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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013

OR

TRANSITION REPORT PURSUANT TO Section 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to .

Commission file number: 0000-11688



US ECOLOGY, INC.

(Exact name of registrant as specified in its charter)

Delaware	95-3889638
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

251 E. Front St., Suite 400	
Boise, Idaho	
(Address of principal executive offices)	83702
	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$0.01 par value

(Title of class)

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

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 No

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 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

Smaller reporting company

(Do not check if a
smaller reporting company)

Indicate by check mark whether 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, 2013 was approximately \$501.9 million based on the closing price of \$27.44 per share as reported on the NASDAQ Global Market System.

At February 21, 2014, there were 21,542,384 shares of the registrant's Common Stock outstanding.

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 22, 2014 to be filed within 120 days after the registrant's fiscal year ended December 31, 2013, portions of which are incorporated by reference into Part III of this Form 10-K.
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US ECOLOGY, INC.

FORM 10-K

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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 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," "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 the replacement of non-recurring event clean-up projects, a loss of a major customer, our ability to permit and contract for timely construction of new or expanded disposal cells, our ability to renew our operating permits or lease agreements with regulatory bodies, loss of key personnel, compliance with and changes to applicable laws, rules, or regulations, access to insurance, surety bonds and other financial assurances, a deterioration in our labor relations or labor disputes, our ability to perform under required contracts, failure to realize anticipated benefits and operational performance from acquired operations, adverse economic or market conditions, government funding or competitive pressures, incidents or adverse weather conditions that could limit or suspend specific operations, access to cost effective transportation services, fluctuations in foreign currency markets, lawsuits, our willingness or ability to pay dividends, implementation of new technologies, and our ability to effectively execute our acquisition strategy 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 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.

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ITEM 1. BUSINESS

General

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

Term	Meaning
US Ecology, the Company, "we," "our," "us"	US Ecology, Inc., and its subsidiaries
AEA	Atomic Energy Act of 1954, as amended
CEPA	Canadian Environmental Protection Act (1999)
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
QEQA	Québec Environmental Quality Act
RCRA	Resource Conservation and Recovery Act of 1976
SEC	U. S. Securities and Exchange Commission
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, 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 brokers/aggregators. Headquartered in Boise, Idaho, we are one of the oldest providers of such services in North America. US Ecology and its predecessor companies have been in business for more than 60 years. We operate within North America and employed 458 people as of December 31, 2013.

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 .

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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"); US Ecology Michigan, Inc., a Michigan corporation ("USEM"); US Ecology Field Services, Inc., a Delaware corporation ("USEFS"); US Ecology Stablex Holdings, Inc., a Delaware corporation ("USESH"); and Stablex Canada Inc., a Canadian Federal Corporation ("Stablex"). US Ecology Illinois, Inc., a California corporation ("USE"), operates our closed property in Sheffield, Illinois. American Ecology Environmental Services Corporation, a Texas corporation ("AEESC"), operates our closed property in Winona, Texas.

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 waste, non-hazardous waste, LARM and LLRW and include our RCRA permitted waste treatment and disposal facilities near Beatty, Nevada; Grand View, Idaho; Detroit, Michigan; and Robstown, Texas, our AEA permitted disposal facility near Richland, Washington and our Blainville, Québec, Canada facility. Our Washington, Idaho and (to a lesser degree) Texas and Nevada 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. 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 18 to the Consolidated Financial Statements located in Item 8—Financial Statements and Supplementary Data to this Form 10-K.

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The following table summarizes our subsidiaries, locations and services of each segment:

<u>Subsidiary</u>	<u>Location</u>	<u>Services</u>
<i>Operating Disposal Facilities</i>		
USEN	Beatty, Nevada	Hazardous, non-hazardous industrial, NORM and PCB waste treatment and disposal
USEW	Richland, Washington	LLRW, NORM/NARM and LARM waste disposal
USET	Robstown, Texas	Hazardous, non-hazardous industrial, LARM and NORM/NARM waste treatment and disposal, recycling services, rail transfer station
USEI	Grand View, Idaho	Hazardous, non-hazardous industrial, PCB, NORM/NARM, LARM and mixed waste treatment and disposal, rail transfer station
USEM	Detroit, Michigan	Hazardous and non-hazardous waste water treatment and disposal, hazardous and non-hazardous waste treatment and disposal
Stablex	Blainville, Québec, Canada	Hazardous waste treatment and disposal
<i>Non-Operating Disposal Facilities</i>		
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
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

We derive revenue from treating and disposing of hazardous, non-hazardous industrial and radioactive waste in government permitted facilities. We also derive revenue from transportation services generally to move material from the customer location to one or more of our facilities. Treatment and disposal ("T&D") revenue can be broken down into two categories: "Base Business" and "Event Business." Base Business tends to be waste generated through on-going industrial processes that are recurring in nature. Event Business is waste generated from a discrete waste clean-up project that is one-time in nature. 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.

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, 2013, approximately 40% of our T&D revenue (excluding USEM, which was acquired on May 31, 2012) was derived from Event Business projects. The one-time nature of Event Business, diverse spectrum of waste types received and widely

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varying unit pricing necessarily creates variability in revenue and earnings. This variability may be influenced by general and industry-specific economic conditions, funding availability, changes in laws and regulations, government enforcement actions or court orders, public controversy, litigation, weather, commercial real estate, closed military bases and other redevelopment project timing, government appropriation and funding 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. Transportation-related revenue can account for as much as 75% of total project revenue for waste transported by rail from the eastern United States and other locations distant to our Grand View, Idaho and Robstown, Texas facilities.

The types of waste received, also referred to as "service mix," can produce significant quarter-to-quarter and year-to-year variations in revenue, average selling price, gross profit, gross margin, operating profit and net income for both Base Business and Event Business. Event Business contributed approximately 40% and 35% of disposal revenue (excluding transportation and USEM revenue) for the years ended December 31, 2013 and 2012 respectively. Base Business represented approximately 60% and 65% of disposal revenue (excluding transportation and USEM revenue) for the years ended December 31, 2013 and 2012, 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 favorable operating leverage inherent to the largely fixed-cost nature of the waste disposal business. Contribution margin is influenced by whether the waste is directly disposed ("direct disposal") or requires the application of chemical reagents, absorbents or other additives (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 also be bundled with for-profit logistics and field services support work.

Beatty, Nevada RCRA/TSCA Facility. Our Beatty, Nevada facility, which began receiving hazardous waste in 1970, is located in the Amargosa Desert approximately 120 miles northwest of Las Vegas, Nevada and approximately 30 miles east of Death Valley, California. USEN subleases 80 acres from the State of Nevada located within a 400 acre buffer zone leased by the State of Nevada from the federal government. The Company believes this dedicated buffer zone is a viable location for expansion to accommodate future disposal operations. In April 2007, we renewed our lease with the State of Nevada as a year-to-year periodic tenancy until (i) that area reaches full capacity and can no longer accept waste (an estimated life of three years using 2013 volume); (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. The facility is a hazardous waste treatment, storage and disposal facility permitted under Subtitle C of RCRA and TSCA and is permitted to treat and dispose of RCRA, TSCA and certain NRC-exempt radioactive waste. The facility was the first hazardous waste site in the nation to receive authorization to receive TSCA regulated materials, and remains a national outlet for TSCA regulated waste. The facility provides full RCRA treatment and solidification services for industrial and government customers. The facility also performs chemical oxidation on organic contaminated wastes and oil refinery catalysts, providing a cost-effective alternative to incineration. 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 future 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 by the State of Washington from the federal government on the U.S. Department of Energy Hanford Reservation approximately 35 miles west of

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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 in 2005 for ten years with four ten-year renewal options. The facility is an LLRW disposal facility serving the Northwest Interstate and Rocky Mountain Compacts. The facility accepts Class A, B, and C commercial LLRW from within the Northwest and Rocky Mountain Compacts, and NORM/NARM waste including radium sources produced by customers nationwide. The facility is one of only three full-service Class A, B, and C disposal facilities in the nation. Our personnel have extensive experience safely managing nuclear reactor internal components and high dose rate radioactive waste packages through the use of shielding and remote handling devices. 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. The current rate agreement with the WUTC was extended in 2013 and is effective until January 1, 2020. The State 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 maintains separate, dedicated trust funds for future closure and post-closure costs.

Robstown, Texas RCRA Facility. Our Robstown, Texas facility began operations in 1973. It is located on 240 acres owned by the Company approximately 10 miles west of Corpus Christi, Texas. We own an additional 673 acres of adjacent land for future expansion. We also own 174 acres of land five miles west of the facility adjacent to a rail line where we have operated a rail transfer station since 2006. The facility is a hazardous waste treatment, storage and disposal facility permitted under Subtitle C of RCRA. The facility is permitted to store PCB waste for off-site shipment and treat and dispose of RCRA and PCB remediation waste. Specializing in serving the petrochemical industry of the Gulf Coast region, the facility provides stabilization, solidification, chemical oxidation, and waste brokerage services to industrial and government customers. A low temperature thermal desorption unit was added in 2008 for recycling of petroleum wastes and refinery cracking catalysts. This service alternative for oil-bearing hazardous waste from petroleum refineries produces recycled products for energy recovery, re-refining, and recovery of molybdenum and other valuable metals. The facility also accepts low-concentration NRC-exempt radioactive waste which is also exempted under Texas regulations with concurrence from the Texas Commission on Environmental Quality.

Grand View, Idaho RCRA/TSCA Facility. Our Grand View, Idaho facility, purchased in 2001, is located on 1,252 acres of Company-owned land approximately 60 miles southeast of Boise, Idaho in the Owyhee Desert. We own an additional 159 acres approximately two miles east of the facility that provides a clay source for site operations (liner construction and waste treatment). We also own 189 acres where our rail transfer station is located approximately 30 miles northeast of the disposal facility. This site has two enclosed rail-to-truck waste transfer facilities located adjacent to the main line of the Union Pacific Railroad. The facility is a hazardous waste treatment, storage and disposal facility permitted under Subtitle C of RCRA and TSCA. The facility is permitted to treat and dispose of RCRA and TSCA wastes, as well as a wide range of low-activity radioactive wastes and NORM/NARM, Technologically Enhanced NORM (TENORM) and other wastes exempted from federal regulation under the AEA. The facility provides treatment and disposal services to both government and private industry waste generators and is a major recipient of U.S. Army Corps of Engineers FUSRAP waste. In 2004, our permit was modified to allow receipt of NRC-exempt source and byproduct material. In 2008 this authorization was expanded to include special nuclear material exempt from NRC regulation.

Detroit, Michigan RCRA Facility. Our Detroit, Michigan facility, acquired in 2012, has been serving the midwestern and eastern U.S. industrial markets for nearly 40 years. The facility is located on six acres of Company-owned land in an industrialized section of Detroit, Michigan. The facility is permitted to accept non-hazardous and hazardous materials and treat non-hazardous solids and non-hazardous and hazardous waste water regulated under RCRA. The facility is regulated under permits issued by the Michigan Department of Environmental Quality and the Detroit Sewer and Water Department.

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Blainville, Québec, Canada Facility ("Stablex"). Our Stablex facility, acquired in October 2010, has been in operation since 1983 and is located approximately 30 miles northwest of Montreal, Québec, Canada. The facility includes an indoor hazardous and industrial waste treatment and storage facility and a rail transfer station located on 25 acres adjacent to a 325 acre disposal site that is leased from the Province of Québec. The current lease with the Province expires in 2018 and has one five-year renewal term. The facility uses the "Stablex" process to treat and stabilize inorganic hazardous wastes and contaminated soils to produce a non-leachable concrete-like material. We accept a wide range of inorganic wastes and contaminated soils at the facility and specialize in processing hard-to-treat materials, such as cyanides, mercury compounds, strong acids/oxidizers, lab packs, contaminated debris and batteries. The disposal facility is permitted by the Canadian Ministry of Environment and is authorized under the Environmental Quality Act by Order-in-Council for use exclusively for products treated and disposed by Stablex as the lessee. The Province assesses fees to fund a dedicated government trust account to pay for post-closure costs at the disposal site. Stablex is responsible for closing each landfill prior to final closure of the facility. The site is permitted to accept up to 875,000 metric tons (962,500 U.S. tons) over the five-year permit period. Of this amount, up to 350,000 metric tons (385,000 U.S. tons) can be accepted as soil. While there are no specific restrictions on waste soils received from the U.S., non-soil waste received from the U.S. is limited to 350,000 metric tons (385,000 U.S. tons) over the five-year permit period.

Non-Operating Disposal Facilities

Bruneau, Idaho RCRA Site. This remote 83 acre desert site, acquired in conjunction 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 16 years, or until 2029, in accordance with permit and regulatory requirements.

Sheffield, Illinois RCRA Site. We previously operated two hazardous waste disposal areas next to the closed 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 hazardous waste site for approximately 12 more years through 2025. The State of Illinois is the licensee responsible for post-closure care of the LLRW facility.

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 manage the site under a post-closure order with the State of Texas and expect to perform groundwater remediation and monitoring at the site for approximately 26 more years through 2039. We own a 297 acre buffer zone adjacent to the permitted area.

Industry

During the 1970s and 1980s, waste services industry growth in the United States 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 industry. Over this same period, 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.

In the U.S., hazardous waste is regulated under the RCRA, which created a cradle-to-grave system governing defined hazardous waste from the point of generation to ultimate disposal. RCRA requires waste generators to distinguish between "hazardous" and "non-hazardous" wastes, and to treat, store and dispose of hazardous waste in accordance with specific regulations. Generally, entities that treat, store, or

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dispose of hazardous waste must obtain a permit, either from the USEPA or from a state agency to which the USEPA has delegated such authority.

Disposal facilities are typically designed to permanently contain the waste and prevent the release of harmful pollutants into the environment. The most common hazardous waste disposal practice is placement in an engineered disposal unit such as a landfill, surface impoundment, waste pile, land treatment unit or deep injection well. RCRA's hazardous waste permitting program establishes specific requirements that must be followed when managing those wastes.

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 and prioritization of new clean-up needs, clean-up project schedules, funding availability and other 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, increase waste throughput efficiency, employ innovative treatment techniques, build market share and 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 and logistical capabilities through a fleet of Company-owned and leased railcars;
- adding track, a second main line switch and constructing a second rail-to-truck trans-load building in Idaho;
- acquiring property and developing a rail transfer station in Texas;
- constructing new, high-capacity waste treatment and storage buildings in Texas and Nevada;
- expanding our organic chemical waste treatment laboratory in Texas to improve treatment "recipes" and reduce costs at all three of our RCRA facilities;
- establishing a thermal recycling service at our Robstown, Texas site which allows the facility to accept recyclable hydrocarbon-oil-bearing hazardous waste and cracking catalyst from petroleum refining;
- constructing a specialized handling system for packaging thermally treated cracking catalyst at our Robstown, Texas facility in 2011;
- acquiring our Blainville, Québec, Canada treatment and disposal facility and rail transfer station in 2010; and
- acquiring our Detroit, Michigan chemical and industrial byproducts treatment and reuse facility in 2012.

Our Richland, Washington disposal facility, serving the Northwest and Rocky Mountain LLRW Compacts, is one of three operating Compact disposal facilities in the nation. 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 Energy Solutions, Inc. ("Energy Solutions"), exclusively serves the three-state Atlantic Compact. A third LLRW disposal facility, licensed by Waste Control Specialists, LLC and located near Andrews, Texas serves the two-state Texas Compact and approved out-of-compact generators. Class A LLRW from states outside the Northwest Compact region may also be disposed at a non-compact, commercial disposal site in Clive, Utah, also operated by Energy Solutions.

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Pricing at AEA licensed LLRW disposal facilities heightened demand for more cost-effective disposal options for 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 a series of permit modifications and project-specific approvals allowing expanded LARM acceptance. Our Robstown, Texas and Beatty, Nevada disposal facilities are also permitted to accept LARM on a more limited basis. We believe we are well positioned to continue growing our LARM business based on our:

- longstanding disposal industry reputation and commercial branding dating from the early 1960s;
- environmental conditions and containment designs favoring permanent waste isolation;
- 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;
- competitive pricing; and
- regulatory policies and precedents allowing disposal of LLRW at authorized hazardous waste disposal facilities.

Our Strategy

Our strategy is to capitalize on our unique and difficult-to-replicate disposal assets so that we continue serving the needs of the diverse markets we serve by maintaining a commitment to customer service excellence. We aim to execute on sales and marketing initiatives to drive organic growth and intend to pursue acquisition opportunities that will enhance our capabilities and expand our customer reach. The principal elements of our business strategy are to:

Leverage Regulatory Expertise to Expand Permit Capabilities and Broaden Service Offerings. We have a proven track record of leveraging our regulatory expertise to broaden our service offerings. As part of this strategy, our sales teams engage customers to identify new service opportunities and work with our regulatory affairs personnel to jointly assess market opportunities through permit expansion. As part of our business strategy, we pursue new service expansion permits and increase the disposal capacity at our landfills, as required by the evolving needs of our customers.

Continue to Build on Our Robust Waste Handling Infrastructure to Increase Revenue from Our Existing Assets. We have a unique set of treatment, recycling and disposal assets in the highly regulated hazardous and radioactive waste markets. We aim to enhance our treatment capabilities at our existing facilities in order to handle additional waste streams and maximize throughput. We also seek to maximize the utilization of our Company-owned rail assets while providing our customers with flexible and cost-effective disposal solutions. We also continue to invest in our infrastructure to ensure that we have ample surge capacity for increases in our Event Business while continuing to support our Base Business customers. We also expect to continue to expand our thermal recycling of oil bearing hazardous waste, which is performed at our Robstown, Texas site and yields a profitable secondary revenue stream for recovered oil and metals.

Execute on Marketing Initiatives to Grow Organically. Our sales team is focused on expanding treatment and disposal capabilities for high margin, niche waste streams that our competitors may not be able to obtain the necessary regulatory authorizations for or handle cost-effectively. We expect to expand into new

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markets and offer new services so we continue harvesting the inherent operating leverage offered by driving incremental volume into our existing disposal facilities. Our strategy is to have our Base Business cover our fixed overhead costs along with a reasonable profit, which allows the majority of T&D revenue generated from our Event Business to be realized as operating profit. We aim to continue building our Base Business while remaining flexible enough to serve event-driven customer needs.

Pursue a Disciplined Acquisition Strategy to Add Complementary Capabilities. We plan to pursue selective acquisitions that expand our disposal network and geographic footprint. We have had success in recent years with our targeted acquisition strategy, acquiring Stablex in 2010 and Dynecol, Inc. (now USEM) in 2012. Both acquisitions expanded our physical presence and customer base as well as enhanced our service offerings. We continue to seek acquisition opportunities that enable us to fill gaps in capabilities across the hazardous waste value chain while maintaining our commitment to customer service excellence.

Competitive Strengths

Difficult-to-Replicate Infrastructure. We consider our disposal facilities to be difficult to replicate due to the longstanding regulatory environment for hazardous waste processing facilities, which includes the generally high cost of obtaining permits, multi-year permitting timeframes, uncertainty of outcome, high initial capital expenditures and the potential for both broad-based and local community opposition to the development of new facilities. As a result, it has been at least 15 years since a new hazardous waste landfill or incinerator has been built in the United States. We operate four of twenty landfills in the U.S. and Canada that are permitted to accept RCRA wastes. Our Richland, Washington LLRW facility is one of only three full-service Class A, B, and C disposal facilities in the U. S. One of these three facilities was recently licensed and constructed after a lengthy and expensive process that was underway for well more than a decade. Our personnel have extensive experience safely managing radioactive waste through the use of shielding and remote handling devices. We also own and manage a fleet of 234 gondola railcars and three rail transfer stations. Together, these assets allow us to service a wide range of geographies, customers and industries.

Significant Regulatory and Operating Expertise. We operate in a highly regulated marketplace. The permitting process for operating disposal assets in our industry is lengthy and complex, requiring a deep understanding of hazardous and radioactive waste regulation. As a result of our regulatory and permitting expertise, we maintain a regulatory compliance and permitting program at our disposal facilities that has allowed us to obtain additional approvals to expand our service offering in terms of the types, amounts and concentrations of wastes that we accept. Our track record of successfully navigating government regulatory and permitting processes serves as a consistent competitive advantage.

A Market Leader in Hazardous & Non-Hazardous Waste Treatment and Disposal. We are a leader in the North American hazardous waste services sector with more than six decades of experience. In 2013, we disposed over one million tons of regulated waste, including hazardous, non-hazardous, PCBs and radioactive material. Our collection of disposal assets combined with our transportation network provides us with coast-to-coast treatment and disposal capabilities, allowing us to serve a wide mix of customers and industries across the United States and Canada.

Diverse Markets and Customer Base. In 2013, we serviced approximately 1,000 commercial and governmental entities, such as refineries, chemical production facilities, electric utilities, heavy manufacturers, steel mills, waste brokers and medical and academic institutions. Our broad range of end-markets gives us exposure to a variety of industrial cycles, creating stability for our overall business.

Solid Safety and Compliance Record. Safety and environmental compliance is a cornerstone of US Ecology's business. The Company has dedicated environmental professionals who oversee and manage safety and environmental programs including, but not limited to, employee training, internal and external audits, safety incentive programs, Voluntary Protection Programs ("VPP"), the Safety & Health

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Achievement Recognition Program, and ISO 9001 and ISO 14001 programs. Dedicated senior managers regularly review and discuss environmental and safety results with management to ensure regulatory compliance. In addition, we have received multiple site safety awards including the VPP Star Worksite Award, Thoroughbred Safety Award and the CSX Chemical Safety Award.

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.; The Environmental Quality Company; Heritage Environmental; Waste Control Specialists, LLC; and Waste Management, Inc. We believe that our primary radioactive material disposal competitors are Energy Solutions, 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
- State or Province and local community support.

We believe that we are competitive in all markets we serve and that we offer a 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 six 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 or operate radioactive waste treatment and disposal facilities owned by the U.S. Department of Energy ("USDOE"). We accept minor amounts of remediation waste from USDOE facilities at our disposal facilities from time to time; however, this is not a material part of our business.

Permits, Licenses and Regulatory Requirements

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 over multiple decades. 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, Texas and Michigan facilities are also required to provide financial assurance for closure and post-closure obligations should our facilities cease operations. Our Blainville, Québec operation is required to post

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commercial surety bonds to cover closure obligations. Both human resource and capital investments are required to maintain compliance with these requirements.

United States Hazardous Waste Regulation

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 may 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 these laws and regulations, as well as the specialized services we provide, contribute to demand and create barriers to new competitors seeking to enter the markets we serve.

RCRA provides a comprehensive framework for regulating hazardous waste transportation, treatment, storage and disposal. 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. LARM and NORM/NARM may also be managed to varying degrees under RCRA permits, as is authorized for our facilities in Grand View, Idaho; Beatty, Nevada; and Robstown, Texas.

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, transporters and those who arrange transportation are subject to the same liabilities, we believe they are motivated to minimize the number of disposal sites used. In addition, hazardous waste generated during the remediation of CERCLA cleanup projects and transferred offsite must be managed by a treatment and disposal facility authorized by EPA to manage CERCLA waste. Our Grand View, Idaho; Beatty, Nevada; Robstown Texas; and Detroit, Michigan facilities have this authorization.

TSCA regulates the treatment, storage and disposal of PCBs. U.S. 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 Robstown, 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.

Canadian Hazardous Waste Regulation

The Canadian federal government regulates issues of national scope where activities cross provincial boundaries and affect Canada's relations with other nations. The Provinces retain control over environmental matters within their boundaries including primary responsibility for regulation and management of hazardous waste.

The main federal laws governing hazardous waste management are CEPA and the Transportation of Dangerous Goods Act. Environment Canada is the federal agency with responsibility for environmental matters. CEPA charges Environment Canada and Health Canada with the protection of human health and the environment and seeks to control the production, importation and use of substances in Canada and their impact on the environment. The Export and Import of Hazardous Waste Regulations under CEPA govern trans-border movement of hazardous waste and hazardous recyclable materials. These regulations require that anyone proposing to export or import hazardous waste or hazardous recyclable materials or transport them through Canada notify the Minister of the Environment and obtain a permit to do so.

Our Stablex facility operates in the Province of Québec and is subject to QEQA. This Act, independently developed by the Province, regulates the generation, characterization, transport, treatment and disposal of hazardous wastes. QEQA also provides for the establishment of waste management facilities which are controlled by the provincial statutes and regulations governing releases to air, groundwater and surface water.

Under QEQA, waste can be defined as hazardous based on origin or characteristic in a manner that is very similar to regulations in effect in the United States. A major difference between the United States regulatory regime and that in Canada relates to ownership and liability. Under Canadian federal regulation, ownership changes when waste is transferred to a properly permitted third-party carrier and subsequently to an approved treatment and disposal facility. As a result, the generator is no longer liable for proper handling, treatment or disposal. In the United States, joint and several liability is retained by the waste generator as well as the transporter and the treatment and disposal facility.

Waste transporters require a permit to operate under Québec's regulations and are also subject to the requirements of the Federal Transportation of Dangerous Goods law which requires reporting of quantities and disposition of materials shipped.

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 dedicated, state-controlled escrow or trust accounts during the operating life of the facility. Through December 31, 2013, we have met our financial assurance requirements through insurance, surety bonds, standby letters of credit and self-funded restricted trusts.

Insurance policies covering our U.S. closure and post-closure obligations expire in December 2014. While we expect to timely renew these policies as we have in the past, if we are unable to obtain adequate closure, post-closure or environmental insurance, 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

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early closure of facilities. For our non-operating facilities, we established an interest bearing trust account to guarantee our post-closure liability, subject to regulatory approval. As of December 31, 2013, we have provided collateral of \$4.1 million in funded trust agreements, issued \$4.0 million in letters of credit for financial assurance and have insurance policies of approximately \$43.0 million for closure and post-closure obligations. Financial assurance, premium and collateral cost requirement increases may have an adverse impact on our results of operations.

We maintain a surety bond for closure costs associated with the Stablex facility. Our lease agreement with the Province of Québec requires that the surety bond be maintained for 25 years after the lease expires. At December 31, 2013 we had \$845,000 in commercial surety bonds dedicated for closure obligations.

Primary casualty insurance programs generally do not cover accidental environmental contamination losses. To provide insurance protection for potential claims, we maintain pollution legal 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

No customer accounted for more than 10% of our revenue for 2013, 2012 or 2011.

Markets

Disposal Services. Waste containing heavy metals or hazardous waste that does not require treatment prior to disposal is generally 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 or mercury and LARM are less commoditized services.

Our Robstown, Texas 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. The facility is served by a Company-owned rail transfer station approximately five miles west of this facility that extends the facility's geographic reach. In June 2008, we began operating a high-throughput thermal desorption unit at the facility which allows us to accept 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. The facility also accepts NORM.

Our Grand View, Idaho facility accepts waste from across the U.S. and, on a more limited basis, Canada shipped through our rail transfer station located adjacent to a main east-west rail line, or by truck. Waste throughput has been significantly enhanced by rail track expansions in 2006, 2008 and 2011 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. The infrastructure at our Grand View, Idaho facility is capable of handling large volumes of waste from large clean-up projects. For example, between 2005 and 2009 the facility disposed of approximately 1.3 million tons of waste shipped from a Honeywell project in Jersey City, New Jersey.

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

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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 Blainville, Québec, Canada facility, Stablex, primarily accepts waste from the eastern Canadian, northeastern and (to a lesser degree) upper midwestern U.S. industrial markets. The Stablex facility accepts inorganic and certain organic hazardous waste in liquid, semi-solid (sludge) or solid form and treats the waste using a patented cementitious stabilization process to immobilize the hazardous constituents rendering the homogenized waste product non-hazardous in accordance with Québec treatment regulations. The waste is then disposed in a secure disposal cell. Stablex accepts waste delivered by truck or by rail.

Our Richland, Washington facility serves LLRW producers in the eight states of the Northwest Interstate Compact. The three Rocky Mountain Compact states may also use our facility. Since we are a designated monopoly LLRW service provider in the Northwest Interstate 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 50 states. Rate regulation does not apply to NORM/NARM pricing since monopoly conditions do not apply.

Our Detroit, Michigan facility primarily competes for business in the midwestern U.S. and Ontario, Canada markets. The facility also competes for certain high concentration liquid caustic acid wastes in the northeastern and southeastern United States. The primary industries served include automotive and related suppliers and other industrial facilities.

Geographical Information. For the year ended December 31, 2013, we derived \$147.1 million or 73% of our revenue in the United States and \$54.0 million or 27% of our revenue in Canada. For the year ended December 31, 2012, we derived \$130.9 million or 77% of our revenue in the United States and \$38.2 million or 23% of our revenue in Canada. For the year ended December 31, 2011, we derived \$118.4 million or 76% of our revenue in the United States and \$36.5 million or 24% of our revenue in Canada.

Seasonal Effects

Seasonal fluctuations due to weather and budgetary cycles can influence the timing of customer spending for our services. Typically, in the first quarter of each calendar year there is less demand for Event Business due to reduced construction activities related to weather. While large, multi-year clean-up projects may continue in winter months, the pace of waste shipments may be slower, or stop temporarily, due to weather. Market conditions and federal funding decisions generally have a greater influence on the business than seasonality.

Personnel

On December 31, 2013, we had 458 employees, of which 11 were members of the Paper, Allied-Industrial Chemical & Energy Workers International Union, AFL-CIO and CLC (PACE) at our Richland, Washington facility and 107 were members of the Communications, Energy and Paperworkers Union of Canada at our Blainville, Québec, Canada 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:

<u>Name</u>	<u>Age</u>	<u>Title</u>
Jeffrey R. Feeler	44	President and Chief Executive Officer
Simon G. Bell	43	Executive Vice President of Operations and Technology Development
Eric L. Gerratt	43	Executive Vice President, Chief Financial Officer and Treasurer
Steven D. Welling	55	Executive Vice President of Sales and Marketing

Jeffrey R. Feeler was appointed President and Chief Executive Officer in May 2013. Mr. Feeler previously served as the Company's President and Chief Operating Officer from October 2012 to May 2013 and as the Company's Vice President and Chief Financial Officer from May 2007 to October 2012. 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.

Simon G. Bell was appointed Executive Vice President of Operations and Technology Development in May 2013 and is responsible for managing both operating and closed facilities. Mr. Bell previously served as the Company's Vice President of Operations from August of 2007 to May 2013. From 2005 to August 2007, he was Vice President of Hazardous Waste Operations. From 2002 to 2005, he was our Idaho facility General Manager and Environmental Manager. His 20 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.

Eric L. Gerratt was appointed Executive Vice President, Chief Financial Officer and Treasurer in May 2013. Mr. Gerratt previously served as the Company's Vice President, Chief Financial Officer, Treasurer and Chief Accounting Officer from October 2012 to May 2013. He 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 was appointed Executive Vice President of Sales and Marketing in May 2013. Mr. Welling previously served as the Company's Senior Vice President, Sales and Marketing from January 2010 to May 2013. He joined US Ecology 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, 2013, approximately 40% of our treatment and disposal revenue (excluding USEM) was 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 and industry-specific economic conditions, funding availability, changes in laws and regulations, government enforcement actions, public controversies, 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 effect on our financial condition and results of operations.

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

We provide disposal and transportation services to customers on discrete Event Business (non-recurring project based work) which varies widely in size, duration and unit pricing. Some of these multi-year projects can account for a significant portion of our revenue and profit. However, the replacement of 2013 Event Business revenue and earnings depends on multiple factors, many of which are outside of our control including, but not limited to, general and industry-specific economic conditions, capital in the commercial credit markets, general level of government funding on environmental matters, real estate development and other industrial investment opportunities. Our inability to replace the contribution from 2013 Event Business projects with new business could result in a material adverse effect on our financial condition and results of operations.

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 and provincial 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. 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.

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If we are unable to renew our operating permits or lease agreements with regulatory bodies, our business would be adversely affected.

Our facilities operate using permits and licenses issued by various regulatory bodies at various state, provincial and federal government levels. In addition, three of our facilities operate on land leased from government agencies. Failure to renew our permits and licenses necessary to operate our facilities or failure to renew or maintain compliance with our site lease agreements would have a material adverse effect on our business. There can be no assurance we will continue to be successful in obtaining timely permit applications approval, maintaining compliance with our lease agreements and obtaining timely lease renewals.

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

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

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 or expose our employees or the public to contamination. 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, state or provincial governments have a substantial impact on our business. Local government controls may also apply. Many complex laws, rules, orders and regulatory interpretations govern environmental protection, health, safety, noise, visual impact, odor, land use, zoning, transportation and related matters. Failure to obtain on a timely basis or comply with applicable federal, state, provincial 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, or limit operations. 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 or limit operations. New governmental requirements that raise compliance standards or require changes in operating practices or technology may impose significant costs and/or limit operations.

Our revenue is primarily generated as a result of requirements imposed on our customers under federal, state, and provincial 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.

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If we are unable to obtain at a reasonable cost or under reasonable terms and conditions 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 we believe 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 \$493,000 and \$483,000 at December 31, 2013 and 2012, 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, 2013, we have met our financial assurance requirements through a combination of insurance policies, commercial surety bonds and trust funds. Our insurance policies covering closure and post-closure activities expire in December 2014 for covered U.S. operating facilities (dedicated state-controlled closure and post-closure funds provide financial assurance for our Washington and Nevada facilities). We continue to use self-funded trust accounts for our post-closure obligations at our U.S. non-operating sites. We use commercial surety bonds for our Canadian operation that expire in November 2014. We currently have in place all financial assurance instruments necessary for our operations. While we expect to continue renewing these policies and surety bonds, if we were unable to obtain adequate closure, post-closure or environmental insurance, bonds or other instruments 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, 2013, we have \$4.1 million in funded trust agreements for post closure obligations at our non-operating properties. We have issued \$4.0 million in letters of credit for financial assurance and have insurance policies of approximately \$43.0 million for closure and post-closure obligations at covered U.S. operating facilities. We have \$845,000 in commercial surety bonds dedicated for closure obligations at our Canadian operating facility. 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.

A change or deterioration in labor relations could disrupt our business or increase costs, which could have a material adverse effect on our business, financial condition and results of operations.

The Company is a party to two collective bargaining agreements covering 118, or approximately 26%, of our employees. The agreement covering 107 of our employees at our Blainville, Québec, Canada facility expires in December 2017 and the agreement covering 11 of our employees at our Richland, Washington facility expires in February 2015. While we believe the Company will maintain good working relations with its employees on acceptable terms, there can be no assurance that we will be able to negotiate the terms of future agreements in a manner acceptable to the Company. Therefore, potential work disruptions from labor disputes may disrupt our businesses and adversely affect our financial condition and results 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.

Failure to realize the anticipated benefits and operational performance of acquired operations could lead to an impairment of goodwill or other intangible assets.

We are required to test goodwill and intangible assets with indefinite useful lives at least annually to determine if impairment has occurred. The testing of goodwill and other intangible assets for impairment requires us to make significant estimates about future performance and cash flows, as well as other assumptions. These estimates can be affected by numerous factors, including potential changes in economic, industry or market conditions, changes in laws or regulations, changes in business operations, changes in competition or changes in our stock price and market capitalization. Changes in these factors, or changes in actual performance compared with estimates of our future performance, may affect the fair value of goodwill or other intangible assets, which may result in an impairment charge. As a result of acquisitions in 2012 and 2010, we have goodwill of \$21.7 million and indefinite-lived intangible assets of \$910,000 at December 31, 2013 that must be assessed at least annually for impairment.

We cannot accurately predict the amount and timing of any impairment of assets. Should the value of goodwill or other intangible assets become impaired, our financial condition and results of operations could be adversely impacted.

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

We serve oil refineries, chemical production plants, steel mills, electric utilities, real estate developers, waste brokers/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 deterioration in the general economy and may curtail waste production and/or delay spending on plant maintenance, waste clean-up projects and other discretionary work. Spending by government customers may also be reduced or temporarily suspended due to declining tax revenues that may result from a general deterioration in economic conditions or other federal or state fiscal policy. Factors that can impact general economic conditions and the level of spending by 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 large and small 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.

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

We face competition from companies with greater resources, closer geographic proximity, service offerings we do not provide and lower pricing in certain instances. An increase in the number or location of commercial treatment or disposal facilities for hazardous or radioactive waste, significant expansion of existing competitor permitted capabilities, acquisitions by competitors 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 disposal 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 operate.

Our business requires the handling of dangerous substances. Improper handling of such substances could result in an adverse impact on our financial condition and results of operations.

We are subject to unexpected occurrences related, or unrelated, to the routine handling of dangerous substances. A fire or other incident could impair the ability of one or more facilities to continue to perform 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.

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, severe weather, 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. This may 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.

Our financial results could be adversely affected by foreign exchange fluctuations.

We operate in the United States and Canada but report revenue, costs and earnings in U.S. dollars. Exchange rates between the U.S. dollar and the Canadian dollar are likely to fluctuate from period to period. Because our financial results are reported in U.S. dollars, we are subject to the risk of translation losses for reporting purposes. If we continue to expand our international operations, we will conduct more transactions in currencies other than the U.S. dollar. To the extent that foreign revenue and expense transactions are not denominated in the local currency, we are further subject to the risk of transaction losses. We have not entered into derivative instruments to offset the impact of foreign exchange fluctuations. Fluctuations in foreign currency exchange rates could have a material adverse effect on our financial condition and results of operations.

We are subject to risks associated with operating in a foreign country.

On October 31, 2010, we acquired Stablex. Stablex is based in Québec, Canada and uses the Canadian dollar as its functional currency. International operations are subject to risks that may have material

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adverse effects on our financial condition and results of operations. The risks that our international operations are subject to include, among other things:

- difficulties and costs relating to staffing and managing foreign operations;
- foreign labor union relations;
- fluctuations in the value of the Canadian dollar;
- repatriation of cash from Stablex to the United States;
- imposition of additional taxes on our foreign income; and
- regulatory, economic and public policy changes.

The hazardous and radioactive waste industries in which we operate are 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 judicial or administrative proceedings could also have a material adverse effect on our financial condition and results of operations.

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 contained in our Credit Agreement. 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 and no other event or condition has occurred that would constitute an event of default due to the payment of the dividend. 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 future dividend payment.

We may not be able to effectively adopt or adapt to new or improved technologies.

We expect to continue implementing new or improved technologies at our facilities to meet customer service demands and expand our business. If we are unable to identify and implement new technologies in response to market conditions and customer requirements in a timely, cost effective manner, our financial condition and results of operations could be adversely impacted.

Future financings could adversely affect common stock ownership interest and rights in comparison with those of other security holders.

Our board of directors has the authority to issue additional shares of common stock or preferred stock without stockholder approval. If additional funds are raised through the issuance of equity or securities convertible into common stock, or we use shares of our common stock to pay a portion of the purchase price in any future acquisition, the percentage of ownership of our existing stockholders would be reduced, and these newly issued securities may have rights, preferences or privileges senior to those of existing stockholders. If we issue additional common stock or securities convertible into common stock, such issuance would reduce the proportionate ownership and voting power of each other stockholder. In addition, such stock issuances might result in a reduction of the book value of our common stock.

In the event that we undertake future acquisitions, we may not be able to successfully execute our acquisition strategy.

We may experience delays in making acquisitions or be unable to make the acquisitions we desire for a number of reasons. Suitable acquisition candidates may not be available at purchase prices that are

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attractive to us or on terms that are acceptable to us. In pursuing acquisition opportunities, we typically compete with other companies, some of which have greater financial and other resources than we do. We may not have available funds or common stock with a sufficient market price to complete an acquisition. If we are unable to secure sufficient funding for potential acquisitions, we may not be able to complete acquisitions that we otherwise find advantageous.

The timing and number of acquisitions we pursue may cause volatility in our financial results.

We are unable to predict the size, timing and number of acquisitions we may complete. In addition, we may incur expenses associated with sourcing, evaluating and negotiating acquisitions (including those that are not completed), and we also may pay fees and expenses associated with financing acquisitions to investment banks and others. Any of these amounts may be substantial, and together with the size, timing and number of acquisitions we pursue, may negatively impact and cause significant volatility in our financial results and the price of our common stock.

Any acquisitions that we undertake could be difficult to integrate, disrupt our business, dilute stockholder value and adversely affect our results of operations.

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

- failure of the acquired company to achieve anticipated revenues, earnings or cash flows;
- assumption of liabilities, including those related to environmental matters, that were not disclosed to us or that exceed our estimates;
- inability to negotiate effective indemnification protection from the seller, or inability to collect in the event of an indemnity claim;
- problems integrating the purchased operations with our own, which could result in substantial costs and delays or other operational, technical or financial problems;
- potential compliance issues relating to the protection of health and the environment, compliance with securities laws and regulations, adequacy of internal controls and other matters;
- diversion of management's attention or other resources from our existing business;
- risks associated with entering markets or product/service areas in which we have limited prior experience;
- increases in working capital investment to fund the growth of acquired operations;
- unexpected capital expenditures to upgrade waste handling or other infrastructure or replace equipment to operate safely and efficiently;
- potential loss of key employees and customers of the acquired company; and
- future write-offs of intangible and other assets, including goodwill, if the acquired operations fail to generate sufficient cash flows.

Anti-takeover provisions in our organizational documents and under Delaware law may impede or discourage a takeover, which could cause the market price of our common stock to decline.

We are a Delaware corporation, and the anti-takeover provisions of Delaware law impose various impediments to the ability of a third party to acquire control of us, even if a change in control would be beneficial to our existing stockholders, which, under certain circumstances, could reduce the market price of our common stock. In addition, protective provisions in our Restated Certificate of Incorporation and

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Amended and Restated Bylaws or the implementation by our board of directors of a stockholder rights plan could prevent a takeover, which could harm our stockholders.

The price of our common stock has fluctuated in the past and this may make it difficult for shareholders to resell shares of common stock at times or may make it difficult for shareholders to sell shares of common stock at prices they find attractive.

The trading price of our common stock may fluctuate widely as a result of a number of factors, many of which are outside our control. In addition, the stock market is subject to fluctuations in share prices and trading volumes that affect the market prices of the shares of many companies. These broad market fluctuations have adversely affected, and may in the future adversely affect, the market price of our common stock. Among the factors that could affect our stock price are:

- changes in financial estimates and buy/sell recommendations by securities analysts or our failure to meet analysts' revenue or earnings estimates;
- actual or anticipated variations in our operating results;
- our earnings releases and financial performance;
- market conditions in our industry and the general state of the securities markets;
- fluctuations in the stock price and operating results of our competitors;
- actions by institutional shareholders;
- investor perception of us and the industry and markets in which we operate;
- general economic conditions in the United States and Canada;
- international disorder and instability in foreign financial markets, including but not limited to potential sovereign defaults; and
- other factors described in "Risk Factors."

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The following table describes our non-disposal related properties and facilities at December 31, 2013 owned or leased by us.

<u>Location</u>	<u>Segment</u>	<u>Function</u>	<u>Size</u>	<u>Own/Lease</u>
Boise, Idaho	Corporate	Corporate office	16,820 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	297 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. We believe that our

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existing properties are in good condition and suitable for conducting our business. All estimates are as of December 31, 2013.

<u>Location</u>	<u>Own/Lease</u>	<u>Total Acreage</u>	<u>Permitted Airspace (Cubic Yards)</u>	<u>Non-Permitted Airspace (Cubic Yards)</u>	<u>Estimated Life (in years)</u>
Beatty, Nevada	Lease	80	737,613	—	3
Richland, Washington(1)	Sublease	100	650,766	—	42
Robstown, Texas	Own	913	1,765,857	—	7
Grand View, Idaho	Own	1,411	10,893,576	18,100,000	147
Detroit, Michigan	Own	6	n/a	n/a	n/a
Blainville, Quebec, Canada(2)	Own/Lease	350	7,092,269	—	27

- (1) The Richland, Washington facility is on land subleased from the State of Washington. Our sublease has two years remaining on the base term with four ten-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.
- (2) The treatment processing facility at our Blainville, Québec facility in Canada is on owned land. The disposal site which is adjacent to the owned treatment processing facility is leased from the Province of Québec with a term through 2018 and one five-year renewal option.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of business, we are involved in judicial and administrative proceedings involving federal, state, provincial or local governmental authorities, including regulatory agencies that oversee and enforce compliance with permits. Fines or penalties may be assessed by our regulators for non-compliance. Regulators may also issue orders limiting waste handling operations. Actions may also be brought by individuals or groups in connection with permitting of planned facilities, modification or alleged violations of existing permits, or alleged damages suffered from exposure to hazardous substances purportedly released from our operated 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 and administrative matters, or other fees expected to be incurred in relation to these matters.

In 2012, we settled allegations by the USEPA that the thermal recycling operation at our Robstown, Texas facility did not comply with certain rules and regulations of the RCRA. As part of the settlement, we agreed to pay a civil penalty and to submit an application to the State of Texas for a RCRA Subpart X permit. The Company and the thermal recycling unit's owner-operator also agreed to a set of interim operating conditions that allow the facility to continue providing recycling services to customers until the RCRA Subpart X permit is issued.

In connection with this matter, in June 2013 the USEPA asserted various related technical compliance and permitting violations of the Clean Air Act of 1970. Negotiations on a proposed settlement are ongoing with the USEPA. We recognized a charge of \$238,000 during 2013 in Selling, general and administrative expenses in the Consolidated Statement of Operations related to this pending enforcement matter.

Other than as disclosed above, 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 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Common Stock Price**

Our common stock is listed on the NASDAQ Global Select Market under the symbol ECOL. As of January 27, 2014 there were approximately 15,549 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:

	2013		2012	
	High	Low	High	Low
First Quarter	\$ 26.91	\$ 22.50	\$ 21.77	\$ 17.63
Second Quarter	\$ 29.97	\$ 25.02	\$ 22.71	\$ 16.52
Third Quarter	\$ 31.12	\$ 27.10	\$ 21.81	\$ 17.25
Fourth Quarter	\$ 39.77	\$ 28.78	\$ 25.05	\$ 21.00

Dividend History

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

	2013		2012	
	Per share	Dollars	Per share	Dollars
First Quarter(1)	\$ —	\$ —	\$ 0.18	\$ 3,281
Second Quarter	0.18	3,314	0.18	3,284
Third Quarter	0.18	3,331	0.18	3,285
Fourth Quarter	0.18	3,333	0.36	6,582
Total	\$ 0.54	\$ 9,978	\$ 0.90	\$ 16,432

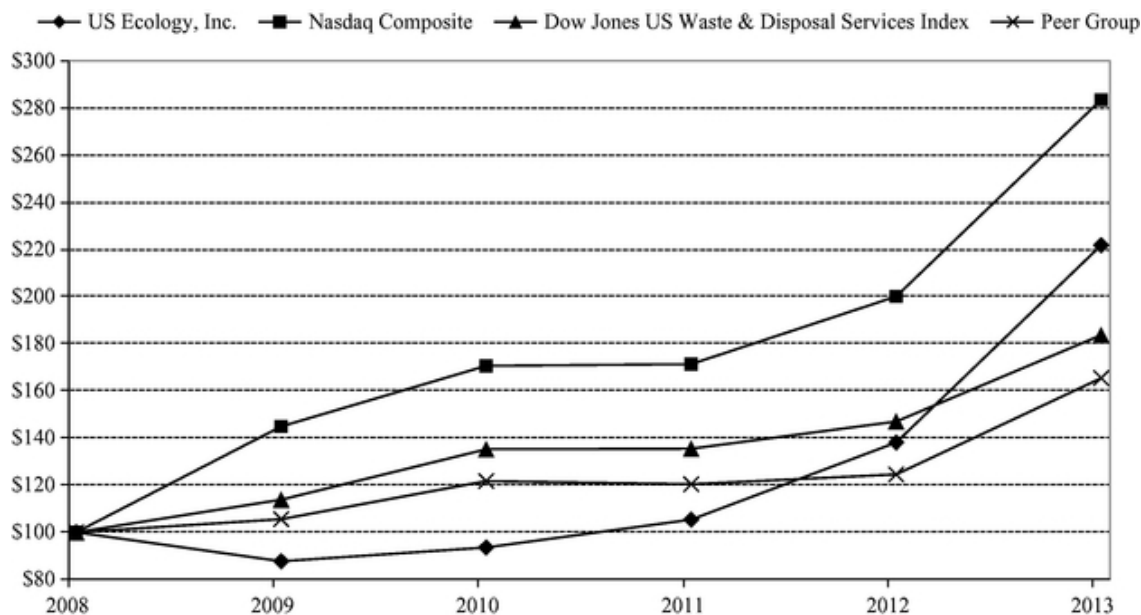
- (1) On December 12, 2012 the Company announced that it had accelerated the record and payment date of the Company's regular quarterly dividend scheduled for the first quarter of fiscal 2013. The accelerated dividend of \$0.18 per share was payable on December 27, 2012, rather than January 25, 2013, to stockholders of record at the close of business on December 20, 2012.

On October 29, 2010, we entered into the Credit Agreement with Wells Fargo Bank, National Association ("Wells Fargo"), as amended, which provides for an aggregate commitment from Wells Fargo of \$95.0 million. 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 and no other event or condition has occurred that would constitute an event of default due to the payment of the dividend. No events of default under the Credit Agreement have occurred to date.

Stock Performance Graph

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, Dow Jones Waste & Disposal Services Index and a waste industry peer group of publicly traded companies for the period from the end of fiscal 2008 to the end of fiscal 2013. The stock price performance shown below is not necessarily indicative of future performance.

**Comparison of Cumulative Total Shareholder Return(1) Among
US Ecology, Inc., NASDAQ Composite Index,
Dow Jones Waste & Disposal Services Index and Peer Group**



Date	US Ecology, Inc.	Nasdaq Composite	Dow Jones US Waste & Disposal Services Index	Peer Group(2)
December 31, 2008	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00
December 31, 2009	\$ 87.71	\$ 144.88	\$ 113.83	\$ 105.56
December 31, 2010	\$ 93.57	\$ 170.58	\$ 135.21	\$ 121.72
December 31, 2011	\$ 105.38	\$ 171.30	\$ 135.45	\$ 120.40
December 31, 2012	\$ 138.07	\$ 199.99	\$ 146.97	\$ 124.55
December 31, 2013	\$ 221.72	\$ 283.39	\$ 183.62	\$ 165.38

- (1) Total return assuming \$100 invested on December 31, 2008 and reinvestment of dividends on the day they were paid.
- (2) The peer group consists of Clean Harbors, Inc., Perma-Fix Environmental Services, Inc. and Waste Management Inc. This chart presents a transition year from comparison with the customized peer group to comparison with the Dow Jones US Waste & Disposal Services Index.

The performance graph above is being furnished solely to accompany this Annual Report on Form 10-K pursuant to Item 201(e) of Regulation S-K, is not being filed for purposes of Section 18 of the Exchange

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Act, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Securities Authorized for Issuance Under Equity Compensation Plans

Information with respect to compensation plans under which our equity securities are authorized for issuance is discussed in Item 12 of Part III of this Form 10-K.

ITEM 6. SELECTED FINANCIAL DATA

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

\$ in thousands, except per share amounts	2013	2012	2011	2010	2009
Revenue	\$ 201,126	\$ 169,138	\$ 154,917	\$ 104,836	\$ 132,519
Insurance proceeds(1)	—	—	—	—	661
Operating income	52,931	40,638	32,365	20,377	23,102
Foreign currency gain (loss)	(2,327)	1,213	(1,321)	1,819	(37)
Income tax expense	17,996	16,059	11,437	9,602	9,513
Net income	\$ 32,151	\$ 25,659	\$ 18,370	\$ 12,584	\$ 13,970
Earnings per share—basic:	\$ 1.73	\$ 1.41	\$ 1.01	\$ 0.69	\$ 0.77
Earnings per share—diluted:	\$ 1.72	\$ 1.40	\$ 1.01	\$ 0.69	\$ 0.77
Shares used in earnings per share calculation:					
Basic	18,592	18,238	18,198	18,170	18,146
Diluted	18,676	18,281	18,223	18,189	18,173
Dividends paid per share	\$ 0.54	\$ 0.90	\$ 0.72	\$ 0.72	\$ 0.72
Total assets	\$ 300,556	\$ 218,694	\$ 202,588	\$ 217,349	\$ 123,662
Working capital(2)	\$ 85,356	\$ 13,021	\$ 8,772	\$ 18,693	\$ 38,830
Long-term debt	\$ —	\$ 45,000	\$ 40,500	\$ 63,003	\$ 10
Stockholders' equity	\$ 231,538	\$ 112,022	\$ 100,163	\$ 94,712	\$ 93,498
Return on invested capital(3)	17.3%	14.6%	12.0%	12.7%	14.3%

(1) Relates to insurance recoveries from an employee dishonesty claim in 2009.

(2) Calculated as current assets minus current liabilities.

(3) Calculated as operating income less applicable taxes divided by the sum of stockholders' equity, long-term debt, closure and post-closure obligations and monetized operating leases, less cash and short-term investments.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

US Ecology is a hazardous, PCBs, 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 brokers/aggregators and medical and academic institutions. The majority of the waste received at our facilities is produced in the United States.

On May 31, 2012, the Company acquired 100% of the outstanding shares of US Ecology Michigan, Inc. ("USEM"), formerly Dynecol, Inc., a chemical and industrial byproducts treatment and reuse facility located in Detroit, Michigan, for a total purchase price of \$10.8 million, including net working capital

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adjustments. Revenue from USEM after the date of acquisition included in US Ecology's consolidated statements of operations was \$12.3 million and \$6.7 million for the years ended December 31, 2013 and 2012, respectively.

We generate revenue from fees charged to treat and dispose of waste at our six fixed facilities located near Beatty, Nevada; Richland, Washington; Robstown, Texas; Grand View, Idaho; Detroit, Michigan and Blainville, Québec, Canada. We own and manage a dedicated fleet of gondola railcars and arrange for the transportation of waste to our facilities. Transportation services have contributed significant revenue since acquisition of our 234 railcar fleet. We also utilize our railcar fleet to transport waste 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.

We divide our customers into categories to better evaluate period-to-period changes in our treatment and disposal ("T&D") revenue based on service mix and type of business (recurring customer "Base Business" or waste clean-up project "Event Business"). Each of these categories is described in the table below, along with information on the percentage of total T&D revenues by category, for the years ended December 31, 2013 and 2012.

Customer Category	Description	% of T&D Revenue(1)(2) for the Years Ended December 31,	
		2013	2012
Broker	Companies that collect and aggregate waste from their direct customers, generally comprised of Base Business with periodic Event Business for larger projects.	48%	51%
Other industry	Electric utilities, chemical manufacturers, steel mill and other industrial customers not included in other categories, comprised of both recurring Base and Event Business.	16%	18%
Private Clean-up	Private sector clean-up project waste, typically Event Business.	15%	6%
Refinery	Petroleum refinery customers, comprised of both Base and Event Business.	11%	9%
Government	Federal and State government waste, comprised of both Base and Event Business.	6%	12%
Rate regulated	Northwest and Rocky Mountain Compact customers paying rate-regulated disposal fees set by the State of Washington, predominantly Base Business.	4%	4%

(1) Excludes all transportation service revenue

(2) Excludes US Ecology Michigan which was acquired on May 31, 2012

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, 2013, approximately 40% of our T&D revenue, excluding USEM, 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 and industry-specific economic conditions, funding availability, changes in laws and regulations, government enforcement actions or court orders, public controversy, litigation, weather, commercial real estate, closed military bases and other redevelopment project timing, government appropriation and funding cycles and other factors.

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The types and amounts of waste received from Base Business also vary from quarter to quarter. This variability can cause significant quarter-to-quarter and year-to-year differences in revenue, gross profit, gross margin, operating income and net income. Also, while we pursue many large projects months or years in advance of work performance, both large and small clean-up project opportunities routinely arise with little or no prior notice. These market dynamics are inherent to the hazardous and radioactive waste disposal business and are 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.

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 and Robstown, Texas facilities, transportation-related revenue can account for as much as 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 have otherwise competed for successfully. Our Company-owned fleet of 234 gondola railcars, which is periodically supplemented with railcars obtained under operating leases, has reduced our transportation expenses by largely eliminating reliance on more costly short-term rentals. These Company-owned railcars also help us to win business during times of demand-driven railcar scarcity.

The increased waste volumes resulting from projects won through this bundled service strategy further drive operating leverage benefits inherent to the disposal business, increasing profitability. While waste treatment and other variable costs are project-specific, the incremental earnings contribution from large and small projects generally increases as overall disposal volumes increase. Based on past experience, management believes that maximizing operating income, net income and earnings per share is a higher priority than maintaining or increasing gross margin. We intend to continue aggressively bidding bundled transportation and disposal services based on this proven 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 also be bundled with for-profit logistics and field services support work.

We serve oil refineries, chemical production plants, steel mills, waste brokers/aggregators serving small manufacturers and other industrial customers that are generally affected by the prevailing economic conditions and credit environment. Adverse 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 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 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 business is either government funded or driven by government regulations or enforcement actions, we believe it is less susceptible to general economic conditions. 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 various reasons.

Overall Performance

On a consolidated basis, our financial performance for the year ended December 31, 2013 ("2013") improved compared to the years ended December 31, 2012 ("2012") and December 31, 2011 ("2011").

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

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 strong. The economic condition of a specific industry (e.g. refining or steel production) is also relevant, 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 received and unit pricing.

During 2013, Base Business revenue, excluding USEM, increased 2% compared to 2012. Base Business revenue was approximately 60% of total 2013 T&D revenue, down from 65% in 2012. Our business is highly competitive and no assurance can be given that we will maintain these revenue levels or increase our market share.

2013 to 2011 year-to-year comparisons are affected by multiple significant events including, but not limited to:

2013 Events

Unrealized Foreign Currency Loss: In conjunction with our acquisition of Stablex in 2010, we established intercompany loans between Stablex and US Ecology as part of our tax and treasury management strategy. These intercompany loans are payable using Canadian dollars ("CAD") and are subject to mark-to-market adjustments with movements in the CAD relative to the U.S. dollar ("USD"). At December 31, 2013 we had \$35.7 million of intercompany loans outstanding between Stablex and US Ecology. During 2013 the CAD weakened as compared to the USD resulting in a \$2.8 million non-cash foreign currency translation loss recognized in the Company's Consolidated Statement of Operations related to the intercompany loans.

Closure Post Closure Trust Fund Reimbursement: In 2013, the Company recorded a \$1.3 million refund from the State of Nevada closure and post-closure trust fund, which is maintained by the State and funded by the Company to cover closure and post-closure obligations at the Beatty, Nevada facility. Any excess in the trust fund over future estimated costs to complete closure and post-closure obligations is returned to the Company and included as Revenue in the Consolidated Statement of Operations.

Full year of USEM Operations: 2013 includes a full year of operating results for USEM, which was acquired on May 31, 2012. Revenue and operating loss from USEM included in the Company's consolidated statements of operations for the year ended December 31, 2013 were \$12.3 million and \$72,000, respectively.

Public Common Stock Offering: In December 2013, we sold and issued 2,990,000 shares of our common stock, including 390,000 shares pursuant to the underwriters' option to purchase additional shares, at a price of \$34.00 per share. We received net proceeds of \$96.4 million after deducting underwriting discounts, commissions and offering expenses. \$30.0 million of the net proceeds were used to repay amounts outstanding under the Credit Agreement with the remainder available for general corporate purposes, including potential future acquisitions.

2012 Events

Acquisition of Dynecol, Inc.: On May 31, 2012, the Company acquired 100% of the outstanding shares of Dynecol, Inc., a chemical and industrial byproducts treatment and reuse facility located in Detroit, Michigan, for a total purchase price of \$10.8 million. The acquisition of Dynecol, Inc. (subsequently renamed US Ecology Michigan, Inc. ("USEM")) affects the comparability of 2012 with previous years as follows:

- Revenue and operating loss from USEM included in the Company's consolidated statements of operations for the seven months of ownership in 2012 were \$6.7 million and \$161,000, respectively.
- We incurred \$348,000 of business development expense in connection with the USEM acquisition primarily for due diligence and business integration purposes.
- We recorded \$1.9 million of intangible assets and \$1.3 million of goodwill on the Consolidated Balance Sheet as a result of the acquisition. Finite-lived intangibles will be amortized over their estimated useful life ranging from 1 to 15 years. Goodwill and indefinite-lived intangibles are tested for impairment at least annually.

Unrealized Foreign Currency Loss: In conjunction with our acquisition of Stablex in 2010, we established intercompany loans between Stablex and US Ecology as part of our tax and treasury management strategy. These intercompany loans are payable using CAD and are subject to mark-to-market adjustments with movements in the CAD relative to the USD. At December 31, 2012 these intercompany loans totaled \$46.7 million. During 2012 the CAD strengthened relative to the USD resulting in a \$1.2 million non-cash foreign currency translation gain in the Company's Consolidated Statement of Operations.

Closure Post Closure Trust Fund Reimbursement: In 2012, the Company recorded a \$638,000 refund from the State of Nevada closure and post-closure trust fund, which is maintained by the State and funded by the Company to cover closure and post-closure obligations at the Beatty, Nevada facility. Any excess in the trust fund over the estimated future costs to complete closure and post-closure obligations is returned to the Company and included as Revenue in the Consolidated Statement of Operations.

2011 Events

Unrealized Foreign Currency Loss: In conjunction with our acquisition of Stablex in 2010, we established intercompany loans between Stablex and US Ecology as part of our tax and treasury management strategy. These intercompany loans are payable using CAD and are subject to mark-to-market adjustments with movements in the CAD relative to the USD. At December 31, 2011 these intercompany loans totaled \$51.7 million. During 2011, the CAD weakened relative to the USD resulting in a \$1.3 million non-cash foreign currency translation loss in the Company's Consolidated Statement of Operations.

Closure Post Closure Trust Fund Reimbursement: In 2011, the Company recorded a \$1.3 million refund from the State of Nevada closure and post-closure trust fund, which is maintained by the State of Nevada and funded by the Company to cover closure and post-closure obligations at the Beatty, Nevada facility. Any excess in the trust fund over the estimated future costs to complete closure and post-closure obligations is returned to the Company. The refund is included as Revenue in the Consolidated Statement of Operations.

[Table of Contents](#)**Results of Operations**

Our operating results and percentage of revenues for the years ended December 31, 2013, 2012 and 2011 were as follows:

<i>\$s in thousands</i>	<u>2013</u>	<u>%</u>	<u>2012</u>	<u>%</u>	<u>2011</u>	<u>%</u>
Revenue	\$ 201,126	100.0%	\$ 169,138	100.0%	\$ 154,917	100.0%
Direct operating costs	86,238	42.9%	79,177	46.8%	73,758	47.6%
Transportation costs	35,902	17.9%	23,664	14.0%	27,292	17.6%
Gross profit	78,986	39.3%	66,297	39.2%	53,867	34.8%
Selling, general and administrative expenses	26,055	13.0%	25,659	15.2%	21,502	13.9%
Operating income	52,931	26.3%	40,638	24.0%	32,365	20.9%
Other income (expense)						
Interest income	19		17		26	
Interest expense	(828)	-0.4%	(878)	-0.5%	(1,604)	-1.0%
Foreign currency gain (loss)	(2,327)	-1.2%	1,213	0.7%	(1,321)	-0.9%
Other	352	0.2%	728	0.4%	341	0.2%
Total other income (expense)	(2,784)	-1.4%	1,080	0.6%	(2,558)	-1.7%
Income before income tax	50,147	24.9%	41,718	24.7%	29,807	19.2%
Income tax expense	17,996	8.9%	16,059	9.5%	11,437	7.4%
Net income	<u>\$ 32,151</u>	<u>16.0%</u>	<u>\$ 25,659</u>	<u>15.2%</u>	<u>\$ 18,370</u>	<u>11.9%</u>

Segments

We operate within two segments, Operating Disposal Facilities and Non-Operating Disposal Facilities, which are combined 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 18 to the Consolidated Financial Statements under Item 8—Financial Statements and Supplementary Data to this Form 10-K.

2013 Compared to 2012

Revenue. Revenue increased 19% to \$201.1 million in 2013, up from \$169.1 million in 2012. This increase reflects a 13% increase in T&D revenue and a 54% increase in transportation service revenue in 2013 compared to 2012. The increase in transportation service revenue reflects more Event Business projects utilizing the Company's transportation and logistics services.

During 2013, we disposed of or processed 1.1 million tons of waste, up 2% from 1.0 million tons disposed or processed in 2012. Our average selling price for treatment and disposal services (excluding transportation) in 2013 was 11% higher than our average selling price in 2012, reflecting a more favorable service mix in 2013.

USEM, acquired May 31, 2012, contributed \$12.3 million of total revenue in 2013 compared with \$6.7 million of total revenue during the seven months we owned the operation in 2012. Revenue from USEM is excluded from percentages of Base and Event Business and customer category information in the following paragraphs.

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During 2013, the Company recorded revenue of \$1.3 million related to refunds from the State of Nevada closure and post-closure trust fund maintained by the State to cover closure and post-closure obligations at the Beatty, Nevada facility. Any excess in the trust fund over the estimated costs is refunded to the Company. In 2012, the Company received \$638,000 in refunds from the State of Nevada post-closure trust fund.

During 2013, T&D revenue from recurring Base Business customers increased 2% compared to 2012 and comprised 60% of T&D revenue. This compared to 65% of T&D revenue in 2012. As discussed further below, the slight increase in Base Business T&D revenue compared to the prior year primarily reflects higher T&D revenue from our broker Base Business customer category, partially offset by lower T&D revenue from our "other industry" and refinery Base Business customer categories.

Event Business revenue in 2013 increased 27% compared to 2012 and was 40% of T&D revenue for 2013. This compared to 35% of T&D revenue in 2012. As discussed further below, the increase in Event Business T&D revenue compared to the prior year primarily reflects higher T&D revenue from our private clean-up and refinery Event Business customer categories, partially offset by lower T&D revenue from our government Event Business customer category.

The following table summarizes combined Base Business and Event Business revenue growth by customer category for 2013 as compared to 2012.

	T&D Revenue Growth
	2013 vs. 2012
Private	188%
Refinery	33%
Broker	5%
Rate regulated	3%
Other industry	-3%
Government	-45%

T&D revenue from private clean-up projects increased 188% in 2013 compared to 2012. This increase primarily reflects revenue from a nuclear fuel fabrication facility decommissioning project and an East Coast clean-up project.

T&D revenue from our refinery customers increased 33% in 2013 compared to 2012. This increase primarily reflects T&D revenue on thermal recycling projects sourced directly from refinery customers. The increase is also partially attributable to a refinery clean-up project in 2013.

Our broker business increased 5% in 2013 compared to 2012. This increase was the result of shipments across the broad range of government and industry waste generators directly served by multiple broker customers, partially offset by lower volumes of brokered thermal recycling projects.

Rate-regulated business at our Richland, Washington LLRW disposal facility increased 3% in 2013 compared to 2012. Our Richland facility operates under a State-approved annual revenue requirement. The increase reflects the timing of revenue recognition for the rate-regulated portion of the business.

Our other industry revenue category decreased 3% in 2013 compared to 2012 as a result of reduced shipments from this broadly diverse industrial customer category.

Government clean-up business revenue decreased 45% in 2013 compared to 2012 due to reduced shipments from the USACE and a military base clean-up project in 2012 that was not replaced in 2013. T&D revenue from the USACE decreased approximately 30% in 2013 compared with 2012. This decrease was due to project-specific timing at multiple USACE clean-up sites and federal spending reductions. Total revenue, including transportation service revenue, under our USACE contract was \$10.9 million, or 5%, of total revenue in 2013 compared to \$10.3 million, or 6%, of total revenue in 2012. No USACE projects served by the Company were cancelled or, to our knowledge, awarded to competitors during 2013.

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Gross Profit. In 2013, gross profit increased 19% to \$79.0 million, up from \$66.3 million in 2012. This increase primarily reflects a higher average selling price in 2013 compared to 2012. Total gross margin was 39% in both 2013 and 2012. T&D gross margin was 48% in 2013, up from 46% in 2012, reflecting a more favorable service mix in 2013. The increase was also partially attributable to lower costs for chemical reagents used to treat waste prior to disposal in 2013 compared to 2012.

Selling, General and Administrative ("SG&A"). SG&A expenses increased to \$26.1 million, or 13% of total revenue, in 2013, compared with \$25.7 million, or 15% of total revenue, in 2012. The dollar increase primarily reflects a full twelve months of SG&A expenses related to USEM operations in 2013 and higher labor expenses, partially offset by lower variable incentive compensation, business development expenses and severance.

Interest expense. Interest expense for 2013 was \$828,000, down from \$878,000 for 2012, primarily reflecting lower average debt levels in 2013.

Foreign Currency Gain (Loss). We recognized a \$2.3 million non-cash foreign currency loss in 2013 compared with a \$1.2 million non-cash foreign currency gain in 2012. Foreign currency gains and losses reflect changes in business activity conducted in a currency other than the USD, our functional currency. Our Stablex facility is owned by our Canadian subsidiary, whose functional currency is the CAD. Also, 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 December 31, 2013, we had \$35.7 million of intercompany loans subject to currency revaluation.

Other income. Other income includes non-operating business activities and unusual revenue and expenses. Other income for 2013 was \$352,000, compared with \$728,000 for 2012. The decrease primarily reflects \$474,000 of other income recorded in connection with the sale of an excess water right at our Grand View, Idaho property during 2012.

Income tax expense. Our effective income tax rate for 2013 was 35.9% compared to 38.5% in 2012. This decrease reflects a higher proportion of earnings from our Canadian operations, which are taxed at a lower corporate tax rate, partially offset by higher U.S. state income taxes. As of December 31, 2013, we had approximately \$122.1 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 or where we do not expect to generate future taxable income. We consider it unlikely that we will utilize these NOLs in the future. As of December 31, 2013 we had unrecognized tax benefits of \$438,000 that, if recognized, would favorably affect our effective tax rate. As of December 31, 2013, we have recorded \$42,000 of cumulative interest expense associated with this unrecognized tax benefit.

2012 Compared to 2011

Revenue. Revenue increased 9% to \$169.1 million in 2012, up from \$154.9 million in 2011. This increase reflects a 13% increase in T&D revenue and a 9% decrease in transportation service revenue in 2012 compared to 2011. The decrease in transportation service revenue was due to fewer Event Business projects utilizing the Company's transportation and logistics services.

USEM, acquired May 31, 2012, contributed \$6.7 million of total revenue during the seven months we owned the operation in 2012. Revenue from USEM is excluded from percentages of Base and Event Business and customer category information in the following paragraphs.

During 2012, the Company recorded revenue of \$638,000 related to refunds from the State of Nevada closure and post-closure trust fund maintained by the State to cover closure and post-closure obligations of the Beatty, Nevada facility. Any excess in the trust fund over the estimated costs is refunded to the

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Company. In 2011, the Company received \$1.3 million in refunds from the State of Nevada post-closure trust fund.

During 2012, we disposed of 1.0 million tons of hazardous and radioactive waste, down 6% from 1.1 million tons disposed in 2011. Our average selling price for treatment and disposal services (excluding transportation) in 2012 was 21% higher than our average selling price in 2011. The decline in volume and pricing improvement primarily reflects the high-volume low unit price waste received in 2011 from the GE Hudson River cleanup project.

During 2012, T&D revenue from recurring Base Business customers was 17% higher than 2011 and comprised 65% of T&D revenue. This compared to 61% of T&D revenue in 2011. As discussed further below, this increase primarily reflects higher broker and other industry Base Business T&D revenue, partially offset by lower refinery Base Business T&D revenue.

Event Business revenue in 2012 decreased 2% compared to 2011 and was 35% of T&D revenue in 2012. This compares to 39% of T&D revenue in 2011. As discussed further below, this decrease primarily reflects lower private clean-up and broker Event Business T&D revenue, partially offset by higher government Event Business T&D revenue.

The following table summarizes combined Base Business and Event Business revenue growth by customer category for 2012 as compared to 2011.

	T&D Revenue Growth 2012 vs. 2011
Government	59%
Other industry	28%
Broker	13%
Rate regulated	0%
Refinery	-5%
Private	-46%

Government clean-up business revenue increased 59% in 2012 compared to 2011 due to higher shipments from the USACE and a new military base clean-up project in 2012. USACE T&D revenue increased 22% in 2012 compared with 2011 due to project-specific timing at multiple USACE clean-up sites. The increase in USACE T&D revenue was more than offset by a 48% decrease in USACE transportation revenue in 2012 compared with 2011. This was due to project-specific transportation arrangements at multiple USACE clean-up sites. Total revenue, including transportation service revenue, under our USACE contract was \$10.3 million, or 6%, of total revenue in 2012 compared to \$10.5 million, or 7%, of total revenue in 2011. No USACE projects served by the Company were cancelled or, to our knowledge, awarded to competitors during the year.

Our other industry revenue category increased 28% in 2012 compared to 2011 on strong shipments from the broadly diversified group of industrial customers we serve.

Our broker business increased 13% in 2012 compared to 2011. This increase was the result of shipments across our broad range of government and industry waste generators directly served by our multiple broker customers including higher volumes of brokered thermal recycling projects.

T&D revenue from our refinery customers decreased 5% in 2012 compared to 2011. This decrease primarily reflects lower volumes partially offset by improved pricing on thermal recycling projects.

T&D revenue from private clean-up customers decreased 46% in 2012 compared to 2011. This decrease primarily reflects shipments from the GE Hudson River project in 2011 that were not fully replaced in 2012.

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Gross Profit. In 2012, gross profit increased 23% to \$66.3 million, up from \$53.9 million in 2011. This increase primarily reflects higher average selling prices offsetting lower volumes of waste disposed in 2012 compared to 2011. Gross margin was 39% in 2012, up from 35% in 2011. T&I gross margin was 46% in 2012, up from 43% in 2011. The increase in gross margin and T&D gross margin primarily reflects increased average selling prices on lower volumes resulting in a more favorable service mix. The increase was also partially attributable to lower costs for chemical reagents used to treat waste prior to disposal in 2012 compared to 2011.

Selling, General and Administrative. As a percentage of total revenue, SG&A expenses increased to 15% in 2012 compared to 14% in 2011. SG&A expenses for 2012 were \$25.7 million, up from \$21.5 million in 2011. The increase is primarily attributable to higher payroll-related costs, including variable incentive compensation resulting from stronger financial performance, higher business development costs, severance costs related to a senior management reorganization in October 2012 and higher other general administrative costs associated with increased levels of business activity in 2012 compared to 2011.

Interest expense. Interest expense for 2012 was \$878,000, down from \$1.6 million for 2011, primarily reflecting lower debt levels and lower interest rates in 2012.

Foreign Currency Gain (Loss). We recognized a \$1.2 million non-cash foreign currency gain in 2012 compared with a \$1.3 million non-cash foreign currency loss in 2011. Foreign currency gains and losses reflect changes in business activity conducted in a currency other than the USD, our functional currency. Our Stablex facility is owned by our Canadian subsidiary, 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 USD/CAD currency movements from period to period. At December 31, 2012, we had \$46.7 million of intercompany loans subject to currency revaluation.

Other income. Other income includes non-operating business activities and unusual revenue and expenses. Other income for 2012 was \$728,000 compared with \$341,000 for 2011. The increase primarily reflects \$474,000 of other income recorded in connection with the sale of an excess water right at our Grand View, Idaho property during 2012.

Income tax expense. Our effective income tax rate for 2012 was 38.5% compared to 38.4% in 2011. As of December 31, 2012, we had approximately \$109.8 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 or where we do not expect to generate future taxable income. We consider it unlikely that we will utilize these NOLs in the future. As of December 31, 2012 we had unrecognized tax benefits of \$438,000 that, if recognized, would favorably affect the effective tax rate. As of December 31, 2012, we have recorded \$29,000 of interest expense associated with this unrecognized tax benefit.

Liquidity and Capital Resources

Our primary sources of liquidity are cash and cash equivalents, cash generated from operations and borrowings under the Credit Agreement. At December 31, 2013, we had \$73.9 million in cash and cash equivalents immediately available. 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 are funding operations, capital expenditures and paying declared dividends pursuant to our dividend policy. We believe future operating cash flows will be sufficient to meet our future operating, investing and dividend cash needs for the foreseeable future. Furthermore, existing cash balances and availability of additional borrowings under our Credit Agreement provide additional sources of liquidity should they be required.

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Operating Activities. In 2013, net cash provided by operating activities was \$49.6 million. This primarily reflects net income of \$32.1 million, non-cash depreciation, amortization and accretion of \$17.4 million, an increase in deferred revenue of \$5.2 million, an increase in income taxes payable of \$4.1 million, unrealized non-cash foreign currency losses of \$2.8 million and share-based compensation expense of \$865,000, partially offset by an increase in receivables of \$10.4 million and a decrease in deferred income taxes of \$2.6 million. Impacts on net income are due to the factors discussed above under Results of Operations. The increase in income taxes payable is primarily attributable to the timing of income tax payments. The non-cash foreign currency loss reflects a weaker CAD relative to the USD in 2013. The increase in receivables is primarily attributable to the timing of the treatment and disposal of waste associated with a large east coast clean-up project. Days sales outstanding was 62 days as of December 31, 2013, compared to 61 days as of December 31, 2012.

In 2012, net cash provided by operating activities was \$35.2 million. This primarily reflects net income of \$25.7 million, non-cash depreciation, amortization and accretion of \$16.8 million and an increase in accrued salaries and benefits of \$1.9 million, partially offset by a decrease in accrued closure and post-closure obligations of \$2.3 million, a decrease in accounts payable and accrued liabilities of \$2.2 million, an increase in receivables of \$1.9 million and unrealized non-cash foreign currency gains of \$1.4 million. Impacts on 2012 net income are due to the factors discussed above under Results of Operations. The increase in accrued salaries and benefits is primarily attributable to an increase in incentive compensation. The decrease in accrued closure and post-closure liabilities is primarily attributable to cash payments during 2012 for capping filled disposal cells at our Robstown, Texas and Blainville, Québec, Canada facilities. The decrease in accrued liabilities is primarily attributable to the payment of fiscal year 2011 accrued customer refunds related to our rate-regulated business in Richland, Washington. The increase in receivables is primarily attributable to the timing of customer payments. The non-cash foreign currency gain reflects a stronger CAD relative to the USD in 2012.

In 2011, net cash provided by operating activities was \$43.2 million. This primarily reflects net income of \$18.4 million, non-cash depreciation, amortization and accretion of \$16.6 million, decreases in receivables and other working capital assets of \$4.1 million, increases in certain working capital liabilities such as accounts payable, accrued liabilities and accrued salaries and benefits of \$4.3 million, unrealized non-cash foreign currency losses of \$1.3 million and non-cash stock based equity awards of \$837,000. Partially offsetting these sources of cash were decreases in our income taxes payable of \$1.1 million and decreases in other working capital liabilities of \$813,000. Impacts on net income are due to the factors discussed above for 2011 under Results of Operations. The decrease in receivables is primarily attributable to timing of significant customer payments for 2010 received in 2011. Days sales outstanding was 66 days as of December 31, 2011, compared to 65 days as of December 31, 2010. The non-cash foreign currency loss reflects a weakened CAD relative to the USD in 2011. The increase in accounts payable, accrued liabilities and accrued salaries and benefits is primarily attributable to a higher level of business activity in the fourth quarter of 2011 along with an increase in incentive compensation as a result of achieving internal performance metrics.

Investing Activities. In 2013, net cash used in investing activities was \$21.2 million, primarily attributable to capital expenditures of \$21.4 million. Significant capital projects included the purchase of land for future expansion of our Robstown, Texas operation, construction of additional disposal capacity at our Grand View, Idaho, Beatty, Nevada and Blainville, Quebec, Canada locations, and equipment purchases and infrastructure upgrades at all of our operating facilities.

In 2012, net cash used in investing activities was \$26.3 million, primarily attributable to capital expenditures of \$15.8 million and the acquisition of USEM for \$10.7 million, net of cash acquired. Significant capital projects included construction of additional disposal capacity at our Grand View, Idaho and Blainville, Québec, Canada locations and equipment purchases and infrastructure upgrades at all of our operating disposal facilities.

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In 2011, net cash used in investing activities was \$10.0 million, primarily attributable to capital expenditures. Capital expenditures in 2011 reflect \$1.8 million in infrastructure investments and facility upgrades at our Robstown, Texas, Grand View, Idaho and Beatty, Nevada facilities and \$1.4 million to construct additional disposal capacity at our Beatty, Nevada and Stablex facilities. Other capital projects included equipment purchases and infrastructure upgrades at all of our operating disposal facilities.

Financing Activities. During 2013, net cash provided by financing activities was \$43.7 million, consisting primarily of \$96.4 million of net proceeds received from our public common stock offering (discussed further below) and \$2.5 million of proceeds from stock option exercises, partially offset by \$45.0 million of net repayments under the Credit Agreement and \$10.0 million of dividends paid to our stockholders.

During 2012, net cash used in financing activities was \$11.2 million, consisting primarily of \$16.4 million of dividends paid to our stockholders (including a one-time accelerated quarterly dividend payment in December 2012), partially offset by net borrowings under the Credit Agreement of \$4.5 million incurred primarily to finance the USEM acquisition and fund working capital requirements.

During 2011, net cash used in financing activities was \$35.2 million, primarily reflecting \$39.4 million of payments under our Credit Agreement and \$13.1 million of dividend payments to our stockholders, partially offset by \$16.9 million of new borrowings under our Credit Agreement used primarily to fund working capital requirements.

On October 29, 2010, we entered into a credit agreement with Wells Fargo which, as amended, provides for an aggregate commitment from Wells Fargo of \$95.0 million (the "Credit Agreement"). The Credit Agreement provides for a \$20.0 million revolving line of credit (the "Revolving Line of Credit") with a maturity date of November 1, 2015 and a \$75.0 million reducing revolving line of credit (the "Reducing Revolving Line of Credit") with a maturity date of November 1, 2015.

Revolving Line of Credit. The Revolving Line of Credit provides up to \$20.0 million in revolving credit loans or letters of credit for working capital needs (the "Commitment Amount"). Under the 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 earnings before interest, taxes, depreciation and amortization ("EBITDA"). At December 31, 2013, the effective interest rate on the Revolving Line of Credit was 1.42%. Interest only payments are due either monthly or on the last day of any interest period, as applicable. At December 31, 2013 there were no borrowings outstanding under the Revolving Line of Credit. 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 "Reducing Revolving Commitment Amount"). The Reducing Revolving Commitment Amount is reduced by \$2.8 million on the last day of each March, June, September and December beginning March 31, 2013, continuing through November 1, 2015. 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 December 31, 2013, the effective interest rate of the Reducing Revolving Line of Credit was 1.42%. Interest only payments are due either monthly or on the last day of any interest period, as applicable. At December 31, 2013, there were no borrowings outstanding on the Reducing Revolving Line of Credit with \$63.9 million available for borrowing.

In addition to standard fees, origination fees and commitment fees apply to 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

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maximum fixed charge coverage ratio, a minimum required tangible net worth and a minimum current ratio. We may only declare quarterly or annual dividends if on the date of declaration, no event of default has occurred and no other event or condition has occurred that would constitute an event of default due to the payment of the dividend. Obligations under the Credit Agreement are guaranteed by US Ecology and all of its subsidiaries.

At December 31, 2013, we were in compliance with all of the financial covenants in the Credit Agreement.

Public Common Stock Offering. In December 2013, we sold and issued 2,990,000 shares of our common stock, including 390,000 shares pursuant to the underwriters' option to purchase additional shares, at a price of \$34.00 per share. We received net proceeds of \$96.4 million after deducting underwriting discounts, commissions and offering expenses. \$30.0 million of the net proceeds were used to repay amounts outstanding under the Credit Agreement with the remainder available for general corporate purposes, including potential future acquisitions.

Contractual Obligations and Guarantees

Contractual Obligations

US Ecology's contractual obligations at December 31, 2013 mature as follows:

\$s in thousands	Payments Due by Period				
	Total	2014	2015 - 2016	2017 - 2018	Thereafter
Closure and post-closure obligations(1)	\$ 107,978	\$ 1,003	\$ 5,048	\$ 7,694	\$ 94,233
Operating lease commitments	1,999	495	778	672	54
Total contractual obligations(2)	\$ 109,977	\$ 1,498	\$ 5,826	\$ 8,366	\$ 94,287

- (1) For the purposes of the table above, closure and post-closure obligations are shown on an undiscounted basis and inflated using an estimated annual inflation rate of 2.6%. Cash payments for closure and post-closure obligation extend to the year 2105
- (2) As we are not able to reasonably estimate when we would make any cash payments to settle unrecognized tax benefits of \$438,000, such amounts have not been included in the table above. In addition, we have recorded a liability for interest of \$42,000 relating to such unrecognized tax benefits but have not included such amounts in the table above.

Guarantees

We enter into a wide range of indemnification arrangements, guarantees and assurances in the ordinary course of business and have evaluated agreements that contain guarantees and indemnification clauses. These include tort indemnities, tax indemnities, indemnities against third-party claims arising out of arrangements to provide services to us and indemnities related to the sale of our securities. We also indemnify individuals made party to any suit or proceeding if that individual was acting as an officer or director of US Ecology or was serving at the request of US Ecology or any of its subsidiaries during their tenure as a director or officer. We also provide guarantees and indemnifications for the benefit of our wholly-owned subsidiaries to satisfy performance obligations, including closure and post-closure financial assurances. It is difficult to quantify the maximum potential liability under these indemnification arrangements; however, we are not currently aware of any material liabilities to the Company or any of its subsidiaries arising from these arrangements.

Environmental Matters

We maintain funded trusts agreements, surety bonds and insurance policies for future closure and post-closure obligations at both current and formerly operated disposal facilities. These funded trust agreements, surety bonds and insurance policies are based on management estimates of future closure and post-closure monitoring using engineering evaluations and interpretations of regulatory requirements which are periodically updated. Accounting for closure and post-closure costs includes final disposal cell capping and revegetation, soil and groundwater monitoring and routine maintenance and surveillance required after a site is closed.

We estimate that our undiscounted future closure and post-closure costs for all facilities was approximately \$108.0 million at December 31, 2013, with a median payment year of 2057. Our future closure and post-closure estimates are our best estimate of current costs and are updated periodically to reflect current technology, cost of materials and services, applicable laws, regulations, permit conditions or orders and other factors. These current costs are adjusted for anticipated annual inflation, which we assumed to be 2.6% as of December 31, 2013. These future closure and post-closure estimates are discounted to their present value for financial reporting purposes using our credit-adjusted risk-free interest rate, which approximates our incremental long-term borrowing rate in effect at the time the obligation is established or when there are upward revisions to our estimated closure and post-closure costs. At December 31, 2013, our weighted-average credit-adjusted risk-free interest rate was 7.6%. For financial reporting purposes, our recorded closure and post-closure obligations were \$17.5 million and \$17.4 million as of December 31, 2013 and 2012, respectively.

Through December 31, 2013, we have met our financial assurance requirements through a combination of insurance policies, commercial surety bonds and trust funds. Our insurance policies covering closure and post-closure activities were renewed in December 2013 and expire in December 2014 for the covered U.S. operating facilities. We continue to use self-funded trust accounts for our closure and post-closure obligations at our non-operating sites. We use commercial surety bonds for our Stablex operation that were renewed in November 2013 and expire in November 2014.

US Operating and Non-Operating Facilities

We cover our closure and post-closure obligations for our U.S. operating facilities located in Grand View, Idaho; Detroit, Michigan; Robstown, Texas; and to a limited degree our Beatty, Nevada facility through the use of third-party insurance policies. These policies expire in December 2014. Our total policy limits are approximately \$43.0 million.

All closure and post-closure funding obligations for our Beatty, Nevada and Richland, Washington facilities revert to the state. Volume based fees are collected from our customers and remitted to state controlled trust funds to cover the estimated cost of closure and post-closure obligations.

We continue to use self-funded trust accounts for our post-closure obligations at our non-operating sites located in Sheffield, Illinois and Winona, Texas. At December 31, 2013 our trust accounts had \$4.1 million for our closure and post-closure obligations and are identified as Restricted cash and investments on our consolidated balance sheet.

Stablex

We use commercial surety bonds to cover our closure obligations for our Stablex facility located in Blainville, Québec, Canada. Our lease agreement with the Province of Québec requires that the surety bond be maintained for 25 years after the lease expires in 2023. At December 31, 2013 we had \$845,000 in commercial surety bonds dedicated for closure obligations. These bonds were renewed in November 2013 and expire November 2014. Post-closure funding obligations for the Stablex landfill revert back to the Province of Québec through a dedicated trust account that is funded based on a per-metric-ton disposed fee by Stablex.

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We expect to renew insurance policies and commercial surety bonds in the future. If we are unable to obtain adequate closure, post-closure or environmental liability insurance and/or commercial surety bonds in future years, any partial or completely uninsured claim against us, if successful and of sufficient magnitude, could have a material adverse effect on our financial condition, results of operations or 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. 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.

Operation of disposal facilities creates operational, closure and post-closure obligations that could result in unplanned monitoring and corrective action costs. We cannot predict the likelihood or effect of all such costs, new laws or regulations, litigation or other future events affecting our facilities. We do not believe that continuing to satisfy our environmental obligations will have a material adverse effect on our financial condition or results of operations.

Seasonal Effects

Seasonal fluctuations due to weather and budgetary cycles can influence the timing of customer spending for our services. Typically, in the first quarter of each calendar year there is less demand for Event Business due to reduced construction activities related to weather. While large, multi-year clean-up projects may continue in winter months, the pace of waste shipments may be slower, or stop temporarily, due to weather. Market conditions and federal funding decisions generally have a greater influence on the business than seasonality.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements require us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates included in our critical accounting policies discussed below and those accounting policies and use of estimates discussed in Notes 2 and 3 to the Consolidated Financial Statements. We base our estimates on historical experience and on various assumptions and other factors we believe to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We make adjustments to judgments and estimates based on current facts and circumstances on an ongoing basis. Historically, actual results have not deviated significantly from those determined using the estimates described below or in Notes 2 and 3 to the Consolidated Financial Statements. However, actual amounts could differ materially from those estimated at the time the consolidated financial statements are prepared.

We believe the following critical accounting policies are important to understand our financial condition and results of operations and require management's most difficult, subjective or complex judgments, often as a result of the need to estimate the effect of matters that are inherently uncertain.

Revenue Recognition

We recognize revenue when persuasive evidence of an arrangement exists, delivery and disposal have occurred or services have been rendered, the price is fixed or determinable and collection is reasonably assured. We recognize revenue from two primary sources: 1) waste treatment, recycling and disposal and 2) waste transportation services.

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Waste treatment and disposal revenue results primarily from fees charged to customers for treatment and/or disposal or recycling of specified wastes. Waste treatment and disposal revenue is generally charged on a per-ton or per-yard basis based on contracted prices and is recognized when services are complete and the waste is disposed of in our landfill.

Transportation revenue results from delivering customer waste to a disposal facility for treatment and/or disposal or recycling. Transportation services are generally not provided on a stand-alone basis and instead are bundled with other Company services. However, in some instances we provide transportation and logistics services for shipment of waste from clean-up sites to disposal facilities operated by other companies. We account for our bundled arrangements as multiple deliverable arrangements and determine the amount of revenue recognized for each deliverable (unit of accounting) using the relative fair value method. Transportation revenue is recognized when the transported waste is received at the disposal facility. Waste treatment and disposal revenue under bundled arrangements is recognized when services are complete and the waste is disposed in the landfill.

Burial fees collected from customers for each ton or cubic yard of waste disposed in our landfills are paid to the respective local and/or state government entity and are not included in revenue. Revenue and associated costs from waste that has been received but not yet treated and disposed of in our landfills are deferred until disposal occurs.

Our Richland, Washington disposal facility is regulated by the WUTC, which approves our rates for disposal of LLRW. Annual revenue levels are established based on a six-year rate agreement with the WUTC at amounts sufficient to cover the costs of operation and provide us with a reasonable profit. Per-unit rates charged to LLRW customers during the year are based on our evaluation of disposal volume and radioactivity projections submitted to us by waste generators. Our proposed rates are then reviewed and approved by the WUTC. If annual revenue exceeds the approved levels set by the WUTC, we are required to refund excess collections to facility users on a pro-rata basis. The current rate agreement with the WUTC was extended in 2013 and is effective until January 1, 2020.

Disposal Facility Accounting

In general, a disposal cell development asset exists for the cost of building new disposal space and a closure liability exists for closing, maintaining and monitoring the disposal unit once this space is filled. Major assumptions and judgments used to calculate cell development assets and closure liabilities are as follows:

- Personnel and equipment costs incurred to construct new disposal cells are identified and capitalized as a cell development asset.
- The cell development asset is amortized as each available cubic yard, or cubic meter in the case of Stablex, of disposal space is filled. Periodic independent engineering surveys and inspection reports are used to determine the remaining volume available. These reports take into account volume, compaction rates and space reserved for capping filled disposal cells.
- We record the fair value of an Asset Retirement Obligation ("ARO") as a liability in the period in which we incur a legal obligation associated with the retirement of tangible long-lived assets. We are also required to record a corresponding asset that is amortized over the life of the underlying tangible asset. After the initial measurement, the ARO is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation.

The closure liability (obligation) represents the present value of current cost estimates to close, maintain and monitor disposal cells and support facilities. Cost estimates are developed using input from our technical and accounting personnel as well as independent engineers and our interpretation of current requirements, and are intended to approximate fair value. We estimate the timing of future payments based on expected annual disposal airspace consumption and then accrete the current cost estimate by an inflation rate, estimated at December 31, 2013 to be 2.6%. Inflated current costs are then discounted using

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our credit-adjusted risk-free interest rate, which approximates our incremental borrowing rate in effect at the time the obligation is established or when there are upward revisions to our estimated closure and post-closure costs. Our weighted-average credit-adjusted risk-free interest rate at December 31, 2013 approximated 7.6%. Final closure and post-closure monitoring obligations are currently estimated as being paid through the year 2105. During 2013, we updated several assumptions. This included the estimated cost of closing disposal cells. These updates resulted in a net increase to our closure post-closure obligation of \$760,000, comprised of an increase of \$886,000 in retirement assets and \$126,000 recorded as a charge to other direct costs.

Changes in inflation rates or the estimated costs, timing or extent of the required future activities to close, maintain and monitor disposal cells and facilities result in both: (i) a current adjustment to the recorded liability and related asset and (ii) a change in the liability and asset amounts to be recorded prospectively over the remaining life of the asset in accordance with our depreciation policy. A hypothetical 1% increase in the inflation rate would increase our closure/post-closure obligation by \$2.4 million. A hypothetical 10% increase in our cost estimates would increase our closure/post-closure obligation by \$1.8 million.

Goodwill and Intangible Assets

We assess goodwill for impairment during the fourth quarter of each year, and also if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Some of the factors that could indicate impairment include a significant adverse change in legal factors or in the business climate, an adverse action or assessment by a regulator, or operating losses at the reporting unit. The assessment consists of comparing the fair value of the reporting unit to the carrying value of the net assets assigned to the reporting unit, including goodwill. Our reporting units are our six Operating Disposal Facilities located in Beatty, Nevada; Richland, Washington; Robstown, Texas; Grand View, Idaho; Detroit, Michigan and Blainville, Québec, Canada. As of December 31, 2013, the Company's goodwill balance is comprised of \$20.4 million recorded within our Blainville, Québec, Canada reporting unit and \$1.3 million within in our Detroit, Michigan reporting unit.

Fair values are determined by using both the market approach, applying a multiple of earnings based on guideline for publicly traded companies, and the income approach, discounting projected future cash flows based on our expectations of the current and future operating environment. The rates used to discount projected future cash flows reflect a weighted average cost of capital based on our industry, capital structure and risk premiums including those reflected in the current market capitalization. In the event the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill test would be performed to measure the amount of impairment loss. In the event that we determine that the value of goodwill has become impaired, we will incur an accounting charge for the amount of impairment during the period in which the determination has been made.

The result of the annual assessment of goodwill undertaken in the fourth quarter of 2013 indicated no goodwill impairment charges were required for our Blainville, Québec, Canada facility or our Detroit, Michigan facility.

We review intangible assets with indefinite useful lives for impairment during the fourth quarter of each year. We also review both indefinite-lived and finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of an intangible asset may not be recoverable. In order to assess whether a potential impairment exists, the assets' carrying values are compared with their undiscounted expected future cash flows. Estimating future cash flows requires significant judgment about factors such as general economic conditions and projected growth rates, and our estimates often vary from the cash flows eventually realized. Impairments are measured by comparing the fair value of the asset to its carrying value. Fair value is generally determined by considering: (i) the internally developed discounted projected cash flow analysis of the asset; (ii) actual third-party valuations; and/or

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(iii) information available regarding the current market environment for similar assets. If the fair value of an asset is determined to be less than the carrying amount of the asset, an impairment in the amount of the difference is recorded in the period in which the events or changes in circumstances that indicated the carrying value of the assets may not be recoverable occurred.

No events or circumstances occurred during 2013 that would indicate that our intangible assets may be impaired, therefore no impairment tests were performed during 2013 other than the annual assessment of intangible assets with indefinite useful lives conducted in the fourth quarter of every year. The result of the annual assessment undertaken in the fourth quarter of 2013 indicated no impairment of our intangible assets with indefinite useful lives.

Share Based Payments

The Company's Board of Directors granted options to purchase our common stock to certain directors and employees under three stock option plans: the 1992 Stock Option Plan for Employees, the 1992 Director Stock Option Plan and the 2008 Stock Option Incentive Plan. In March 2005, the Board of Directors cancelled the 1992 Director Stock Option Plan except for options then outstanding. In April 2013, the 1992 Stock Option Plan for Employees expired and was cancelled except for options then outstanding. The Company has also granted restricted stock awards to certain directors and employees under the Amended and Restated 2005 Non-Employee Director Compensation Plan and the 2006 Restricted Stock Plan.

The determination of fair value of stock option awards on the date of grant using the Black-Scholes model is affected by our stock price and subjective assumptions. These assumptions include, but are not limited to, the expected term of stock options and expected stock price volatility over the term of the awards. Refer to Note 16 to the Consolidated Financial Statements included in this Form 10-K for a summary of the assumptions utilized in 2013, 2012 and 2011. Our stock options have characteristics significantly different from those of traded options, and changes in the assumptions can materially affect the fair value estimates.

Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. When actual forfeitures vary from our estimates, we recognize the difference in compensation expense in the period the actual forfeitures occur or when options vest.

Income Taxes

Income taxes are accounted for using an asset and liability approach whereby we recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement and tax basis of assets and liabilities at the applicable tax rates. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period that includes the enactment date. Deferred tax assets are evaluated for the likelihood of use in future periods. A valuation allowance is recorded against deferred tax assets if, based on the weight of the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The determination of the need for a valuation allowance, if any, requires our judgment and the use of estimates. If we determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes. As of December 31, 2013, we have deferred tax assets totaling approximately \$9.0 million, a valuation allowance of \$6.3 million and deferred tax liabilities totaling approximately \$16.2 million.

The application of income tax law is inherently complex. Tax laws and regulations are voluminous and at times ambiguous and interpretations of guidance regarding such tax laws and regulations change over time. This requires us to make many subjective assumptions and judgments regarding the timing and amounts of deductible and taxable items and the probability of sustaining uncertain tax positions. A liability for uncertain tax positions is recorded in our financial statements on the basis of a two-step process whereby (1) we determine whether it is more likely than not that the tax position taken will be sustained based on

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the technical merits of the position and (2) for those tax positions that meet the more likely than not recognition threshold, we recognize the largest amount of tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the related tax authority. As facts and circumstances change, we reassess these probabilities and record any changes in the financial statements as appropriate. Changes in our assumptions and judgments can materially affect our financial position, results of operations and cash flows. We recognize interest assessed by taxing authorities or interest associated with uncertain tax positions as a component of interest expense. We recognize any penalties assessed by taxing authorities or penalties associated with uncertain tax positions as a component of selling, general and administrative expenses.

Litigation

We have, in the past, been involved in litigation requiring estimates of timing and loss potential whose timing and ultimate disposition is controlled by the judicial process. As of December 31, 2013, 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. The decision to accrue costs or write off assets is based on the pertinent facts and our evaluation of present circumstances.

Off Balance Sheet Arrangements

We do not have any off balance sheet arrangements or interests in variable interest entities that would require consolidation. US Ecology operates through wholly-owned subsidiaries.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We do not maintain equities, commodities, derivatives, or any other similar instruments for trading or any other purposes. We have minimal interest rate risk on investments or other assets due to our preservation of capital approach to investments. At December 31, 2013, \$4.1 million was invested in fixed-income U.S. Treasury and U.S. government agency securities and money market accounts. When borrowings are outstanding under the Credit Agreement, 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 December 31, 2013, there were no borrowings outstanding under the Credit Agreement.

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 both Canada and the United States. In addition, contracts for services Stablex provides to U.S. customers are generally denominated in USD. During 2013, Stablex transacted approximately 63% of its revenue in USD and at any time has 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 non-cash foreign currency translation gains or losses. Exchange rate movements 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 a tax and treasury management strategy allowing for repayment of third-party bank debt used to complete the acquisition. These intercompany loans are payable using CAD and are subject to mark-to-market adjustments with movements in the CAD. At December 31, 2013 we had \$35.7 million of intercompany loans outstanding between Stablex and US Ecology. During 2013 the CAD weakened as compared to the USD resulting in a

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\$2.8 million non-cash foreign currency translation loss recognized in the Company's Consolidated Statement of Operations related to the intercompany loans. Based on intercompany balances as of December 31, 2013 a \$0.01 CAD increase or decrease in currency rate compared to the USD at December 31, 2013 would have generated a non-cash gain or loss of approximately \$357,000 for the year ended December 31, 2013.

We had a total pre-tax foreign currency loss of \$2.3 million for the year ended December 31, 2013. We currently have no foreign exchange contracts, option contracts or other foreign currency hedging arrangements. Management evaluates the Company's risk position on an ongoing basis to determine whether foreign exchange hedging strategies should be employed.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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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 audited the accompanying consolidated balance sheets of US Ecology, Inc. and subsidiaries (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, cash flows, and stockholders' equity for each of the three years in the period ended December 31, 2013. We also have audited the Company's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Controls over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of US Ecology, Inc. and subsidiaries as of December 31, 2013 and 2012, and

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the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ DELOITTE & TOUCHE LLP

Boise, Idaho
February 25, 2014

US ECOLOGY, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

	As of December 31,	
	2013	2012
Assets		
Current Assets:		
Cash and cash equivalents	\$ 73,940	\$ 2,120
Receivables, net	43,636	33,947
Prepaid expenses and other current assets	3,612	3,161
Deferred income taxes	1,340	1,276
Total current assets	122,528	40,504
Property and equipment, net	114,859	109,792
Restricted cash and investments	4,097	4,111
Intangible assets, net	36,832	40,771
Goodwill	21,693	23,105
Other assets	547	411
Total assets	\$ 300,556	\$ 218,694
Liabilities And Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 7,277	\$ 6,333
Deferred revenue	8,870	3,919
Accrued liabilities	8,691	7,322
Accrued salaries and benefits	6,957	7,570
Income taxes payable	4,428	426
Current portion of closure and post-closure obligations	949	1,913
Total current liabilities	37,172	27,483
Long-term closure and post-closure obligations	16,519	15,449
Reducing revolving line of credit	—	45,000
Other long-term liabilities	69	114
Unrecognized tax benefits	480	467
Deferred income taxes	14,778	18,159
Total liabilities	69,018	106,672
Commitments and contingencies		
Stockholders' Equity:		
Common stock \$0.01 par value, 50,000 authorized; 21,538 and 18,385 shares issued, respectively	215	184
Additional paid-in capital	162,830	63,969
Retained earnings	70,597	48,424
Treasury stock, at cost, 19 and 71 shares, respectively	(319)	(1,183)
Accumulated other comprehensive income (loss)	(1,785)	628

Accumulated other comprehensive income (loss)	<u>(1,757)</u>	<u>628</u>
Total stockholders' equity	<u>231,538</u>	<u>112,022</u>
Total liabilities and stockholders' equity	<u>\$ 300,556</u>	<u>\$ 218,694</u>

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

US ECOLOGY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	For the Year Ended December 31,		
	2013	2012	2011
Revenue	\$ 201,126	\$ 169,138	\$ 154,917
Direct operating costs	86,238	79,177	73,758
Transportation costs	35,902	23,664	27,292
Gross profit	78,986	66,297	53,867
Selling, general and administrative expenses	26,055	25,659	21,502
Operating income	52,931	40,638	32,365
Other income (expense):			
Interest income	19	17	26
Interest expense	(828)	(878)	(1,604)
Foreign currency gain (loss)	(2,327)	1,213	(1,321)
Other	352	728	341
Total other income (expense)	(2,784)	1,080	(2,558)
Income before income taxes	50,147	41,718	29,807
Income tax expense	17,996	16,059	11,437
Net income	\$ 32,151	\$ 25,659	\$ 18,370
Earnings per share:			
Basic	\$ 1.73	\$ 1.41	\$ 1.01
Diluted	\$ 1.72	\$ 1.40	\$ 1.01
Shares used in earnings per share calculation:			
Basic	18,592	18,238	18,198
Diluted	18,676	18,281	18,223

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

US ECOLOGY, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	For the Year Ended December 31,		
	2013	2012	2011
Net income	\$ 32,151	\$ 25,659	\$ 18,370
Other comprehensive income (loss):			
Foreign currency translation gain (loss)	(2,413)	745	(793)
Comprehensive income	<u>\$ 29,738</u>	<u>\$ 26,404</u>	<u>\$ 17,577</u>

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

US ECOLOGY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	For the Year Ended		
	December 31,		
	2013	2012	2011
Cash flows from operating activities:			
Net income	\$ 32,151	\$ 25,659	\$ 18,370
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	14,815	13,916	13,933
Amortization of intangible assets	1,461	1,469	1,419
Accretion of closure and post-closure obligations	1,241	1,367	1,292
Unrealized foreign currency loss (gain)	2,789	(1,400)	1,324
Deferred income taxes	(2,637)	(711)	(1,095)
Share-based compensation expense	865	846	837
Unrecognized tax benefits	13	13	454
Net loss on sale of property and equipment	170	13	187
Changes in assets and liabilities (net of effect of business acquisitions):			
Receivables	(10,408)	(1,850)	3,593
Income taxes receivable	—	187	(188)
Other assets	(403)	(677)	715
Accounts payable and accrued liabilities	1,673	(2,172)	2,880
Deferred revenue	5,197	(50)	(21)
Accrued salaries and benefits	(424)	1,929	1,389
Income taxes payable	4,091	(1,083)	(1,106)
Closure and post-closure obligations	(955)	(2,282)	(792)
Net cash provided by operating activities	49,639	35,174	43,191
Cash flows from investing activities:			
Purchases of property and equipment	(21,373)	(15,766)	(10,096)
Purchases of restricted cash and investments	(5,249)	—	—
Proceeds from sale of restricted cash and investments	5,263	5	—
Proceeds from sale of property and equipment	168	198	98
Business acquisitions (net of cash acquired)	—	(10,743)	—
Net cash used in investing activities	(21,191)	(26,306)	(9,998)
Cash flows from financing activities:			
Proceeds from public offering (net of issuance costs of \$5,229)	96,431	—	—
Payments on reducing revolving line of credit	(54,500)	(21,500)	(39,400)
Proceeds from reducing revolving line of credit	9,500	26,000	16,900
Dividends paid	(9,978)	(16,432)	(13,113)
Proceeds from exercise of stock options	2,461	1,035	142
Deferred financing costs paid	(235)	—	—
Other	(1)	(303)	307
Net cash provided by (used in) financing activities	43,678	(11,200)	(35,164)
Effect of foreign exchange rate changes on cash	(306)	163	(82)
Increase (decrease) in cash and cash equivalents	71,820	(2,169)	(2,053)
Cash and cash equivalents at beginning of year	2,120	4,289	6,342
Cash and cash equivalents at end of year	\$ 73,040	\$ 2,120	\$ 4,289

Cash and Cash Equivalents at end of year	\$ 73,740	\$ 2,120	\$ 7,267
	<u> </u>	<u> </u>	<u> </u>

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

US ECOLOGY, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except share amounts)

	Common Shares Issued	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2010	18,310,614	\$ 183	\$ 61,892	\$ 33,940	\$(1,979)	\$ 676	\$ 94,712
Net income	—	—	—	18,370	—	—	18,370
Foreign currency translation	—	—	—	—	—	(793)	(793)
Dividend paid	—	—	—	(13,113)	—	—	(13,113)
Tax benefit of equity based awards	—	—	8	—	—	—	8
Share-based compensation	—	—	837	—	—	—	837
Stock option exercises	9,600	—	142	—	—	—	142
Issuance of restricted common stock from treasury shares	—	—	(424)	—	424	—	—
Balance at December 31, 2011	18,320,214	183	62,455	39,197	(1,555)	(117)	100,163
Net income	—	—	—	25,659	—	—	25,659
Foreign currency translation	—	—	—	—	—	745	745
Dividend paid	—	—	—	(16,432)	—	—	(16,432)
Tax benefit of equity based awards	—	—	6	—	—	—	6
Share-based compensation	—	—	846	—	—	—	846
Stock option exercises	65,048	1	1,034	—	—	—	1,035
Issuance of restricted common stock from treasury shares	—	—	(372)	—	372	—	—
Balance at December 31, 2012	18,385,262	184	63,969	48,424	(1,183)	628	112,022
Net income	—	—	—	32,151	—	—	32,151
Foreign currency							

translation	—	—	—	—	—	(2,413)	(2,413)
Dividend paid	—	—	—	(9,978)	—	—	(9,978)
Tax benefit of equity based awards	—	—	318	—	—	—	318
Share-based compensation	—	—	865	—	—	—	865
Stock option exercises	162,314	1	2,140	—	—	—	2,141
Issuance of restricted common stock from treasury shares	—	—	(864)	—	864	—	—
Issuance of common stock in connection with public offering (net of issuance costs of \$5,229)	2,990,000	30	96,402	—	—	—	96,432

Balance at

December 31,

2013 21,537,576\$ 215 \$162,830 \$ 70,597 \$ (319) (1,785) \$231,538

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

US ECOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF BUSINESS

US Ecology, Inc. 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. US Ecology, Inc., through its subsidiaries, provides radioactive, Polychlorinated biphenyl ("PCB"), hazardous and industrial waste management services to commercial and government entities such as refineries and chemical production facilities, electric utilities, manufacturers, steel mills and medical and academic institutions. We are headquartered in Boise, Idaho. Throughout these financial statements words such as "we," "us," "our," "US Ecology" and the "Company" refer to US Ecology, Inc. and its subsidiaries.

Our principal operating subsidiaries are US Ecology Nevada, Inc., a Delaware corporation; US Ecology Texas, Inc., a Delaware corporation; US Ecology Washington, Inc., a Delaware corporation; US Ecology Idaho, Inc., a Delaware corporation; US Ecology Michigan, Inc., a Michigan corporation and Stablex Canada Inc., a Canadian corporation.

We operate within two segments: Operating Disposal Facilities and Non-Operating Disposal Facilities. The Operating Disposal Facilities are currently accepting hazardous, PCB, industrial and low-level radioactive waste regulated under the federal Atomic Energy Act ("LLRW"), naturally occurring and accelerator produced radioactive materials ("NORM/NARM") and low-activity radioactive material ("LARM"). The Operating Disposal Facilities segment includes our Resource Conservation and Recovery Act of 1976 ("RCRA") permitted waste treatment and disposal facilities near Beatty, Nevada; Grand View, Idaho; Detroit, Michigan; and Robstown, Texas, our Atomic Energy Act of 1954 as amended ("AEA") permitted disposal facility near Richland, Washington and our Blainville, Québec, Canada facility ("Stablex").

The Non-Operating Disposal Facilities segment includes our closed hazardous waste disposal, processing, and deep-well injection facilities located in Sheffield, Illinois; Bruneau, Idaho; and Winona, Texas. We currently incur costs for remediation and long-term monitoring and maintenance obligations at our closed facilities.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying financial statements are prepared on a consolidated basis. All significant inter-company balances and transactions have been eliminated in consolidation. Our year-end is December 31.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash on deposit, money market accounts or short-term investments with remaining maturities of 90 days or less at the date of acquisition.

Receivables

Receivables are stated at an amount management expects to collect. Based on management's assessment of the credit history of the customers having outstanding balances and factoring in current economic conditions, management has concluded that potential unidentified losses on balances outstanding at year-end will not be material.

US ECOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash and Investments

Restricted cash and investments of \$4.1 million at December 31, 2013 and 2012 represent funds held in third-party managed trust accounts as collateral for our financial assurance obligations for post-closure activities at our non-operating facilities. These funds are invested in fixed-income U.S. Treasury and government agency securities and money market accounts. The balances are adjusted monthly to fair market value based on quoted prices in active markets for identical or similar assets.

Revenue Recognition

We recognize revenue when persuasive evidence of an arrangement exists, delivery and disposal have occurred or services have been rendered, the price is fixed or determinable and collection is reasonably assured. We recognize revenue from two primary sources: 1) waste treatment, recycling and disposal and 2) waste transportation services.

Waste treatment and disposal revenue results primarily from fees charged to customers for treatment and/or disposal or recycling of specified wastes. Waste treatment and disposal revenue is generally charged on a per-ton or per-yard basis based on contracted prices and is recognized when services are complete and the waste is disposed of in our landfill.

Transportation revenue results from delivering customer waste to a disposal facility for treatment and/or disposal or recycling. Transportation services are generally not provided on a stand-alone basis and instead are bundled with other Company services. However, in some instances we provide transportation and logistics services for shipment of waste from clean-up sites to disposal facilities operated by other companies. We account for our bundled arrangements as multiple deliverable arrangements and determine the amount of revenue recognized for each deliverable (unit of accounting) using the relative fair value method. Transportation revenue is recognized when the transported waste is received at the disposal facility. Waste treatment and disposal revenue under bundled arrangements is recognized when services are complete and the waste is disposed in the landfill.

Burial fees collected from customers for each ton or cubic yard of waste disposed in our landfills are paid to the respective local and/or state government entity and are not included in revenue. Revenue and associated cost from waste that has been received but not yet treated and disposed of in our landfills are deferred until disposal occurs.

Our Richland, Washington disposal facility is regulated by the Washington Utilities and Transportation Commission ("WUTC"), which approves our rates for disposal of LLRW. Annual revenue levels are established based on a rate agreement with the WUTC at amounts sufficient to cover the costs of operation, including facility maintenance, equipment replacement and related costs, and provide us with a reasonable profit. Per-unit rates charged to LLRW customers during the year are based on our evaluation of disposal volume and radioactivity projections submitted to us by waste generators. Our proposed rates are then reviewed and approved by the WUTC. If annual revenue exceeds the approved levels set by the WUTC, we are required to refund excess collections to facility users on a pro-rata basis. The current rate agreement with the WUTC was extended in 2013 and is effective until January 1, 2020.

US ECOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unbilled Receivables

Unbilled receivables are recorded for work performed under contracts that have not yet been invoiced to customers and arise due to the timing of billings. Substantially all unbilled receivables at December 31, 2013, were billed in the following month.

Deferred Revenue

Revenue from waste that has been received but not yet treated and disposed of in our landfill or advance billings prior to treatment and disposal services are deferred until such services are completed.

Property and Equipment

Property and equipment are recorded at cost and depreciated on the straight-line method over estimated useful lives. Replacements and major repairs of property and equipment are capitalized and retirements are made when assets are disposed of or when the useful life has been exhausted. Minor components and parts are expensed as incurred. Repair and maintenance expenses were \$5.5 million, \$4.6 million and \$3.7 million for the years ended December 31, 2013, 2012 and 2011, respectively.

We assume no salvage value for our depreciable fixed assets. The estimated useful lives for significant property and equipment categories are as follows:

	<u>Useful Lives</u>
Vehicles and other equipment	3 to 10 years
Disposal facility and equipment	3 to 20 years
Buildings and improvements	5 to 40 years
Railcars	40 years

Disposal Cell Accounting

Qualified disposal cell development costs such as personnel and equipment costs incurred to construct new disposal cells are recorded and capitalized at cost. Capitalized cell development costs, net of recorded amortization, are added to estimated future costs of the permitted disposal cell to be incurred over the remaining construction of the cell, to determine the amount to be amortized over the remaining estimated cell life. Estimates of future costs are developed using input from independent engineers and internal technical and accounting managers. We review these estimates at least annually. Amortization is recorded on a unit of consumption basis, typically applying cost as a rate per cubic yard disposed. Disposal facility costs are expected to be fully amortized upon final closure of the facility, as no salvage value applies. Costs associated with ongoing disposal operations are charged to expense as incurred.

We have material financial commitments for closure and post-closure obligations for certain facilities we own or operate. We estimate future cost requirements for closure and post-closure monitoring based on RCRA and conforming state requirements and facility permits. RCRA requires that companies provide the responsible regulatory agency acceptable financial assurance for closure work and subsequent post-closure monitoring of each facility for 30 years following closure. Estimates for final closure and post-closure costs are developed using input from our technical and accounting managers as well as independent engineers and are reviewed by management at least annually. These estimates involve projections of costs that will be incurred after the disposal facility ceases operations, through the required post-closure care period. The

US ECOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

present value of the estimated closure and post-closure costs are accreted using the interest method of allocation to direct costs in our consolidated statement of operations so that 100% of the future cost has been incurred at the time of payment.

Business Combinations

We account for business combinations under the acquisition method of accounting. The cost of an acquired company is assigned to the tangible and identifiable intangible assets purchased and the liabilities assumed on the basis of their fair values at the date of acquisition. Any excess of purchase price over the fair value of net tangible and intangible assets acquired is assigned to goodwill. The transaction costs associated with business combinations are expensed as they are incurred.

Goodwill

Goodwill represents the excess of the fair value of the consideration transferred over the fair value of the underlying identifiable assets and liabilities acquired. Goodwill is not amortized, but instead is assessed for impairment annually in the fourth quarter and also if an event occurs or circumstances change that may indicate a possible impairment. In the event that we determine that the value of goodwill has become impaired, we will incur an accounting charge for the amount of impairment during the period in which the determination has been made. Goodwill was recognized in connection with our acquisition of US Ecology Michigan, Inc. in 2012 and our acquisition of Stablex in 2010.

Intangible Assets

Intangible assets are stated at the fair value assigned in a business combination net of amortization. We amortize our finite-lived intangible assets using the straight-line method over their estimated economic lives ranging from 1 to 33 years. We review intangible assets with indefinite useful lives for impairment during the fourth quarter of each year. We also review both indefinite-lived and finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of an intangible asset may not be recoverable.

Impairment of Long-Lived Assets

Long-lived assets consist primarily of property and equipment facility development costs and finite-lived intangible assets. The recoverability of long-lived assets is evaluated periodically through analysis of operating results and consideration of other significant events or changes in the business environment. If an operating unit had indications of possible impairment, such as current operating losses, we would evaluate whether impairment exists on the basis of undiscounted expected future cash flows from operations over the remaining amortization period. If an impairment loss were to exist, the carrying amount of the related long-lived assets would be reduced to their estimated fair value based upon discounted cash flows from operations.

Deferred Financing Costs

Deferred financing costs are amortized over the life of our Credit Agreement. Amortization of deferred financing costs is included as a component of interest expense in the consolidated statements of operations. We had deferred financing costs of \$270,000 and \$203,000, net of amortization in Prepaid

US ECOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

expenses and other current assets and Other assets on the consolidated balance sheets as of December 31, 2013 and 2012, respectively.

Foreign Currency

We have operations in Canada. The functional currency of our Canadian operations is the Canadian dollar ("CAD"). Assets and liabilities are translated to U.S. dollars ("USD") at the exchange rate in effect at the balance sheet date and revenue and expenses at the average exchange rate for the period. Gains and losses from the translation of the consolidated financial statements of our Canadian subsidiary into USD are included in stockholders' equity as a component of Accumulated other comprehensive income. Gains and losses resulting from foreign currency transactions are recognized in the consolidated statements of operations. Recorded balances that are denominated in a currency other than the functional currency are re-measured to the functional currency using the exchange rate at the balance sheet date and gains or losses are recorded in the statements of operations.

Income Taxes

Income taxes are accounted for using an asset and liability approach. This requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement and tax basis of assets and liabilities at the applicable tax rates. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period that includes the enactment date.

We recognize net deferred tax assets to the extent that we believe these assets are more likely than not to be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If we determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

The application of income tax law is inherently complex. Tax laws and regulations are voluminous and at times ambiguous and interpretations of guidance regarding such tax laws and regulations change over time. This requires us to make many subjective assumptions and judgments regarding the timing and amounts of deductible and taxable items and the probability of sustaining uncertain tax positions. A liability for uncertain tax positions is recorded in our financial statements on the basis of a two-step process whereby (1) we determine whether it is more likely than not that the tax position taken will be sustained based on the technical merits of the position and (2) for those tax positions that meet the more likely than not recognition threshold, we recognize the largest amount of tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the related tax authority. As facts and circumstances change, we reassess these probabilities and record any changes in the financial statements as appropriate. Our tax returns are subject to audit by the Internal Revenue Service ("IRS"), various states in the U.S., and by the Canadian Revenue Agency.

Insurance

Accrued costs for our self-insured health care coverage were \$493,000 and \$483,000 at December 31, 2013 and 2012, respectively.

US ECOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Earnings Per Share

Basic earnings per share is calculated based on the weighted-average number of outstanding common shares during the applicable period. Diluted earnings per share is based on the weighted-average number of outstanding common shares plus the weighted-average number of potential outstanding common shares. Potential common shares that would increase earnings per share or decrease loss per share are anti-dilutive and are excluded from earnings per share computations. Earnings per share is computed separately for each period presented.

Treasury Stock

Shares of common stock repurchased by us are recorded at cost as treasury stock and result in a reduction of stockholders' equity in our consolidated balance sheets. Treasury shares are reissued using the weighted average cost method for determining the cost of the shares reissued. The difference between the cost of the shares reissued and the issuance price is added or deducted from additional paid-in capital.

NOTE 3. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Listed below are the estimates and assumptions that we consider to be significant in the preparation of our financial statements.

- *Allowance for Doubtful Accounts*—We estimate losses from collectible accounts based on the aging of the accounts receivable and an evaluation of the likelihood of success in collecting the receivable.
- *Recovery of Long-Lived Assets*—We evaluate the recovery of our long-lived assets periodically by analyzing our operating results and considering significant events or changes in the business environment.
- *Income Taxes*—We assume the deductibility of certain costs in our income tax filings, estimate our income tax rate and estimate the future recovery of deferred tax assets.
- *Legal and Environmental Accruals*—We estimate the amount of potential exposure we may have with respect to litigation and environmental claims and assessments.
- *Disposal Cell Development and Final Closure/Post-Closure Amortization*—We expense amounts for disposal cell usage and closure and post-closure costs for each cubic yard of waste disposed of at our operating facilities. In determining the amount to expense for each cubic yard of waste disposed, we estimate the cost to develop each disposal cell and the closure and post-closure costs for each disposal cell and facility. The expense for each cubic yard is then calculated based on the remaining permitted capacity and total permitted capacity. Estimates for closure and post-closure costs are developed using input from third-party engineering consultants, and our internal technical and accounting personnel. Management reviews estimates at least annually. Estimates for final disposal cell closure and post-closure consider when the costs would actually be paid and, where appropriate, inflation and discount rates.

US ECOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 3. USE OF ESTIMATES (Continued)

- *Business Acquisitions*—The Company records assets and liabilities of the acquired business, including goodwill, generally at their fair values. Acquisition-related transaction and restructuring costs are expensed rather than treated as part of the cost of the acquisition.
- *Goodwill*—We assess goodwill for impairment during the fourth quarter of each year, and also if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The assessment consists of comparing the estimated fair value of the reporting unit to the carrying value of the net assets assigned to the reporting unit, including goodwill. Fair values are determined by using both the market approach, applying a multiple of earnings based on guideline for publicly traded companies, and the income approach, discounting projected future cash flows based on our expectations of the current and future operating environment. The rates used to discount projected future cash flows reflect a weighted average cost of capital based on our industry, capital structure and risk premiums including those reflected in the current market capitalization.
- *Intangible Assets*—We review intangible assets with indefinite useful lives for impairment during the fourth quarter of each year. We also review both indefinite-lived and finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of an intangible asset may not be recoverable. In order to assess whether a potential impairment exists, the assets' carrying values are compared with their undiscounted expected future cash flows. Estimating future cash flows requires significant judgment about factors such as general economic conditions and projected growth rates, and our estimates often vary from the cash flows eventually realized. Impairments are measured by comparing the fair value of the asset to its carrying value. Fair value is generally determined by considering: (i) the internally developed discounted projected cash flow analysis of the asset; (ii) actual third-party valuations; and/or (iii) information available regarding the current market environment for similar assets.

Actual results could differ materially from the estimates and assumptions that we use in the preparation of our financial statements. As it relates to estimates and assumptions in amortization rates and environmental obligations, significant engineering, operations and accounting judgments are required. We review these estimates and assumptions no less than annually. In many circumstances, the ultimate outcome of these estimates and assumptions will not be known for decades into the future. Actual results could differ materially from these estimates and assumptions due to changes in applicable regulations, changes in future operational plans and inherent imprecision associated with estimating environmental impacts far into the future.

NOTE 4. DISCLOSURE OF SUPPLEMENTAL CASH FLOW INFORMATION

<u>\$s in thousands</u>	<u>For the Year Ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Income taxes and interest paid:			
Income taxes paid, net of receipts	\$ 16,226	\$ 17,676	\$ 13,360
Interest paid	703	791	1,277
Non-cash investing and financing activities:			
Closure/Post-closure retirement asset	886	921	93
Capital expenditures in accounts payable	1,561	762	776
Restricted stock issuances from treasury shares	864	372	424

US ECOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4. DISCLOSURE OF SUPPLEMENTAL CASH FLOW INFORMATION (Continued)

The Company acquired U.S. Ecology Michigan, Inc. on May 31, 2012 for \$10.8 million. The allocation of the purchase price to the fair value of assets acquired and liabilities assumed was as follows:

<u>\$s in thousands</u>	<u>Purchase Price Allocation</u>
Assets acquired	\$ 10,706
Liabilities assumed	(1,268)
Total identifiable net assets	9,438
Goodwill	1,327
Total purchase price	\$ 10,765

NOTE 5. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities recorded at fair value are categorized using defined hierarchical levels directly related to the amount of subjectivity associated with the inputs to fair value measurements, as follows:

- Level 1—Quoted prices in active markets for identical assets or liabilities;
- Level 2—Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable;
- Level 3—Unobservable inputs in which little or no market activity exists, requiring an entity to develop its own assumptions that market participants would use to value the asset or liability.

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, restricted cash and investments, accounts payable and accrued liabilities. The estimated fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying value due to the short-term nature of these instruments.

The Company's assets measured at fair value on a recurring basis at December 31, 2013 and 2012 consisted of our Restricted cash and investments as follows:

<u>\$s in thousands</u>	<u>2013</u>			<u>Total</u>
	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>	
Assets:				
Fixed-income securities(1)	\$ 399	\$ 3,607	\$ —	\$ 4,006
Money market funds(2)	\$ 91	\$ —	\$ —	\$ 91
Total	\$ 490	\$ 3,607	\$ —	\$ 4,097

US ECOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 5. FAIR VALUE MEASUREMENTS (Continued)

<u>\$s in thousands</u>	<u>2012</u>			<u>Total</u>
	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>	
<u>Assets:</u>				
Money market funds(2)	\$ 4,111	\$ —	\$ —	\$ 4,111
Total	\$ 4,111	\$ —	\$ —	\$ 4,111

- (1) We invest a portion of our Restricted cash and investments in fixed-income securities, including U.S. Treasury and U.S. agency securities. We measure the fair value of U.S. Treasury securities using quoted prices for identical assets in active markets. We measure the fair value of U.S. agency securities using observable market activity for similar assets. The fair value of our fixed-income securities approximates our cost basis in the investments.
- (2) We invest a portion of our Restricted cash and investments in money market funds. We measure the fair value of these money market fund investments using quoted prices for identical assets in active markets.

NOTE 6. CONCENTRATIONS AND CREDIT RISK

Major Customers

No customer accounted for more than 10% of total revenue for the years ended December 31, 2013, 2012 or 2011. A single customer accounted for approximately 16% of total trade receivables as of December 31, 2013. No customer accounted for more than 10% of total trade receivables as of December 31, 2012.

Credit Risk Concentration

We maintain most of our cash and cash equivalents with nationally recognized financial institutions like Wells Fargo Bank, National Association ("Wells Fargo"). Substantially all 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.

Labor Concentrations

As of December 31, 2013, the Paper, Allied-Industrial Chemical & Energy Workers International Union, AFL-CIO, CLC (PACE), represented 11 employees at our Richland, Washington facility and the Communications, Energy and Paperworkers Union of Canada represented 107 employees at our Blainville, Québec, Canada facility. As of December 31, 2013, our 340 other employees did not belong to a union.

US ECOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 7. RECEIVABLES

Receivables as of December 31, 2013 and 2012 consisted of the following:

<u>\$s in thousands</u>	<u>2013</u>	<u>2012</u>
Trade	\$ 42,055	\$ 32,787
Unbilled revenue	1,296	1,529
Other	810	99
Total receivables	44,161	34,415
Allowance for doubtful accounts	(525)	(468)
Receivables, net	\$ 43,636	\$ 33,947

The allowance for doubtful accounts is a provision for uncollectible accounts receivable and unbilled receivables. The allowance is evaluated and adjusted to reflect our collection history and an analysis of the accounts receivables aging. The allowance is decreased by accounts receivable as they are written off. The allowance is adjusted periodically to reflect actual experience. The change in the allowance during 2013, 2012 and 2011 was as follows

<u>\$s in thousands</u>	<u>Balance at Beginning of Period</u>	<u>Charged (Credited) to Costs and Expenses</u>	<u>Recoveries (Deductions/ Write-offs)</u>	<u>Adjustments</u>	<u>Balance at End of Period</u>
Year ended					
December 31, 2013	\$ 468	\$ 138	\$ (70)	\$ (11)	\$ 525
Year ended					
December 31, 2012	\$ 311	\$ 137	\$ 17	\$ 3	\$ 468
Year ended					
December 31, 2011	\$ 338	\$ 153	\$ (179)	\$ (1)	\$ 311

NOTE 8. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2013 and 2012 consisted of the following:

<u>\$s in thousands</u>	<u>2013</u>	<u>2012</u>
Cell development costs	\$ 77,348	\$ 64,994
Land and improvements	18,073	14,920
Buildings and improvements	59,101	55,177
Railcars	17,375	17,375
Vehicles and other equipment	42,859	39,689
Construction in progress	6,784	12,454
Total property and equipment	221,540	204,609
Accumulated depreciation and amortization	(106,681)	(94,817)
Property and equipment, net	\$ 114,859	\$ 109,792

Depreciation and amortization expense was \$14.8 million, \$13.9 million and \$13.9 million for the years ended December 31, 2013, 2012 and 2011 respectively.

US ECOLOGY, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 9. BUSINESS ACQUISITION**

On May 31, 2012, the Company acquired 100% of the outstanding shares of US Ecology Michigan, Inc. ("USEM"), formerly Dynecol, Inc., a chemical and industrial byproducts treatment and reuse facility located in Detroit, Michigan. The total purchase price was \$10.8 million in cash and was funded through borrowings under the Reducing Revolving Line of Credit facility.

Consideration paid for USEM and the fair value of assets acquired and liabilities assumed at the acquisition date was as follows:

<u>\$s in thousands</u>	<u>2012</u>
Current assets	\$ 2,214
Property and equipment	6,552
Identifiable intangible assets	1,940
Current liabilities	(1,268)
Total identifiable net assets	9,438
Goodwill	1,327
Total purchase price	<u>\$ 10,765</u>

Goodwill of \$1.3 million arising from the acquisition is the result of several factors. USEM has a talented assembled workforce of approximately 40 employees principally serving the Mid-Western and Eastern United States and Ontario, Canada industrial markets for nearly 40 years. The acquisition strengthens our presence in key midwestern and eastern U.S. and certain Canadian markets. In addition, USEM provides us with an opportunity to win more Event Business (as defined below) work; increase services to existing customers including national accounts; expand our transportation and logistics services; and attract new customers. Management also believes that the acquisition produces synergies in combination with our Stablex facility. All of the goodwill recognized was assigned to our Operating Disposal Facilities segment and is expected to be deductible for income tax purposes over a fifteen-year amortization period.

The following unaudited pro forma financial information presents the combined results of operations as if USEM had been combined with us beginning on January 1, 2011. 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 and 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.

<u>\$s in thousands, except per share amounts</u>	<u>2012</u>	<u>2011</u>
	<u>(unaudited)</u>	
Pro forma combined:		
Revenue	\$ 174,639	\$ 169,884
Net income	\$ 25,513	\$ 19,339
Earnings per share		
Basic	\$ 1.40	\$ 1.06
Diluted	\$ 1.40	\$ 1.06

US ECOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 9. BUSINESS ACQUISITION (Continued)

The amounts of revenue and operating loss from USEM included in the Company's consolidated statements of operations for the year ended December 31, 2013 were \$12.3 million and \$72,000, respectively. The amounts of revenue and operating loss from USEM included in the Company's consolidated statements of operations for the year ended December 31, 2012 were \$6.7 million and \$161,000, respectively. Acquisition-related costs of \$348,000 were included in Selling, general and administrative expenses in the Company's consolidated statement of operations for the year ended December 31, 2012.

NOTE 10. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets as of December 31, 2013, were the result of our acquisitions of USEM on May 31, 2012 and Stablex on October 31 2010. Prior to the acquisition of Stablex, the Company had no goodwill and intangible assets. All goodwill has been assigned to the Operating Disposal Facilities reporting segment. Changes in goodwill for the years ended December 31, 2013 and 2012 were as follows:

<u>\$s in thousands</u>	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$ 23,105	\$ 21,200
USEM acquisition	—	1,327
Foreign currency translation	(1,412)	578
Balance, end of year	<u>\$ 21,693</u>	<u>\$ 23,105</u>

Intangible assets as of December 31, 2013 and 2012 consisted of the following:

<u>\$s in thousands</u>	<u>2013</u>			<u>2012</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Amortizing intangible assets:						
Developed software	\$ 329	\$ (185)	\$ 144	\$ 352	\$ (135)	\$ 217
Database	94	(43)	51	100	(31)	69
Customer relationships	5,005	(731)	4,274	5,269	(490)	4,779
Technology —Formulae and processes	8,551	(826)	7,725	9,144	(600)	8,544
Permits, licenses and lease	26,264	(2,536)	23,728	28,085	(1,844)	26,241
Non-compete agreements	20	(20)	—	20	(20)	—
Total amortizing intangible assets	40,263	(4,341)	35,922	42,970	(3,120)	39,850
Nonamortizing intangible assets:						

Permits and licenses	750	—	750	750	—	750
Tradename	160	—	160	171	—	171
Total intangible assets	\$ 41,173	\$ (4,341)	\$ 36,832	\$ 43,891	\$ (3,120)	\$ 40,771

Amortization expense of amortizing intangible assets was \$1.5 million, \$1.5 million and \$1.4 million for the years ended December 31, 2013, 2012 and 2011, respectively. Future amortization expense of amortizing intangible assets is expected to be approximately \$1.5 million per year for each of the next five years.

US ECOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 11. EMPLOYEE BENEFIT PLANS

We maintain the US Ecology, Inc., 401(k) Savings and Retirement Plan ("the Plan") for employees who voluntarily contribute a portion of their compensation, thereby deferring income for federal income tax purposes. The Plan covers substantially all of our employees in the United States. Participants may contribute a percentage of salary up to the IRS limitations. The Company contributes a matching contribution equal to 55% of participant contributions up to 6% of compensation. The Company contributed matching contributions to the Plan of \$436,000, \$364,000 and \$354,000 in 2013, 2012 and 2011, respectively.

We also maintain the Stalex Canada Inc. Simplified Pension Plan ("the SPP"). This defined contribution plan covers substantially all of our employees at our Blainville, Québec facility in Canada. Participants receive a company contribution equal to 5% of their annual salary. The Company contributed \$415,000, \$365,000 and \$354,000 to the SPP in 2013, 2012 and 2011, respectively.

NOTE 12. CLOSURE AND POST-CLOSURE OBLIGATIONS

Our accrued closure and post-closure liability represents the expected future costs, including corrective actions, associated with closure and post-closure of our operating and non-operating disposal facilities. Liabilities are recorded when work is probable and the costs can be reasonably estimated. We perform periodic reviews of both non-operating and operating facilities and revise accruals for estimated closure and post-closure, remediation or other costs as necessary. Recorded liabilities are based on our best estimates of current costs and are updated periodically to include the effects of existing technology, presently enacted laws and regulations, inflation and other economic factors.

We do not presently bear significant financial responsibility for closure and/or post-closure care of the disposal facilities located on state-owned land at our Beatty, Nevada site; Provincial-owned land in Blainville, Québec; or state-leased federal land on the Department of Energy Hanford Reservation near Richland, Washington. The States of Nevada and Washington and the Province of Québec collect fees from us based on the waste received on a quarterly or annual basis. Such fees are deposited in dedicated, government-controlled funds to cover the future costs of closure and post-closure care and maintenance. Such fees are periodically reviewed for adequacy by the governmental authorities. We also maintain a surety bond for closure costs associated with the Stalex facility. Our lease agreement with the Province of Québec requires that the surety bond be maintained for 25 years after the lease expires. At December 31, 2013 we had \$845,000 in commercial surety bonds dedicated for closure obligations.

In accounting for our asset retirement obligations we recognize a liability as part of the fair value of future asset retirement obligations and an associated asset as part of the carrying amount of the underlying asset. This obligation is valued based on our best estimates of current costs and current estimated closure cost taking into account current technology, material and service costs, laws and regulations. These cost estimates are increased by an estimated inflation rate, estimated to be 2.6% at December 31, 2013. Inflated current costs are then discounted using our credit-adjusted risk-free interest rate, which approximates our incremental borrowing rate, in effect at the time the obligation is established or when there are upward revisions to our estimated closure and post-closure costs. Our weighted-average credit-adjusted risk-free interest rate at December 31, 2013 approximated 7.6%. We perform periodic reviews of both non-operating and operating sites and revise the accruals as necessary.

US ECOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12. CLOSURE AND POST-CLOSURE OBLIGATIONS (Continued)

Changes to reported closure and post-closure obligations for the years ended December 31, 2013 and 2012, were as follows:

<u>\$s in thousands</u>	<u>2013</u>	<u>2012</u>
Closure and post-closure obligations, beginning of year	\$ 17,362	\$ 17,338
Accretion expense	1,241	1,367
Payments	(1,715)	(2,398)
Adjustments	760	1,036
Foreign currency translation	(180)	19
Closure and post-closure obligations, end of year	17,468	17,362
Less current portion	(949)	(1,913)
Long-term portion	\$ 16,519	\$ 15,449

The adjustment to the obligation is a change in the expected timing or amount of cash expenditures based upon actual and estimated cash expenditures. The adjustments in 2013 were: (1) an \$848,000 increase to the obligation for our Grand View, Idaho; Robstown, Texas; and Blainville, Québec, Canada operating facilities, primarily due to increases in our estimated closure costs for newly constructed disposal cells, partially offset by (2) an \$88,000 decrease in obligations for our non-operating facilities due to changes in estimated post-closure costs. The adjustments in 2012 were: (1) a \$964,000 increase to the obligation for our Grand View, Idaho; Robstown, Texas; and Blainville, Québec, Canada operating facilities, primarily due to increases in our estimated closure costs for newly constructed disposal cells and (2) a \$72,000 increase in obligations for our non-operating facilities due to changes in estimated post-closure costs.

Changes in the reported closure and post-closure asset, recorded as a component of Property and equipment, net, in the consolidated balance sheet, for the years ended December 31, 2013 and 2012 were as follows:

<u>\$s in thousands</u>	<u>2013</u>	<u>2012</u>
Net closure and post-closure asset, beginning of year	\$ 1,629	\$ 1,280
Additions or adjustments to closure and post-closure asset	886	921
Amortization of closure and post-closure asset	(552)	(584)
Foreign currency translation	(131)	12
Net closure and post-closure asset, end of year	\$ 1,832	\$ 1,629

NOTE 13. DEBT

On October 29, 2010, we entered into a credit agreement with Wells Fargo which, as amended, provides for an aggregate commitment from Wells Fargo of \$95.0 million (the "Credit Agreement"). The Credit Agreement provides for a \$20.0 million revolving line of credit (the "Revolving Line of Credit") with a maturity date of November 1, 2015 and a \$75.0 million reducing revolving line of credit (the "Reducing Revolving Line of Credit") with a maturity date of November 1, 2015.

US ECOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 13. DEBT (Continued)

Revolving Line of Credit

The Revolving Line of Credit provides up to \$20.0 million in revolving credit loans or letters of credit for working capital needs (the "Commitment Amount"). Under the 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 earnings before interest, taxes, depreciation and amortization ("EBITDA"). At December 31, 2013, the effective interest rate on the Revolving Line of Credit was 1.42%. Interest only payments are due either monthly or on the last day of any interest period, as applicable. At December 31, 2013 there were no borrowings outstanding under the Revolving Line of Credit. 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 "Reducing Revolving Commitment Amount"). The Reducing Revolving Commitment Amount is reduced by \$2.8 million on the last day of each March, June, September and December beginning March 31, 2013, continuing through November 1, 2015. 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 December 31, 2013, the effective interest rate of the Reducing Revolving Line of Credit was 1.42%. Interest only payments are due either monthly or on the last day of any interest period, as applicable. At December 31, 2013, there were no borrowings outstanding on the Reducing Revolving Line of Credit with \$63.9 million available for borrowing.

In addition to standard fees, origination fees and commitment fees apply to 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. We may only declare quarterly or annual dividends if on the date of declaration, no event of default has occurred and no other event or condition has occurred that would constitute an event of default due to the payment of the dividend. Obligations under the Credit Agreement are guaranteed by US Ecology and all of its subsidiaries.

At December 31, 2013, we were in compliance with all of the financial covenants in the Credit Agreement.

US ECOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 14. INCOME TAXES

The components of the income tax expense consisted of the following:

<u>\$s in thousands</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Current:			
U.S. Federal	\$ 14,769	\$ 13,989	\$ 10,662
State	2,241	1,905	1,237
Foreign	3,623	873	632
Total current	20,633	16,767	12,531
Deferred:			
U.S. Federal	(2,068)	(270)	(396)
State	(218)	79	(85)
Foreign	(351)	(517)	(613)
Total deferred	(2,637)	(708)	(1,094)
Income tax expense	\$ 17,996	\$ 16,059	\$ 11,437

A reconciliation between the effective income tax rate and the applicable statutory federal and state income tax rate is as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Taxes computed at statutory rate	35.0%	35.0%	35.0%
State income taxes (net of federal income tax benefit)	2.7	3.3	2.5
Foreign rate differential	(2.0)	(0.3)	—
Other	0.2	0.5	0.9
	<u>35.9%</u>	<u>38.5%</u>	<u>38.4%</u>

US ECOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 14. INCOME TAXES (Continued)

The components of the total net deferred tax assets and liabilities as of December 31, 2013 and 2012 consisted of the following:

<u>\$s in thousands</u>	<u>2013</u>	<u>2012</u>
Deferred tax assets:		
Net operating loss carry forward	\$ 6,270	\$ 5,555
Accruals, allowances and other	1,708	2,065
Environmental compliance and other site related costs	554	—
Other	460	—
Total deferred tax assets	8,992	7,620
Less: valuation allowance	(6,253)	(5,537)
Net deferred tax assets	2,739	2,083
Deferred tax liabilities:		
Property and equipment	(6,752)	(6,646)
Intangible assets	(9,425)	(10,463)
Environmental compliance and other site related costs	—	(1,228)
Other	—	(629)
Total deferred tax liabilities	(16,177)	(18,966)
Net deferred tax liability	\$ (13,438)	\$ (16,883)

We do not accrue U.S. tax for foreign earnings that we consider to be permanently reinvested outside the United States. As of December 31, 2013, there were no unremitted earnings for the Company's foreign subsidiary, Stablex. The Company had no foreign subsidiaries prior to 2010. We also do not provide for deferred taxes on the excess of the tax basis over the financial reporting basis in our investment in Stablex that is essentially permanent in duration. The excess totaled \$14.2 million as of December 31, 2013.

We have historically recorded a valuation allowance for certain deferred tax assets due to uncertainties regarding future operating results and limitations on utilization of net operating loss carry forwards ("NOLs") for tax purposes. State NOLs expire between 2014 and 2021. The realization of a significant portion of net deferred tax assets is based in part on our estimates of the timing of reversals of certain temporary differences and on the generation of taxable income before such reversals. At December 31, 2013 and 2012, we continued to maintain a valuation allowance for approximately \$6.3 million and \$5.5 million, respectively, of state tax benefits that are not expected to be utilizable prior to expiration.

The domestic and foreign components of Income (loss) before income taxes consisted of the following:

<u>\$s in thousands</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Domestic	37,958	40,425	29,775
Foreign	12,189	1,293	32
Income before income taxes	\$ 50,147	\$ 41,718	\$ 29,807

US ECOLOGY, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 14. INCOME TAXES (Continued)**

The changes to unrecognized tax benefits (excluding related penalties and interest) consisted of the following:

<u>\$s in thousands</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Unrecognized tax benefits, beginning of year	\$ 438	\$ 438	\$ —
Gross increases in tax positions in prior periods	—	—	438
Gross increases during the current period	—	—	—
Settlements	—	—	—
Lapse of statute of limitations	—	—	—
Unrecognized tax benefits, end of year	<u>\$ 438</u>	<u>\$ 438</u>	<u>\$ 438</u>

As of December 31, 2013, the Company's unrecognized tax benefits represent increases in tax positions in prior periods for new information that supported a change in measurement that, if recognized, would favorably affect the effective tax rate. We recognize interest assessed by taxing authorities or interest associated with uncertain tax positions as a component of interest expense. We recognize any penalties assessed by taxing authorities or penalties associated with uncertain tax positions as a component of selling, general and administrative expenses. Interest expense related to unrecognized tax benefits was \$13,000, \$13,000 and \$16,000 for the years ended December 31, 2013, 2012 and 2011, respectively. We anticipate that within the next twelve months the total amount of unrecognized tax benefits will decrease due to the expiration of statutes of limitations.

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 2010 through 2013. Additionally, we may be subject to examinations by various state and local taxing jurisdictions for tax years 2009 through 2013. We are currently not aware of any examinations by taxing authorities.

NOTE 15. COMMITMENTS AND CONTINGENCIES*Litigation and Regulatory Proceedings*

In the ordinary course of business, we are involved in judicial and administrative proceedings involving federal, state, provincial or local governmental authorities, including regulatory agencies that oversee and enforce compliance with permits. Fines or penalties may be assessed by our regulators for non-compliance. Regulators may also issue orders limiting waste handling operations. Actions may also be brought by individuals or groups in connection with permitting of planned facilities, modification or alleged violations of existing permits, or alleged damages suffered from exposure to hazardous substances purportedly released from our operated 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 and administrative matters, or other fees expected to be incurred in relation to these matters.

In 2012, we settled allegations by the United States Environment Protection Agency ("USEPA") that the thermal recycling operation at our Robstown, Texas facility did not comply with certain rules and regulations of the Resource Conservation and Recovery Act of 1976 ("RCRA"). As part of the settlement, we agreed to pay a civil penalty and to submit an application to the State of Texas for a RCRA Subpart X permit. The Company and the thermal recycling unit's owner-operator also agreed to a set of interim

US ECOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 15. COMMITMENTS AND CONTINGENCIES (Continued)

operating conditions that allow the facility to continue providing recycling services to customers until the RCRA Subpart X permit is issued.

In connection with this matter, in June 2013 the USEPA asserted various related technical compliance and permitting violations of the Clean Air Act of 1970. Negotiations on a proposed settlement are ongoing with the USEPA. We recognized a charge of \$238,000 during 2013 in Selling, general and administrative expenses in the Consolidated Statement of Operations related to this pending enforcement matter.

Other than as disclosed above, 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.

Operating Leases

Lease agreements primarily cover railcars, the disposal site at our Stablex facility and corporate office space. Future minimum lease payments on non-cancellable operating leases as of December 31, 2013 are as follows:

<u>\$s in thousands</u>	<u>Payments</u>
2014	\$ 495
2015	435
2016	343
2017	339
2018	333
Thereafter	54
	<u>\$ 1,999</u>

Rental expense under operating leases was \$685,000, \$495,000 and \$483,000 for the years ended December 31, 2013, 2012 and 2011, respectively.

NOTE 16. EQUITY

Public Common Stock Offering

In December 2013, we sold and issued 2,990,000 shares of our common stock, including 390,000 shares pursuant to the underwriters' option to purchase additional shares, at a price of \$34.00 per share. We received net proceeds of \$96.4 million after deducting underwriting discounts, commissions and offering expenses. \$30.0 million of the net proceeds were used to repay amounts outstanding under the Credit Agreement.

Stock Option Plans

We have options outstanding under three stock option plans, the 1992 Stock Option Plan for Employees ("1992 Employee Plan"), the 1992 Director Stock Option Plan ("1992 Director Plan") and the 2008 Stock Option Incentive Plan ("2008 Stock Option Plan"). In March 2005, the Board of Directors cancelled the 1992 Director Plan except for options then outstanding. In April 2013, the 1992 Employee Plan expired and was cancelled except for options then outstanding. These plans were developed to provide additional incentives through equity ownership in US Ecology and, as a result, encourage employees and directors to

US ECOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16. EQUITY (Continued)

contribute to our success. Stock options expire ten years from the date of grant and vest over a period ranging from one to three years from the date of grant. Vesting requirements for non-employee directors are contingent on attending a minimum of seventy-five percent of regularly scheduled board meetings during the year. 1,500,000 stock options have been authorized for grant under the 2008 Stock Option Plan, with 879,000 options available for future grant as of December 31, 2013. Upon the exercise of stock options, common stock is issued from treasury stock or, when depleted, from new stock issuances.

A summary of our stock option plan activity is as follows:

<u>\$ in thousands, except per share amounts</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Aggregate Intrinsic Value</u>	<u>Weighted Average Remaining Contractual Term (Years)</u>
Outstanding as of December 31, 2012	434,512	\$ 18.93		
Granted	216,600	25.56		
Exercised	(256,336)	18.99		
Cancelled, expired or forfeited	(1,000)	25.25		
Outstanding as of December 31, 2013	<u>393,776</u>	<u>\$ 22.52</u>	<u>\$ 5,742</u>	<u>7.7</u>
Exercisable as of December 31, 2013	<u>145,138</u>	<u>\$ 18.76</u>	<u>\$ 2,661</u>	<u>5.4</u>

The weighted average grant date fair value of all stock options granted during 2013, 2012 and 2011 was \$5.06, \$4.03 and \$4.04 per share, respectively. The total intrinsic value of stock options exercised during 2013, 2012 and 2011 was \$2.4 million, \$497,000 and \$39,000, respectively.

The fair value of each stock option is estimated as of the date of grant using the Black-Scholes option-pricing model. Expected volatility is estimated based on an average of actual historical volatility and implied volatility corresponding to the stock option's estimated expected term. We believe this approach to determine volatility is representative of future stock volatility. The expected term of a stock option is estimated based on analysis of stock options already exercised and foreseeable trends or changes in behavior. The risk-free interest rates are based on the U.S. Treasury securities maturities as of each applicable grant date. The dividend yield is based on analysis of actual historical dividend yield.

The significant weighted-average assumptions relating to the valuation of each option grant are as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Expected life	3.3 years	3.3 years	3.3 years
Expected volatility	36%	39%	46%
Risk-free interest rate	0.4%	0.4%	1.2%
Expected dividend yield	3.4%	4.1%	4.5%

Restricted Stock Plans

We have two restricted stock plans: the Amended and Restated 2005 Non-Employee Director Compensation Plan (the "Director Plan") and the 2006 Restricted Stock Plan (the "Employee Plan"). The Director Plan provides that each non-employee director receive an annual award of either the number of shares of restricted stock or options to purchase US Ecology common stock (at each Director's election) with a value equal to \$50,000 on the date of grant with a one-year vesting period. Vesting is also contingent

US ECOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16. EQUITY (Continued)

on the non-employee director attending a minimum of seventy-five percent of regularly scheduled board meetings during the year. 200,000 shares of common stock have been authorized for grant under the Director Plan. During 2013, 9,000 shares were granted to non-employee directors. As of December 31, 2013, 67,200 shares remained available for grant under the Director Plan. The Employee Plan provides that employees are eligible for restricted stock grants at the discretion of the Board of Directors. Generally, awards granted under the Employee Plan vest monthly over a twelve-month period. 200,000 shares of common stock have been authorized for grant under the Employee Plan. During 2013, 42,800 shares were granted to employees. As of December 31, 2013, 72,062 shares remained available for future grant under the Employee Plan. Upon the vesting of restricted stock awards, common stock is issued from treasury stock or, when depleted, from new stock issuances.

A summary of our restricted stock plan activity is as follows:

	Shares	Weighted Average Grant Date Fair Value
Outstanding as of December 31, 2012	11,200	\$ 17.73
Granted	51,800	25.89
Vested	(11,200)	17.73
Cancelled, expired or forfeited	(200)	25.25
Outstanding as of December 31, 2013	<u>51,600</u>	<u>\$ 25.89</u>

The total fair value of restricted stock vested during 2013, 2012 and 2011 was \$299,000, \$413,000 and \$340,000, respectively.

Share-Based Compensation Expense

All share-based compensation is measured at the grant date based on the fair value of the award, and is recognized as an expense in earnings over the requisite service period. The components of pre-tax share-based compensation expense (included in Selling, general and administrative expenses in the Consolidated Statements of Earnings) and related tax benefits were as follows:

<u>\$s in thousands</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Share-based compensation from:			
Stock options	\$ 346	\$ 397	\$ 449
Restrict stock	519	449	388
Total share-based compensation	865	846	837
Income tax benefit	(310)	(326)	(321)
Share-based compensation, net of tax	<u>\$ 555</u>	<u>\$ 520</u>	<u>\$ 516</u>

Unrecognized Share-Based Compensation Expense

As of December 31, 2013, there was \$1.9 million of unrecognized compensation expense related to unvested share-based awards granted under our share-based award plans. The expense is expected to be recognized over a weighted average remaining vesting period of approximately two years.

US ECOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 17. EARNINGS PER SHARE

\$ and shares in thousands, except per share amounts	2013		2012		2011	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net income	\$ 32,151	\$ 32,151	\$ 25,659	\$ 25,659	\$ 18,370	\$ 18,370
Weighted average basic shares outstanding	18,592	18,592	18,238	18,238	18,198	18,198
Dilutive effect of stock options and restricted stock		84		43		25
Weighted average diluted shares outstanding		18,676		18,281		18,223
Earnings per share	\$ 1.73	\$ 1.72	\$ 1.41	\$ 1.40	\$ 1.01	\$ 1.01
Anti-dilutive shares excluded from calculation		156		266		320

NOTE 18. OPERATING SEGMENTS

Financial Information by Operating Segment

We operate with two segments, Operating Disposal Facilities, and Non-Operating Disposal Facilities. These segments reflect our internal reporting structure and nature of services offered. The Operating Disposal Facility segment represents disposal facilities accepting hazardous and radioactive waste. The Non-Operating Disposal Facility segment represents facilities which are not accepting hazardous and/or radioactive waste or formerly proposed new facilities.

Income taxes are assigned to Corporate, but 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.

US ECOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 18. OPERATING SEGMENTS (Continued)

Summarized financial information concerning our reportable segments is as follows:

<u>\$s in thousands</u>	Year Ended December 31, 2013			
	Operating Disposal Facilities	Non- Operating Disposal Facilities	Corporate	Total
Revenue—Treatment and disposal	\$ 165,089	\$ 20	\$ —	\$ 165,109
Revenue—Transportation services	36,017	—	—	36,017
Total revenue	201,106	20	—	201,126
Direct operating costs	86,111	127	—	86,238
Transportation costs	35,902	—	—	35,902
Gross profit (loss)	79,093	(107)	—	78,986
Selling, general & administrative expenses	11,826	—	14,229	26,055
Operating income (loss)	67,267	(107)	(14,229)	52,931
Interest income (expense), net	13	—	(822)	(809)
Foreign currency gain (loss)	542	—	(2,869)	(2,327)
Other income	342	10	—	352
Income (loss) before income taxes	68,164	(97)	(17,920)	50,147
Income tax expense	—	—	17,996	17,996
Net income (loss)	\$ 68,164	\$ (97)	\$ (35,916)	\$ 32,151
Depreciation, amortization & accretion	\$ 17,270	\$ 208	\$ 39	\$ 17,517
Capital expenditures	\$ 20,989	\$ —	\$ 384	\$ 21,373
Total assets	\$ 222,049	\$ 79	\$ 78,428	\$ 300,556

US ECOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 18. OPERATING SEGMENTS (Continued)

<u>\$s in thousands</u>	Year Ended December 31, 2012			
	Operating Disposal Facilities	Non- Operating Disposal Facilities	Corporate	Total
Revenue—Treatment and disposal	\$ 145,687	\$ 20	\$ —	\$ 145,707
Revenue—Transportation services	23,431	—	—	23,431
Total revenue	169,118	20	—	169,138
Direct operating costs	78,883	294	—	79,177
Transportation costs	23,663	1	—	23,664
Gross profit (loss)	66,572	(275)	—	66,297
Selling, general & administrative expenses	11,567	—	14,092	25,659
Operating income (loss)	55,005	(275)	(14,092)	40,638
Interest income (expense), net	17	—	(878)	(861)
Foreign currency gain (loss)	(169)	—	1,382	1,213
Other income	723	5	—	728
Income (loss) before income taxes	55,576	(270)	(13,588)	41,718
Income tax expense	—	—	16,059	16,059
Net income (loss)	\$ 55,576	\$ (270)	\$ (29,647)	\$ 25,659
Depreciation, amortization & accretion	\$ 16,494	\$ 216	\$ 42	\$ 16,752
Capital expenditures	\$ 15,707	\$ 17	\$ 42	\$ 15,766
Total assets	\$ 210,984	\$ 93	\$ 7,617	\$ 218,694

US ECOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 18. OPERATING SEGMENTS (Continued)

<u>\$s in thousands</u>	<u>Year Ended December 31, 2011</u>			
	<u>Operating Disposal Facilities</u>	<u>Non- Operating Disposal Facilities</u>	<u>Corporate</u>	<u>Total</u>
Revenue—Treatment and disposal	\$ 129,049	\$ 22	\$ —	\$ 129,071
Revenue—Transportation services	25,846	—	—	25,846
Total revenue	154,895	22	—	154,917
Direct operating costs	73,455	303	—	73,758
Transportation costs	27,292	—	—	27,292
Gross profit (loss)	54,148	(281)	—	53,867
Selling, general & administrative expenses	10,165	—	11,337	21,502
Operating income (loss)	43,983	(281)	(11,337)	32,365
Interest income (expense), net	23	—	(1,601)	(1,578)
Foreign currency gain (loss)	26	—	(1,347)	(1,321)
Other income	340	1	—	341
Income (loss) before income taxes	44,372	(280)	(14,285)	29,807
Income tax expense	—	—	11,437	11,437
Net income (loss)	\$ 44,372	\$ (280)	\$ (25,722)	\$ 18,370
Depreciation, amortization & accretion	\$ 16,375	\$ 218	\$ 51	\$ 16,644
Capital expenditures	\$ 9,974	\$ 16	\$ 106	\$ 10,096
Total assets	\$ 195,552	\$ 88	\$ 6,948	\$ 202,588

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

We provide services in the United States and Canada. Revenues by geographic location where the underlying services were performed for the years ended December 31, 2013, 2012 and 2011 were as follows:

<u>\$s in thousands</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
United States	\$ 147,128	\$ 130,889	\$ 118,402
Canada	53,998	38,249	36,515
	<u>\$ 201,126</u>	<u>\$ 169,138</u>	<u>\$ 154,917</u>

Long-lived assets, comprised of property and equipment and intangible assets net of accumulated depreciation and amortization, by geographic location as of December 31, 2013 and 2012 are as follows:

<u>\$s in thousands</u>	<u>2013</u>	<u>2012</u>
United States	\$ 86,175	\$ 81,605
Canada	65,516	68,958
	<u>\$ 151,691</u>	<u>\$ 150,563</u>

US ECOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 19. QUARTERLY FINANCIAL DATA (unaudited)

The unaudited consolidated quarterly results of operations for 2013 and 2012 were as follows:

\$s and shares in thousands, except per share amounts	Three-Months Ended				Year
	Mar. 31,	June 30,	Sept. 30,	Dec. 31,	
2013					
Revenue	\$ 42,899	\$ 45,777	\$ 53,090	\$ 59,360	\$ 201,126
Gross profit	15,382	18,928	21,620	23,056	78,986
Operating income	9,656	12,409	15,512	15,354	52,931
Net income	5,406	7,210	10,328	9,207	32,151
Earnings per share—diluted(1)	\$ 0.29	\$ 0.39	\$ 0.56	\$ 0.48	\$ 1.72
Weighted average common shares outstanding used in the diluted earnings per share calculation	18,407	18,483	18,533	19,281	18,676
Dividends paid per share	\$ —	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.54
2012					
Revenue	\$ 33,013	\$ 39,980	\$ 45,739	\$ 50,406	\$ 169,138
Gross profit	12,076	17,326	18,589	18,306	66,297
Operating income	6,471	10,960	12,393	10,814	40,638
Net income	4,523	6,362	8,662	6,112	25,659
Earnings per share—diluted(1)	\$ 0.25	\$ 0.35	\$ 0.47	\$ 0.33	\$ 1.40
Weighted average common shares outstanding used in the diluted earnings per share calculation	18,254	18,264	18,270	18,332	18,281
Dividends paid per share	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.36	\$ 0.90

- (1) Diluted earnings per common share for each quarter presented above are based on the respective weighted average number of common shares for the respective quarter. The dilutive potential common shares outstanding for each period and the sum of the quarters may not necessarily be equal to the full year diluted earnings per common share amount.

NOTE 20. SUBSEQUENT EVENT

On January 2, 2014 the Company declared a dividend of \$0.18 per common share for stockholders of record on January 20, 2014. The dividend was paid from cash on hand on January 28, 2014 in an aggregate amount of \$3.9 million.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of the Company's management, including both the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures, as such term is defined under Rule 13a-15e under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of December 31, 2013. Based on that evaluation, the Company's management, including the Chief Executive and Chief Financial Officer, concluded that the Company's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported as specified in SEC rules and forms and that such information is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in the Company's internal control over financial reporting identified in connection with the evaluation of such controls that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Annual Report on Internal Controls over Financial Reporting.

Management is responsible for and maintains a system of internal controls over financial reporting that is designed to provide reasonable assurance that its records and filings accurately reflect the transactions engaged in Section 404 of Sarbanes-Oxley Act of 2002 and related rules issued by the SEC requiring management to issue a report on its internal controls over financial reporting.

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal control can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal controls may vary over time.

Management has conducted an assessment of its internal controls over financial reporting as of December 31, 2013 based on criteria established in Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission. Based on this assessment, management concluded that our internal controls over financial reporting were effective to provide reasonable assurance regarding the reliability of financial reporting.

Our independent registered public accounting firm, Deloitte and Touche LLP, has audited the effectiveness of internal control over financial reporting as of December 31, 2013, as stated in their report, which is included in Part II, Item 8 of this Annual Report on Form 10-K.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information regarding directors and nominees for directors of the Company, including identification of the members of the audit committee and audit committee financial expert, is presented under the headings "Corporate Governance—Committees of the Board of Directors," and "Election of Directors—Nominees for Directors" in the Company's definitive proxy statement for use in connection with the 2014 Annual Meeting of Stockholders (the "Proxy Statement") to be filed within 120 days after the end of the Company's fiscal year ended December 31, 2013. The information contained under these headings is incorporated herein by reference. Information regarding the executive officers of the Company is included in this Annual Report on Form 10-K under Item 1 of Part I as permitted by Instruction 3 to Item 401(b) of Regulation S-K.

We have adopted a code of conduct that applies to our Chief Executive Officer and Chief Financial Officer. This code of conduct is available on our Web site at www.usecology.com. If we make any amendments to this code other than technical, administrative or other non-substantive amendments, or grant any waivers, including implicit waivers, from a provision of this code to our Chief Executive Officer or Chief Financial Officer, we will disclose the nature of the amendment or waiver, its effective date and to whom it applies in a report filed with the SEC.

ITEM 11. EXECUTIVE COMPENSATION

Information concerning executive and director compensation is presented under the heading "Compensation Discussion and Analysis" in the Proxy Statement. The information contained under these headings is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information with respect to security ownership of certain beneficial owners and management is set forth under the heading "Security Ownership of Certain Beneficial Owners and Directors and Officers" in the Proxy Statement. The information contained under these headings is incorporated herein by reference.

The following table provides information as of December 31, 2013, about the common stock that may be issued under all of our existing equity compensation plans, including the 1992 Employee Stock Option Plan, 1992 Director Stock Option Plan, 2005 Non-Employee Director Compensation Plan, the 2006

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Restricted Stock Plan and the 2008 Stock Option Incentive Plan. All of these plans have been approved by our stockholders.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)(1)	Weighted-average exercise price of outstanding options, warrants and rights (b)(2)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	445,376	\$ 22.52	1,018,262
Equity compensation plans not approved by security holders	—	—	—
Total	445,376	\$ 22.52	1,018,262

- (1) Includes 51,600 shares of unvested restricted stock awards outstanding under the 2005 Non-Employee Director Compensation Plan and 2006 Restricted Stock Plan.
- (2) The weighted-average exercise price does not take into account the shares issuable upon vesting of outstanding restricted stock awards, which have no exercise price.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information concerning related transactions is presented under the heading "Certain Relationships and Related Transactions" in the Proxy Statement. The information contained under this heading is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information concerning principal accounting fees and services is presented under the heading "Ratification of Appointment of Independent Registered Public Accounting Firm" in the Proxy Statement. The information contained under this heading is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENTS AND SCHEDULES

- (a) The following documents are filed as part of this report:
- 1) Consolidated Financial Statements: See Index to Consolidated Financial Statements at Item 8 of this report.
 - 2) Financial Statement Schedules. Schedules have been omitted because they are not required or because the information is included in the financial statements at Item 8 of this report.
 - 3) Exhibits are incorporated herein by reference or are filed with this report as set forth in the Index to Exhibits on page 88 hereof.

Signatures

Pursuant to the requirements of Section 13 or 15(d) 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.

By: /s/ ERIC L. GERRATT
Eric L. Gerratt
*Executive Vice President, Chief Financial Officer and
Treasurer*

Date: February 25, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated as of February 25, 2014.

 /s/ JEFFREY R. FEELER
Jeffrey R. Feeler
(Director) President and Chief Executive Officer

 /s/ ERIC L. GERRATT
Eric L. Gerratt
*Executive Vice President, Chief Financial Officer and
Treasurer (Principal Financial Officer and Principal
Accounting Officer)*

 /s/ SIMON G. BELL
Simon G. Bell.
*Executive Vice President of Operations and Technology
Development*

 /s/ STEVEN D. WELLING
Steven D. Welling.
Executive Vice President of Sales and Marketing

 /s/ JOE F. COLVIN
Joe F. Colvin
(Director)

 /s/ VICTOR J. BARNHART
Victor J. Barnhart
(Director)

 /s/ JEFFREY S. MERRIFIELD
Jeffrey S. Merrifield
(Director)

 /s/ DANIEL FOX
Daniel Fox
(Director)

 /s/ STEPHEN A. ROMANO
Stephen A. Romano
(Director)

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Exhibit No.	Description	Incorporated by Reference from Registrant's
2.1	Share Purchase Agreement dated September 13, 2010 between Marsulex Inc. and US Ecology, Inc.	3 rd Qtr Form 10-Q filed 10-28-2010
3.1	Restated Certificate of Incorporation	2009 Form 10-K
3.3	Amended and Restated Bylaws	Form 8-K filed 12-11-2007
10.1	Sublease dated July 27, 2005, between the State of Washington and US Ecology Washington, Inc.	Form 8-K filed 7-27-05
10.2	Lease Agreement as amended between American Ecology Corporation and the State of Nevada	2 nd Qtr 2007 Form 10-Q filed 8-7-2007
10.3	Credit Agreement Between Wells Fargo Bank National Association and US Ecology, Inc. dated October 29, 2010	Form 8-K filed 11-1-2010
10.4	First Amendment to the Credit Agreement between Wells Fargo Bank National Association and US Ecology, Inc.	2 nd Qtr 2011 Form 10-Q filed 8-5-2011
10.5	Second Amendment to the Credit Agreement between Wells Fargo Bank National Association and US Ecology, Inc.	1 st Qtr 2012 Form 10-Q filed 5-8-2012
10.6	Third Amendment to the Credit Agreement between Wells Fargo Bank National Association and US Ecology, Inc.	Form 8-K filed 2-5-13
10.7	*Amended and Restated American Ecology Corporation 1992 Employee Stock Option Plan	Proxy Statement dated 4-16-03
10.8	*Form of Indemnification Agreement between American Ecology Corporation and each of the Company's Directors and Officers	Form 8-K filed 5-26-05
10.9	*Management Incentive Plan Effective January 1, 2013	2 nd Qtr 2013 Form 10-Q filed 8-1-13
10.10	*2006 Restricted Stock Plan	Proxy Statement dated 3-31-06
10.11	*2008 Stock Option Incentive Plan	Proxy Statement dated 4-10-2008
10.12	*Employment Agreement, effective January 1, 2010, between the Company and John M. Cooper	1 st Qtr Form 10-Q filed 4-30-2010
10.13	*Executive Employment Agreement, dated September 7, 2013, between Jeffrey R. Feeler and US Ecology, Inc.	3 rd Qtr Form 10-Q filed 10-31-13



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<u>Exhibit No.</u>	<u>Description</u>	<u>Incorporated by Reference from Registrant's</u>
10.14	Amended and Restated 2005 Non-Employee Director Compensation Plan	2012 Form 10-K
10.15	*Executive Sales Incentive Plan Effective January 1, 2013	2 nd Qtr 2013 Form 10-Q filed 8-1-13
10.16	*Employment Agreement, effective October 31, 2013, between the Company and Eric L. Gerratt	
10.17	*Employment Agreement, effective October 31, 2013, between the Company and Steven D. Welling	
10.18	*Employment Agreement, effective October 31, 2013, between the Company and Simon G. Bell	
12.1	Ratio of Earnings to Fixed Charges	
21	List of Subsidiaries	
23.1	Consent of Deloitte and Touche LLP	
31.1	Certifications of December 31, 2013 Form 10-K by Chief Executive Officer dated February 25, 2014	
31.2	Certifications of December 31, 2013 Form 10-K by Chief Financial Officer dated February 25, 2014	
32.1	Certifications of December 31, 2013 Form 10-K by Chief Executive Officer dated February 25, 2014	
32.2	Certifications of December 31, 2013 Form 10-K by Chief Financial Officer dated February 25, 2014	
101	The following materials from the Annual Report on Form 10-K of US Ecology, Inc. for the fiscal year ended December 31, 2013 formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Stockholders' Equity, and (vi) Notes to the Consolidated Financial Statements	

* Identifies management contracts or compensatory plans or arrangements required to be filed as an exhibit hereto.

EXECUTIVE EMPLOYMENT AGREEMENT

This EXECUTIVE EMPLOYMENT AGREEMENT (this “*Employment Agreement*” or this “*Agreement*”) is made and entered into effective as of the 31st day of October, 2013 (the “*Effective Date*”), by and between US ECOLOGY, INC., a Delaware corporation (the “*Company*”), and ERIC L. GERRATT (“*Executive*”). The Company and Executive are sometimes collectively referred to herein as the “*Parties*,” and individually, as a “*Party*.”

WHEREAS, prior to May 30, 2013, Executive rendered valuable services to the Company in the capacity of Vice President, Acting Chief Financial Officer, and Chief Accounting Officer, pursuant to an Employment Agreement, dated January 1, 2010 (the “*Prior Agreement*”); and

WHEREAS, commencing on May 30, 2013, Executive became the Executive Vice President, Chief Financial Officer and Treasurer; and

WHEREAS, the Parties desire to enter into this Agreement, to continue Executive’s employment, on the terms and conditions hereinafter set forth, to reflect, *inter alia*, Executive’s status as Executive Vice President, Chief Financial Officer and Treasurer.

NOW, THEREFORE, in consideration of the premises, the mutual promises, covenants and conditions herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, intending to be legally bound hereby, agree as follows:

1.0. Employment.

Section 1.01. *Employment.* The Company hereby employs Executive, and Executive hereby accepts employment with the Company, all upon the terms and subject to the conditions set forth in this Employment Agreement, effective as of the Effective Date first set forth above.

Section 1.02. *Term of Employment.* The term of employment of Executive by the Company pursuant to this Employment Agreement shall be for the period commencing on the Effective Date and ending December 31, 2014 (the “*Employment Term*”), or such earlier date that Executive’s employment is terminated in accordance with the provisions of this Employment Agreement; provided, however, that the Employment Term shall automatically renew for additional one (1) year periods if neither the Company nor Executive has notified the other in writing of its or his intention not to renew this Employment Agreement on or before 60 days prior to the expiration of the Employment Term (including any renewal(s) thereof).

Section 1.03. *Capacity and Duties.* Executive is and shall be employed in the capacity of Executive Vice President, Chief Financial Officer and Treasurer of the Company and its subsidiaries and shall have such other duties, responsibilities and authorities as may be assigned to him from time to time by the President and Chief Executive Officer (“CEO”) or the Board of Directors of the Company (the “*Board*”), which are not materially inconsistent with Executive’s positions with the Company. Except as otherwise herein provided, Executive shall devote his entire business time, best efforts and attention to promote and advance the business of the Company and its subsidiaries and to perform diligently and faithfully all the duties, responsibilities and obligations of Executive to be performed by him under this Employment Agreement. If after the Effective Date Employee becomes a member of the Board, then upon termination of Employee’s employment for any reason, unless otherwise requested by the Board, Employee will be deemed to have resigned from the Board (and all other positions held at the Company and its affiliates) voluntarily, without any further action by Employee, as of the end of Employee’s employment and Employee, at the Board’s request, will execute any documents necessary to reflect his resignation.

Section 1.04. *Place of Employment.* Executive’s principal place of work shall be the main corporate office of the Company, currently located in Boise, Idaho; provided, however, that the location of the Company and any of its offices may be moved from time to time in the discretion of the Board.

Section 1.05. *No Other Employment.* During the Term, Executive shall not be employed in any other business activity, whether or not such activity is pursued for gain, profit or other pecuniary advantage; provided, however, that this restriction shall not be construed as preventing Executive from (i) participating in charitable, civic, educational, professional, community or industry affairs; (ii) sitting on one outside board of directors for a public or private company that does not compete with the Company,

with the prior concurrence of the Board that the required time commitment with respect to such position is acceptable; and (iii) investing his personal assets in a business which does not compete with the Company or its subsidiaries or with any other company or entity affiliated with the Company, where the form or manner of such investment will not require services on the part of Executive in the operation of the affairs of the business in which such investment is made and in which his participation is solely that of a passive investor or advisor, so long as the activities in clauses (i), (ii) and (iii), above, do not materially interfere with the performance of Executive's duties hereunder or create a potential business conflict or the appearance thereof.

Section 1.06. *Adherence to Standards.* Executive shall comply with the written policies, standards, rules and regulations of the Company from time to time established for all executive officers of the Company consistent with Executive's position and level of authority.

Section 1.07. *Review of Performance.* The CEO shall periodically review and evaluate with Executive his performance under this Employment Agreement.

2.0. Compensation.

During the Employment Term, subject to all the terms and conditions of this Employment Agreement and as compensation for all services to be rendered by Executive hereunder, the Company shall pay to or provide Executive with the following:

Section 2.01. *Base Salary.* During the Employment Term, the Company shall pay to Executive an annual base salary ("**Base Salary**") in an amount not less than Two Hundred Five Thousand Dollars and No/100 (\$205,000.00). Such Base Salary shall be payable in accordance with the regular payroll practices and procedures of the Company.

Section 2.02. *Incentive Pay.* Executive shall be eligible to participate in any cash incentive or bonus plans of the Company which are in effect from time to time, including the annual cash incentive payment opportunity granted to Executive under the Company's Management Incentive Plan ("**MIP**") and together with any other cash incentive or bonus plans of the Company, the "**Cash Incentive Plans**", subject to the terms and conditions thereof, at a 45% of Base Salary at a 100% of MIP target basis, which such MIP target shall be set annually by the Board. Anything to the contrary in this Agreement notwithstanding, the Company reserves the right to modify or terminate any or all of its Cash Incentive Plans at any time. In the event of any inconsistency between the terms of this Employment Agreement and the terms of any Cash Incentive Plan, the Cash Incentive Plan shall govern and control.

Section 2.03. *Paid Time Off and Other Benefits.* Executive shall be entitled to five (5) weeks Paid Time Off ("**PTO**"), and shall have the right, on the same basis as other members of senior management of the Company, to participate in any and all employee benefit plans and programs of the Company, including medical plans, insurance plans and other benefit plans and programs as shall be, from time to time, in effect for executive employees and senior management personnel of the Company. Such participation shall be subject to the terms of the applicable plan documents, generally applicable Company policies and the discretion of the Board or any administrative or other committee provided for in, or contemplated by, each such plan or program. Anything to the contrary in this Agreement notwithstanding, the Company reserves the right to modify or terminate such benefit plans and programs at any time.

Section 2.04. *Expenses.* The Company shall reimburse Executive for all reasonable, ordinary and necessary expenses including, but not limited to, automobile and other business travel and customer and business entertainment expenses incurred by him in connection with his employment in accordance with the Company's expense reimbursement policy; provided, however, Executive shall render to the Company a complete and accurate accounting of all such expenses in accordance with the substantiation requirements of the Internal Revenue Code of 1986, as amended (the "**Code**"). Executive's right to reimbursement hereunder may not be liquidated or exchanged for any other benefit, the amount of expenses eligible for reimbursement hereunder in a calendar year shall not affect the amount of expenses eligible for reimbursement hereunder in any other calendar year, and Executive shall be reimbursed for eligible expenses no later than the close of the calendar year following the year in which Executive incurs the applicable expense.

3.0. Equity Ownership.

Section 3.01. *Equity Ownership Requirement.* In order to more closely align Executive's interest in the Company with that of its stockholders, Executive and the Company agree as follows: (i) Executive agrees to maintain a total equity ownership position in the Company with an aggregate value of not less than Two Hundred Fifty Thousand Dollars and No/100 (\$250,000.00) such dollar amount to be calculated based on the *greater of* cost basis, grant date value or market; and (ii) Executive agrees to maintain such total equity ownership position throughout the remainder Employment Term (the foregoing requirements shall be collectively referred to as the "**Equity Ownership Requirement**"). Granted and unvested time-vesting restricted stock shall be counted towards the Equity Ownership Requirement.

Section 3.02. *Failure to Maintain Equity Ownership.* If, during the Employment Term, Executive shall fail to maintain the Equity Ownership Requirement, Executive shall have 90 days within open trading windows to cure such failure by acquiring additional shares of common stock in the Company, at Executive's sole cost and expense.

4.0. Termination of Employment.

Section 4.01. *Termination of Employment.* Executive's employment and this Employment Agreement may be terminated prior to expiration of the Employment Term as follows (with the date of termination of Executive's employment hereunder being referred to hereinafter as the "**Termination Date**"):

- (a) By either Party by delivering 60 days' prior written notice of non-renewal as set forth in the Section 1.02 (*Term of Employment*);
- (b) Upon no less than 30 days' written notice from the Company to Executive at any time *without Cause* (as hereinafter defined) and other than due to Executive's death or Disability, subject to the provisions of Section 5.02 (*Termination by the Company Without Cause or by the Executive For Good Reason*);
- (c) By the Company *for Cause* (as hereinafter defined) immediately upon written notice stating the basis for such termination;
- (d) Due to the death or Disability (as hereinafter defined) of Executive;
- (e) By Executive at any time *with or without Good Reason* (as hereinafter defined) upon 30 days' written notice from Executive to the Company (or such shorter period to which the Company may agree; and
- (f) Upon the mutual agreement of the Company and Executive.

Section 4.02. *Effect of Termination.* In the event of termination of Executive's employment with the Company for any reason, or if Executive is required by the Board, Executive agrees to resign, and shall automatically be deemed to have resigned, from any offices (including any directorship) Executive holds with the Company or any of its subsidiaries effective as of the Termination Date or, if applicable, effective as of a date selected by the Board.

5.0. Payments and Benefits Upon Termination of Employment.

Section 5.01. *Termination by the Company For Cause or by the Executive Without Good Reason.* If Executive's employment and this Employment Agreement are terminated by the Company *for Cause* or by Executive *without Good Reason*, the Company shall pay Executive the Accrued Obligations (as hereinafter defined) (other than, however, any amounts due under any Cash Incentive Plan which shall be forfeited pursuant to the terms of such plan), in a single, lump-sum payment within 45 days following such termination.

Section 5.02. *Termination by the Company Without Cause or by the Executive For Good Reason.* If Executive's employment and this Employment Agreement are terminated by the Company *without Cause* or if Executive terminates his employment and this Employment Agreement *for Good Reason*, the Company shall pay Executive the Accrued Obligations in a single, lump-sum payment within 45 days following such termination or, in the case of a Cash Incentive Plan payment, according to the terms of such plan. In addition, subject to Sections 6.0, 7.0 and 8.0, Executive shall be entitled to receive the following: (i) an amount equal to the *greater of* the Base Salary payable to Executive for the remainder of the Employment Term or one year's Base Salary ("**Severance Payment**"), which shall be payable as provided below; (ii) continued vesting of granted stock options following the Termination Date for the shorter of a period of one (1) year or the original expiration date of such option; (iii) continued vesting of restricted stock grants for a period of one (1) year following the Termination Date; and (iv) continued medical, hospitalization, life insurance and disability benefits to which Executive was entitled at the Termination Date (any of which shall, to the extent required to avoid subjecting Executive to an additional tax under Section 409A of the Code or as otherwise determined by the Company in its discretion, be structured so as to require that Executive pay the premiums for such benefits on a timely basis, in which case the Company shall reimburse Executive for such premiums in accordance with Section 8.02 so that Executive is made whole on an after-tax) for a period of 12 months following the Termination Date (or until Executive receives similar or comparable coverage from a new employer); provided, however, that the Company may unilaterally amend the foregoing clause (iv) or eliminate the benefit provided thereunder to the extent it deems necessary to avoid the imposition of excise taxes, penalties or similar charges on the Company or any of its subsidiaries or affiliates, including, without limitation, under Code Section 4980D. All such additional payments and benefits under this Section 5.02 shall be conditional on Executive's timely execution and non-revocation of the Release (as defined in Section

7.0) and Executive's continued compliance with Section 11.0 (Return of Property), Section 14.0 (Confidentiality), Section 15.0 (Work Product Assignment), and Section 16.0 (Covenant Not to Compete). Payment of the Severance Payment shall be made in bi-weekly installments, in accordance with the regular payroll practices and procedures of the Company commencing on the first regularly scheduled payroll date occurring after Executive's Release becomes effective; provided, however, that if the period during which Executive can consider and revoke the Release begins in one calendar year and ends in the subsequent calendar year, then payment of the Severance Payment shall commence on the later of (a) the first regularly scheduled payroll date occurring after Executive's Release becomes effective, and (b) the first regularly scheduled payroll date occurring in the subsequent calendar year. The first such payment shall include any installments of the Severance Payment that would have been made on previous payroll dates but for the requirement that Executive execute a Release. The period, if any, during which Executive and his spouse and children are eligible to continue their coverage under the Company's group health plans pursuant to Section 4980B of the Code ("COBRA") shall run simultaneously with the period specified in clause (iv) (provided that nothing in such clause (iv) shall be deemed to extend such COBRA continuation period beyond the minimum period required by applicable law). For the avoidance of doubt, a termination of employment pursuant to Section 4.01(a) by notice of non-renewal by the Company for any reason other than Cause, shall be deemed a termination of employment by the Company without Cause for purposes of this Section 5.02.

Section 5.03. *Termination Due to Death.* If Executive's employment and this Employment Agreement are terminated due to Executive's death, the Company shall pay the estate of Executive the Accrued Obligations in a single, lump-sum payment within 45 days following such termination or, in the case of a Cash Incentive Plan payment, according to the terms of such plan.

Section 5.04. *Termination Due to Disability.* If Executive's employment and this Employment Agreement are terminated due to his Disability, the Company shall pay Executive the Accrued Obligations in a single, lump-sum payment within 45 days following such termination or, in the case of a Cash Incentive Plan payment, according to the terms of such plan.. In addition, Executive will be eligible to participate in the Company's Long-Term Disability Plan, on a basis no less favorable to Executive than other senior executives of the Company.

Section 5.05. *Retirement.* If Executive's employment and this Employment Agreement are terminated by virtue of Executive's Retirement prior to the expiration of the Employment Term, the Company shall pay Executive the Accrued Obligations in a single, lump-sum payment within 45 days following such termination or, in the case of a Cash Incentive Plan payment, according to the terms of such plan.

6.0. Payment and Benefits Upon Change of Control.

Subject to Sections 7.0 and 8.0, upon a Change of Control of the Company (as hereinafter defined) during the Employment Term and subsequent termination from the Company under Section 5.02 within 24 months after such Change of Control (including, for purposes of this Section, a termination for Good Reason), Executive shall receive, in lieu of the Severance Payment, a payment equal to two times the sum of (i) his annual Base Salary; and (ii) the *greatest of* (a) any earned but unpaid amount due under any Cash Incentive Plan (as determined by the terms of the Cash Incentive Plan); (b) the Executive's target incentive amount under the Cash Incentive Plan for which a payment is earned, but unpaid; and (c) the Cash Incentive Plan payment received (if any) for the fiscal year immediately preceding the Cash Incentive Plan year in Subsection (ii)(a) herein (collectively, the "*Change of Control Payment*"). Such Change of Control Payment shall be paid in a single lump-sum payment within 45 days after Executive's Release becomes effective; provided, however, that if the period during which Executive can consider and revoke the Release begins in one calendar year and ends in the subsequent calendar year, then the lump sum will be paid in the subsequent calendar year (and in any event by March 15 of such year), regardless of when Executive's Release becomes effective, and even if payment occurs more than 45 days after Executive's Release becomes effective. However, if a portion of the Change of Control Payment is based on (ii)(a) or (ii)(b) of this Section 6.0, such amount shall be paid according to the terms of the corresponding Cash Incentive Plan. The Executive shall be entitled to the other benefits set forth in Section 5.02 (other than the Severance Payment), except that all unvested stock options and restricted stock shall become fully vested upon the Termination Date under this Section 6.0; provided, however, that if unvested stock options and restricted stock held by the Executive are not continued, substituted for or assumed by the successor company in connection with a Change of Control, such awards shall immediately vest upon the Change of Control. In the event of an inconsistency between this Section 6.0 and Section 5.02, this Section 6.0 shall govern and control.

7.0. Release.

Executive's entitlement to the payments and benefits described in the second sentence of Section 5.02 and in Section 6.0 is subject to and conditioned upon Executive's timely execution, without subsequent revocation, of a release of claims (in a form satisfactory to the Company) in favor of the Company and its subsidiaries and affiliates (the "*Release*"); provided, however, that notwithstanding the foregoing, the Release is not intended to and will not waive the Executive's rights: (i) to indemnification pursuant to any applicable provision of the Company's Bylaws or Certificate of Incorporation, as amended, pursuant to any written

indemnification agreement between the Executive and the Company, or pursuant to applicable law; (ii) to vested benefits or payments specifically to be provided to the Executive under this Agreement or any Company employee benefit plans or policies; or (iii) respecting any claims the Executive may have solely by virtue of the Executive's status as a stockholder of the Company. The Release also shall not impose any restrictive covenant on the Executive's conduct post-termination that the Executive had not agreed to prior to the Executive's termination in this Agreement or otherwise) or include claims that an employee cannot lawfully release through execution of a general release of claims.

To be timely, the Release must become effective (i.e., Executive must sign it and any revocation period must expire without Executive revoking the Release) within 60 days, or such shorter period specified in the Release, after Executive's date of termination of employment. If the Release does not become effective within such time period, then Executive shall not be entitled to such payments and benefits.

8.0. Compliance With Section 409A.

Section 8.01. *General.* The provisions of this Employment Agreement are intended to comply with the requirements of Section 409A of the Code and any final regulations and official guidance promulgated thereunder ("**Section 409A**") or an exemption or exclusion therefrom and, with respect to amounts that are subject to Section 409A, shall in all respects be interpreted and administered in accordance with Section 409A. Any payments that qualify for the "short-term deferral" exception or another exception under Section 409A shall be paid under the applicable exception. Each payment of compensation under this Employment Agreement shall be treated as a separate payment of compensation for purposes of Section 409A and a right to a series of installment payments under this Employment Agreement (including pursuant to Section 5.02) shall be treated as a right to a series of separate and distinct payments. All payments to be made upon a termination of employment under this Employment Agreement may only be made upon a "separation from service" under Section 409A. In no event may Executive, directly or indirectly, designate the calendar year of any payment under this Plan.

Section 8.02. *In-Kind Benefits and Reimbursements.* Notwithstanding anything to the contrary in this Employment Agreement, all reimbursements and in-kind benefits provided hereunder shall be made or provided in accordance with the requirements of Section 409A, including, where applicable, the requirement that (a) any reimbursement is for expenses incurred during Executive's lifetime (or during a shorter period of time specified herein); (b) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year, except, if such benefits consist of the reimbursement of expenses referred to in Section 105(b) of the Code, a maximum, if provided under the terms of the plan providing such medical benefit, may be imposed on the amount of such reimbursements over some or all of the period in which such benefit is to be provided to Executive as described in Treasury Regulation Section 1.409A-3(i)(1)(iv)(B); (c) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the calendar year in which the expense is incurred, *provided* that reimbursement shall be made only if Executive has submitted an invoice for such expenses at least ten (10) days before the end of the calendar year following the calendar year in which such expenses were incurred; and (d) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

Section 8.03. *Delay of Payments.* Notwithstanding any other provision of this Employment Agreement to the contrary, if Executive is considered a "specified employee" for purposes of Section 409A (as determined in accordance with the methodology established by the Company as in effect on the date of termination of employment), any payment that constitutes nonqualified deferred compensation within the meaning of Section 409A that is otherwise due to Executive hereunder during the six-month period following Executive's separation from service (as determined in accordance with Section 409A) on account of Executive's separation from service shall be accumulated and paid to Executive on the first business day after the date that is six months following Executive's separation from service (the "**Delayed Payment Date**"). The Executive shall be entitled to interest (at a per annum rate equal to the highest rate of interest applicable to six-month non-callable certificates of deposit with daily compounding offered by the following institutions: Citibank, N.A., Wells Fargo Bank, N.A. or Bank of America, on the date of such separation from service) on any cash payments so delayed from the scheduled date of payment to the Delayed Payment Date. If Executive dies during the postponement period, the amounts and entitlements delayed on account of Section 409A shall be paid to the personal representative of Executive's estate on the first to occur of the Delayed Payment Date or thirty (30) days after the date of Executive's death.

Section 8.04. *Cooperation.* Executive and the Company agree to work together in good faith to consider amendments to this Employment Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to Executive under Section 409A.

9.0. Limitation on Payments.

In the event that the severance and other benefits provided for in this Agreement or otherwise payable to Executive (i) constitute “parachute payments” within the meaning of Section 280G of the Code and (ii) but for this Section 9.0, would be subject to the excise tax imposed by Section 4999 of the Code, then Executive’s severance benefits under the foregoing clause (i) will be either:

- (a) delivered in full; or
- (b) delivered as to such lesser extent as would result in no portion of such severance benefits being subject to excise tax under Section 4999 of the Code,

Whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, results in the receipt by Executive on an after-tax basis, of the greatest amount of severance benefits, notwithstanding that all or some portion of such severance benefits may be taxable under Section 4999 of the Code. If a reduction in severance and other benefits constituting “parachute payments” is necessary so that benefits are delivered to a lesser extent, reduction shall occur in the following order: (i) reduction of cash payments; (ii) cancellation of awards granted “contingent on a change in ownership or control” (within the meaning of Code Section 280G); (iii) cancellation of accelerated vesting of equity awards; and (iv) reduction of employee benefits; provided that the reduction shall be made in a manner consistent with the requirements of Section 409A of the Code. In the event that acceleration of vesting of equity award compensation is to be reduced, such acceleration of vesting shall be cancelled in the reverse order of the date of grant of the Executive’s equity awards. Unless the Company and Executive otherwise agree in writing, any determination required under this Section 9.0 will be made in writing by an independent firm (the “*Firm*”) immediately prior to Change of Control, whose determination will be conclusive and binding upon the Executive and the Company for all purposes. For purposes of making the calculations required by this Section 9.0, the Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and Executive will furnish to the Firm such information and documents as the Firm may reasonably request in order to make a determination under this Section 9.0. The Company will bear all costs the Firm may reasonably incur in connection with any calculations contemplated by this Section.

10.0. Definitions.

In addition to the words and terms elsewhere defined in this Employment Agreement, certain capitalized words and terms used herein shall have the meanings given to them by the definitions and descriptions in this Section 10.0, unless the context or use indicates another or different meaning or intent, and such definition shall be equally applicable to both the singular and plural forms of any of the capitalized words and terms herein defined. The following words and terms are defined terms under this Employment Agreement:

(a) “**Accrued Obligations**” shall include (i) any unpaid Base Salary through the Termination Date and any accrued PTO in accordance with the Company’s policy; (ii) reimbursement for any un-reimbursed business expenses incurred through the Termination Date; and (iii) all other payments, benefits or fringe benefits to which Executive may be entitled under the terms of any applicable compensation arrangement or benefit, equity or fringe benefit plan or program or grant or this Employment Agreement. Accrued Obligations shall also include any cash incentive earned under any Cash Incentive Plan and shall be paid on a pro-rata basis based on days employed during the fiscal year of such plan if any. For the sake of clarity and by way of example only, if the Executive is employed for 270 days of a fiscal year and the management incentive plan in place at the time pays out 100% of target, the Executive would be owed 74% (270/365) of any incentive payments to which he would have been entitled had his employment not been terminated. Such payments shall be made in accordance with the terms of any Cash Incentive Plan in effect at the time, except that any requirement that the recipient must be an employee at the time of payment shall be waived by the Company under this policy.

(b) A termination for “**Cause**” shall mean a termination of this Employment Agreement by reason of a determination by two-thirds (2/3) of the members of the Board (excluding, for such purposes, Executive, if Executive is a member of the Board) voting that Executive:

- (i) Has engaged in willful neglect (other than neglect resulting from his incapacity due to physical or mental illness) or willful misconduct in the performance of his duties for the Company under this Employment Agreement;
 - (ii) Has engaged in willful conduct the consequences of which are materially adverse to the Company, monetarily or otherwise;
 - (iii) Has materially breached the terms of this Employment Agreement, and such breach persisted after notice thereof from the Company and a reasonable opportunity to cure; or
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(iv) Has been convicted of (or has plead guilty or no contest to) any felony other than a traffic violation.

(c) A “**Change of Control**” shall be deemed to have occurred upon:

(i) The consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Company (each, a “**Business Combination**”), unless, following such Business Combination, all or substantially all of the individuals and entities that were the beneficial owners of the combined voting power of the Company’s outstanding securities immediately prior to such Business Combination beneficially own, directly or indirectly, at least 60% of the combined voting power of the then-outstanding securities of the entity resulting from such Business Combination in substantially the same proportions as their ownership of the combined voting power of the Company’s outstanding securities immediately prior to the Business Combination; provided, however, that a public offering of the Company’s securities shall not constitute a Business Combination;

(ii) The sale, transfer, or other disposition of all or substantially all of the Company’s assets; or

(iii) Any transaction as a result of which any person is the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than 25% of the total voting power represented by the Company’s then outstanding voting securities. For purposes of this subparagraph (iii), the term “person” shall have the same meaning as when used in sections 13(d) and 14(d) of the Exchange Act, but shall exclude (x) a trustee or other fiduciary holding securities under an Executive benefit plan of the Company or of a subsidiary and (y) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the common stock of the Company.

(iv) A change in the composition of the Board in any two-year period as a result of which fewer than a majority of the directors are Incumbent Directors. “**Incumbent Directors**” shall mean directors who either (a) are directors of the Company as of the date hereof or (b) are elected, or nominated for election, to the Board with the affirmative votes (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for election as a director without objection to such nomination) of at least a majority of the Incumbent Directors at the time of such election or nomination (but shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors of the Company).

(d) The term “**Disability**” shall be as defined in the Company’s Long-Term Disability Plan.

(e) The term “**Good Reason**” shall mean the occurrence of any of the following without Executive’s prior written consent during the Employment Period, which occurrence continues for 10 days after written notice thereof from Executive to the Board:

(i) Any material diminution or adverse change in Executive’s position, status, title, authorities or responsibilities, office or duties under this Employment Agreement which represents a demotion from such position, status, title, authorities or responsibilities, office or duties which are materially inconsistent with his position, status, title, authorities or responsibilities, office or duties set forth in this Employment Agreement, or any removal of Executive from, or failure to appoint, elect, reappoint or reelect Executive to, any of his positions, except in connection with the termination of his employment with or without Cause, or as a result of his death or Disability.

(ii) The exclusion of Executive in any incentive, bonus or other compensation plan in which Executive participated at the time that this Employment Agreement is executed, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to the failure to continue such plan, or the failure by the Company to continue Executive’s participation therein, or any action by the Company which would directly or indirectly materially reduce his participation therein or reward opportunities thereunder; provided, however, that Executive continues to meet all eligibility requirements thereof. Notwithstanding the foregoing, this provision shall not apply to the exclusion of Executive in any incentive, bonus or other compensation plan in which Executive participated at the time that this Employment Agreement is executed to the extent that such termination is required by law;

(iii) The failure by the Company to include or continue Executive’s participation in any material employee benefit plan (including any medical, hospitalization, life insurance or disability benefit plan in which Executive participates or in which other Company executives participate), or any material fringe benefit or prerequisite enjoyed by him (or enjoyed by other Company executives) unless an equitable arrangement (embodied in an ongoing substitute or alternative plan, if

applicable) has been made with respect to the failure to include Executive in such plan, or the failure by the Company to continue Executive's participation therein, or any action by the Company which would directly or indirectly materially reduce his participation therein or reward opportunities thereunder, or the failure by the Company to provide him with the benefits to which he is entitled under this Employment Agreement; provided, however, that Executive continues to meet all eligibility requirements thereof. Notwithstanding the foregoing, this provision shall not apply to the exclusion of Executive in any Executive benefit plan in which Executive participated at the time that this Employment Agreement is executed to the extent that such termination is required by law, or to such failure to continue any Executive benefit plan or fringe benefit, or Executive's participation therein or reward opportunity thereunder if such failure to continue such plan or benefit is applicable to the Company's executive officers and/or Executives generally; or

- (iv) Any material breach by the Company of any provision of this Employment Agreement.
- (v) The movement of main corporate office of the Company beyond a fifty (50) mile radius from Boise, Idaho.

Notwithstanding any other provision of this Agreement to the contrary, Executive shall not be deemed to have terminated his employment for Good Reason unless (i) Executive notifies the Board in writing of the condition that Executive believe constitutes Good Reason within 90 days of the initial existence thereof (which notice specifically identifies such condition and the details regarding its existence), (ii) the Company fails to remedy such condition within 30 days after the date on the Board receives such notice (the "**Remedial Period**"), and (iii) Executive terminates employment with the Company (and its subsidiaries and affiliates) within 60 days after the end of the Remedial Period. The failure by Executive to include in the notice any fact or circumstance that contributes to a showing of Good Reason shall not waive any right of Executive hereunder or preclude Executive from asserting such fact or circumstance in enforcing his or her rights hereunder.

- (f) The term "**Retirement**" shall mean retirement upon "normal retirement age" as defined in the Company's 401(k) retirement plan.

11.0. Return of Property.

Executive agrees, upon the termination of his employment with the Company, to return all physical, computerized, electronic or other types of records, documents, proposals, notes, lists, files and any and all other materials, including without limitation, computerized and/or electronic information that refers, relates or otherwise pertains to the Company and/or its subsidiaries, and any and all business dealings of said persons and entities. In addition, Executive shall return to the Company all property and equipment that Executive has been issued during the course of his employment or which he otherwise currently possesses, including but not limited to, any computers, cellular phones, personal digital assistants, pagers and/or similar items. Executive shall immediately deliver to the Company any such physical, computerized, electronic or other types of records, documents, proposals, notes, lists, files, materials, property and equipment that are in Executive's possession. Executive further agrees that he will immediately forward to the Company any business information regarding the Company and/or its subsidiaries that has been or is inadvertently directed to Executive following his last day of employment with the Company. The provisions of this Section 11.0 are in addition to any other written agreements on this subject that Executive may have with the Company and/or its subsidiaries, and are not meant to and do not excuse any additional obligations that Executive may have under such agreements.

12.0. Notices.

For the purposes of this Employment Agreement, notices and all other communications provided for hereunder shall be in writing and shall be deemed to have been duly given when personally delivered or sent by certified mail, return receipt requested, postage prepaid, or by expedited (overnight) courier with established national reputation, shipping prepaid or billed to sender, in either case addressed to the respective addresses last given by each Party to the other (provided that all notices to the Company shall be directed to the attention of the Chief Executive Officer) or to such other address as either Party may have furnished to the other in writing in accordance herewith. All notices and communication shall be deemed to have been received on the date of delivery thereof, or on the second day after deposit thereof with an expedited courier service, except that notice of change of address shall be effective only upon receipt. Notices shall be addressed as follows:

If to the Company:
251 E. Front St., Suite 400, Boise, Idaho 83702.

If to the Executive:
953 W. Cagney Drive, Meridian, Idaho 83646.

13.0. Life Insurance.

The Company may, at any time after the execution of this Employment Agreement, apply for and procure as owner and for its own benefit, life insurance on Executive, in such amounts and in such form or forms as the Company may determine. The Executive shall, at the request of the Company, submit to such medical examinations, supply such information, and execute such documents as may be required by the insurance company or companies to whom the Company has applied for such insurance. Executive hereby represents that to his knowledge he is in good physical and mental condition and is not under the influence of alcohol, drugs or similar substance.

14.0. Confidentiality.

Executive agrees not to disclose or reveal to any person or entity outside the Company any secret or confidential information concerning any Company product, process, equipment, machinery, design, formula, business, or other activity (collectively, "**Confidential Information**") without prior permission of the Company in writing. Confidential Information shall not include any information which is in the public domain or becomes publicly known

through no wrongful act on the part of Executive or breach of this Employment Agreement. Executive acknowledges that the Confidential Information is vital, sensitive, confidential and proprietary to the Company. The obligation to protect the secrecy of such information continues after employment with Company may be terminated. In furtherance of this agreement, Executive acknowledges that all Confidential Information which Executive now possesses, or shall hereafter acquire, concerning and pertaining to the business and secrets of the Company and all inventions or discoveries made or developed, or suggested by or to Executive during said term of employment relating to Company's business shall, at all times and for all purposes, be regarded as acquired and held by Executive in his fiduciary capacity and solely for the benefit of Company.

15.0. Work Product Assignment.

Executive agrees that all inventions, innovations, improvements, technical information, systems, software developments, methods, designs, analyses, drawings, reports, service marks, trademarks, trade names, logos and all similar or related information (whether patentable or unpatentable) which relate to the actual or anticipated business, research and development or existing or future products or services of the Company or of any of its subsidiaries or affiliates, and which are conceived, developed or made by Executive (whether or not during usual business hours and whether or not alone or in conjunction with any other person) while employed by the Company, together with all patent applications, letters patent, trademark, trade name and service mark applications or registrations, copyrights and reissues thereof that may be granted for or upon any of the foregoing (collectively referred to herein as the "**Work Product**"), belong in all instances to the Company or its subsidiaries or affiliates, as applicable, and Executive hereby assigns to the Company all Work Product and all of his interest therein. Executive will promptly perform all actions reasonably requested by the Board (whether during or after his employment with the Company) to establish and confirm the ownership of such Work Product (including, without limitation, the execution and delivery of assignments, consents, powers of attorney and other instruments) by the Company or its subsidiaries or affiliates, as applicable, and to provide reasonable assistance to the Company or any of its subsidiaries and affiliates in connection with the prosecution of any applications for patents, trademarks, trade names, service marks or reissues thereof or in the prosecution or defense of interferences relating to any Work Product.

16.0. Covenant Not to Compete.

Section 16.01. *Acknowledgment of Executive.* Executive acknowledges that his employment with the Company has special, unique and extraordinary value to the Company; that the Company has a lawful interest in protecting its investment in entrusting its Confidential Information to him; and that the Company would be irreparably damaged if Executive were to provide services to any person or entity in violation of this Employment Agreement because in performing such services Executive would inevitably disclose the Company's Confidential Information to third parties and that the restrictions, prohibitions and other provision of this Section 16.0 are reasonable, fair and equitable in scope, terms, and duration to protect the legitimate business interests of the Company, and are a material inducement to the Company to enter into this Employment Agreement.

Section 16.02. *Non-Competition Covenant.* Without the consent in writing of the Board, Executive will not, during the Employment Agreement and, in the event of the termination of Executive's employment by the Company *for Cause* or by the Executive *without Good Reason* or due to a Change of Control, for a period of 12 months after such termination of employment, acting alone or in conjunction with others, directly or indirectly engage (either as owner, investor, partner, stockholder, employer, employee, consultant, advisor or director) in activities on behalf of any entity or entities engaged in waste processing and disposal services for low-level radioactive-wastes, naturally occurring, accelerator produced, and exempt radioactive materials, and hazardous and PCB wastes. It is agreed that the ownership of not more than five percent (5%) of the equity securities of any company having securities listed on an exchange or regularly traded in the over-the-counter market shall not, of itself, be deemed inconsistent with this Section 16.02.

Section 16.03. *Non-Solicitation of Vendors and Customers*. Without the consent in writing of the Board, Executive will not, during the Employment Agreement and for a period of 12 months thereafter if Executive's employment is terminated by the Company *for Cause* or by the Executive *without Good Reason* or due to a Change of Control, acting alone or in conjunction with others, either directly or indirectly induce any vendors or customers of the Company to curtail or cancel their business with the Company or any of its subsidiaries.

Section 16.04. *Non-Solicitation of Employees*. Without the consent in writing of the Board, Executive will not, during the Employment Agreement and for a period of 24 months thereafter, acting alone or in conjunction with others, either directly or indirectly induce, or attempt to influence, any employee of the Company or any of its subsidiaries to terminate his or her employment.

17.0. Remedies.

Section 17.01. *Specific Performance; Costs of Enforcement*. Executive acknowledges that the covenants and agreements, which he has made in this Employment Agreement are reasonable and are required for the reasonable protection of the Company and its business. Executive agrees that the breach of any covenant or agreement contained herein will result in irreparable injury to the Company and that, in addition to all other remedies provided by law or in equity with respect to the breach of any provision of this Employment Agreement, the Company and its successors and assigns will be entitled to enforce the specific performance by Executive of his obligations hereunder and to enjoin him from engaging in any activity in violation hereof and that no claim by Executive against the Company or its successors or assigns will constitute a defense or bar to the specific enforcement of such obligations. Executive agrees that the Company and any successor or assign shall be entitled to recover all costs of enforcing any provision of this Employment Agreement, including, without limitation, reasonable attorneys' fees and costs of litigation. In the event of a breach by Executive of any covenant or agreement contained herein, the running of the restrictive covenant periods (but not of Executive's obligations hereunder) shall be tolled during the period of the continuance of any actual breach or violation.

Section 17.02. *Remedy for Breach of Restrictive Covenants*. The provisions of Section 14.0 (Confidentiality), Section 15.0 (Work Product Assignment), and Section 16.0 (Covenant Not to Compete) are separate and distinct commitments independent of each of the other Sections. Accordingly, notwithstanding any other provisions of this Employment Agreement, Executive agrees that damages in the event of a breach or a threatened breach by Executive of Section 14.0 (Confidentiality) and Section 16.0 (Covenant Not to Compete) would be difficult if not impossible to ascertain and an inadequate remedy, and it is therefore agreed that the Company, in addition to and without limiting any other remedy or right it may have, shall have the right to an immediate injunction or other equitable relief enjoining any such threatened or actual breach, without any requirement to post bond or provide similar security. The existence of this right shall not preclude the Company from pursuing any other rights and remedies at law or in equity that the Company may have, including recovery of damages for any breach of such Sections.

Section 17.03. *Right to Cancel Payments*.

(a) In addition to the remedies set forth above in Sections 17.01 and 17.02, the Company may, at the sole discretion of the Board, cancel, rescind, suspend, withhold or otherwise limit or restrict the Severance Payment under Section 5.02 (Termination by the Company Without Cause or by the Executive For Good Reason) (which excludes any other payments made to Executive under Section 2.0 and under Sections 5.0 and 6.0 above), whether vested or not, at any time if:

(i) Executive is not in compliance with all of the provisions of Section 14.0 (Confidentiality), Section 15.0 (Work Product Assignment) and Section 16.0 (Covenant Not to Compete); and

(ii) Such non-compliance has been finally determined by binding arbitration pursuant to Section 18.0 (Dispute Resolution).

(b) As a condition to the receipt of any Severance Payment, Executive shall certify to the Company that he is in compliance with the provisions set forth above.

(c) In the event that Executive fails to comply with the provisions set forth in Section 14.0 (Confidentiality), Section 15.0 (Work Product Assignment) and/or Section 16.0 (Covenant Not to Compete), as finally determined by binding arbitration pursuant to Section 18.0 (Dispute Resolution), prior to or within twelve (12) months after any payment by the Company with respect to any Severance Payment under Section 5.02, such payment may be rescinded by the Company within 12 months thereafter. In the event of such rescission, Executive shall pay to the Company, within 12 months of the Company's rescission of one or more Severance Payments, the amount of any such payment(s) received as a result of the rescinded payment(s), without

interest, in such further manner and on such further terms and conditions as may be required by the Company; and the Company shall be entitled to set-off against the amount of such payment any amount owed to Executive by the Company, other than wages.

(d) Executive acknowledges that the foregoing provisions are fair, equitable and reasonable for the protection of the Company's interests in a stable workforce and the time and expense the Company has incurred to develop its business and its customer and vendor relationships.

18.0. Dispute Resolution.

Except as described above in Section 17.02 (Remedy for Breach of Restrictive Covenants):

Section 18.01. *Initial Negotiations.* Company and Executive agree to resolve all disputes arising out of their employment relationship by the following alternative dispute resolution process: (a) the Company and Executive agree to seek a fair and prompt negotiated resolution; but if this is not possible, (b) all disputes shall be resolved by binding arbitration; *provided, however*, that during this process, at the request of either Party, made not later than 60 days after the initial arbitration demand, the Parties agree to attempt to resolve any dispute by non-binding, third-party intervention, including either mediation or evaluation or both but without delaying the arbitration hearing date. BY ENTERING INTO THIS EMPLOYMENT AGREEMENT, BOTH PARTIES GIVE UP THEIR RIGHT TO HAVE THE DISPUTE DECIDED IN COURT BY A JUDGE OR JURY.

Section 18.02. *Mandatory Arbitration.* Any controversy or claim arising out of or connected with Executive's employment at the Company, including but not limited to claims for compensation or severance and claims of wrongful termination, age, sex or other discrimination or civil rights shall be decided by arbitration. In the event the Parties cannot agree on an arbitrator, then the arbitrator shall be selected by the administrator of the American Arbitration Association ("AAA") office in Salt Lake City, Utah. The arbitrator shall be an attorney with at least 15 years' experience in employment law in Idaho. Boise, Idaho shall be the site of the arbitration. All statutes of limitation, which would otherwise be applicable, shall apply to any arbitration proceeding hereunder. Any issue about whether a controversy or claim is covered by this Employment Agreement shall be determined by the arbitrator.

Section 18.03. *Arbitration Rules.*

(a) The arbitration shall be conducted in accordance with this Employment Agreement, using as appropriate the AAA Employment Dispute Resolution Rules in effect on the date hereof. The arbitrator shall not be bound by the rules of evidence or of civil procedure, but rather may consider such writings and oral presentations as reasonable business people would use in the conduct of their day-to-day affairs, and may require both Parties to submit some or all of their respective cases by written declaration or such other manner of presentation as the arbitrator may determine to be appropriate. The Parties agree to limit live testimony and cross-examination to the extent necessary to ensure a fair hearing on material issues.

(b) The arbitrator shall take such steps as may be necessary to hold a private hearing within 120 days of the initial request for arbitration and to conclude the hearing within two days; and the arbitrator's written decision shall be made not later than 14 calendar days after the hearing. The Parties agree that they have included these time limits in order to expedite the proceeding, but they are not jurisdictional, and the arbitrator may for good cause allow reasonable extensions or delays, which shall not affect the validity of the award. Both written discovery and depositions shall be allowed. The extent of such discovery will be determined by the Parties and any disagreements concerning the scope and extent of discovery shall be resolved by the arbitrator. The written decision shall contain a brief statement of the claim(s) determined and the award made on each claim. In making the decision and award, the arbitrator shall apply applicable substantive law. The arbitrator may award injunctive relief or any other remedy available from a judge, including consolidation of this arbitration with any other involving common issues of law or fact which may promote judicial economy, and may award attorneys' fees and costs to the prevailing Party, but shall not have the power to award punitive or exemplary damages. The Parties specifically state that the agreement to limit damages was agreed to by the Parties after negotiations.

19.0. Attorneys' Fees.

Section 19.01. *Prevailing Party Entitled to Attorneys' Fees.* In any action at law or in equity to enforce any of the provisions or rights under this Employment Agreement, the unsuccessful Party to such litigation, as determined by the arbitrator in accordance with the dispute resolution provisions set forth above, shall pay the successful Party or Parties all costs, expenses and reasonable attorneys' fees incurred therein by such Party or Parties (including, without limitation, such costs, expenses and fees on appeal), excluding, however, any time spent by Company employees, including in-house legal counsel, and if such successful Party or Parties shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment.

Section 19.02. *Limitation on Fees.* Notwithstanding the foregoing provision, in no event shall the successful Party or Parties be entitled to recover an amount from the unsuccessful Party for costs, expenses and attorneys' fees that exceeds the unsuccessful Party's or Parties' costs, expenses and attorneys' fees in connection with the action or proceeding.

20.0. Miscellaneous Provisions.

Section 20.01. *Prior Employment Agreements.* Executive represents and warrants that Executive's performance of all the terms of this Employment Agreement and as an Executive of the Company does not, and will not, breach any employment agreement, arrangement or understanding or any agreement, arrangement or understanding to keep in confidence proprietary information acquired by Executive in confidence or in trust prior to Executive's employment by the Company. Executive has not entered into, and shall not enter into, any agreement, arrangement or understanding, either written or oral, which is in conflict with this Employment Agreement or which would be violated by Executive entering into, or carrying out his obligations under, this Employment Agreement. This Employment Agreement supersedes any former oral agreement and any former written agreement heretofore executed relating generally to the employment of Executive with the Company, including without limitation, the Prior Agreement.

Section 20.02. *Assignment; Binding Effect.* This Employment Agreement may not be assigned by Executive in whole or in part. Notwithstanding the foregoing, this Employment Agreement shall inure to the benefit of and be enforceable by Executive's personal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Employment Agreement to Executive's estate.

Section 20.03. *Headings.* Headings used in this Employment Agreement are for convenience only and shall not be used to interpret or construe its provisions.

Section 20.04. *Waiver.* No provision of this Employment Agreement may be waived or discharged unless such waiver or discharge is agreed to in writing and signed by the Chairman of the Board. No waiver by either Party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Employment Agreement to be performed by such other Party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

Section 20.05. *Amendments.* No amendments or variations of the terms and conditions of this Employment Agreement shall be valid unless the same is in writing and signed by the Parties hereto.

Section 20.06. *Severability.* The invalidity or unenforceability of any provision of this Employment Agreement, whether in whole or in part, shall not in any way affect the validity and/or enforceability of any other provision contained herein. Any invalid or unenforceable provision shall be deemed severable to the extent of any such invalidity or unenforceability. It is expressly understood and agreed that while the Company and Executive consider the restrictions contained in this Employment Agreement reasonable for the purpose of preserving for the Company the good will, other proprietary rights and intangible business value of the Company, if a final judicial determination is made by a court having jurisdiction that the time or territory or any other restriction contained in this Employment Agreement is an unreasonable or otherwise unenforceable restriction against Executive, the provisions of such clause shall not be rendered void but shall be deemed amended to apply as to maximum time and territory and to such other extent as such court may judicially determine or indicate to be reasonable.

Section 20.07. *Governing Law.* This Employment Agreement shall be construed and enforced pursuant to the laws of the State of Idaho.

Section 20.08. *Executive Officer Status.* Executive acknowledges that he may be deemed to be an "executive officer" of the Company for purposes of the Securities Act of 1933, as amended (the "**1933 Act**"), and the Securities Exchange Act of 1934, as amended (the "**1934 Act**") and, if so, he shall comply in all respects with all the rules and regulations under the 1933 Act and the 1934 Act applicable to him in a timely and non-delinquent manner. In order to assist the Company in complying with its obligations under the 1933 Act and 1934 Act, Executive shall provide to the Company such information about Executive as the Company shall reasonably request including, but not limited to, information relating to personal history and stockholdings. Executive shall report to the Secretary of the Company or other designated officer of the Company all changes in beneficial ownership of any shares of the Company's Common Stock deemed to be beneficially owned by Executive and/or any members of Executive's immediate family. Executive further agrees to comply with all requirements placed on him by the Sarbanes-Oxley Act of 2002, Public Law 107-204.

Section 20.09. *Tax Withholding.* To the extent required by law, the Company shall deduct or withhold from any payments under this Employment Agreement all applicable Federal, state or local income taxes, Social Security, FICA, FUTA and other amounts that the Company determines in good faith are required by law to be withheld.

Section 20.10. *Counterparts.* This Employment Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one document.

Section 20.11. *Exhibits.* Any Exhibits attached hereto are incorporated herein by reference and are an integral part of this Employment Agreement and are deemed incorporated herein by reference.

Section 20.12. *Retention of Counsel.* Executive acknowledges that he has had the opportunity to review this Employment Agreement and the transactions contemplated hereby with his own legal counsel.

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IN WITNESS WHEREOF, this Executive Employment Agreement has been duly executed by the Company and Executive as of the date first above written.

EXECUTIVE:

/s/ ERIC L. GERRATT
ERIC L. GERRATT

COMPANY:

US ECOLOGY, INC.

By: /s/ Jeffrey R. Feeler
Name: JEFFREY R. FEELER
Title: PRESIDENT AND CHIEF EXECUTIVE OFFICER

EXECUTIVE EMPLOYMENT AGREEMENT

This EXECUTIVE EMPLOYMENT AGREEMENT (this “*Employment Agreement*” or this “*Agreement*”) is made and entered into effective as of the 31st day of October, 2013 (the “*Effective Date*”), by and between US ECOLOGY, INC., a Delaware corporation (the “*Company*”), and STEVEN D. WELLING (“*Executive*”). The Company and Executive are sometimes collectively referred to herein as the “*Parties*,” and individually, as a “*Party*.”

WHEREAS, prior to May 30, 2013, Executive rendered valuable services to the Company in the capacity of Senior Vice President of Sales and Marketing, pursuant to an Employment Agreement, dated January 1, 2010 (the “*Prior Agreement*”); and

WHEREAS, commencing on May 30, 2013, Executive became the Executive Vice President of Sales and Marketing; and

WHEREAS, the Parties desire to enter into this Agreement, to continue Executive’s employment, on the terms and conditions hereinafter set forth, to reflect, *inter alia*, Executive’s status as Executive Vice President of Sales and Marketing.

NOW, THEREFORE, in consideration of the premises, the mutual promises, covenants and conditions herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, intending to be legally bound hereby, agree as follows:

1.0. Employment.

Section 1.01. *Employment.* The Company hereby employs Executive, and Executive hereby accepts employment with the Company, all upon the terms and subject to the conditions set forth in this Employment Agreement, effective as of the Effective Date first set forth above.

Section 1.02. *Term of Employment.* The term of employment of Executive by the Company pursuant to this Employment Agreement shall be for the period commencing on the Effective Date and ending December 31, 2014 (the “*Employment Term*”), or such earlier date that Executive’s employment is terminated in accordance with the provisions of this Employment Agreement; provided, however, that the Employment Term shall automatically renew for additional one (1) year periods if neither the Company nor Executive has notified the other in writing of its or his intention not to renew this Employment Agreement on or before 60 days prior to the expiration of the Employment Term (including any renewal(s) thereof).

Section 1.03. *Capacity and Duties.* Executive is and shall be employed in the capacity of Executive Vice President of Sales and Marketing of the Company and its subsidiaries and shall have such other duties, responsibilities and authorities as may be assigned to him from time to time by the President and Chief Executive Officer (“CEO”) or the Board of Directors of the Company (the “*Board*”), which are not materially inconsistent with Executive’s positions with the Company. Except as otherwise herein provided, Executive shall devote his entire business time, best efforts and attention to promote and advance the business of the Company and its subsidiaries and to perform diligently and faithfully all the duties, responsibilities and obligations of Executive to be performed by him under this Employment Agreement. If after the Effective Date Employee becomes a member of the Board, then upon termination of Employee’s employment for any reason, unless otherwise requested by the Board, Employee will be deemed to have resigned from the Board (and all other positions held at the Company and its affiliates) voluntarily, without any further action by Employee, as of the end of Employee’s employment and Employee, at the Board’s request, will execute any documents necessary to reflect his resignation.

Section 1.04. *Place of Employment.* Executive’s principal place of work shall be his home office, currently located in El Dorado Hills, California.

Section 1.05. *No Other Employment.* During the Term, Executive shall not be employed in any other business activity, whether or not such activity is pursued for gain, profit or other pecuniary advantage; provided, however, that this restriction shall not be construed as preventing Executive from (i) participating in charitable, civic, educational, professional, community or industry affairs; (ii) sitting on one outside board of directors for a public or private company that does not compete with the Company, with the prior concurrence of the Board that the required time commitment with respect to such position is acceptable; and (iii) investing his personal assets in a business which does not compete with the Company or its subsidiaries or with any other company or entity affiliated with the Company, where the form or manner of such investment will not require services on the part of Executive in the operation of the affairs of the business in which such investment is made and in which his participation is solely that of a passive

investor or advisor, so long as the activities in clauses (i), (ii) and (iii), above, do not materially interfere with the performance of Executive's duties hereunder or create a potential business conflict or the appearance thereof.

Section 1.06. *Adherence to Standards.* Executive shall comply with the written policies, standards, rules and regulations of the Company from time to time established for all executive officers of the Company consistent with Executive's position and level of authority.

Section 1.07. *Review of Performance.* The CEO shall periodically review and evaluate with Executive his performance under this Employment Agreement.

2.0. Compensation.

During the Employment Term, subject to all the terms and conditions of this Employment Agreement and as compensation for all services to be rendered by Executive hereunder, the Company shall pay to or provide Executive with the following:

Section 2.01. *Base Salary.* During the Employment Term, the Company shall pay to Executive an annual base salary ("**Base Salary**") in an amount not less than Two Hundred Fifty-Four Thousand Seven Hundred Forty-Eight Dollars and No/100 (\$254,748.00). Such Base Salary shall be payable in accordance with the regular payroll practices and procedures of the Company.

Section 2.02. *Incentive Pay.* Executive shall be eligible to participate in any cash incentive or bonus plans of the Company which are in effect from time to time, including the annual cash incentive payment opportunity granted to Executive under the Company's Management Incentive Plan ("**MIP**") and together with any other cash incentive or bonus plans of the Company, the "**Cash Incentive Plans**", subject to the terms and conditions thereof, at a 30% of Base Salary at a 100% of MIP target basis, which such MIP target shall be set annually by the Board. Cash Incentive Plans shall include an Executive Sales Plan, the terms of which shall be set annually by the Board. Anything to the contrary in this Agreement notwithstanding, the Company reserves the right to modify or terminate any or all of its Cash Incentive Plans at any time. In the event of any inconsistency between the terms of this Employment Agreement and the terms of any Cash Incentive Plan, the Cash Incentive Plan shall govern and control.

Section 2.03. *Paid Time Off and Other Benefits.* Executive shall be entitled to five (5) weeks Paid Time Off ("**PTO**"), and shall have the right, on the same basis as other members of senior management of the Company, to participate in any and all employee benefit plans and programs of the Company, including medical plans, insurance plans and other benefit plans and programs as shall be, from time to time, in effect for executive employees and senior management personnel of the Company. Such participation shall be subject to the terms of the applicable plan documents, generally applicable Company policies and the discretion of the Board or any administrative or other committee provided for in, or contemplated by, each such plan or program. Anything to the contrary in this Agreement notwithstanding, the Company reserves the right to modify or terminate such benefit plans and programs at any time.

Section 2.04. *Expenses.* The Company shall reimburse Executive for all reasonable, ordinary and necessary expenses including, but not limited to, automobile and other business travel and customer and business entertainment expenses incurred by him in connection with his employment in accordance with the Company's expense reimbursement policy; provided, however, Executive shall render to the Company a complete and accurate accounting of all such expenses in accordance with the substantiation requirements of the Internal Revenue Code of 1986, as amended (the "**Code**"). Executive's right to reimbursement hereunder may not be liquidated or exchanged for any other benefit, the amount of expenses eligible for reimbursement hereunder in a calendar year shall not affect the amount of expenses eligible for reimbursement hereunder in any other calendar year, and Executive shall be reimbursed for eligible expenses no later than the close of the calendar year following the year in which Executive incurs the applicable expense.

3.0. Equity Ownership.

Section 3.01. *Equity Ownership Requirement.* In order to more closely align Executive's interest in the Company with that of its stockholders, Executive and the Company agree as follows: (i) Executive agrees to maintain a total equity ownership position in the Company with an aggregate value of not less than Three Hundred Thousand Dollars and No/100 (\$300,000.00) such dollar amount to be calculated based on the *greater of* cost basis, grant date value or market; and (ii) Executive agrees to maintain such total equity ownership position throughout the remainder Employment Term (the foregoing requirements shall be collectively referred to as the "**Equity Ownership Requirement**"). Granted and unvested time-vesting restricted stock shall be counted towards the Equity Ownership Requirement.

Section 3.02. *Failure to Maintain Equity Ownership*. If, during the Employment Term, Executive shall fail to maintain the Equity Ownership Requirement, Executive shall have 90 days within open trading windows to cure such failure by acquiring additional shares of common stock in the Company, at Executive's sole cost and expense.

4.0. Termination of Employment.

Section 4.01. *Termination of Employment*. Executive's employment and this Employment Agreement may be terminated prior to expiration of the Employment Term as follows (with the date of termination of Executive's employment hereunder being referred to hereinafter as the "**Termination Date**"):

- (a) By either Party by delivering 60 days' prior written notice of non-renewal as set forth in the Section 1.02 (Term of Employment);
- (b) Upon no less than 30 days' written notice from the Company to Executive at any time *without Cause* (as hereinafter defined) and other than due to Executive's death or Disability, subject to the provisions of Section 5.02 (Termination by the Company Without Cause or by the Executive For Good Reason);
- (c) By the Company *for Cause* (as hereinafter defined) immediately upon written notice stating the basis for such termination;
- (d) Due to the death or Disability (as hereinafter defined) of Executive;
- (e) By Executive at any time *with or without Good Reason* (as hereinafter defined) upon 30 days' written notice from Executive to the Company (or such shorter period to which the Company may agree; and
- (f) Upon the mutual agreement of the Company and Executive.

Section 4.02. *Effect of Termination*. In the event of termination of Executive's employment with the Company for any reason, or if Executive is required by the Board, Executive agrees to resign, and shall automatically be deemed to have resigned, from any offices (including any directorship) Executive holds with the Company or any of its subsidiaries effective as of the Termination Date or, if applicable, effective as of a date selected by the Board.

5.0. Payments and Benefits Upon Termination of Employment.

Section 5.01. *Termination by the Company For Cause or by the Executive Without Good Reason*. If Executive's employment and this Employment Agreement are terminated by the Company *for Cause* or by Executive *without Good Reason*, the Company shall pay Executive the Accrued Obligations (as hereinafter defined) (other than, however, any amounts due under any Cash Incentive Plan which shall be forfeited pursuant to the terms of such plan), in a single, lump-sum payment within 45 days following such termination.

Section 5.02. *Termination by the Company Without Cause or by the Executive For Good Reason*. If Executive's employment and this Employment Agreement are terminated by the Company *without Cause* or if Executive terminates his employment and this Employment Agreement *for Good Reason*, the Company shall pay Executive the Accrued Obligations in a single, lump-sum payment within 45 days following such termination or, in the case of a Cash Incentive Plan payment, according to the terms of such plan. In addition, subject to Sections 6.0, 7.0 and 8.0, Executive shall be entitled to receive the following: (i) an amount equal to the *greater of* the Base Salary payable to Executive for the remainder of the Employment Term or one year's Base Salary ("**Severance Payment**"), which shall be payable as provided below; (ii) continued vesting of granted stock options following the Termination Date for the shorter of a period of one (1) year or the original expiration date of such option; (iii) continued vesting of restricted stock grants for a period of one (1) year following the Termination Date; and (iv) continued medical, hospitalization, life insurance and disability benefits to which Executive was entitled at the Termination Date (any of which shall, to the extent required to avoid subjecting Executive to an additional tax under Section 409A of the Code or as otherwise determined by the Company in its discretion, be structured so as to require that Executive pay the premiums for such benefits on a timely basis, in which case the Company shall reimburse Executive for such premiums in accordance with Section 8.02 so that Executive is made whole on an after-tax) for a period of 12 months following the Termination Date (or until Executive receives similar or comparable coverage from a new employer); provided, however, that the Company may unilaterally amend the foregoing clause (iv) or eliminate the benefit provided thereunder to the extent it deems necessary to avoid the imposition of excise taxes, penalties or similar charges on the Company or any of its subsidiaries or affiliates, including, without limitation, under Code Section 4980D. All such additional payments and benefits under this Section 5.02 shall be conditional on Executive's timely execution and non-revocation of the Release (as defined in Section 7.0) and Executive's continued compliance with Section 11.0 (Return of Property), Section 14.0 (Confidentiality), Section 15.0

(**Work Product Assignment**), and Section 16.0 (Covenant Not to Compete). Payment of the Severance Payment shall be made in bi-weekly installments, in accordance with the regular payroll practices and procedures of the Company commencing on the first regularly scheduled payroll date occurring after Executive's Release becomes effective; provided, however, that if the period during which Executive can consider and revoke the Release begins in one calendar year and ends in the subsequent calendar year, then payment of the Severance Payment shall commence on the later of (a) the first regularly scheduled payroll date occurring after Executive's Release becomes effective, and (b) the first regularly scheduled payroll date occurring in the subsequent calendar year. The first such payment shall include any installments of the Severance Payment that would have been made on previous payroll dates but for the requirement that Executive execute a Release. The period, if any, during which Executive and his spouse and children are eligible to continue their coverage under the Company's group health plans pursuant to Section 4980B of the Code ("COBRA") shall run simultaneously with the period specified in clause (iv) (provided that nothing in such clause (iv) shall be deemed to extend such COBRA continuation period beyond the minimum period required by applicable law). For the avoidance of doubt, a termination of employment pursuant to Section 4.01(a) by notice of non-renewal by the Company for any reason other than Cause, shall be deemed a termination of employment by the Company without Cause for purposes of this Section 5.02.

Section 5.03. *Termination Due to Death.* If Executive's employment and this Employment Agreement are terminated due to Executive's death, the Company shall pay the estate of Executive the Accrued Obligations in a single, lump-sum payment within 45 days following such termination or, in the case of a Cash Incentive Plan payment, according to the terms of such plan.

Section 5.04. *Termination Due to Disability.* If Executive's employment and this Employment Agreement are terminated due to his Disability, the Company shall pay Executive the Accrued Obligations in a single, lump-sum payment within 45 days following such termination or, in the case of a Cash Incentive Plan payment, according to the terms of such plan.. In addition, Executive will be eligible to participate in the Company's Long-Term Disability Plan, on a basis no less favorable to Executive than other senior executives of the Company.

Section 5.05. *Retirement.* If Executive's employment and this Employment Agreement are terminated by virtue of Executive's Retirement prior to the expiration of the Employment Term, the Company shall pay Executive the Accrued Obligations in a single, lump-sum payment within 45 days following such termination or, in the case of a Cash Incentive Plan payment, according to the terms of such plan.

6.0. Payment and Benefits Upon Change of Control.

Subject to Sections 7.0 and 8.0, upon a Change of Control of the Company (as hereinafter defined) during the Employment Term and subsequent termination from the Company under Section 5.02 within 24 months after such Change of Control (including, for purposes of this Section, a termination for Good Reason), Executive shall receive, in lieu of the Severance Payment, a payment equal to two times the sum of (i) his annual Base Salary; and (ii) the *greatest of* (a) any earned but unpaid amount due under any Cash Incentive Plan (as determined by the terms of the Cash Incentive Plan); (b) the Executive's target incentive amount under the Cash Incentive Plan for which a payment is earned, but unpaid; and (c) the Cash Incentive Plan payment received (if any) for the fiscal year immediately preceding the Cash Incentive Plan year in Subsection (ii)(a) herein (collectively, the "**Change of Control Payment**"). Such Change of Control Payment shall be paid in a single lump-sum payment within 45 days after Executive's Release becomes effective; provided, however, that if the period during which Executive can consider and revoke the Release begins in one calendar year and ends in the subsequent calendar year, then the lump sum will be paid in the subsequent calendar year (and in any event by March 15 of such year), regardless of when Executive's Release becomes effective, and even if payment occurs more than 45 days after Executive's Release becomes effective. However, if a portion of the Change of Control Payment is based on (ii)(a) or (ii)(b) of this Section 6.0, such amount shall be paid according to the terms of the corresponding Cash Incentive Plan. The Executive shall be entitled to the other benefits set forth in Section 5.02 (other than the Severance Payment), except that all unvested stock options and restricted stock shall become fully vested upon the Termination Date under this Section 6.0; provided, however, that if unvested stock options and restricted stock held by the Executive are not continued, substituted for or assumed by the successor company in connection with a Change of Control, such awards shall immediately vest upon the Change of Control. In the event of an inconsistency between this Section 6.0 and Section 5.02, this Section 6.0 shall govern and control.

7.0. Release.

Executive's entitlement to the payments and benefits described in the second sentence of Section 5.02 and in Section 6.0 is subject to and conditioned upon Executive's timely execution, without subsequent revocation, of a release of claims (in a form satisfactory to the Company) in favor of the Company and its subsidiaries and affiliates (the "**Release**"); provided, however, that notwithstanding the foregoing, the Release is not intended to and will not waive the Executive's rights: (i) to indemnification pursuant to any applicable provision of the Company's Bylaws or Certificate of Incorporation, as amended, pursuant to any written indemnification agreement between the Executive and the Company, or pursuant to applicable law; (ii) to vested benefits or payments

specifically to be provided to the Executive under this Agreement or any Company employee benefit plans or policies; or (iii) respecting any claims the Executive may have solely by virtue of the Executive's status as a stockholder of the Company. The Release also shall not impose any restrictive covenant on the Executive's conduct post-termination that the Executive had not agreed to prior to the Executive's termination in this Agreement or otherwise) or include claims that an employee cannot lawfully release through execution of a general release of claims.

To be timely, the Release must become effective (i.e., Executive must sign it and any revocation period must expire without Executive revoking the Release) within 60 days, or such shorter period specified in the Release, after Executive's date of termination of employment. If the Release does not become effective within such time period, then Executive shall not be entitled to such payments and benefits.

8.0. Compliance With Section 409A.

Section 8.01. *General.* The provisions of this Employment Agreement are intended to comply with the requirements of Section 409A of the Code and any final regulations and official guidance promulgated thereunder ("**Section 409A**") or an exemption or exclusion therefrom and, with respect to amounts that are subject to Section 409A, shall in all respects be interpreted and administered in accordance with Section 409A. Any payments that qualify for the "short-term deferral" exception or another exception under Section 409A shall be paid under the applicable exception. Each payment of compensation under this Employment Agreement shall be treated as a separate payment of compensation for purposes of Section 409A and a right to a series of installment payments under this Employment Agreement (including pursuant to Section 5.02) shall be treated as a right to a series of separate and distinct payments. All payments to be made upon a termination of employment under this Employment Agreement may only be made upon a "separation from service" under Section 409A. In no event may Executive, directly or indirectly, designate the calendar year of any payment under this Plan.

Section 8.02. *In-Kind Benefits and Reimbursements.* Notwithstanding anything to the contrary in this Employment Agreement, all reimbursements and in-kind benefits provided hereunder shall be made or provided in accordance with the requirements of Section 409A, including, where applicable, the requirement that (a) any reimbursement is for expenses incurred during Executive's lifetime (or during a shorter period of time specified herein); (b) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year, except, if such benefits consist of the reimbursement of expenses referred to in Section 105(b) of the Code, a maximum, if provided under the terms of the plan providing such medical benefit, may be imposed on the amount of such reimbursements over some or all of the period in which such benefit is to be provided to Executive as described in Treasury Regulation Section 1.409A-3(i)(1)(iv)(B); (c) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the calendar year in which the expense is incurred, *provided* that reimbursement shall be made only if Executive has submitted an invoice for such expenses at least ten (10) days before the end of the calendar year following the calendar year in which such expenses were incurred; and (d) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

Section 8.03. *Delay of Payments.* Notwithstanding any other provision of this Employment Agreement to the contrary, if Executive is considered a "specified employee" for purposes of Section 409A (as determined in accordance with the methodology established by the Company as in effect on the date of termination of employment), any payment that constitutes nonqualified deferred compensation within the meaning of Section 409A that is otherwise due to Executive hereunder during the six-month period following Executive's separation from service (as determined in accordance with Section 409A) on account of Executive's separation from service shall be accumulated and paid to Executive on the first business day after the date that is six months following Executive's separation from service (the "**Delayed Payment Date**"). The Executive shall be entitled to interest (at a per annum rate equal to the highest rate of interest applicable to six-month non-callable certificates of deposit with daily compounding offered by the following institutions: Citibank, N.A., Wells Fargo Bank, N.A. or Bank of America, on the date of such separation from service) on any cash payments so delayed from the scheduled date of payment to the Delayed Payment Date. If Executive dies during the postponement period, the amounts and entitlements delayed on account of Section 409A shall be paid to the personal representative of Executive's estate on the first to occur of the Delayed Payment Date or thirty (30) days after the date of Executive's death.

Section 8.04. *Cooperation.* Executive and the Company agree to work together in good faith to consider amendments to this Employment Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to Executive under Section 409A.

9.0. Limitation on Payments.

In the event that the severance and other benefits provided for in this Agreement or otherwise payable to Executive (i) constitute “parachute payments” within the meaning of Section 280G of the Code and (ii) but for this Section 9.0, would be subject to the excise tax imposed by Section 4999 of the Code, then Executive’s severance benefits under the foregoing clause (i) will be either:

(a) delivered in full; or

(b) delivered as to such lesser extent as would result in no portion of such severance benefits being subject to excise tax under Section 4999 of the Code,

Whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, results in the receipt by Executive on an after-tax basis, of the greatest amount of severance benefits, notwithstanding that all or some portion of such severance benefits may be taxable under Section 4999 of the Code. If a reduction in severance and other benefits constituting “parachute payments” is necessary so that benefits are delivered to a lesser extent, reduction shall occur in the following order: (i) reduction of cash payments; (ii) cancellation of awards granted “contingent on a change in ownership or control” (within the meaning of Code Section 280G); (iii) cancellation of accelerated vesting of equity awards; and (iv) reduction of employee benefits; provided that the reduction shall be made in a manner consistent with the requirements of Section 409A of the Code. In the event that acceleration of vesting of equity award compensation is to be reduced, such acceleration of vesting shall be cancelled in the reverse order of the date of grant of the Executive’s equity awards. Unless the Company and Executive otherwise agree in writing, any determination required under this Section 9.0 will be made in writing by an independent firm (the “*Firm*”) immediately prior to Change of Control, whose determination will be conclusive and binding upon the Executive and the Company for all purposes. For purposes of making the calculations required by this Section 9.0, the Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and Executive will furnish to the Firm such information and documents as the Firm may reasonably request in order to make a determination under this Section 9.0. The Company will bear all costs the Firm may reasonably incur in connection with any calculations contemplated by this Section.

10.0. Definitions.

In addition to the words and terms elsewhere defined in this Employment Agreement, certain capitalized words and terms used herein shall have the meanings given to them by the definitions and descriptions in this Section 10.0, unless the context or use indicates another or different meaning or intent, and such definition shall be equally applicable to both the singular and plural forms of any of the capitalized words and terms herein defined. The following words and terms are defined terms under this Employment Agreement:

(a) “*Accrued Obligations*” shall include (i) any unpaid Base Salary through the Termination Date and any accrued PTO in accordance with the Company’s policy; (ii) reimbursement for any un-reimbursed business expenses incurred through the Termination Date; and (iii) all other payments, benefits or fringe benefits to which Executive may be entitled under the terms of any applicable compensation arrangement or benefit, equity or fringe benefit plan or program or grant or this Employment Agreement. Accrued Obligations shall also include any cash incentive earned under any Cash Incentive Plan and shall be paid on a pro-rata basis based on days employed during the fiscal year of such plan if any. For the sake of clarity and by way of example only, if the Executive is employed for 270 days of a fiscal year and the management incentive plan in place at the time pays out 100% of target, the Executive would be owed 74% (270/365) of any incentive payments to which he would have been entitled had his employment not been terminated. Such payments shall be made in accordance with the terms of any Cash Incentive Plan in effect at the time, except that any requirement that the recipient must be an employee at the time of payment shall be waived by the Company under this policy.

(b) A termination for “*Cause*” shall mean a termination of this Employment Agreement by reason of a determination by two-thirds (2/3) of the members of the Board (excluding, for such purposes, Executive, if Executive is a member of the Board) voting that Executive:

(i) Has engaged in willful neglect (other than neglect resulting from his incapacity due to physical or mental illness) or willful misconduct in the performance of his duties for the Company under this Employment Agreement;

(ii) Has engaged in willful conduct the consequences of which are materially adverse to the Company, monetarily or otherwise;

(iii) Has materially breached the terms of this Employment Agreement, and such breach persisted after notice thereof from the Company and a reasonable opportunity to cure; or

(iv) Has been convicted of (or has plead guilty or no contest to) any felony other than a traffic violation.

(c) A “**Change of Control**” shall be deemed to have occurred upon:

(i) The consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Company (each, a “**Business Combination**”), unless, following such Business Combination, all or substantially all of the individuals and entities that were the beneficial owners of the combined voting power of the Company’s outstanding securities immediately prior to such Business Combination beneficially own, directly or indirectly, at least 60% of the combined voting power of the then-outstanding securities of the entity resulting from such Business Combination in substantially the same proportions as their ownership of the combined voting power of the Company’s outstanding securities immediately prior to the Business Combination; provided, however, that a public offering of the Company’s securities shall not constitute a Business Combination;

(ii) The sale, transfer, or other disposition of all or substantially all of the Company’s assets; or

(iii) Any transaction as a result of which any person is the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than 25% of the total voting power represented by the Company’s then outstanding voting securities. For purposes of this subparagraph (iii), the term “person” shall have the same meaning as when used in sections 13(d) and 14(d) of the Exchange Act, but shall exclude (x) a trustee or other fiduciary holding securities under an Executive benefit plan of the Company or of a subsidiary and (y) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the common stock of the Company.

(iv) A change in the composition of the Board in any two-year period as a result of which fewer than a majority of the directors are Incumbent Directors. “**Incumbent Directors**” shall mean directors who either (a) are directors of the Company as of the date hereof or (b) are elected, or nominated for election, to the Board with the affirmative votes (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for election as a director without objection to such nomination) of at least a majority of the Incumbent Directors at the time of such election or nomination (but shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors of the Company).

(d) The term “**Disability**” shall be as defined in the Company’s Long-Term Disability Plan.

(e) The term “**Good Reason**” shall mean the occurrence of any of the following without Executive’s prior written consent during the Employment Period, which occurrence continues for 10 days after written notice thereof from Executive to the Board:

(i) Any material diminution or adverse change in Executive’s position, status, title, authorities or responsibilities, office or duties under this Employment Agreement which represents a demotion from such position, status, title, authorities or responsibilities, office or duties which are materially inconsistent with his position, status, title, authorities or responsibilities, office or duties set forth in this Employment Agreement, or any removal of Executive from, or failure to appoint, elect, reappoint or reelect Executive to, any of his positions, except in connection with the termination of his employment with or without Cause, or as a result of his death or Disability.

(ii) The exclusion of Executive in any incentive, bonus or other compensation plan in which Executive participated at the time that this Employment Agreement is executed, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to the failure to continue such plan, or the failure by the Company to continue Executive’s participation therein, or any action by the Company which would directly or indirectly materially reduce his participation therein or reward opportunities thereunder; provided, however, that Executive continues to meet all eligibility requirements thereof. Notwithstanding the foregoing, this provision shall not apply to the exclusion of Executive in any incentive, bonus or other compensation plan in which Executive participated at the time that this Employment Agreement is executed to the extent that such termination is required by law;

(iii) The failure by the Company to include or continue Executive’s participation in any material employee benefit plan (including any medical, hospitalization, life insurance or disability benefit plan in which Executive participates or in which other Company executives participate), or any material fringe benefit or prerequisite enjoyed by him (or enjoyed by other Company executives) unless an equitable arrangement (embodied in an ongoing substitute or alternative plan, if applicable) has been made with respect to the failure to include Executive in such plan, or the failure by the Company to continue Executive’s participation therein, or any action by the Company which would directly or indirectly materially reduce his participation therein or reward

opportunities thereunder, or the failure by the Company to provide him with the benefits to which he is entitled under this Employment Agreement; provided, however, that Executive continues to meet all eligibility requirements thereof. Notwithstanding the foregoing, this provision shall not apply to the exclusion of Executive in any Executive benefit plan in which Executive participated at the time that this Employment Agreement is executed to the extent that such termination is required by law, or to such failure to continue any Executive benefit plan or fringe benefit, or Executive’s participation therein or reward opportunity thereunder if such failure to continue such plan or benefit is applicable to the Company’s executive officers and/or Executives generally; or

(iv) Any material breach by the Company of any provision of this Employment Agreement.

(v) The Company’s requirement that Executive relocate his principal place of work away from his home office.

Notwithstanding any other provision of this Agreement to the contrary, Executive shall not be deemed to have terminated his employment

for Good Reason unless (i) Executive notifies the Board in writing of the condition that Executive believe constitutes Good Reason within 90 days of the initial existence thereof (which notice specifically identifies such condition and the details regarding its existence), (ii) the Company fails to remedy such condition within 30 days after the date on the Board receives such notice (the “**Remedial Period**”), and (iii) Executive terminates employment with the Company (and its subsidiaries and affiliates) within 60 days after the end of the Remedial Period. The failure by Executive to include in the notice any fact or circumstance that contributes to a showing of Good Reason shall not waive any right of Executive hereunder or preclude Executive from asserting such fact or circumstance in enforcing his or her rights hereunder.

(f) The term “**Retirement**” shall mean retirement upon “normal retirement age” as defined in the Company’s 401(k) retirement plan.

11.0. Return of Property.

Executive agrees, upon the termination of his employment with the Company, to return all physical, computerized, electronic or other types of records, documents, proposals, notes, lists, files and any and all other materials, including without limitation, computerized and/or electronic information that refers, relates or otherwise pertains to the Company and/or its subsidiaries, and any and all business dealings of said persons and entities. In addition, Executive shall return to the Company all property and equipment that Executive has been issued during the course of his employment or which he otherwise currently possesses, including but not limited to, any computers, cellular phones, personal digital assistants, pagers and/or similar items. Executive shall immediately deliver to the Company any such physical, computerized, electronic or other types of records, documents, proposals, notes, lists, files, materials, property and equipment that are in Executive’s possession. Executive further agrees that he will immediately forward to the Company any business information regarding the Company and/or its subsidiaries that has been or is inadvertently directed to Executive following his last day of employment with the Company. The provisions of this Section 11.0 are in addition to any other written agreements on this subject that Executive may have with the Company and/or its subsidiaries, and are not meant to and do not excuse any additional obligations that Executive may have under such agreements.

12.0. Notices.

For the purposes of this Employment Agreement, notices and all other communications provided for hereunder shall be in writing and shall be deemed to have been duly given when personally delivered or sent by certified mail, return receipt requested, postage prepaid, or by expedited (overnight) courier with established national reputation, shipping prepaid or billed to sender, in either case addressed to the respective addresses last given by each Party to the other (provided that all notices to the Company shall be directed to the attention of the Chief Executive Officer) or to such other address as either Party may have furnished to the other in writing in accordance herewith. All notices and communication shall be deemed to have been received on the date of delivery thereof, or on the second day after deposit thereof with an expedited courier service, except that notice of change of address shall be effective only upon receipt. Notices shall be addressed as follows:

If to the Company:
251 E. Front St., Suite 400, Boise, Idaho 83702.

If to the Executive:
2369 Telegraph Hill Road, El Dorado Hills, California 95762.

13.0. Life Insurance.

The Company may, at any time after the execution of this Employment Agreement, apply for and procure as owner and for its own benefit, life insurance on Executive, in such amounts and in such form or forms as the Company may determine. The

Executive shall, at the request of the Company, submit to such medical examinations, supply such information, and execute such documents as may be required by the insurance company or companies to whom the Company has applied for such insurance. Executive hereby represents that to his knowledge he is in good physical and mental condition and is not under the influence of alcohol, drugs or similar substance.

14.0. Confidentiality.

Executive agrees not to disclose or reveal to any person or entity outside the Company any secret or confidential information concerning any Company product, process, equipment, machinery, design, formula, business, or other activity (collectively, “**Confidential Information**”) without prior permission of the Company in writing. Confidential Information shall not include any information which is in the public domain or becomes publicly known through no wrongful act on the part of Executive or breach of this Employment Agreement. Executive acknowledges that the Confidential Information is vital, sensitive, confidential and proprietary to the Company. The obligation to protect the secrecy of such information continues after employment with Company may be terminated. In furtherance of this agreement, Executive acknowledges that all Confidential Information which Executive now possesses, or shall hereafter acquire, concerning and pertaining to the business and secrets of the Company and all inventions or discoveries made or developed, or suggested by or to Executive during said term of employment relating to Company’s business shall, at all times and for all purposes, be regarded as acquired and held by Executive in his fiduciary capacity and solely for the benefit of Company.

15.0. Work Product Assignment.

Executive agrees that all inventions, innovations, improvements, technical information, systems, software developments, methods, designs, analyses, drawings, reports, service marks, trademarks, trade names, logos and all similar or related information (whether patentable or unpatentable) which relate to the actual or anticipated business, research and development or existing or future products or services of the Company or of any of its subsidiaries or affiliates, and which are conceived, developed or made by Executive (whether or not during usual business hours and whether or not alone or in conjunction with any other person) while employed by the Company, together with all patent applications, letters patent, trademark, trade name and service mark applications or registrations, copyrights and reissues thereof that may be granted for or upon any of the foregoing (collectively referred to herein as the “**Work Product**”), belong in all instances to the Company or its subsidiaries or affiliates, as applicable, and Executive hereby assigns to the Company all Work Product and all of his interest therein. Executive will promptly perform all actions reasonably requested by the Board (whether during or after his employment with the Company) to establish and confirm the ownership of such Work Product (including, without limitation, the execution and delivery of assignments, consents, powers of attorney and other instruments) by the Company or its subsidiaries or affiliates, as applicable, and to provide reasonable assistance to the Company or any of its subsidiaries and affiliates in connection with the prosecution of any applications for patents, trademarks, trade names, service marks or reissues thereof or in the prosecution or defense of interferences relating to any Work Product.

16.0. Covenant Not to Compete.

Section 16.01. *Acknowledgment of Executive.* Executive acknowledges that his employment with the Company has special, unique and extraordinary value to the Company; that the Company has a lawful interest in protecting its investment in entrusting its Confidential Information to him; and that the Company would be irreparably damaged if Executive were to provide services to any person or entity in violation of this Employment Agreement because in performing such services Executive would inevitably disclose the Company’s Confidential Information to third parties and that the restrictions, prohibitions and other provision of this Section 16.0 are reasonable, fair and equitable in scope, terms, and duration to protect the legitimate business interests of the Company, and are a material inducement to the Company to enter into this Employment Agreement.

Section 16.02. *Non-Competition Covenant.* Without the consent in writing of the Board, Executive will not, during the Employment Agreement and, in the event of the termination of Executive’s employment by the Company *for Cause* or by the Executive *without Good Reason* or due to a Change of Control, for a period of 12 months after such termination of employment, acting alone or in conjunction with others, directly or indirectly engage (either as owner, investor, partner, stockholder, employer, employee, consultant, advisor or director) in activities on behalf of any entity or entities engaged in waste processing and disposal services for low-level radioactive-wastes, naturally occurring, accelerator produced, and exempt radioactive materials, and hazardous and PCB wastes. It is agreed that the ownership of not more than five percent (5%) of the equity securities of any company having securities listed on an exchange or regularly traded in the over-the-counter market shall not, of itself, be deemed inconsistent with this Section 16.02.

Section 16.03. *Non-Solicitation of Vendors and Customers.* Without the consent in writing of the Board, Executive will not, during the Employment Agreement and for a period of 12 months thereafter if Executive’s employment is

terminated by the Company *for* Cause or by the Executive *without* Good Reason or due to a Change of Control, acting alone or in conjunction with others, either directly or indirectly induce any vendors or customers of the Company to curtail or cancel their business with the Company or any of its subsidiaries.

Section 16.04. *Non-Solicitation of Employees*. Without the consent in writing of the Board, Executive will not, during the Employment Agreement and for a period of 24 months thereafter, acting alone or in conjunction with others, either directly or indirectly induce, or attempt to influence, any employee of the Company or any of its subsidiaries to terminate his or her employment.

17.0. Remedies.

Section 17.01. *Specific Performance; Costs of Enforcement*. Executive acknowledges that the covenants and agreements, which he has made in this Employment Agreement are reasonable and are required for the reasonable protection of the Company and its business. Executive agrees that the breach of any covenant or agreement contained herein will result in irreparable injury to the Company and that, in addition to all other remedies provided by law or in equity with respect to the breach of any provision of this Employment Agreement, the Company and its successors and assigns will be entitled to enforce the specific performance by Executive of his obligations hereunder and to enjoin him from engaging in any activity in violation hereof and that no claim by Executive against the Company or its successors or assigns will constitute a defense or bar to the specific enforcement of such obligations. Executive agrees that the Company and any successor or assign shall be entitled to recover all costs of enforcing any provision of this Employment Agreement, including, without limitation, reasonable attorneys' fees and costs of litigation. In the event of a breach by Executive of any covenant or agreement contained herein, the running of the restrictive covenant periods (but not of Executive's obligations hereunder) shall be tolled during the period of the continuance of any actual breach or violation.

Section 17.02. *Remedy for Breach of Restrictive Covenants*. The provisions of Section 14.0 (Confidentiality), Section 15.0 (Work Product Assignment), and Section 16.0 (Covenant Not to Compete) are separate and distinct commitments independent of each of the other Sections. Accordingly, notwithstanding any other provisions of this Employment Agreement, Executive agrees that damages in the event of a breach or a threatened breach by Executive of Section 14.0 (Confidentiality) and Section 16.0 (Covenant Not to Compete) would be difficult if not impossible to ascertain and an inadequate remedy, and it is therefore agreed that the Company, in addition to and without limiting any other remedy or right it may have, shall have the right to an immediate injunction or other equitable relief enjoining any such threatened or actual breach, without any requirement to post bond or provide similar security. The existence of this right shall not preclude the Company from pursuing any other rights and remedies at law or in equity that the Company may have, including recovery of damages for any breach of such Sections.

Section 17.03. *Right to Cancel Payments*.

(a) In addition to the remedies set forth above in Sections 17.01 and 17.02, the Company may, at the sole discretion of the Board, cancel, rescind, suspend, withhold or otherwise limit or restrict the Severance Payment under Section 5.02 (Termination by the Company Without Cause or by the Executive For Good Reason) (which excludes any other payments made to Executive under Section 2.0 and under Sections 5.0 and 6.0 above), whether vested or not, at any time if:

(i) Executive is not in compliance with all of the provisions of Section 14.0 (Confidentiality), Section 15.0 (Work Product Assignment) and Section 16.0 (Covenant Not to Compete); and

(ii) Such non-compliance has been finally determined by binding arbitration pursuant to Section 18.0 (Dispute Resolution).

(b) As a condition to the receipt of any Severance Payment, Executive shall certify to the Company that he is in compliance with the provisions set forth above.

(c) In the event that Executive fails to comply with the provisions set forth in Section 14.0 (Confidentiality), Section 15.0 (Work Product Assignment) and/or Section 16.0 (Covenant Not to Compete), as finally determined by binding arbitration pursuant to Section 18.0 (Dispute Resolution), prior to or within twelve (12) months after any payment by the Company with respect to any Severance Payment under Section 5.02, such payment may be rescinded by the Company within 12 months thereafter. In the event of such rescission, Executive shall pay to the Company, within 12 months of the Company's rescission of one or more Severance Payments, the amount of any such payment(s) received as a result of the rescinded payment(s), without interest, in such further manner and on such further terms and conditions as may be required by the Company; and the Company shall be entitled to set-off against the amount of such payment any amount owed to Executive by the Company, other than wages.

(d) Executive acknowledges that the foregoing provisions are fair, equitable and reasonable for the protection of the Company's interests in a stable workforce and the time and expense the Company has incurred to develop its business and its customer and vendor relationships.

18.0. Dispute Resolution.

Except as described above in Section 17.02 (Remedy for Breach of Restrictive Covenants):

Section 18.01. *Initial Negotiations.* Company and Executive agree to resolve all disputes arising out of their employment relationship by the following alternative dispute resolution process: (a) the Company and Executive agree to seek a fair and prompt negotiated resolution; but if this is not possible, (b) all disputes shall be resolved by binding arbitration; *provided, however*, that during this process, at the request of either Party, made not later than 60 days after the initial arbitration demand, the Parties agree to attempt to resolve any dispute by non-binding, third-party intervention, including either mediation or evaluation or both but without delaying the arbitration hearing date. BY ENTERING INTO THIS EMPLOYMENT AGREEMENT, BOTH PARTIES GIVE UP THEIR RIGHT TO HAVE THE DISPUTE DECIDED IN COURT BY A JUDGE OR JURY.

Section 18.02. *Mandatory Arbitration.* Any controversy or claim arising out of or connected with Executive's employment at the Company, including but not limited to claims for compensation or severance and claims of wrongful termination, age, sex or other discrimination or civil rights shall be decided by arbitration. In the event the Parties cannot agree on an arbitrator, then the arbitrator shall be selected by the administrator of the American Arbitration Association ("AAA") office in Salt Lake City, Utah. The arbitrator shall be an attorney with at least 15 years' experience in employment law in Idaho. Boise, Idaho shall be the site of the arbitration. All statutes of limitation, which would otherwise be applicable, shall apply to any arbitration proceeding hereunder. Any issue about whether a controversy or claim is covered by this Employment Agreement shall be determined by the arbitrator.

Section 18.03. *Arbitration Rules.*

(a) The arbitration shall be conducted in accordance with this Employment Agreement, using as appropriate the AAA Employment Dispute Resolution Rules in effect on the date hereof. The arbitrator shall not be bound by the rules of evidence or of civil procedure, but rather may consider such writings and oral presentations as reasonable business people would use in the conduct of their day-to-day affairs, and may require both Parties to submit some or all of their respective cases by written declaration or such other manner of presentation as the arbitrator may determine to be appropriate. The Parties agree to limit live testimony and cross-examination to the extent necessary to ensure a fair hearing on material issues.

(b) The arbitrator shall take such steps as may be necessary to hold a private hearing within 120 days of the initial request for arbitration and to conclude the hearing within two days; and the arbitrator's written decision shall be made not later than 14 calendar days after the hearing. The Parties agree that they have included these time limits in order to expedite the proceeding, but they are not jurisdictional, and the arbitrator may for good cause allow reasonable extensions or delays, which shall not affect the validity of the award. Both written discovery and depositions shall be allowed. The extent of such discovery will be determined by the Parties and any disagreements concerning the scope and extent of discovery shall be resolved by the arbitrator. The written decision shall contain a brief statement of the claim(s) determined and the award made on each claim. In making the decision and award, the arbitrator shall apply applicable substantive law. The arbitrator may award injunctive relief or any other remedy available from a judge, including consolidation of this arbitration with any other involving common issues of law or fact which may promote judicial economy, and may award attorneys' fees and costs to the prevailing Party, but shall not have the power to award punitive or exemplary damages. The Parties specifically state that the agreement to limit damages was agreed to by the Parties after negotiations.

19.0. Attorneys' Fees.

Section 19.01. *Prevailing Party Entitled to Attorneys' Fees.* In any action at law or in equity to enforce any of the provisions or rights under this Employment Agreement, the unsuccessful Party to such litigation, as determined by the arbitrator in accordance with the dispute resolution provisions set forth above, shall pay the successful Party or Parties all costs, expenses and reasonable attorneys' fees incurred therein by such Party or Parties (including, without limitation, such costs, expenses and fees on appeal), excluding, however, any time spent by Company employees, including in-house legal counsel, and if such successful Party or Parties shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment.

Section 19.02. *Limitation on Fees.* Notwithstanding the foregoing provision, in no event shall the successful Party or Parties be entitled to recover an amount from the unsuccessful Party for costs, expenses and attorneys' fees that exceeds the

unsuccessful Party's or Parties' costs, expenses and attorneys' fees in connection with the action or proceeding.

20.0. Miscellaneous Provisions.

Section 20.01. *Prior Employment Agreements.* Executive represents and warrants that Executive's performance of all the terms of this Employment Agreement and as an Executive of the Company does not, and will not, breach any employment agreement, arrangement or understanding or any agreement, arrangement or understanding to keep in confidence proprietary information acquired by Executive in confidence or in trust prior to Executive's employment by the Company. Executive has not entered into, and shall not enter into, any agreement, arrangement or understanding, either written or oral, which is in conflict with this Employment Agreement or which would be violated by Executive entering into, or carrying out his obligations under, this Employment Agreement. This Employment Agreement supersedes any former oral agreement and any former written agreement heretofore executed relating generally to the employment of Executive with the Company, including without limitation, the Prior Agreement.

Section 20.02. *Assignment; Binding Effect.* This Employment Agreement may not be assigned by Executive in whole or in part. Notwithstanding the foregoing, this Employment Agreement shall inure to the benefit of and be enforceable by Executive's personal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Employment Agreement to Executive's estate.

Section 20.03. *Headings.* Headings used in this Employment Agreement are for convenience only and shall not be used to interpret or construe its provisions.

Section 20.04. *Waiver.* No provision of this Employment Agreement may be waived or discharged unless such waiver or discharge is agreed to in writing and signed by the Chairman of the Board. No waiver by either Party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Employment Agreement to be performed by such other Party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

Section 20.05. *Amendments.* No amendments or variations of the terms and conditions of this Employment Agreement shall be valid unless the same is in writing and signed by the Parties hereto.

Section 20.06. *Severability.* The invalidity or unenforceability of any provision of this Employment Agreement, whether in whole or in part, shall not in any way affect the validity and/or enforceability of any other provision contained herein. Any invalid or unenforceable provision shall be deemed severable to the extent of any such invalidity or unenforceability. It is expressly understood and agreed that while the Company and Executive consider the restrictions contained in this Employment Agreement reasonable for the purpose of preserving for the Company the good will, other proprietary rights and intangible business value of the Company, if a final judicial determination is made by a court having jurisdiction that the time or territory or any other restriction contained in this Employment Agreement is an unreasonable or otherwise unenforceable restriction against Executive, the provisions of such clause shall not be rendered void but shall be deemed amended to apply as to maximum time and territory and to such other extent as such court may judicially determine or indicate to be reasonable.

Section 20.07. *Governing Law.* This Employment Agreement shall be construed and enforced pursuant to the laws of the State of Idaho.

Section 20.08. *Executive Officer Status.* Executive acknowledges that he may be deemed to be an "executive officer" of the Company for purposes of the Securities Act of 1933, as amended (the "**1933 Act**"), and the Securities Exchange Act of 1934, as amended (the "**1934 Act**") and, if so, he shall comply in all respects with all the rules and regulations under the 1933 Act and the 1934 Act applicable to him in a timely and non-delinquent manner. In order to assist the Company in complying with its obligations under the 1933 Act and 1934 Act, Executive shall provide to the Company such information about Executive as the Company shall reasonably request including, but not limited to, information relating to personal history and stockholdings. Executive shall report to the Secretary of the Company or other designated officer of the Company all changes in beneficial ownership of any shares of the Company's Common Stock deemed to be beneficially owned by Executive and/or any members of Executive's immediate family. Executive further agrees to comply with all requirements placed on him by the Sarbanes-Oxley Act of 2002, Public Law 107-204.

Section 20.09. *Tax Withholding.* To the extent required by law, the Company shall deduct or withhold from any

payments under this Employment Agreement all applicable Federal, state or local income taxes, Social Security, FICA, FUTA and other amounts that the Company determines in good faith are required by law to be withheld.

Section 20.10. *Counterparts*. This Employment Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one document.

Section 20.11. *Exhibits*. Any Exhibits attached hereto are incorporated herein by reference and are an integral part of this Employment Agreement and are deemed incorporated herein by reference.

Section 20.12. *Retention of Counsel*. Executive acknowledges that he has had the opportunity to review this Employment Agreement and the transactions contemplated hereby with his own legal counsel.

[The remainder of this page intentionally left blank]

IN WITNESS WHEREOF, this Executive Employment Agreement has been duly executed by the Company and Executive as of the date first above written.

EXECUTIVE:

/s/ STEVEN D. WELLING
STEVEN D. WELLING

COMPANY:

US ECOLOGY, INC.

By: /s/ Jeffrey R. Feeler
Name: JEFFREY R. FEELER
Title: PRESIDENT AND CHIEF EXECUTIVE OFFICER

EXECUTIVE EMPLOYMENT AGREEMENT

This EXECUTIVE EMPLOYMENT AGREEMENT (this “*Employment Agreement*” or this “*Agreement*”) is made and entered into effective as of the 31st day of October, 2013 (the “*Effective Date*”), by and between US ECOLOGY, INC., a Delaware corporation (the “*Company*”), and SIMON G. BELL (“*Executive*”). The Company and Executive are sometimes collectively referred to herein as the “*Parties*,” and individually, as a “*Party*.”

WHEREAS, prior to May 30, 2013, Executive rendered valuable services to the Company in the capacity of Vice President of Operations, pursuant to an Employment Agreement, dated January 1, 2010 (the “*Prior Agreement*”); and

WHEREAS, commencing on May 30, 2013, Executive became the Executive Vice President of Operations and Technology Development; and

WHEREAS, the Parties desire to enter into this Agreement, to continue Executive’s employment, on the terms and conditions hereinafter set forth, to reflect, *inter alia*, Executive’s status as Executive Vice President of Operations and Technology Development.

NOW, THEREFORE, in consideration of the premises, the mutual promises, covenants and conditions herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, intending to be legally bound hereby, agree as follows:

1.0. Employment.

Section 1.01. *Employment.* The Company hereby employs Executive, and Executive hereby accepts employment with the Company, all upon the terms and subject to the conditions set forth in this Employment Agreement, effective as of the Effective Date first set forth above.

Section 1.02. *Term of Employment.* The term of employment of Executive by the Company pursuant to this Employment Agreement shall be for the period commencing on the Effective Date and ending December 31, 2014 (the “*Employment Term*”), or such earlier date that Executive’s employment is terminated in accordance with the provisions of this Employment Agreement; provided, however, that the Employment Term shall automatically renew for additional one (1) year periods if neither the Company nor Executive has notified the other in writing of its or his intention not to renew this Employment Agreement on or before 60 days prior to the expiration of the Employment Term (including any renewal(s) thereof).

Section 1.03. *Capacity and Duties.* Executive is and shall be employed in the capacity of Executive Vice President of Operations and Technology Development of the Company and its subsidiaries and shall have such other duties, responsibilities and authorities as may be assigned to him from time to time by the President and Chief Executive Officer (“CEO”) or the Board of Directors of the Company (the “*Board*”), which are not materially inconsistent with Executive’s positions with the Company. Except as otherwise herein provided, Executive shall devote his entire business time, best efforts and attention to promote and advance the business of the Company and its subsidiaries and to perform diligently and faithfully all the duties, responsibilities and obligations of Executive to be performed by him under this Employment Agreement. If after the Effective Date Employee becomes a member of the Board, then upon termination of Employee’s employment for any reason, unless otherwise requested by the Board, Employee will be deemed to have resigned from the Board (and all other positions held at the Company and its affiliates) voluntarily, without any further action by Employee, as of the end of Employee’s employment and Employee, at the Board’s request, will execute any documents necessary to reflect his resignation.

Section 1.04. *Place of Employment.* Executive’s principal place of work shall be the main corporate office of the Company, currently located in Boise, Idaho; provided, however, that the location of the Company and any of its offices may be moved from time to time in the discretion of the Board.

Section 1.05. *No Other Employment.* During the Term, Executive shall not be employed in any other business activity, whether or not such activity is pursued for gain, profit or other pecuniary advantage; provided, however, that this restriction shall not be construed as preventing Executive from (i) participating in charitable, civic, educational, professional, community or industry affairs; (ii) sitting on one outside board of directors for a public or private company that does not compete with the Company, with the prior concurrence of the Board that the required time commitment with respect to such position is acceptable; and (iii) investing his personal assets in a business which does not compete with the Company or its subsidiaries or with any other company or entity affiliated with the Company, where the form or manner of such investment will not require services on the part of Executive in

the operation of the affairs of the business in which such investment is made and in which his participation is solely that of a passive investor or advisor, so long as the activities in clauses (i), (ii) and (iii), above, do not materially interfere with the performance of Executive's duties hereunder or create a potential business conflict or the appearance thereof.

Section 1.06. *Adherence to Standards.* Executive shall comply with the written policies, standards, rules and regulations of the Company from time to time established for all executive officers of the Company consistent with Executive's position and level of authority.

Section 1.07. *Review of Performance.* The CEO shall periodically review and evaluate with Executive his performance under this Employment Agreement.

2.0. Compensation.

During the Employment Term, subject to all the terms and conditions of this Employment Agreement and as compensation for all services to be rendered by Executive hereunder, the Company shall pay to or provide Executive with the following:

Section 2.01. *Base Salary.* During the Employment Term, the Company shall pay to Executive an annual base salary ("**Base Salary**") in an amount not less than Two Hundred Seven Thousand Dollars and No/100 (\$207,000.00). Such Base Salary shall be payable in accordance with the regular payroll practices and procedures of the Company.

Section 2.02. *Incentive Pay.* Executive shall be eligible to participate in any cash incentive or bonus plans of the Company which are in effect from time to time, including the annual cash incentive payment opportunity granted to Executive under the Company's Management Incentive Plan ("**MIP**" and together with any other cash incentive or bonus plans of the Company, the "**Cash Incentive Plans**"), subject to the terms and conditions thereof, at a 45% of Base Salary at a 100% of MIP target basis, which such MIP target shall be set annually by the Board. Anything to the contrary in this Agreement notwithstanding, the Company reserves the right to modify or terminate any or all of its Cash Incentive Plans at any time. In the event of any inconsistency between the terms of this Employment Agreement and the terms of any Cash Incentive Plan, the Cash Incentive Plan shall govern and control.

Section 2.03. *Paid Time Off and Other Benefits.* Executive shall be entitled to five (5) weeks Paid Time Off ("**PTO**"), and shall have the right, on the same basis as other members of senior management of the Company, to participate in any and all employee benefit plans and programs of the Company, including medical plans, insurance plans and other benefit plans and programs as shall be, from time to time, in effect for executive employees and senior management personnel of the Company. Such participation shall be subject to the terms of the applicable plan documents, generally applicable Company policies and the discretion of the Board or any administrative or other committee provided for in, or contemplated by, each such plan or program. Anything to the contrary in this Agreement notwithstanding, the Company reserves the right to modify or terminate such benefit plans and programs at any time.

Section 2.04. *Expenses.* The Company shall reimburse Executive for all reasonable, ordinary and necessary expenses including, but not limited to, automobile and other business travel and customer and business entertainment expenses incurred by him in connection with his employment in accordance with the Company's expense reimbursement policy; provided, however, Executive shall render to the Company a complete and accurate accounting of all such expenses in accordance with the substantiation requirements of the Internal Revenue Code of 1986, as amended (the "**Code**"). Executive's right to reimbursement hereunder may not be liquidated or exchanged for any other benefit, the amount of expenses eligible for reimbursement hereunder in a calendar year shall not affect the amount of expenses eligible for reimbursement hereunder in any other calendar year, and Executive shall be reimbursed for eligible expenses no later than the close of the calendar year following the year in which Executive incurs the applicable expense.

3.0. Equity Ownership.

Section 3.01. *Equity Ownership Requirement.* In order to more closely align Executive's interest in the Company with that of its stockholders, Executive and the Company agree as follows: (i) Executive agrees to maintain a total equity ownership position in the Company with an aggregate value of not less than Three Hundred Thousand Dollars and No/100 (\$300,000.00) (such dollar amount to be calculated based on the *greater of* cost basis, grant date value or market; and (ii) Executive agrees to maintain such total equity ownership position throughout the remainder Employment Term (the foregoing requirements shall be collectively referred to as the "**Equity Ownership Requirement**"). Granted and unvested time-vesting restricted stock shall be counted towards the Equity Ownership Requirement.

Section 3.02. *Failure to Maintain Equity Ownership*. If, during the Employment Term, Executive shall fail to maintain the Equity Ownership Requirement, Executive shall have 90 days within open trading windows to cure such failure by acquiring additional shares of common stock in the Company, at Executive's sole cost and expense.

4.0. Termination of Employment.

Section 4.01. *Termination of Employment*. Executive's employment and this Employment Agreement may be terminated prior to expiration of the Employment Term as follows (with the date of termination of Executive's employment hereunder being referred to hereinafter as the "**Termination Date**"):

- (a) By either Party by delivering 60 days' prior written notice of non-renewal as set forth in the Section 1.02 (*Term of Employment*);
- (b) Upon no less than 30 days' written notice from the Company to Executive at any time *without Cause* (as hereinafter defined) and other than due to Executive's death or Disability, subject to the provisions of Section 5.02 (*Termination by the Company Without Cause or by the Executive For Good Reason*);
- (c) By the Company *for Cause* (as hereinafter defined) immediately upon written notice stating the basis for such termination;
- (d) Due to the death or Disability (as hereinafter defined) of Executive;
- (e) By Executive at any time *with or without Good Reason* (as hereinafter defined) upon 30 days' written notice from Executive to the Company (or such shorter period to which the Company may agree; and
- (f) Upon the mutual agreement of the Company and Executive.

Section 4.02. *Effect of Termination*. In the event of termination of Executive's employment with the Company for any reason, or if Executive is required by the Board, Executive agrees to resign, and shall automatically be deemed to have resigned, from any offices (including any directorship) Executive holds with the Company or any of its subsidiaries effective as of the Termination Date or, if applicable, effective as of a date selected by the Board.

5.0. Payments and Benefits Upon Termination of Employment.

Section 5.01. *Termination by the Company For Cause or by the Executive Without Good Reason*. If Executive's employment and this Employment Agreement are terminated by the Company *for Cause* or by Executive *without Good Reason*, the Company shall pay Executive the Accrued Obligations (as hereinafter defined) (other than, however, any amounts due under any Cash Incentive Plan which shall be forfeited pursuant to the terms of such plan), in a single, lump-sum payment within 45 days following such termination.

Section 5.02. *Termination by the Company Without Cause or by the Executive For Good Reason*. If Executive's employment and this Employment Agreement are terminated by the Company *without Cause* or if Executive terminates his employment and this Employment Agreement *for Good Reason*, the Company shall pay Executive the Accrued Obligations in a single, lump-sum payment within 45 days following such termination or, in the case of a Cash Incentive Plan payment, according to the terms of such plan. In addition, subject to Sections 6.0, 7.0 and 8.0, Executive shall be entitled to receive the following: (i) an amount equal to the *greater of* the Base Salary payable to Executive for the remainder of the Employment Term or one year's Base Salary ("**Severance Payment**"), which shall be payable as provided below; (ii) continued vesting of granted stock options following the Termination Date for the shorter of a period of one (1) year or the original expiration date of such option; (iii) continued vesting of restricted stock grants for a period of one (1) year following the Termination Date; and (iv) continued medical, hospitalization, life insurance and disability benefits to which Executive was entitled at the Termination Date (any of which shall, to the extent required to avoid subjecting Executive to an additional tax under Section 409A of the Code or as otherwise determined by the Company in its discretion, be structured so as to require that Executive pay the premiums for such benefits on a timely basis, in which case the Company shall reimburse Executive for such premiums in accordance with Section 8.02 so that Executive is made whole on an after-tax) for a period of 12 months following the Termination Date (or until Executive receives similar or comparable coverage from a new employer); provided, however, that the Company may unilaterally amend the foregoing clause (iv) or eliminate the benefit provided thereunder to the extent it deems necessary to avoid the imposition of excise taxes, penalties or similar charges on the Company or any of its subsidiaries or affiliates, including, without limitation, under Code Section 4980D. All such additional payments and benefits under this Section 5.02 shall be conditional on Executive's timely execution and non-revocation of the Release (as defined in Section 7.0) and Executive's continued compliance with Section 11.0 (**Return of Property**), Section 14.0 (**Confidentiality**), Section 15.0

(**Work Product Assignment**), and Section 16.0 (Covenant Not to Compete). Payment of the Severance Payment shall be made in bi-weekly installments, in accordance with the regular payroll practices and procedures of the Company commencing on the first regularly scheduled payroll date occurring after Executive's Release becomes effective; provided, however, that if the period during which Executive can consider and revoke the Release begins in one calendar year and ends in the subsequent calendar year, then payment of the Severance Payment shall commence on the later of (a) the first regularly scheduled payroll date occurring after Executive's Release becomes effective, and (b) the first regularly scheduled payroll date occurring in the subsequent calendar year. The first such payment shall include any installments of the Severance Payment that would have been made on previous payroll dates but for the requirement that Executive execute a Release. The period, if any, during which Executive and his spouse and children are eligible to continue their coverage under the Company's group health plans pursuant to Section 4980B of the Code ("COBRA") shall run simultaneously with the period specified in clause (iv) (provided that nothing in such clause (iv) shall be deemed to extend such COBRA continuation period beyond the minimum period required by applicable law). For the avoidance of doubt, a termination of employment pursuant to Section 4.01(a) by notice of non-renewal by the Company for any reason other than Cause, shall be deemed a termination of employment by the Company without Cause for purposes of this Section 5.02.

Section 5.03. *Termination Due to Death.* If Executive's employment and this Employment Agreement are terminated due to Executive's death, the Company shall pay the estate of Executive the Accrued Obligations in a single, lump-sum payment within 45 days following such termination or, in the case of a Cash Incentive Plan payment, according to the terms of such plan.

Section 5.04. *Termination Due to Disability.* If Executive's employment and this Employment Agreement are terminated due to his Disability, the Company shall pay Executive the Accrued Obligations in a single, lump-sum payment within 45 days following such termination or, in the case of a Cash Incentive Plan payment, according to the terms of such plan. In addition, Executive will be eligible to participate in the Company's Long-Term Disability Plan, on a basis no less favorable to Executive than other senior executives of the Company.

Section 5.05. *Retirement.* If Executive's employment and this Employment Agreement are terminated by virtue of Executive's Retirement prior to the expiration of the Employment Term, the Company shall pay Executive the Accrued Obligations in a single, lump-sum payment within 45 days following such termination or, in the case of a Cash Incentive Plan payment, according to the terms of such plan.

6.0. Payment and Benefits Upon Change of Control.

Subject to Sections 7.0 and 8.0, upon a Change of Control of the Company (as hereinafter defined) during the Employment Term and subsequent termination from the Company under Section 5.02 within 24 months after such Change of Control (including, for purposes of this Section, a termination for Good Reason), Executive shall receive, in lieu of the Severance Payment, a payment equal to two times the sum of (i) his annual Base Salary; and (ii) the *greatest of* (a) any earned but unpaid amount due under any Cash Incentive Plan (as determined by the terms of the Cash Incentive Plan); (b) the Executive's target incentive amount under the Cash Incentive Plan for which a payment is earned, but unpaid; and (c) the Cash Incentive Plan payment received (if any) for the fiscal year immediately preceding the Cash Incentive Plan year in Subsection (ii)(a) herein (collectively, the "**Change of Control Payment**"). Such Change of Control Payment shall be paid in a single lump-sum payment within 45 days after Executive's Release becomes effective; provided, however, that if the period during which Executive can consider and revoke the Release begins in one calendar year and ends in the subsequent calendar year, then the lump sum will be paid in the subsequent calendar year (and in any event by March 15 of such year), regardless of when Executive's Release becomes effective, and even if payment occurs more than 45 days after Executive's Release becomes effective. However, if a portion of the Change of Control Payment is based on (ii)(a) or (ii)(b) of this Section 6.0, such amount shall be paid according to the terms of the corresponding Cash Incentive Plan. The Executive shall be entitled to the other benefits set forth in Section 5.02 (other than the Severance Payment), except that all unvested stock options and restricted stock shall become fully vested upon the Termination Date under this Section 6.0; provided, however, that if unvested stock options and restricted stock held by the Executive are not continued, substituted for or assumed by the successor company in connection with a Change of Control, such awards shall immediately vest upon the Change of Control. In the event of an inconsistency between this Section 6.0 and Section 5.02, this Section 6.0 shall govern and control.

7.0. Release.

Executive's entitlement to the payments and benefits described in the second sentence of Section 5.02 and in Section 6.0 is subject to and conditioned upon Executive's timely execution, without subsequent revocation, of a release of claims (in a form satisfactory to the Company) in favor of the Company and its subsidiaries and affiliates (the "**Release**"); provided, however, that notwithstanding the foregoing, the Release is not intended to and will not waive the Executive's rights: (i) to indemnification pursuant to any applicable provision of the Company's Bylaws or Certificate of Incorporation, as amended, pursuant to any written indemnification agreement between the Executive and the Company, or pursuant to applicable law; (ii) to vested benefits or payments

specifically to be provided to the Executive under this Agreement or any Company employee benefit plans or policies; or (iii) respecting any claims the Executive may have solely by virtue of the Executive's status as a stockholder of the Company. The Release also shall not impose any restrictive covenant on the Executive's conduct post-termination that the Executive had not agreed to prior to the Executive's termination in this Agreement or otherwise) or include claims that an employee cannot lawfully release through execution of a general release of claims.

To be timely, the Release must become effective (i.e., Executive must sign it and any revocation period must expire without Executive revoking the Release) within 60 days, or such shorter period specified in the Release, after Executive's date of termination of employment. If the Release does not become effective within such time period, then Executive shall not be entitled to such payments and benefits.

8.0. Compliance With Section 409A.

Section 8.01. *General.* The provisions of this Employment Agreement are intended to comply with the requirements of Section 409A of the Code and any final regulations and official guidance promulgated thereunder ("**Section 409A**") or an exemption or exclusion therefrom and, with respect to amounts that are subject to Section 409A, shall in all respects be interpreted and administered in accordance with Section 409A. Any payments that qualify for the "short-term deferral" exception or another exception under Section 409A shall be paid under the applicable exception. Each payment of compensation under this Employment Agreement shall be treated as a separate payment of compensation for purposes of Section 409A and a right to a series of installment payments under this Employment Agreement (including pursuant to Section 5.02) shall be treated as a right to a series of separate and distinct payments. All payments to be made upon a termination of employment under this Employment Agreement may only be made upon a "separation from service" under Section 409A. In no event may Executive, directly or indirectly, designate the calendar year of any payment under this Plan.

Section 8.02. *In-Kind Benefits and Reimbursements.* Notwithstanding anything to the contrary in this Employment Agreement, all reimbursements and in-kind benefits provided hereunder shall be made or provided in accordance with the requirements of Section 409A, including, where applicable, the requirement that (a) any reimbursement is for expenses incurred during Executive's lifetime (or during a shorter period of time specified herein); (b) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year, except, if such benefits consist of the reimbursement of expenses referred to in Section 105(b) of the Code, a maximum, if provided under the terms of the plan providing such medical benefit, may be imposed on the amount of such reimbursements over some or all of the period in which such benefit is to be provided to Executive as described in Treasury Regulation Section 1.409A-3(i)(1)(iv)(B); (c) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the calendar year in which the expense is incurred, *provided* that reimbursement shall be made only if Executive has submitted an invoice for such expenses at least ten (10) days before the end of the calendar year following the calendar year in which such expenses were incurred; and (d) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

Section 8.03. *Delay of Payments.* Notwithstanding any other provision of this Employment Agreement to the contrary, if Executive is considered a "specified employee" for purposes of Section 409A (as determined in accordance with the methodology established by the Company as in effect on the date of termination of employment), any payment that constitutes nonqualified deferred compensation within the meaning of Section 409A that is otherwise due to Executive hereunder during the six-month period following Executive's separation from service (as determined in accordance with Section 409A) on account of Executive's separation from service shall be accumulated and paid to Executive on the first business day after the date that is six months following Executive's separation from service (the "**Delayed Payment Date**"). The Executive shall be entitled to interest (at a per annum rate equal to the highest rate of interest applicable to six-month non-callable certificates of deposit with daily compounding offered by the following institutions: Citibank, N.A., Wells Fargo Bank, N.A. or Bank of America, on the date of such separation from service) on any cash payments so delayed from the scheduled date of payment to the Delayed Payment Date. If Executive dies during the postponement period, the amounts and entitlements delayed on account of Section 409A shall be paid to the personal representative of Executive's estate on the first to occur of the Delayed Payment Date or thirty (30) days after the date of Executive's death.

Section 8.04. *Cooperation.* Executive and the Company agree to work together in good faith to consider amendments to this Employment Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to Executive under Section 409A.

9.0. Limitation on Payments.

In the event that the severance and other benefits provided for in this Agreement or otherwise payable to Executive (i) constitute “parachute payments” within the meaning of Section 280G of the Code and (ii) but for this Section 9.0, would be subject to the excise tax imposed by Section 4999 of the Code, then Executive’s severance benefits under the foregoing clause (i) will be either:

(a) delivered in full; or

(b) delivered as to such lesser extent as would result in no portion of such severance benefits being subject to excise tax under Section 4999 of the Code,

Whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, results in the receipt by Executive on an after-tax basis, of the greatest amount of severance benefits, notwithstanding that all or some portion of such severance benefits may be taxable under Section 4999 of the Code. If a reduction in severance and other benefits constituting “parachute payments” is necessary so that benefits are delivered to a lesser extent, reduction shall occur in the following order: (i) reduction of cash payments; (ii) cancellation of awards granted “contingent on a change in ownership or control” (within the meaning of Code Section 280G); (iii) cancellation of accelerated vesting of equity awards; and (iv) reduction of employee benefits; provided that the reduction shall be made in a manner consistent with the requirements of Section 409A of the Code. In the event that acceleration of vesting of equity award compensation is to be reduced, such acceleration of vesting shall be cancelled in the reverse order of the date of grant of the Executive’s equity awards. Unless the Company and Executive otherwise agree in writing, any determination required under this Section 9.0 will be made in writing by an independent firm (the “*Firm*”) immediately prior to Change of Control, whose determination will be conclusive and binding upon the Executive and the Company for all purposes. For purposes of making the calculations required by this Section 9.0, the Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and Executive will furnish to the Firm such information and documents as the Firm may reasonably request in order to make a determination under this Section 9.0. The Company will bear all costs the Firm may reasonably incur in connection with any calculations contemplated by this Section.

10.0. Definitions.

In addition to the words and terms elsewhere defined in this Employment Agreement, certain capitalized words and terms used herein shall have the meanings given to them by the definitions and descriptions in this Section 10.0, unless the context or use indicates another or different meaning or intent, and such definition shall be equally applicable to both the singular and plural forms of any of the capitalized words and terms herein defined. The following words and terms are defined terms under this Employment Agreement:

(a) “*Accrued Obligations*” shall include (i) any unpaid Base Salary through the Termination Date and any accrued PTO in accordance with the Company’s policy; (ii) reimbursement for any un-reimbursed business expenses incurred through the Termination Date; and (iii) all other payments, benefits or fringe benefits to which Executive may be entitled under the terms of any applicable compensation arrangement or benefit, equity or fringe benefit plan or program or grant or this Employment Agreement. Accrued Obligations shall also include any cash incentive earned under any Cash Incentive Plan and shall be paid on a pro-rata basis based on days employed during the fiscal year of such plan if any. For the sake of clarity and by way of example only, if the Executive is employed for 270 days of a fiscal year and the management incentive plan in place at the time pays out 100% of target, the Executive would be owed 74% (270/365) of any incentive payments to which he would have been entitled had his employment not been terminated. Such payments shall be made in accordance with the terms of any Cash Incentive Plan in effect at the time, except that any requirement that the recipient must be an employee at the time of payment shall be waived by the Company under this policy.

(b) A termination for “*Cause*” shall mean a termination of this Employment Agreement by reason of a determination by two-thirds (2/3) of the members of the Board (excluding, for such purposes, Executive, if Executive is a member of the Board) voting that Executive:

(i) Has engaged in willful neglect (other than neglect resulting from his incapacity due to physical or mental illness) or willful misconduct in the performance of his duties for the Company under this Employment Agreement;

(ii) Has engaged in willful conduct the consequences of which are materially adverse to the Company, monetarily or otherwise;

(iii) Has materially breached the terms of this Employment Agreement, and such breach persisted after notice thereof from the Company and a reasonable opportunity to cure; or

(iv) Has been convicted of (or has plead guilty or no contest to) any felony other than a traffic violation.

(c) A “**Change of Control**” shall be deemed to have occurred upon:

(i) The consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Company (each, a “**Business Combination**”), unless, following such Business Combination, all or substantially all of the individuals and entities that were the beneficial owners of the combined voting power of the Company’s outstanding securities immediately prior to such Business Combination beneficially own, directly or indirectly, at least 60% of the combined voting power of the then-outstanding securities of the entity resulting from such Business Combination in substantially the same proportions as their ownership of the combined voting power of the Company’s outstanding securities immediately prior to the Business Combination; provided, however, that a public offering of the Company’s securities shall not constitute a Business Combination;

(ii) The sale, transfer, or other disposition of all or substantially all of the Company’s assets; or

(iii) Any transaction as a result of which any person is the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than 25% of the total voting power represented by the Company’s then outstanding voting securities. For purposes of this subparagraph (iii), the term “person” shall have the same meaning as when used in sections 13(d) and 14(d) of the Exchange Act, but shall exclude (x) a trustee or other fiduciary holding securities under an Executive benefit plan of the Company or of a subsidiary and (y) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the common stock of the Company.

(iv) A change in the composition of the Board in any two-year period as a result of which fewer than a majority of the directors are Incumbent Directors. “**Incumbent Directors**” shall mean directors who either (a) are directors of the Company as of the date hereof or (b) are elected, or nominated for election, to the Board with the affirmative votes (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for election as a director without objection to such nomination) of at least a majority of the Incumbent Directors at the time of such election or nomination (but shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors of the Company).

(d) The term “**Disability**” shall be as defined in the Company’s Long-Term Disability Plan.

(e) The term “**Good Reason**” shall mean the occurrence of any of the following without Executive’s prior written consent during the Employment Period, which occurrence continues for 10 days after written notice thereof from Executive to the Board:

(i) Any material diminution or adverse change in Executive’s position, status, title, authorities or responsibilities, office or duties under this Employment Agreement which represents a demotion from such position, status, title, authorities or responsibilities, office or duties which are materially inconsistent with his position, status, title, authorities or responsibilities, office or duties set forth in this Employment Agreement, or any removal of Executive from, or failure to appoint, elect, reappoint or reelect Executive to, any of his positions, except in connection with the termination of his employment with or without Cause, or as a result of his death or Disability.

(ii) The exclusion of Executive in any incentive, bonus or other compensation plan in which Executive participated at the time that this Employment Agreement is executed, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to the failure to continue such plan, or the failure by the Company to continue Executive’s participation therein, or any action by the Company which would directly or indirectly materially reduce his participation therein or reward opportunities thereunder; provided, however, that Executive continues to meet all eligibility requirements thereof. Notwithstanding the foregoing, this provision shall not apply to the exclusion of Executive in any incentive, bonus or other compensation plan in which Executive participated at the time that this Employment Agreement is executed to the extent that such termination is required by law;

(iii) The failure by the Company to include or continue Executive’s participation in any material employee benefit plan (including any medical, hospitalization, life insurance or disability benefit plan in which Executive participates or in which other Company executives participate), or any material fringe benefit or prerequisite enjoyed by him (or enjoyed by other Company executives) unless an equitable arrangement (embodied in an ongoing substitute or alternative plan, if applicable) has been made with respect to the failure to include Executive in such plan, or the failure by the Company to continue Executive’s participation

therein, or any action by the Company which would directly or indirectly materially reduce his participation therein or reward opportunities thereunder, or the failure by the Company to provide him with the benefits to which he is entitled under this Employment Agreement; provided, however, that Executive continues to meet all eligibility requirements thereof. Notwithstanding the foregoing, this provision shall not apply to the exclusion of Executive in any Executive benefit plan in which Executive participated at the time that this Employment Agreement is executed to the extent that such termination is required by law, or to such failure to continue any Executive benefit plan or fringe benefit, or Executive’s participation therein or reward opportunity thereunder if such failure to continue such plan or benefit is applicable to the Company’s executive officers and/or Executives generally; or

(iv) Any material breach by the Company of any provision of this Employment Agreement.

(v) The movement of main corporate office of the Company beyond a fifty (50) mile radius from Boise, Idaho.

Notwithstanding any other provision of this Agreement to the contrary, Executive shall not be deemed to have terminated his employment

for Good Reason unless (i) Executive notifies the Board in writing of the condition that Executive believe constitutes Good Reason within 90 days of the initial existence thereof (which notice specifically identifies such condition and the details regarding its existence), (ii) the Company fails to remedy such condition within 30 days after the date on the Board receives such notice (the “**Remedial Period**”), and (iii) Executive terminates employment with the Company (and its subsidiaries and affiliates) within 60 days after the end of the Remedial Period. The failure by Executive to include in the notice any fact or circumstance that contributes to a showing of Good Reason shall not waive any right of Executive hereunder or preclude Executive from asserting such fact or circumstance in enforcing his or her rights hereunder.

(f) The term “**Retirement**” shall mean retirement upon “normal retirement age” as defined in the Company’s 401(k) retirement plan.

11.0. Return of Property.

Executive agrees, upon the termination of his employment with the Company, to return all physical, computerized, electronic or other types of records, documents, proposals, notes, lists, files and any and all other materials, including without limitation, computerized and/or electronic information that refers, relates or otherwise pertains to the Company and/or its subsidiaries, and any and all business dealings of said persons and entities. In addition, Executive shall return to the Company all property and equipment that Executive has been issued during the course of his employment or which he otherwise currently possesses, including but not limited to, any computers, cellular phones, personal digital assistants, pagers and/or similar items. Executive shall immediately deliver to the Company any such physical, computerized, electronic or other types of records, documents, proposals, notes, lists, files, materials, property and equipment that are in Executive’s possession. Executive further agrees that he will immediately forward to the Company any business information regarding the Company and/or its subsidiaries that has been or is inadvertently directed to Executive following his last day of employment with the Company. The provisions of this Section 11.0 are in addition to any other written agreements on this subject that Executive may have with the Company and/or its subsidiaries, and are not meant to and do not excuse any additional obligations that Executive may have under such agreements.

12.0. Notices.

For the purposes of this Employment Agreement, notices and all other communications provided for hereunder shall be in writing and shall be deemed to have been duly given when personally delivered or sent by certified mail, return receipt requested, postage prepaid, or by expedited (overnight) courier with established national reputation, shipping prepaid or billed to sender, in either case addressed to the respective addresses last given by each Party to the other (provided that all notices to the Company shall be directed to the attention of the Chief Executive Officer) or to such other address as either Party may have furnished to the other in writing in accordance herewith. All notices and communication shall be deemed to have been received on the date of delivery thereof, or on the second day after deposit thereof with an expedited courier service, except that notice of change of address shall be effective only upon receipt. Notices shall be addressed as follows:

If to the Company:
251 E. Front St., Suite 400, Boise, Idaho 83702.

If to the Executive:
2479 S. Nantucket Way, Boise, Idaho 83706.

13.0. Life Insurance.

The Company may, at any time after the execution of this Employment Agreement, apply for and procure as owner and for its own benefit, life insurance on Executive, in such amounts and in such form or forms as the Company may determine. The Executive shall, at the request of the Company, submit to such medical examinations, supply such information, and execute such documents as may be required by the insurance company or companies to whom the Company has applied for such insurance. Executive hereby represents that to his knowledge he is in good physical and mental condition and is not under the influence of alcohol, drugs or similar substance.

14.0. Confidentiality.

Executive agrees not to disclose or reveal to any person or entity outside the Company any secret or confidential information concerning any Company product, process, equipment, machinery, design, formula, business, or other activity (collectively, "**Confidential Information**") without prior permission of the Company in writing. Confidential Information shall not include any information which is in the public domain or becomes publicly known through no wrongful act on the part of Executive or breach of this Employment Agreement. Executive acknowledges that the Confidential Information is vital, sensitive, confidential and proprietary to the Company. The obligation to protect the secrecy of such information continues after employment with Company may be terminated. In furtherance of this agreement, Executive acknowledges that all Confidential Information which Executive now possesses, or shall hereafter acquire, concerning and pertaining to the business and secrets of the Company and all inventions or discoveries made or developed, or suggested by or to Executive during said term of employment relating to Company's business shall, at all times and for all purposes, be regarded as acquired and held by Executive in his fiduciary capacity and solely for the benefit of Company.

15.0. Work Product Assignment.

Executive agrees that all inventions, innovations, improvements, technical information, systems, software developments, methods, designs, analyses, drawings, reports, service marks, trademarks, trade names, logos and all similar or related information (whether patentable or unpatentable) which relate to the actual or anticipated business, research and development or existing or future products or services of the Company or of any of its subsidiaries or affiliates, and which are conceived, developed or made by Executive (whether or not during usual business hours and whether or not alone or in conjunction with any other person) while employed by the Company, together with all patent applications, letters patent, trademark, trade name and service mark applications or registrations, copyrights and reissues thereof that may be granted for or upon any of the foregoing (collectively referred to herein as the "**Work Product**"), belong in all instances to the Company or its subsidiaries or affiliates, as applicable, and Executive hereby assigns to the Company all Work Product and all of his interest therein. Executive will promptly perform all actions reasonably requested by the Board (whether during or after his employment with the Company) to establish and confirm the ownership of such Work Product (including, without limitation, the execution and delivery of assignments, consents, powers of attorney and other instruments) by the Company or its subsidiaries or affiliates, as applicable, and to provide reasonable assistance to the Company or any of its subsidiaries and affiliates in connection with the prosecution of any applications for patents, trademarks, trade names, service marks or reissues thereof or in the prosecution or defense of interferences relating to any Work Product.

16.0. Covenant Not to Compete.

Section 16.01. *Acknowledgment of Executive.* Executive acknowledges that his employment with the Company has special, unique and extraordinary value to the Company; that the Company has a lawful interest in protecting its investment in entrusting its Confidential Information to him; and that the Company would be irreparably damaged if Executive were to provide services to any person or entity in violation of this Employment Agreement because in performing such services Executive would inevitably disclose the Company's Confidential Information to third parties and that the restrictions, prohibitions and other provision of this Section 16.0 are reasonable, fair and equitable in scope, terms, and duration to protect the legitimate business interests of the Company, and are a material inducement to the Company to enter into this Employment Agreement.

Section 16.02. *Non-Competition Covenant.* Without the consent in writing of the Board, Executive will not, during the Employment Agreement and, in the event of the termination of Executive's employment by the Company *for Cause* or by the Executive *without Good Reason* or due to a Change of Control, for a period of 12 months after such termination of employment, acting alone or in conjunction with others, directly or indirectly engage (either as owner, investor, partner, stockholder, employer, employee, consultant, advisor or director) in activities on behalf of any entity or entities engaged in waste processing and disposal services for low-level radioactive-wastes, naturally occurring, accelerator produced, and exempt radioactive materials, and hazardous and PCB wastes. It is agreed that the ownership of not more than five percent (5%) of the equity securities of any company having securities listed on an exchange or regularly traded in the over-the-counter market shall not, of itself, be deemed inconsistent with this Section 16.02.

Section 16.03. *Non-Solicitation of Vendors and Customers*. Without the consent in writing of the Board, Executive will not, during the Employment Agreement and for a period of 12 months thereafter if Executive's employment is terminated by the Company *for* Cause or by the Executive *without* Good Reason or due to a Change of Control, acting alone or in conjunction with others, either directly or indirectly induce any vendors or customers of the Company to curtail or cancel their business with the Company or any of its subsidiaries.

Section 16.04. *Non-Solicitation of Employees*. Without the consent in writing of the Board, Executive will not, during the Employment Agreement and for a period of 24 months thereafter, acting alone or in conjunction with others, either directly or indirectly induce, or attempt to influence, any employee of the Company or any of its subsidiaries to terminate his or her employment.

17.0. Remedies.

Section 17.01. *Specific Performance; Costs of Enforcement*. Executive acknowledges that the covenants and agreements, which he has made in this Employment Agreement are reasonable and are required for the reasonable protection of the Company and its business. Executive agrees that the breach of any covenant or agreement contained herein will result in irreparable injury to the Company and that, in addition to all other remedies provided by law or in equity with respect to the breach of any provision of this Employment Agreement, the Company and its successors and assigns will be entitled to enforce the specific performance by Executive of his obligations hereunder and to enjoin him from engaging in any activity in violation hereof and that no claim by Executive against the Company or its successors or assigns will constitute a defense or bar to the specific enforcement of such obligations. Executive agrees that the Company and any successor or assign shall be entitled to recover all costs of enforcing any provision of this Employment Agreement, including, without limitation, reasonable attorneys' fees and costs of litigation. In the event of a breach by Executive of any covenant or agreement contained herein, the running of the restrictive covenant periods (but not of Executive's obligations hereunder) shall be tolled during the period of the continuance of any actual breach or violation.

Section 17.02. *Remedy for Breach of Restrictive Covenants*. The provisions of Section 14.0 (Confidentiality), Section 15.0 (Work Product Assignment), and Section 16.0 (Covenant Not to Compete) are separate and distinct commitments independent of each of the other Sections. Accordingly, notwithstanding any other provisions of this Employment Agreement, Executive agrees that damages in the event of a breach or a threatened breach by Executive of Section 14.0 (Confidentiality) and Section 16.0 (Covenant Not to Compete) would be difficult if not impossible to ascertain and an inadequate remedy, and it is therefore agreed that the Company, in addition to and without limiting any other remedy or right it may have, shall have the right to an immediate injunction or other equitable relief enjoining any such threatened or actual breach, without any requirement to post bond or provide similar security. The existence of this right shall not preclude the Company from pursuing any other rights and remedies at law or in equity that the Company may have, including recovery of damages for any breach of such Sections.

Section 17.03. *Right to Cancel Payments*.

(a) In addition to the remedies set forth above in Sections 17.01 and 17.02, the Company may, at the sole discretion of the Board, cancel, rescind, suspend, withhold or otherwise limit or restrict the Severance Payment under Section 5.02 (Termination by the Company Without Cause or by the Executive For Good Reason) (which excludes any other payments made to Executive under Section 2.0 and under Sections 5.0 and 6.0 above), whether vested or not, at any time if:

(i) Executive is not in compliance with all of the provisions of Section 14.0 (Confidentiality), Section 15.0 (Work Product Assignment) and Section 16.0 (Covenant Not to Compete); and

(ii) Such non-compliance has been finally determined by binding arbitration pursuant to Section 18.0 (Dispute Resolution).

(b) As a condition to the receipt of any Severance Payment, Executive shall certify to the Company that he is in compliance with the provisions set forth above.

(c) In the event that Executive fails to comply with the provisions set forth in Section 14.0 (Confidentiality), Section 15.0 (Work Product Assignment) and/or Section 16.0 (Covenant Not to Compete), as finally determined by binding arbitration pursuant to Section 18.0 (Dispute Resolution), prior to or within twelve (12) months after any payment by the Company with respect to any Severance Payment under Section 5.02, such payment may be rescinded by the Company within 12 months thereafter. In the event of such rescission, Executive shall pay to the Company, within 12 months of the Company's rescission of one or more Severance Payments, the amount of any such payment(s) received as a result of the rescinded payment(s), without interest, in such further manner and on such further terms and conditions as may be required by the Company; and the Company shall be entitled to set-off against the amount of such payment any amount owed to Executive by the Company, other than wages.

(d) Executive acknowledges that the foregoing provisions are fair, equitable and reasonable for the protection of the Company's interests in a stable workforce and the time and expense the Company has incurred to develop its business and its customer and vendor relationships.

18.0. Dispute Resolution.

Except as described above in Section 17.02 (Remedy for Breach of Restrictive Covenants):

Section 18.01. *Initial Negotiations.* Company and Executive agree to resolve all disputes arising out of their employment relationship by the following alternative dispute resolution process: (a) the Company and Executive agree to seek a fair and prompt negotiated resolution; but if this is not possible, (b) all disputes shall be resolved by binding arbitration; *provided, however*, that during this process, at the request of either Party, made not later than 60 days after the initial arbitration demand, the Parties agree to attempt to resolve any dispute by non-binding, third-party intervention, including either mediation or evaluation or both but without delaying the arbitration hearing date. BY ENTERING INTO THIS EMPLOYMENT AGREEMENT, BOTH PARTIES GIVE UP THEIR RIGHT TO HAVE THE DISPUTE DECIDED IN COURT BY A JUDGE OR JURY.

Section 18.02. *Mandatory Arbitration.* Any controversy or claim arising out of or connected with Executive's employment at the Company, including but not limited to claims for compensation or severance and claims of wrongful termination, age, sex or other discrimination or civil rights shall be decided by arbitration. In the event the Parties cannot agree on an arbitrator, then the arbitrator shall be selected by the administrator of the American Arbitration Association ("AAA") office in Salt Lake City, Utah. The arbitrator shall be an attorney with at least 15 years' experience in employment law in Idaho. Boise, Idaho shall be the site of the arbitration. All statutes of limitation, which would otherwise be applicable, shall apply to any arbitration proceeding hereunder. Any issue about whether a controversy or claim is covered by this Employment Agreement shall be determined by the arbitrator.

Section 18.03. *Arbitration Rules.*

(a) The arbitration shall be conducted in accordance with this Employment Agreement, using as appropriate the AAA Employment Dispute Resolution Rules in effect on the date hereof. The arbitrator shall not be bound by the rules of evidence or of civil procedure, but rather may consider such writings and oral presentations as reasonable business people would use in the conduct of their day-to-day affairs, and may require both Parties to submit some or all of their respective cases by written declaration or such other manner of presentation as the arbitrator may determine to be appropriate. The Parties agree to limit live testimony and cross-examination to the extent necessary to ensure a fair hearing on material issues.

(b) The arbitrator shall take such steps as may be necessary to hold a private hearing within 120 days of the initial request for arbitration and to conclude the hearing within two days; and the arbitrator's written decision shall be made not later than 14 calendar days after the hearing. The Parties agree that they have included these time limits in order to expedite the proceeding, but they are not jurisdictional, and the arbitrator may for good cause allow reasonable extensions or delays, which shall not affect the validity of the award. Both written discovery and depositions shall be allowed. The extent of such discovery will be determined by the Parties and any disagreements concerning the scope and extent of discovery shall be resolved by the arbitrator. The written decision shall contain a brief statement of the claim(s) determined and the award made on each claim. In making the decision and award, the arbitrator shall apply applicable substantive law. The arbitrator may award injunctive relief or any other remedy available from a judge, including consolidation of this arbitration with any other involving common issues of law or fact which may promote judicial economy, and may award attorneys' fees and costs to the prevailing Party, but shall not have the power to award punitive or exemplary damages. The Parties specifically state that the agreement to limit damages was agreed to by the Parties after negotiations.

19.0. Attorneys' Fees.

Section 19.01. *Prevailing Party Entitled to Attorneys' Fees.* In any action at law or in equity to enforce any of the provisions or rights under this Employment Agreement, the unsuccessful Party to such litigation, as determined by the arbitrator in accordance with the dispute resolution provisions set forth above, shall pay the successful Party or Parties all costs, expenses and reasonable attorneys' fees incurred therein by such Party or Parties (including, without limitation, such costs, expenses and fees on appeal), excluding, however, any time spent by Company employees, including in-house legal counsel, and if such successful Party or Parties shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment.

Section 19.02. *Limitation on Fees.* Notwithstanding the foregoing provision, in no event shall the successful Party or Parties be entitled to recover an amount from the unsuccessful Party for costs, expenses and attorneys' fees that exceeds the

unsuccessful Party's or Parties' costs, expenses and attorneys' fees in connection with the action or proceeding.

20.0. Miscellaneous Provisions.

Section 20.01. *Prior Employment Agreements.* Executive represents and warrants that Executive's performance of all the terms of this Employment Agreement and as an Executive of the Company does not, and will not, breach any employment agreement, arrangement or understanding or any agreement, arrangement or understanding to keep in confidence proprietary information acquired by Executive in confidence or in trust prior to Executive's employment by the Company. Executive has not entered into, and shall not enter into, any agreement, arrangement or understanding, either written or oral, which is in conflict with this Employment Agreement or which would be violated by Executive entering into, or carrying out his obligations under, this Employment Agreement. This Employment Agreement supersedes any former oral agreement and any former written agreement heretofore executed relating generally to the employment of Executive with the Company, including without limitation, the Prior Agreement.

Section 20.02. *Assignment; Binding Effect.* This Employment Agreement may not be assigned by Executive in whole or in part. Notwithstanding the foregoing, this Employment Agreement shall inure to the benefit of and be enforceable by Executive's personal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Employment Agreement to Executive's estate.

Section 20.03. *Headings.* Headings used in this Employment Agreement are for convenience only and shall not be used to interpret or construe its provisions.

Section 20.04. *Waiver.* No provision of this Employment Agreement may be waived or discharged unless such waiver or discharge is agreed to in writing and signed by the Chairman of the Board. No waiver by either Party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Employment Agreement to be performed by such other Party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

Section 20.05. *Amendments.* No amendments or variations of the terms and conditions of this Employment Agreement shall be valid unless the same is in writing and signed by the Parties hereto.

Section 20.06. *Severability.* The invalidity or unenforceability of any provision of this Employment Agreement, whether in whole or in part, shall not in any way affect the validity and/or enforceability of any other provision contained herein. Any invalid or unenforceable provision shall be deemed severable to the extent of any such invalidity or unenforceability. It is expressly understood and agreed that while the Company and Executive consider the restrictions contained in this Employment Agreement reasonable for the purpose of preserving for the Company the good will, other proprietary rights and intangible business value of the Company, if a final judicial determination is made by a court having jurisdiction that the time or territory or any other restriction contained in this Employment Agreement is an unreasonable or otherwise unenforceable restriction against Executive, the provisions of such clause shall not be rendered void but shall be deemed amended to apply as to maximum time and territory and to such other extent as such court may judicially determine or indicate to be reasonable.

Section 20.07. *Governing Law.* This Employment Agreement shall be construed and enforced pursuant to the laws of the State of Idaho.

Section 20.08. *Executive Officer Status.* Executive acknowledges that he may be deemed to be an "executive officer" of the Company for purposes of the Securities Act of 1933, as amended (the "**1933 Act**"), and the Securities Exchange Act of 1934, as amended (the "**1934 Act**") and, if so, he shall comply in all respects with all the rules and regulations under the 1933 Act and the 1934 Act applicable to him in a timely and non-delinquent manner. In order to assist the Company in complying with its obligations under the 1933 Act and 1934 Act, Executive shall provide to the Company such information about Executive as the Company shall reasonably request including, but not limited to, information relating to personal history and stockholdings. Executive shall report to the Secretary of the Company or other designated officer of the Company all changes in beneficial ownership of any shares of the Company's Common Stock deemed to be beneficially owned by Executive and/or any members of Executive's immediate family. Executive further agrees to comply with all requirements placed on him by the Sarbanes-Oxley Act of 2002, Public Law 107-204.

Section 20.09. *Tax Withholding.* To the extent required by law, the Company shall deduct or withhold from any

payments under this Employment Agreement all applicable Federal, state or local income taxes, Social Security, FICA, FUTA and other amounts that the Company determines in good faith are required by law to be withheld.

Section 20.10. *Counterparts*. This Employment Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one document.

Section 20.11. *Exhibits*. Any Exhibits attached hereto are incorporated herein by reference and are an integral part of this Employment Agreement and are deemed incorporated herein by reference.

Section 20.12. *Retention of Counsel*. Executive acknowledges that he has had the opportunity to review this Employment Agreement and the transactions contemplated hereby with his own legal counsel.

[The remainder of this page intentionally left blank]

IN WITNESS WHEREOF, this Executive Employment Agreement has been duly executed by the Company and Executive as of the date first above written.

EXECUTIVE:

/s/ SIMON G. BELL
SIMON G. BELL

COMPANY:

US ECOLOGY, INC.

By: /s/ Jeffrey R. Feeler
Name: JEFFREY R. FEELER
Title: PRESIDENT AND CHIEF EXECUTIVE OFFICER

Ratio of Earnings to Fixed Charges
(Unaudited)

<u>\$s in thousands</u>	<u>For the Year Ended December 31,</u>				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Earnings (as defined):					
Earnings before income taxes	\$ 50,147	\$ 41,718	\$ 29,807	\$ 22,186	\$ 23,483
Fixed charges	856	900	1,635	368	105
Earnings	<u>\$ 51,003</u>	<u>\$ 42,618</u>	<u>\$ 31,442</u>	<u>\$ 22,554</u>	<u>\$ 23,588</u>
Fixed charges (as defined):					
Interest expense	\$ 828	\$ 878	\$ 1,604	\$ 320	\$ 2
Estimated interest within rental expense	28	22	31	48	103
Fixed charges	<u>\$ 856</u>	<u>\$ 900</u>	<u>\$ 1,635</u>	<u>\$ 368</u>	<u>\$ 105</u>
Ratio of earnings to fixed charges	<u>59.6</u>	<u>47.3</u>	<u>19.2</u>	<u>61.2</u>	<u>225.1</u>

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[Ratio of Earnings to Fixed Charges \(Unaudited\)](#)

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Exhibit 21

List of Subsidiaries

<u>Subsidiary Name</u>	<u>State of Formation</u>
American Ecology Environmental Services Corporation	Texas Corporation
American Ecology Recycle Center, Inc.	Delaware Corporation
Stablex Canada Inc.	Canadian Federal Corporation
US Ecology Michigan, Inc.	Michigan Corporation
US Ecology Field Services, Inc.	Delaware Corporation
US Ecology Idaho, Inc.	Delaware Corporation
US Ecology Illinois, Inc.	California Corporation
US Ecology Nevada, Inc.	Delaware Corporation
US Ecology Stablex Holdings, Inc.	Delaware Corporation
US Ecology Texas, Inc.	Delaware Corporation
US Ecology Washington, Inc.	Delaware Corporation

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Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-157529, 333-68868, 333-93105, 333-140419, and 333-69863 or Form S-8, Registration Statement No. 333-187001 on Form S-3, and Registration Statement No. 333-187003 on Form S-4, of our report dated February 25, 2014, relating to the consolidated financial statements and the effectiveness of US Ecology's internal control over financial reporting, appearing in the Annual Report on Form 10-K of US Ecology Inc. for the year ended December 31, 2013.

/s/ DELOITTE & TOUCHE LLP

February 25, 2014

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[Exhibit 23.1](#)

[CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM](#)

I, Jeffrey R. Feeler, certify that:

1. I have reviewed this annual report on Form 10-K of US Ecology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JEFFREY R. FEELER

President and Chief Executive Officer

February 25, 2014

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[Exhibit 31.1](#)

I, Eric L. Gerratt, certify that:

1. I have reviewed this annual report on Form 10-K of US Ecology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ ERIC L. GERRATT

Executive Vice President, Chief Financial Officer and Treasurer

February 25, 2014

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Exhibit 32.1

Written Statement of the Chief Executive Officer

Pursuant to 18 U.S.C. §1350

Solely for the purposes of complying with 18 U.S.C. §1350, I, the undersigned Chief Executive Officer of US Ecology, Inc., (the "Company"), hereby certify, that to my knowledge, the Annual Report on Form 10-K of the Company for the period ended December 31, 2013 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates hereof and for the periods expressed in this Report.

/s/ JEFFREY R. FEELER

President and Chief Executive Officer

February 25, 2014

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Exhibit 32.2

Written Statement of the Chief Financial Officer

Pursuant to 18 U.S.C. §1350

Solely for the purposes of complying with 18 U.S.C. §1350, I, the undersigned Chief Financial Officer of US Ecology, Inc., (the "Company"), hereby certify, that to my knowledge, the Annual Report on Form 10-K of the Company for the period ended December 31, 2013 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates hereof and for the periods expressed in this Report.

/s/ ERIC L. GERRATT

Executive Vice President, Chief Financial Officer and Treasurer

February 25, 2014

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[Exhibit 32.2](#)

