US ECOLOGY, INC.
Form 10-Q
November 07, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2014

or

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

For the transition period from to .

Commission file number: 0000-11688

US ECOLOGY, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**95-3889638** (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**

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 x No o

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 x No o

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

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

At November 5, 2014, there were 21,626,571 shares of the registrant s Common Stock outstanding.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

US ECOLOGY, INC.

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except par value amount)

	September 30, 2014	December 31, 2013
Assets		
Current Assets:		
Cash and cash equivalents	$ 10,921	$ 73,940
Receivables, net	152,212	43,636
Prepaid expenses and other current assets	14,734	3,612
Income taxes receivable	3,784	
Deferred income taxes	3,386	1,340
Total current assets	185,037	122,528
Property and equipment, net	220,318	114,859
Restricted cash and investments	5,724	4,097
Intangible assets, net	280,858	36,832
Goodwill	213,359	21,693
Other assets	11,853	547
Total assets	$ 917,149	$ 300,556
Liabilities And Stockholders Equity		
Current Liabilities:		
Accounts payable	$ 26,026	$ 7,277
Deferred revenue	11,968	8,870
Accrued liabilities	35,331	8,691
Accrued salaries and benefits	10,911	6,957
Income taxes payable	2,153	4,428
Current portion of closure and post-closure obligations	5,424	949
Current portion of long-term debt	4,002	
Total current liabilities	95,815	37,172
Long-term closure and post-closure obligations	53,524	16,519
Long-term debt	408,960	
Other long-term liabilities	1,246	69
Unrecognized tax benefits	57	480
Deferred income taxes	107,651	14,778
Total liabilities	667,253	69,018

Commitments and contingencies				
Stockholders Equity:				
Common stock $0.01 par value, 50,000 authorized; 21,627 and 21,538 shares issued, respectively		216		215
Additional paid-in capital		165,027		162,830
Retained earnings		88,516		70,597
Treasury stock, at cost, 0 and 19 shares, respectively				(319)
Accumulated other comprehensive income (loss)		(3,863)		(1,785)
Total stockholders equity		249,896		231,538
Total liabilities and stockholders equity	$	917,149	$	300,556

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

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US ECOLOGY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Revenue	$ 170,894	$ 53,090	$ 290,272	$ 141,766
Direct operating costs	91,939	20,902	145,938	61,745
Transportation costs	26,292	10,568	44,282	24,091
Gross profit	52,663	21,620	100,052	55,930
Selling, general and administrative expenses	25,829	6,108	46,713	18,353
Operating income	26,834	15,512	53,339	37,577
Other income (expense):				
Interest income	11	4	94	11
Interest expense	(4,544)	(208)	(5,488)	(651)
Foreign currency gain (loss)	(830)	683	(1,027)	(1,448)
Other	268	77	520	268
Total other income (expense)	(5,095)	556	(5,901)	(1,820)
Income before income taxes	21,739	16,068	47,438	35,757
Income tax expense	8,406	5,740	17,880	12,813
Net income	$ 13,333	$ 10,328	$ 29,558	$ 22,944
Earnings per share:				
Basic	$ 0.62	$ 0.56	$ 1.37	$ 1.25
Diluted	$ 0.61	$ 0.56	$ 1.37	$ 1.24
Shares used in earnings per share calculation:				
Basic	21,570	18,459	21,526	18,395
Diluted	21,680	18,533	21,649	18,475
Dividends paid per share	$ 0.18	$ 0.18	$ 0.54	$ 0.36

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

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US ECOLOGY, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands)

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Net income	$ 13,333	$ 10,328	$ 29,558	$ 22,944
Other comprehensive income (loss):				
Foreign currency translation gain (loss)	(2,156)	782	(2,078)	(1,147)
Comprehensive income	$ 11,177	$ 11,110	$ 27,480	$ 21,797

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

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US ECOLOGY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Nine Months Ended September 30, 2014	2013
Cash flows from operating activities:		
Net income	$ 29,558	$ 22,944
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	16,773	10,792
Amortization of intangible assets	5,233	1,092
Accretion of closure and post-closure obligations	1,675	927
Unrealized foreign currency loss	1,453	1,706
Deferred income taxes	2,407	(1,646)
Share-based compensation expense	869	601
Unrecognized tax benefits	(424)	10
Net loss on sale of property and equipment	43	12
Amortization of debt discount	37	
Changes in assets and liabilities (net of effect of business acquisition):		
Receivables	(20,938)	(7,218)
Income taxes receivable	(17)	
Other assets	(3,219)	(833)
Accounts payable and accrued liabilities	2,449	1,004
Deferred revenue	391	2,564
Accrued salaries and benefits	(1,949)	(1,541)
Income taxes payable	(2,281)	2,752
Closure and post-closure obligations	(879)	(989)
Net cash provided by operating activities	31,181	32,177
Cash flows from investing activities:		
Business acquisition (net of cash acquired)	(465,895)	
Purchases of property and equipment	(17,910)	(15,590)
Proceeds from sale of short term investments	654	
Proceeds from sale of property and equipment	120	64
Proceeds from sale of restricted cash and investments	8	
Purchases of restricted cash and investments	(40)	
Net cash used in investing activities	(483,063)	(15,526)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	413,962	9,500
Deferred financing costs paid	(14,001)	(185)
Dividends paid	(11,640)	(6,645)
Payments on long-term debt	(1,038)	(19,000)
Proceeds from exercise of stock options	1,445	2,192
Other	204	(58)
Net cash provided by (used in) financing activities	388,932	(14,196)
Effect of foreign exchange rate changes on cash	(69)	(197)

Increase (decrease) in cash and cash equivalents		(63,019)		2,258
Cash and cash equivalents at beginning of period		73,940		2,120
Cash and cash equivalents at end of period	$	10,921	$	4,378
Supplemental Disclosures				
Income taxes paid, net of receipts	$	17,494	$	11,467
Interest paid	$	4,145	$	547
Non-cash investing and financing activities:				
Closure and post-closure retirement asset	$	2,863	$	550
Capital expenditures in accounts payable	$	2,378	$	2,526
Restricted stock issued from treasury shares	$	546	$	864

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

US ECOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1. GENERAL

Basis of Presentation

The accompanying unaudited consolidated financial statements include the results of operations, financial position and cash flows of US Ecology, Inc. and its wholly-owned subsidiaries. All significant intercompany balances have been eliminated. Throughout these financial statements words such as we, us, our, US Ecology and the Company refer to US Ecology, Inc. and its subsidiaries.

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments necessary to present fairly, in all material respects, the results of the Company for the periods presented. These consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP) have been omitted pursuant to the rules and regulations of the SEC. These consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2013. The results of operations and cash flows for the nine months ended September 30, 2014 are not necessarily indicative of results to be expected for the entire fiscal year.

The Company s Consolidated Balance Sheet as of December 31, 2013 has been derived from the Company s audited Consolidated Balance Sheet as of that date.

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. 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.

Restricted Cash and Investments

Restricted cash and investments 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.

NOTE 2. BUSINESS COMBINATION

On June 17, 2014, the Company acquired 100% of the outstanding shares of EQ Holdings, Inc. and its wholly-owned subsidiaries (collectively EQ). EQ is a fully integrated environmental services company providing waste treatment and disposal, wastewater treatment, remediation, recycling, industrial cleaning and maintenance, transportation, total waste management, technical services, and emergency response services to a variety of industries and customers in North America. The total purchase price was $465.9 million, net of cash acquired, and was funded through a combination of cash on hand and borrowings under a new $415.0 million term loan. The purchase price is subject to post-closing adjustments including agreed upon working capital requirements.

We have recognized the assets and liabilities of EQ based on our preliminary estimates of their acquisition date fair values. The determination of the fair values of the acquired assets and assumed liabilities (and the related determination of estimated lives of depreciable tangible and identifiable intangible assets) requires significant judgment. As such, we have not completed our valuation analysis and calculations in sufficient detail necessary to arrive at the final estimates of the fair market value of the assets acquired and liabilities assumed, along with the related allocations to goodwill and intangible assets. All information presented is preliminary and

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subject to revision pending finalization of our fair market valuation analysis. Our final fair value determinations may be significantly different than those reflected in our consolidated financial statements as of September 30, 2014.

The following table summarizes the consideration paid for EQ and the preliminary fair value estimates of assets acquired and liabilities assumed recognized at the acquisition date, with purchase price allocation adjustments since the preliminary purchase price allocation as previously disclosed as of June 30, 2014:

$s in thousands	June 30, 2014	Purchase Price Allocation Adjustments	September 30, 2014
Current assets	$ 114,227	$ (1,028)	$ 113,199
Property and equipment	103,532		103,532
Identifiable intangible assets	250,900		250,900
Current liabilities	(56,550)	(888)	(57,438)
Other liabilities	(131,336)	177	(131,159)
Total identifiable net assets	280,773	(1,739)	279,034
Goodwill	190,894	1,739	192,633
Total purchase price	$ 471,667	$	$ 471,667

Purchase price allocation adjustments relate primarily to the receipt of additional information regarding the fair values of accounts receivable, prepaid expenses, accounts payable and accrued expenses, deferred income taxes and residual goodwill.

Goodwill of $192.6 million arising from the acquisition is the result of several factors. EQ has an assembled workforce that serves the U.S. industrial market utilizing state-of-the-art technology to treat a wide range of industrial and hazardous waste. The acquisition of EQ increases our geographic base providing a coast-to-coast presence and an expanded service platform to better serve key North American hazardous waste markets. In addition, the acquisition of EQ provides us with an opportunity to compete for additional waste clean-up project work; expand penetration with national accounts; improve and enhance transportation, logistics, and service offerings with existing customers and attract new customers. All of the goodwill recognized was assigned to our EQ Operations reporting segment. None of the goodwill recognized is expected to be deductible for income tax purposes.

The preliminary fair value estimate of identifiable intangible assets by major intangible asset class and related weighted average amortization period are as follows:

$s in thousands	June 17, 2014	Weighted Average Amortization Period (Years)
Permits and licenses	$ 119,500	45
Customer relationships	115,000	15
Tradename	9,900	4
Customer backlog	3,600	10
Non-compete agreements	1,400	1
Internet domain and website	900	19
Database	600	15
Total identifiable intangible assets	$ 250,900	29

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The following unaudited pro forma financial information presents the combined results of operations as if EQ had been combined with us at the beginning of each of the periods presented. The pro forma financial information includes the accounting effects 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 periods presented, nor should it be taken as indication of our future consolidated results of operations.

	(unaudited) Three Months Ended September 30,		(unaudited) Nine Months Ended September 30,	
$s in thousands, except per share amounts	**2014**	**2013**	**2014**	**2013**
Pro forma combined:				
Revenue	$ 170,894	$ 148,704	$ 458,091	$ 381,159
Net income	$ 13,333	$ 9,606	$ 24,835	$ 19,246
Earnings per share				
Basic	$ 0.62	$ 0.52	$ 1.15	$ 1.05
Diluted	$ 0.61	$ 0.52	$ 1.15	$ 1.04

Revenue from EQ included in US Ecology s consolidated statement of operations since the closing of the acquisition on June 17, 2014 was $111.3 million and $125.9 million, respectively, for the three and nine month periods ended September 30, 2014. Operating income from EQ included in US Ecology s consolidated statement of operations since the closing of the acquisition on June 17, 2014 was $10.5 million and $12.0 million, respectively, for the three and nine month periods ended September 30, 2014. Acquisition-related costs of $307,000 and $5.6 million were included in Selling, general and administrative expenses in the Company s consolidated statements of operations for the three and nine months ended September 30, 2014, respectively.

NOTE 3. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Changes in accumulated other comprehensive income (loss), comprised entirely of foreign currency translation adjustments, consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
$s in thousands	**2014**	**2013**	**2014**	**2013**
Balance, beginning of period	**$ (1,707)**	**$ (1,301)**	**$ (1,785)**	**$ 628**
Foreign currency translation gain (loss) in other comprehensive income	(2,156)	782	(2,078)	(1,147)
Balance, end of period	**$ (3,863)**	**$ (519)**	**$ (3,863)**	**$ (519)**

NOTE 4. CONCENTRATIONS AND CREDIT RISK

Major Customers

Revenue from a single customer accounted for approximately 12% and 10% of total revenue for the three and nine months ended September 30, 2014, respectively. Revenue from a single customer accounted for 14% of total revenue for the three months ended September 30, 2013. No customer accounted for more than 10% of total revenue for the nine months ended September 30, 2013.

Receivables from a single customer accounted for approximately 14% of total trade receivables as of September 30, 2014. Receivables from a single customer accounted for approximately 16% of total trade receivables as of December 31, 2013.

Credit Risk Concentration

We maintain most of our cash 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.

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NOTE 5. RECEIVABLES

Receivables consisted of the following:

$s in thousands		September 30, 2014		December 31, 2013
Trade	$	130,017	$	42,055
Unbilled revenue		23,709		1,296
Other		2,652		810
Total receivables		156,378		44,161
Allowance for doubtful accounts		(4,166)		(525)
Receivables, net	$	152,212	$	43,636

NOTE 6. 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, accrued liabilities and long-term debt. 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 carrying amount of our long-term debt approximates fair value due to the absence of any significant changes in interest rates or the Company s credit risk profile since the execution of the Company s Credit Agreement (as defined below) on June 17, 2014.

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The Company s assets measured at fair value on a recurring basis consisted of our Restricted cash and investments as follows:

	September 30, 2014			
$s in thousands	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Assets:				
Fixed-income securities (1)	$ 400	$ 3,598	$	$ 3,998
Money market funds (2)	$ 1,726	$	$	$ 1,726
Total	$ 2,126	$ 3,598	$	$ 5,724

	December 31, 2013			
$s in thousands	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Assets:				
Fixed-income securities (1)	$ 399	$ 3,607	$	$ 4,006
Money market funds (2)	$ 91	$	$	$ 91
Total	$ 490	$ 3,607	$	$ 4,097

(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 7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

$s in thousands	September 30, 2014	December 31, 2013
Cell development costs	$ 93,402	$ 77,348
Land and improvements	35,359	18,073
Buildings and improvements	78,955	59,101
Railcars	17,375	17,375
Vehicles and other equipment	96,119	42,859
Construction in progress	20,667	6,784
Total property and equipment	341,877	221,540
Accumulated depreciation and amortization	(121,559)	(106,681)

Property and equipment, net	$	220,318	$	114,859

Depreciation and amortization expense for the three months ended September 30, 2014 and 2013 was $8.4 million and $3.7 million, respectively. Depreciation and amortization expense for the nine months ended September 30, 2014 and 2013 was $16.8 million and $10.8 million, respectively.

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NOTE 8. GOODWILL AND INTANGIBLE ASSETS

Changes in goodwill for the nine months ended September 30, 2014 consisted of the following:

$s in thousands	December 31, 2013	Additions	Foreign Currency Translation	September 30, 2014
Goodwill:				
Operating Disposal Facilities	$ 21,693	$	$ (967)	$ 20,726
EQ Operations		192,633		192,633
Total goodwill	$ 21,693	$ 192,633	$ (967)	$ 213,359

Intangible assets consisted of the following:

$s in thousands	September 30, 2014	December 31, 2013
Amortizing intangible assets:		
Customer relationships	$ 119,823	$ 5,005
Permits, licenses and lease	144,518	26,264
Technology - Formulae and processes	8,145	8,551
Tradename	9,900	
Customer backlog	3,600	
Non-compete agreements	1,420	20
Internet domain and website	900	
Database	690	94
Developed software	313	329
Total amortizing intangible assets	289,309	40,263
Accumulated amortization	(9,353)	(4,341)
Nonamortizing intangible assets:		
Permits and licenses	750	750
Tradename	152	160
Total intangible assets, net	$ 280,858	$ 36,832

At September 30, 2014, the net carrying amounts of goodwill and amortizing intangible assets include preliminary estimates of $192.6 million and $250.9 million, respectively, as a result of our acquisition of EQ.

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Amortization expense for the three months ended September 30, 2014 and 2013 was $4.0 million and $362,000, respectively. Amortization expense for the nine months ended September 30, 2014 and 2013 was $5.2 million and $1.1 million, respectively. Future amortization expense of amortizing intangible assets, including the amortization of the preliminary values assigned to EQ amortizing intangible assets, is as follows:

$s in thousands		Total
Remainder of 2014	$	4,000
2015		15,222
2016		14,541
2017		14,536
2018	$	13,183

NOTE 9. DEBT

Long-term debt consisted of the following:

$s in thousands		September 30, 2014		December 31, 2013
Term loan	$	413,962	$	
Net discount on term loan	$	(1,000)		
Total debt		412,962		
Current portion of long-term debt		(4,002)		
Long-term debt	$	408,960	$	

Future maturities of long-term debt, excluding the net discount, as of September 30, 2014 consist of the following:

$s in thousands		Maturities
2014	$	1,037
2015		4,150
2016		4,150
2017		4,150
2018		4,150
Thereafter		396,325
	$	413,962

On June 17, 2014, in connection with the acquisition of EQ, the Company entered into a new $540.0 million senior secured credit agreement (the Credit Agreement) with a syndicate of banks comprised of a $415.0 million term loan (the Term Loan) with a maturity date of June 17, 2021 and a $125.0 million revolving line of credit (the Revolving Credit Facility) with a maturity date of June 17, 2019. Upon entering into the Credit Agreement, the Company terminated its existing credit agreement with Wells Fargo, dated October, 29, 2010, as amended (the Former Agreement). Immediately prior to the termination of the Former Agreement, there were no outstanding borrowings under the Former Agreement. No early termination penalties were incurred as a result of the termination of the Former Agreement.

Term Loan

The Term Loan provides an initial commitment amount of $415.0 million, the proceeds of which were used to acquire 100% of the outstanding shares of EQ and pay related transaction fees and expenses. The Term Loan bears interest at a base rate (as defined in the Credit Agreement) plus 2.00% or LIBOR plus 3.00%, at the Company s option. The Term Loan is subject to amortization in equal quarterly installments in an aggregate annual amount equal to 1.00% of the original principal amount of the Term Loan. At September 30, 2014, the effective interest rate on the Term Loan was 3.75%. Interest only payments are due either monthly or on the last day of any interest period, as applicable. As set forth in the Credit Agreement, the Company is required to enter into one or more interest rate hedge agreements in amounts sufficient to fix the interest rate on at least 50% of the principal amount of the $415.0 million Term Loan. In October 2014, the Company entered into an interest rate swap agreement with Wells Fargo, effectively fixing the interest rate on $250.0 million, or 60%, of the Term Loan borrowings outstanding as of September 30, 2014. Refer to Note 17- Subsequent Events for additional details.

Revolving Credit Facility

The Revolving Credit Facility provides up to $125.0 million of revolving credit loans or letters of credit with the use of proceeds restricted solely for working capital and other general corporate purposes. Under the Revolving Credit Facility, revolving loans are available based on a base rate (as defined in the Credit Agreement) 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). The Company is required to pay a commitment fee of 0.50% per annum on the unused portion of the Revolving Credit Facility, with such commitment fee to be reduced based upon the Company s total leverage ratio as defined in the Credit Agreement. The maximum letter of credit capacity under the new revolving credit facility is $50.0 million and the Credit Agreement provides for a letter of credit fee equal to the applicable margin for LIBOR loans under the Revolving Credit Facility. Interest only payments are due either monthly or on the last day of any interest period, as applicable. At September 30, 2014, there were no borrowings outstanding on the Revolving Credit Facility. The availability under the Revolving Credit Facility was $97.8 million with $27.2 million of the Revolving Credit Facility issued in the form of standby letters of credit utilized as collateral for closure and post-closure financial assurance.

Except as set forth below, the Company may prepay the Term Loan or permanently reduce the Revolving Credit Facility commitment under the Credit Agreement at any time without premium or penalty (other than customary breakage costs with respect to the early termination of LIBOR loans). On or prior to nine months after the closing of the Credit Agreement, if we prepay the initial term loans or amend the pricing terms of the initial term loans, in each case in connection with a reduction of the effective yield, we are required to pay a 1% prepayment premium (unless in connection with a change of control, sale or permitted acquisition). Subject to certain exceptions, the Credit Agreement provides for mandatory prepayment upon certain asset dispositions, casualty events and issuances of indebtedness. The Credit Agreement is also subject to mandatory annual prepayments commencing in December 2015 if our total leverage (defined as the ratio of our consolidated funded debt as of the last day of the applicable fiscal year to our adjusted EBITDA for such period) exceeds certain ratios as follows: 50% of our adjusted excess cash flow (as defined in the Credit Agreement and which takes into account certain adjustments) if our total leverage ratio is greater than 2.50 to 1.00, with step-downs to 0% if our total leverage ratio is equal to or less than 2.50 to 1.00.

Pursuant to (i) an unconditional guarantee agreement (the Guarantee) and (ii) a collateral agreement (the Collateral Agreement), each entered into by the Company and its domestic subsidiaries on June 17, 2014, the Company s obligations under the Credit Agreement are jointly and severally and fully and unconditionally guaranteed on a senior basis by all of the Company s existing and certain future domestic subsidiaries and the Credit Agreement is secured by substantially all of the Company s and its domestic subsidiaries assets except the Company s and its domestic subsidiaries real property.

The Credit Agreement contains customary restrictive covenants, subject to certain permitted amounts and exceptions, including covenants limiting the ability of the Company to incur additional indebtedness, pay dividends and make other restricted payments, repurchase shares of our outstanding stock and create certain liens. 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 default due to the payment of the dividend.

The Credit Agreement also contains a financial maintenance covenant, which is a maximum Consolidated Senior Secured Leverage Ratio, as defined in the Credit Agreement, and is only applicable to the Revolving Credit Facility. Our Consolidated Senior Secured Leverage Ratio as of the last day of any fiscal quarter, commencing with June 30, 2014, may not exceed the ratios indicated below:

Fiscal Quarters Ending	Maximum Ratio
June 30, 2014 through September 30, 2015	4.00 to 1.00
December 31, 2015 through September 30, 2016	3.75 to 1.00
December 31, 2016 through September 30, 2017	3.50 to 1.00
December 31, 2017 through September 30, 2018	3.25 to 1.00
December 31, 2018 and thereafter	3.00 to 1.00

At September 30, 2014, we were in compliance with all of the financial covenants in the Credit Agreement.

NOTE 10. CLOSURE AND POST-CLOSURE OBLIGATIONS

Our accrued closure and post-closure obligations represent 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.

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Changes to reported closure and post-closure obligations consisted of the following:

$s in thousands	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
Closure and post-closure obligations, beginning of period	$ 58,588	$ 17,468
Liabilities assumed in EQ acquisition		37,915
Accretion expense	959	1,675
Payments	(515)	(879)
Adjustments		2,863
Currency translation	(84)	(94)
Closure and post-closure obligations, end of period	58,948	58,948
Less current portion	(5,424)	(5,424)
Long-term portion	$ 53,524	$ 53,524

Adjustments to the obligation are changes in the expected timing or amount of cash expenditures based upon actual and estimated cash expenditures. The adjustments in 2014 are related to an increase to the obligation for our Grand View, Idaho opening facility, due to increases in our estimated closure costs for a newly constructed disposal cell.

NOTE 11. INCOME TAXES

Our effective tax rate for the three months ended September 30, 2014 was 38.7%, up from 35.7% for the three months ended September 30, 2013. Our effective tax rate for the nine months ended September 30, 2014 was 37.7%, up from 35.8% for the nine months ended September 30, 2013. The increases for both the three and nine months ended September 30, 2014 reflect non-deductible business development and transaction expenses associated with the acquisition of EQ.

Due to the expiration of certain statutes of limitations, during the third quarter of 2014 we reduced our unrecognized tax benefits by $424,000 which had a favorable impact on our effective tax rate for the quarter. As of September 30, 2014 we have unrecognized tax benefits of $57,000 remaining that, if recognized, would favorably affect the effective tax rate. As of September 30, 2014, we have recorded $6,000 of cumulative interest expense associated with this unrecognized tax benefit. 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 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 2011 through 2013. Additionally, we may be subject to examinations by various state and local taxing jurisdictions for tax years 2009 through 2013.

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NOTE 12. EARNINGS PER SHARE

$s and shares in thousands, except per share amounts	Three Months Ended September 30, 2014 Basic	2014 Diluted	2013 Basic	2013 Diluted
Net income	13,333	$ 13,333	$ 10,328	$ 10,328
Weighted average basic shares outstanding	21,570	21,570	18,459	18,459
Dilutive effect of stock options and restricted stock		110		74
Weighted average diluted shares outstanding		21,680		18,533
Earnings per share	$ 0.62	$ 0.61	$ 0.56	$ 0.56
Anti-dilutive shares excluded from calculation		78		174

$s and shares in thousands, except per share amounts	Nine Months Ended September 30, 2014 Basic	2014 Diluted	2013 Basic	2013 Diluted
Net income	$ 29,558	$ 29,558	$ 22,944	$ 22,944
Weighted average basic shares outstanding	21,526	21,526	18,395	18,395
Dilutive effect of stock options and restricted stock		123		80
Weighted average diluted shares outstanding		21,649		18,475
Earnings per share	$ 1.37	$ 1.37	$ 1.25	$ 1.24
Anti-dilutive shares excluded from calculation		50		197

NOTE 13. EQUITY

During the nine months ended September 30, 2014, option holders exercised 115,188 options with a weighted-average exercise price of $21.52 per option. Option holders exercised 46,744 of these options via net share settlement. During the nine months ended September 30, 2014, the Company issued 24,038 shares of restricted stock from our treasury stock at an average cost of $21.00 per share.

NOTE 14. 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. 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 (U.S. EPA) 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

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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 U.S. EPA asserted various related technical compliance and permitting violations of the Clean Air Act of 1970. Negotiations on the terms of a proposed settlement are ongoing with the U.S. EPA. We recognized a charge of $238,000 during the second quarter of 2013 in Selling, general and administrative expenses in the Consolidated Statement of Operations related to the enforcement matter. In July 2014, based on further negotiations with the U.S. EPA, our estimated liability was reduced to $138,000 and, accordingly, we recognized a credit of $100,000 during the third quarter of 2014 in Selling, general and administrative expenses in the Consolidated Statement of Operations.

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, individually or in the aggregate, have a materially adverse effect on our financial position, results of operations or cash flows.

Operating Leases

In connection with the acquisition of EQ on June 17, 2014, the Company acquired additional operating lease agreements primarily covering facilities, office equipment and machinery. Future minimum lease payments on non-cancellable EQ operating leases as of September 30, 2014 are as follows:

$s in thousands		**Payments**
2014	$	1,346
2015		5,176
2016		4,358
2017		3,370
2018		1,906
Thereafter		849
	$	17,005

NOTE 15. MULTI-EMPLOYER DEFINED BENEFIT PENSION PLANS

Certain of the Company s wholly-owned subsidiaries, acquired with the acquisition of EQ on June 17, 2014, participate in seven multi-employer defined benefit pension plans under the terms of collective bargaining agreements covering most of the subsidiaries union employees. Contributions are determined in accordance with the provisions of negotiated labor contracts and are generally based on stipulated rates per hours worked. Benefits under these plans are generally based on compensation levels and years of service.

The financial risks of participating in multi-employer plans are different from single employer defined benefit pension plans in the following respects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.

- If a participating employer discontinues contributions to a plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

- If a participating employer chooses to stop participating in a plan, a withdrawal liability may be created based on the unfunded vested benefits for all employees in the plan.

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Information regarding significant multi-employer pension benefit plans in which the Company participates is shown in the following table:

Name of Plan	Plan Employer ID Number	Plan Number	Pension Protection Act Certified Zone Status 2013	2012	Contribution Made by EQ (1) $s in thousands 2013	2012
Operating Engineers Local 324 Pension Fund	38-1900637	001	Red	Red	$ 1,061	$ 874
Contributions to multi-employer plans not individually significant					320	249
Total contributions made by EQ (1)					$ 1,381	$ 1,123

(1) Represents contributions made prior to the Company s acquisition of EQ on June 17, 2014.

Based on information as of April 30, 2013 and 2012, the year end of the Operating Engineers Local 324 Pension Fund (the Local 324 Plan), the Company s contributions made to the Local 324 Plan represented less than 5 percent of total contributions received by the Local 324 Plan during the 2013 and 2012 plan years.

The certified zone status in the table above is defined by the Department of Labor and the Pension Protection Act of 2006 and represents the level at which the plan is funded. Plans in the red zone are less than 65 percent funded; plans in the yellow zone are less

than 80 percent funded; and plans in the green zone are at least 80 percent funded. The certified zone status is as of the Local 324 Plan s year end of April 30, 2013 and 2012.

A financial improvement or rehabilitation plan, as defined under ERISA, was adopted by the Local 324 Plan on March 17, 2011 and the Rehabilitation Period began May 1, 2013.

As of September 30, 2014, approximately 30% of the EQ workforce was employed under union collective bargaining agreements with the Local 324 Operating Engineers union. On September 30, 2014, a collective bargaining agreement covering 113 employees at the Taylor, MI facility expired without being renewed, although renewal negotiations are ongoing. The remaining collective bargaining agreements expire on November 30, 2015, and April 30, 2017.

NOTE 16. OPERATING SEGMENTS

Prior to June 17, 2014, our operations were reported in two segments, Operating Disposal Facilities and Non-Operating Disposal Facilities, which reflected 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 no longer accepting hazardous and/or radioactive waste. In connection with our acquisition of EQ Holdings, Inc. on June 17, 2014, we added a third segment, EQ Operations, which consists of EQ s legacy operations. Our chief operating decision maker reviews discrete financial information for each of these segments to evaluate performance and make decisions about allocating resources. As a result of the acquisition of EQ, we plan to continue to refine our segment reporting to reflect ongoing changes in the way we manage our business, and there can be no assurance that we will continue to separately report EQ s financial results in the future.

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Summarized financial information for our reportable segments is shown in the following tables. Income taxes and the elimination of intersegment transactions are assigned to Corporate, but all other items are included in the segment in which they originated.

Three Months Ended September 30, 2014 (in thousands)	**Operating Disposal Facilities**	**Non-Operating Disposal Facilities**	**Corporate**	**EQ Operations**	**Total**
Revenue - Treatment and disposal	$ 47,182	$ 10	$ (139)	$ 33,154	$ 80,207
Revenue - Transportation and services	12,562		(47)	78,172	90,687
Total revenue	59,744	10	(186)	111,326	170,894
Direct operating costs	23,095	55	(186)	68,975	91,939
Transportation costs	12,609			13,683	26,292
Gross profit (loss)	24,040	(45)		28,668	52,663
Selling, general & administrative expense	2,972		4,643	18,214	25,829
Operating income (loss)	21,068	(45)	(4,643)	10,454	26,834
Interest income (expense), net	3		(4,452)	(84)	(4,533)
Foreign currency gain (loss)	410		(1,240)		(830)
Other income	124	2	1	141	268
Income (loss) before income taxes	21,605	(43)	(10,334)	10,511	21,739
Income tax expense			8,406		8,406
Net income (loss)	$ 21,605	$ (43)	$ (18,740)	$ 10,511	$ 13,333
Depreciation, amortization & accretion	$ 4,510	$ 49	$ 17	$ 8,757	$ 13,333
Capital expenditures	$ 2,551	$	$ 71	$ 6,604	$ 9,226
Total assets	$ 219,783	$ 112	$ 25,101	$ 672,153	$ 917,149

Three Months Ended September 30, 2013 (in thousands)	**Operating Disposal Facilities**	**Non-Operating Disposal Facilities**	**Corporate**	**EQ Operations**	**Total**
Revenue - Treatment and disposal	$ 42,489	$ 6	$	$	$ 42,495
Revenue - Transportation and services	10,595				10,595
Total revenue	53,084	6			53,090
Direct operating costs	20,847	55			20,902
Transportation costs	10,568				10,568
Gross profit (loss)	21,669	(49)			21,620
Selling, general & administrative expense	2,611		3,497		6,108
Operating income (loss)	19,058	(49)	(3,497)		15,512
Interest income (expense), net	4		(208)		(204)
Foreign currency gain (loss)	(233)		916		683
Other income	75	2			77
Income (loss) before income taxes	18,904	(47)	(2,789)		16,068
Income tax expense			5,740		5,740
Net income (loss)	$ 18,904	$ (47)	$ (8,529)	$	$ 10,328
Depreciation, amortization & accretion	$ 4,336	$ 52	$ 9	$	$ 4,397
Capital expenditures	$ 2,915	$	$ 145	$	$ 3,060
Total assets	$ 222,503	$ 87	$ 8,141	$	$ 230,731

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Nine Months Ended September 30, 2014 (in thousands)	Operating Disposal Facilities	Non-Operating Disposal Facilities	Corporate	EQ Operations	Total
Revenue - Treatment and disposal	$ 135,746	$ 22	$ (169)	$ 37,862	$ 173,461
Revenue - Transportation and services	28,835		(57)	88,033	116,811
Total revenue	164,581	22	(226)	125,895	290,272
Direct operating costs	67,951	157	(225)	78,055	145,938
Transportation costs	29,137		(1)	15,146	44,282
Gross profit (loss)	67,493	(135)		32,694	100,052
Selling, general & administrative expense	8,488		17,565	20,660	46,713
Operating income (loss)	59,005	(135)	(17,565)	12,034	53,339
Interest income (expense), net	10		(5,268)	(136)	(5,394)
Foreign currency gain (loss)	396		(1,423)		(1,027)
Other income	355	7	1	157	520
Income (loss) before income taxes	59,766	(128)	(24,255)	12,055	47,438
Income tax expense			17,880		17,880
Net income (loss)	$ 59,766	$ (128)	$ (42,135)	$ 12,055	$ 29,558
Depreciation, amortization & accretion	$ 13,470	$ 146	$ 47	$ 10,018	$ 23,681
Capital expenditures	$ 10,102	$ 43	$ 312	$ 7,453	$ 17,910
Total assets	$ 219,783	$ 112	$ 25,101	$ 672,153	$ 917,149

Nine Months Ended September 30, 2013 (in thousands)	Operating Disposal Facilities	Non-Operating Disposal Facilities	Corporate	EQ Operations	Total
Revenue - Treatment and disposal	$ 117,553	$ 16	$	$	$ 117,569
Revenue - Transportation and services	24,197				24,197
Total revenue	141,750	16			141,766
Direct operating costs	61,583	162			61,745
Transportation costs	24,091				24,091
Gross profit (loss)	56,076	(146)			55,930
Selling, general & administrative expense	8,524		9,829		18,353
Operating income (loss)	47,552	(146)	(9,829)		37,577
Interest income (expense), net	10		(650)		(640)
Foreign currency gain (loss)	199		(1,647)		(1,448)
Other income	261	7			268
Income (loss) before income taxes	48,022	(139)	(12,126)		35,757
Income tax expense			12,813		12,813
Net income (loss)	$ 48,022	$ (139)	$ (24,939)	$	$ 22,944
Depreciation, amortization & accretion	$ 12,628	$ 156	$ 27	$	$ 12,811
Capital expenditures	$ 15,330	$	$ 260	$	$ 15,590
Total assets	$ 222,503	$ 87	$ 8,141	$	$ 230,731

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Revenue, Property 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 consisted of the following:

$s in thousands	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
United States	$ 155,073	$ 37,833	$ 243,724	$ 101,852
Canada	15,821	15,257	46,548	39,914
Total revenue	$ 170,894	$ 53,090	$ 290,272	$ 141,766

Long-lived assets, comprised of property and equipment and intangible assets net of accumulated depreciation and amortization, by geographic location consisted of the following:

$s in thousands	September 30, 2014	December 31, 2013
United States	$ 440,019	$ 86,175
Canada	61,157	65,516
Total long-lived assets	$ 501,176	$ 151,691

NOTE 17. SUBSEQUENT EVENTS

Quarterly Dividend

On October 1, 2014, we declared a quarterly dividend of $0.18 per common share to stockholders of record on October 21, 2014. The dividend was paid using cash on hand on October 28, 2014 in an aggregate amount of $3.9 million.

Interest Rate Swap

On October 29, 2014, the Company entered into an interest rate swap agreement with Wells Fargo with the intention of hedging the Company s interest rate exposure on a portion of the Company s outstanding LIBOR-based variable rate debt. Under the terms of the swap, effective December 31, 2014, the Company will pay to Wells Fargo interest at the fixed effective rate of 5.17% and will receive from Wells Fargo interest at the variable one-month LIBOR rate on an initial notional amount of $250.0 million. The interest rate swap will be accounted for as a cash flow hedge whereby changes in the fair value of the cash flow hedge will be recorded in other comprehensive income, with any ineffectiveness recorded directly to interest expense.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying consolidated balance sheet of US Ecology, Inc. and subsidiaries (the Company) as of September 30, 2014, and the related consolidated statements of operations and comprehensive income for the three-month and nine-month periods ended September 30, 2014 and 2013, and the consolidated statements of cash flows for the nine-month periods ended September 30, 2014 and 2013. These interim financial statements are the responsibility of the Company s management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of US Ecology, Inc. and subsidiaries as of December 31, 2013, and the related consolidated statements of operations, comprehensive income, stockholders equity, and cash flows for the year then ended (not presented herein); and in our report dated February 25, 2014, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2013 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche LLP

Boise, Idaho

November 7, 2014

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

The information contained in this section should be read in conjunction with our unaudited consolidated financial statements and related notes thereto appearing elsewhere in this quarterly report on Form 10-Q. In this report words such as we, us, our, US Ecology and the Company re to US Ecology, Inc. and its subsidiaries.

OVERVIEW

US Ecology, Inc. is a leading North American provider of environmental services to commercial and government entities. The Company addresses the complex waste management needs of its customers, offering treatment, disposal and recycling of hazardous and radioactive waste, as well as a wide range of complementary field and industrial services. US Ecology s focus on safety, environmental compliance, and customer service, enables us to effectively meet the needs of our customers and to build long-lasting relationships. The Company s headquarters are in Boise, Idaho, with operations in the United States, Canada and Mexico.

Legacy US Ecology Operations

Prior to June 17, 2014, our operations consisted primarily of our six fixed facilities located near Beatty, Nevada; Richland, Washington; Robstown, Texas; Grand View, Idaho; Detroit, Michigan and Blainville, Québec, Canada. These facilities generate revenue from fees charged to treat and dispose of waste and from fees charged to perform various field and industrial services for our customers. We also own and manage a dedicated fleet of gondola railcars and arrange for the transportation of waste to the facilities which contributes significant revenue.

Legacy EQ Operations

On June 17, 2014, the Company acquired 100% of the outstanding shares of EQ Holdings, Inc. and its wholly-owned subsidiaries (collectively EQ). EQ is a fully integrated environmental services company providing waste treatment and disposal, wastewater treatment, remediation, recycling, industrial cleaning and maintenance, transportation, total waste management, technical services, and emergency response services to a variety of industries and customers in North America. EQ has contributed $125.9 million of revenue and $12.0 million of operating income since the closing of the acquisition on June 17, 2014.

Throughout Item 2 - Management s Discussion and Analysis of Financial Condition and Results of Operations of this report we have excluded revenue from EQ when calculating Base Business and Event Business revenue and changes in disposal revenue between our customer categories, as we believe that excluding revenue from EQ provides more meaningful comparative information on the Company s results of operations with respect to the legacy US Ecology business for the three and nine months ended September 30, 2014.

CUSTOMERS

Legacy US Ecology customers are divided into categories to better evaluate period-to-period changes in 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 treatment and disposal revenues (excluding EQ) by category for the three and nine months ended September 30, 2014 and 2013.

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Customer Category	Description	% of Treatment and Disposal Revenue (1),(2) for the Three Months Ended September 30, 2014	2013
Broker	Companies that collect and aggregate waste from their direct customers, generally comprised of Base Business with periodic Event Business for larger projects.	47%	46%