010 were 14% and 17%, respectively. SG&A expenses were \$15.9 million in the first nine months of 2011 and \$10.8 million in the same period of 2010. The increase reflects \$3.3 million in SG&A expenses

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related to the Stablex facility in the first nine months of 2011. Also contributing to the higher SG&A expenses during the first nine months of 2011 were increased incentive compensation and other administrative costs resulting from increase business activity levels. SG&A expenses in the first nine months of 2010 included a \$497,000 regulatory fine.

**Interest expense.** Interest expense is incurred on borrowings under our Credit Agreement. Interest expense in the first nine months of 2011 was \$1.3 million compared to \$1,000 in the same period of 2010. The increase in interest expense reflects higher borrowings under our Credit Agreement which were incurred primarily to acquire Stablex.

**Foreign Currency Gain (Loss).** In the first nine months of 2011, we recognized \$2.2 million in foreign currency losses compared to a foreign currency loss of \$59,000 in the first nine months of 2010. Foreign currency loss reflects changes in business activity conducted in a currency other than the USD, our functional currency. In 2010, we acquired Stablex, a Canadian company, whose functional currency is the CAD. As part of our treasury management strategy we established intercompany loans between our parent company, US Ecology and Stablex. These intercompany loans are payable by Stablex to US Ecology in CAD requiring us to revalue the outstanding loan balance through our statements of operations, based on the USD/CAD currency movements from period to period. At September 30, 2011, we had \$51.0 million of intercompany loans subject to currency revaluation. During the first nine months of 2011, the CAD weakened relative to the USD resulting in a \$2.3 million foreign currency translation loss in the Company's Consolidated Statement of Operations.

**Other income (expense).** Other income (expense) includes non-operating business activities and unusual revenue and expenses. In the first nine months of 2011 and 2010, we recognized \$245,000 and \$179,000, respectively, in other income, primarily royalty income from a previously sold municipal waste landfill in Texas.

**Income tax expense.** Our effective tax rate for the nine months of 2011 was 37.8%, down from 40.0% in the first nine months of 2010. The decrease in our effective tax rate reflects a reduction in our estimated state income tax rate, favorable adjustments resulting from filing our 2010 income tax returns and higher earnings levels in 2011 as compared with the same period in 2010. During the nine months ended September 30, 2011, the Company recorded unrecognized tax benefits of \$420,000 and accrued interest of \$9,000 related to filing positions taken on our recently filed 2010 U.S. income tax returns. At September 30, 2011 we had unrecognized tax benefits of \$429,000 (including interest of \$9,000) that, if recognized, would favorably affect the effective tax rate. We had no unrecognized tax benefits as of December 31, 2010. We recognize interest assessed by taxing authorities as interest expense. We recognize any penalties assessed by taxing authorities as SG&A expense. Interest and penalties for each of the nine months ended September 30, 2011 and 2010 were not material.

Critical Accounting Policies

Financial statement preparation requires management to make estimates and judgments that affect reported assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. The accompanying consolidated financial statements are prepared using the same critical accounting policies discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

Liquidity and Capital Resources

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Our primary sources of liquidity are cash and cash equivalents, cash generated from operations and borrowings under the Credit Agreement. At September 30, 2011, we had \$6.1 million in cash and cash equivalents immediately available for operations. We assess our liquidity in terms of our ability to generate cash to fund our operating, investing and financing activities. Our primary ongoing cash requirements will be to fund operations, capital expenditures, interest and principal payments and to continue paying dividends pursuant to our dividend policy. We believe our future operating cash flows will be sufficient to meet our future operating and investing cash needs for the foreseeable future. Furthermore, the existing cash balances and the availability of additional borrowings under our revolving Credit Agreement provide additional potential sources of liquidity should they be required.

**Operating Activities** - For the nine months ended September 30, 2011, net cash provided by operating activities was \$32.0 million. This primarily reflects net income of \$11.7 million, decreases in accounts receivable of \$4.6 million, depreciation and amortization and accretion of \$12.0 million and unrealized foreign currency losses of \$2.2 million. Partially offsetting these sources of cash were decreases in income tax payable of \$1.6 million. Impacts on net income are due to the factors discussed above under Results of Operations. The decrease in accounts receivable is primarily attributable to the timing of significant customer payments received in the first nine months of 2011. Days

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sales outstanding were 68 days as of September 30, 2011, compared to 65 days at December 31, 2010 and 62 days at September 30, 2010.

For the nine months ended June 30, 2010, net cash provided by operating activities was \$15.8 million. This reflects net income of \$8.1 million, increases in accounts payable and accrued liabilities of \$1.9 million, increases in taxes payable of \$861,000, stock compensation of \$789,000 and depreciation, amortization and accretion of \$5.8 million. Partially offsetting these sources of cash were increases in accounts receivable of \$1.5 million.

**Investing Activities** - For the nine months ended September 30, 2011, net cash used in investing activities was \$7.4 million primarily related to capital expenditures of \$7.5 million. Significant capital projects included construction of additional disposal capacity and treatment facility upgrades at our Beatty, Nevada location, construction of a new catalyst handling equipment in Robstown, Texas and equipment purchases at all five operating disposal facilities.

For the nine months ended September 30, 2010, net cash used in investing activities was \$6.9 million, including capital expenditures of \$9.0 million. Partially offsetting cash outflows were net maturities of short-term investments of \$1.4 million and a reduction in our restricted cash balances of \$686,000.

**Financing Activities** - For the nine months ended September 30, 2011, net cash used in financing activities was \$24.7 million and included repayments, net of borrowings, on our credit facility of \$15.0 million and payment of dividends to our stockholders of \$9.8 million.

For the nine months ended September 30, 2010, net cash used in financing activities was \$9.8 million, reflecting payment of dividends to our stockholders.

**Contractual Obligations and Guarantees**

For information on contractual obligations and guarantees, see our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 filed on March 15, 2011. There were no material changes in the amounts of our contractual obligations and guarantees during the nine months ended September 30, 2011.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We have minimal interest rate risk on investments or other assets due to our general preservation of capital approach to investments. At September 30, 2011, approximately \$6.1 million was held in cash and cash equivalents.

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We are exposed to changes in interest rates as a result of our borrowings under the Credit Agreement with Wells Fargo. Under the Credit Agreement, revolving loans are available based on the Prime Rate or LIBOR, at the Company's option, plus an applicable margin, which is determined according to a pricing grid under which the interest rate decreases or increases based on our ratio of funded debt to EBITDA. At September 30, 2011, we had \$48.0 million of borrowings on the Reducing Revolving Line of Credit bearing an interest rate of 2.4% and no amount borrowed on the Revolving Line of Credit bearing an interest rate of 1.9%. If interest rates were to rise we would be subject to higher interest payments if outstanding balances remain unchanged. Based on the outstanding indebtedness of \$48.0 million under our credit facility at September 30, 2011, if market rates used to calculate interest expense were to average 1% higher in the next twelve months, our interest expense would increase by approximately \$480,000 per year.

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**Foreign Currency Risk**

We are subject to currency exposures and volatility because of currency fluctuations. The majority of our transactions are in USD; however, our Stablex subsidiary conducts business in Canada and the United States. In addition, contracts for services Stablex provides to U.S. customers are generally denominated in USD. During the first nine months of 2011, Stablex transacted approximately 41% of its revenue in USD. We maintain cash on deposit in USD and outstanding USD trade receivables and payables related to these transactions. These USD cash, receivable and payable accounts are subject to foreign currency translation gains or losses. Exchange rate fluctuations also affect the translation of Canadian generated profits and losses into USD.

We established intercompany loans between Stablex and US Ecology, Inc. as part of our tax and treasury management allowing for repayment of third-party bank debt used to complete the acquisition. At September 30, 2011 we have \$51.0 million of intercompany loans subject to foreign currency revaluation. These intercompany loans are payable using CAD and are subject to mark-to-market adjustments with fluctuations in the CAD. During the first nine months of 2011, the CAD weakened as compared to the USD resulting in a \$2.3 million foreign currency translation loss recognized in the Company's Consolidated Statement of Operations related to the intercompany loans. Based on intercompany balances as of September 30, 2011 a \$0.01 CAD increase or decrease in currency rate compared to the USD at September 30, 2011 would have generated approximately \$510,000 of gains or losses for the nine months ended September 30, 2011.

**Item 4. Controls and Procedures**

Management of the Company, including the Chief Executive Officer and the Chief Financial Officer of the Company, have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of September 30, 2011. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures, including the accumulation and communication of disclosures to the Company's Chief Executive Officer and Chief Financial Officer as appropriate to allow timely decisions regarding required disclosure, are effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the SEC.

There were no changes in our internal control over financial reporting that occurred during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION**

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

*This quarterly report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws. Statements that are not historical facts, including statements about the Company's beliefs and expectations, are forward-looking statements. Forward-looking statements include statements preceded by, followed by or that include the words may, could, would, should, believe, expect,*

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*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, repurchases of its stock under approved stock repurchase plans, the amount and timing of interest expense, 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, a loss of a major customer, successful integration of Stablex Canada Inc., exposure to unknown liabilities resulting from the Stablex Canada Inc. acquisition, compliance with*



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*and changes to applicable laws, rules, or regulations, access to cost effective transportation services, access to insurance, surety bonds and other financial assurances, loss of key personnel, lawsuits, labor disputes, adverse economic conditions, government funding or competitive pressures, incidents or adverse weather conditions that could limit or suspend specific operations, implementation of new technologies, market conditions, average selling prices for recycled materials, our ability to replace business from recently completed large projects, 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 close and integrate future acquisitions.*

*Except as required by applicable law, including the securities laws of the United States and the rules and regulations of the Securities and Exchange Commission (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 our 2010 Annual Report on Form 10-K filed with the SEC on March 15, 2011 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. Legal Proceedings**

We are not currently a party to any material pending legal proceedings and are not aware of any other claims that could have a materially adverse effect on our financial position, results of operations or cash flows.

**Item 1A. Risk Factors**

There have been no material changes in our risk factors from those disclosed in Item 1A of Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Removed and Reserved**

**Item 5. Other Information**

None.

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**Item 6. Exhibits**

15	Letter re: Unaudited Interim Financial Statements
31.1	Certification of CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from the quarterly report on Form 10-Q of US Ecology, Inc. for the quarter ended September 30, 2011 formatted in Extensible Business Reporting Language (XBRL) include: (i) Unaudited Consolidated Balance Sheets, (ii) Unaudited Consolidated Statements of Operations, (iii) Unaudited Consolidated Statements of Cash Flows, (iv) Unaudited Consolidated Statements of Stockholders Equity, and (v) Notes to the Unaudited Consolidated Financial Statements tagged as blocks of text.

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**SIGNATURE**

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

US Ecology, Inc.  
(Registrant)

Date: November 8, 2011

/s/ Jeffrey R. Feeler  
Jeffrey R. Feeler  
*Vice President and  
Chief Financial Officer*