US ECOLOGY, INC.
Form 10-Q
August 01, 2016
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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 June 30, 2016

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: 000-11688

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**	**83702**
(Address of principal executive offices)	(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 x Accelerated filer o 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 July 27, 2016, there were 21,773,650 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)

	June 30, 2016	December 31, 2015
Assets		
Current Assets:		
Cash and cash equivalents	$ 12,789	$ 5,989
Receivables, net	100,567	106,380
Prepaid expenses and other current assets	7,388	8,484
Income taxes receivable	3,510	2,017
Total current assets	124,254	122,870
Property and equipment, net	215,484	210,334
Restricted cash and investments	5,818	5,748
Intangible assets, net	237,501	239,571
Goodwill	193,835	191,823
Other assets	1,360	1,641
Total assets	$ 778,252	$ 771,987
Liabilities And Stockholders Equity		
Current Liabilities:		
Accounts payable	$ 14,467	$ 17,169
Deferred revenue	6,928	8,078
Accrued liabilities	26,082	25,634
Accrued salaries and benefits	12,417	11,513
Income taxes payable	166	117
Current portion of closure and post-closure obligations	2,680	2,787
Revolving credit facility	3,966	
Current portion of long-term debt	2,954	3,056
Total current liabilities	69,660	68,354
Long-term closure and post-closure obligations	69,755	68,367
Long-term debt	280,133	290,684
Other long-term liabilities	10,382	5,825
Deferred income taxes	81,181	82,622
Total liabilities	511,111	515,852

Commitments and contingencies				
Stockholders Equity:				
Common stock $0.01 par value, 50,000 authorized; 21,774 and 21,744 shares issued, respectively		218		217
Additional paid-in capital		171,230		169,873
Retained earnings		111,920		103,300
Treasury stock, at cost, 0 and 5 shares, respectively		(5)		(189)
Accumulated other comprehensive loss		(16,222)		(17,066)
Total stockholders equity		267,141		256,135
Total liabilities and stockholders equity	$	778,252	$	771,987

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 June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Revenue	$ 122,351	$ 139,732	$ 235,669	$ 276,383
Direct operating costs	85,445	98,262	163,555	195,069
Gross profit	36,906	41,470	72,114	81,314
Selling, general and administrative expenses	19,819	22,675	39,244	47,568
Impairment charges		6,700		6,700
Operating income	17,087	12,095	32,870	27,046
Other income (expense):				
Interest income	33	6	82	47
Interest expense	(4,303)	(5,433)	(8,862)	(11,127)
Foreign currency gain (loss)	(343)	292	416	(775)
Other	2,330	233	2,499	769
Total other expense	(2,283)	(4,902)	(5,865)	(11,086)
Income before income taxes	14,804	7,193	27,005	15,960
Income tax expense	5,866	5,055	10,550	7,957
Net income	$ 8,938	$ 2,138	$ 16,455	$ 8,003
Earnings per share:				
Basic	$ 0.41	$ 0.10	$ 0.76	$ 0.37
Diluted	$ 0.41	$ 0.10	$ 0.76	$ 0.37
Shares used in earnings per share calculation:				
Basic	21,700	21,617	21,692	21,600
Diluted	21,790	21,748	21,768	21,719
Dividends paid per share	$ 0.18	$ 0.18	$ 0.36	$ 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 June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Net income	$ 8,938	$ 2,138	$ 16,455	$ 8,003
Other comprehensive income (loss):				
Foreign currency translation gain (loss)	36	1,003	3,289	(3,171)
Net changes in interest rate hedge, net of taxes of ($297), $663, ($1,316) and ($91), respectively	(551)	1,231	(2,445)	(169)
Comprehensive income, net of tax	$ 8,423	$ 4,372	$ 17,299	$ 4,663

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)

	Six Months Ended June 30, 2016	2015
Cash flows from operating activities:		
Net income	$ 16,455	$ 8,003
Adjustments to reconcile net income to net cash provided by operating activities:		
Impairment charges		6,700
Depreciation and amortization of property and equipment	12,106	15,135
Amortization of intangible assets	5,256	6,606
Accretion of closure and post-closure obligations	2,049	2,077
Gain on disposition of business	(2,208)	
Unrealized foreign currency (gain) loss	(685)	1,510
Deferred income taxes	(1,340)	(3,096)
Share-based compensation expense	1,578	1,089
Net loss on disposal of property and equipment	22	908
Amortization of debt issuance costs	1,065	1,001
Amortization of debt discount	74	74
Changes in assets and liabilities:		
Receivables	6,613	16,952
Income taxes receivable	(1,439)	6,328
Other assets	1,272	2,373
Accounts payable and accrued liabilities	(872)	(6,241)
Deferred revenue	(1,220)	(6,089)
Accrued salaries and benefits	787	(1,651)
Income taxes payable	49	839
Closure and post-closure obligations	(848)	(2,136)
Net cash provided by operating activities	38,714	50,382
Cash flows from investing activities:		
Purchases of property and equipment	(14,488)	(19,376)
Business acquisition (net of cash acquired)	(4,934)	
Purchases of restricted cash and investments	(1,043)	(840)
Proceeds from divestitures (net of cash divested)	2,723	
Proceeds from sale of restricted cash and investments	973	817
Proceeds from sale of property and equipment	96	314
Net cash used in investing activities	(16,673)	(19,085)
Cash flows from financing activities:		
Payments on long-term debt	(11,502)	(33,935)
Dividends paid	(7,835)	(7,792)
Payments on revolving credit facility	(22,166)	
Proceeds from revolving credit facility	26,132	
Proceeds from exercise of stock options	124	1,042
Other	(162)	(262)
Net cash used in financing activities	(15,409)	(40,947)

Effect of foreign exchange rate changes on cash		168		(244)
Increase (decrease) in cash and cash equivalents		6,800		(9,894)
Cash and cash equivalents at beginning of period		5,989		22,971
Cash and cash equivalents at end of period	$	12,789	$	13,077
Supplemental Disclosures				
Income taxes paid, net of receipts	$	13,203	$	7,994
Interest paid	$	7,438	$	9,864
Non-cash investing and financing activities:				
Capital expenditures in accounts payable and other payables	$	2,403	$	1,804
Restricted stock issued from treasury shares	$	415	$	272

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

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US ECOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1. GENERAL

Basis of Presentation

The accompanying unaudited consolidated financial statements include the results of operations, financial position and cash flows of US Ecology, Inc. and its wholly-owned subsidiaries. All inter-company 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 (consisting only of normal recurring 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, 2015. The results of operations for the three and six months ended June 30, 2016 are not necessarily indicative of the results to be expected for the entire year ending December 31, 2016. For comparative purposes, certain amounts in prior periods consolidated financial statements have been reclassified to conform to the current period presentation.

On November 1, 2015, we sold our Allstate Power Vac, Inc. (Allstate) subsidiary to a private investor group. See Note 3 for additional information.

The Company s consolidated balance sheet as of December 31, 2015 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 GAAP 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.

Recently Issued Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-09, *Compensation - Stock Compensation (Topic 718)*. This ASU was issued as part of the FASB s simplification initiative and affects all entities that issue share-based payment awards to their employees. The amendments in this update cover such areas as the recognition of excess tax benefits and deficiencies, the classification of those excess tax benefits on the statement of cash flows, an accounting policy election for forfeitures, the amount an employer can withhold to cover income taxes and still qualify for equity classification and the classification of those taxes paid on the statement of cash flows. The update is effective for annual and interim periods beginning after December 15, 2016. Early adoption is permitted. We are assessing the impact the adoption of ASU 2016-09 may have on our consolidated financial position, results of operations and cash flows.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides guidance for revenue recognition. The ASU s core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The guidance permits the use of either the retrospective or cumulative effect transition method. The ASU also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenues and cash flows from contracts with customers. In August 2015, the FASB issued ASU 2015-14: *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which deferred the effective date established in ASU 2014-09. The amendments in ASU 2014-09 are now effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is

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permitted but not before annual periods beginning after December 15, 2016. We are currently assessing the impact the adoption of ASU 2014-09 may have on our consolidated financial position, results of operations and cash flows.

NOTE 2. BUSINESS COMBINATION

On May 2, 2016, the Company acquired 100% of the outstanding shares of Environmental Services Inc., (ESI), an environmental services company based in Tilbury, Ontario, Canada. ESI is focused primarily on hazardous and non-hazardous transportation and disposal, hazardous and non-hazardous waste treatment, industrial services, confined space rescue and emergency response work throughout Ontario. The total purchase price was $4.9 million, net of cash acquired, and was funded with cash on hand. ESI is reported as part of our Environmental Services segment, however, revenues and total assets of ESI are not material to our consolidated financial position or results of operations.

We have allocated the purchase price to the assets acquired and liabilities assumed based on estimates of the fair value at the date of the acquisition, resulting in $939,000 allocated to goodwill (which is not deductible for tax purposes), $861,000 allocated to intangible assets (primarily customer relationships) to be amortized over a weighted average life of approximately 14 years, and $638,000 allocated to indefinite-lived environmental permits. The purchase price allocation is preliminary, as estimates and assumptions are subject to change as more information becomes available.

NOTE 3. DIVESTITURES

Divestiture of Augusta, Georgia Facility (Augusta)

On April 5, 2016, we completed the divestiture of Augusta for cash proceeds of $1.9 million. Augusta was reported as part of our Environmental Services segment. Sales, net income and total assets of Augusta are not material to our consolidated financial position or results of operations in any period presented. We recognized a $1.9 million pre-tax gain on the divestiture of Augusta, which is included in Other income (expense) in our consolidated statements of operations for the three and six months ended June 30, 2016.

Divestiture of Allstate

On November 1, 2015, we completed the divestiture of Allstate for cash proceeds at closing of $58.8 million. For the year ended December 31, 2015, we recognized a pre-tax loss on the divestiture of Allstate, including transaction-related costs, of $542,000, which was included in Other income (expense) in our consolidated statements of operations. On April 25, 2016, we received additional cash proceeds of $827,000 in settlement of final post-closing adjustments, resulting in a pre-tax gain of $351,000, which is included in Other income (expense) in our consolidated statements of operations for the three and six months ended June 30, 2016.

Prior to the divesture, Allstate represented the majority of the industrial services business included in our Field & Industrial Services segment. The sale of Allstate did not meet the requirements to be reported as a discontinued operation as defined in ASU No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360), Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. See Note 5 to the Consolidated Financial Statements in Part II, Item 8. Financial Statements and Supplementary Data of the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2015 for additional information.

NOTE 4. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Changes in accumulated other comprehensive income (loss) (AOCI) consisted of the following:

	Foreign Currency Translation	Unrealized Loss on Interest Rate Hedge	Total
Balance at December 31, 2015	**$ (14,028)**	**$ (3,038)**	**$ (17,066)**
Other comprehensive income (loss) before reclassifications, net of tax	3,289	(3,506)	(217)
Amounts reclassified out of AOCI, net of tax (1)		1,061	1,061
Other comprehensive income (loss)	3,289	(2,445)	844
Balance at June 30, 2016	**$ (10,739)**	**$ (5,483)**	**$ (16,222)**

(1) Before-tax reclassifications of $808,000 ($525,000 after-tax) and $1.6 million ($1.1 million after-tax) for the three and six months ended June 30, 2016, respectively, and before-tax reclassifications of $879,000 ($572,000 after-tax) and $1.8 million ($1.1 million after-tax) for the three and six months ended June 30, 2015,

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respectively, were included in Interest expense in the Company s consolidated statements of operations. Amounts relate to our interest rate swap which is designated as a cash flow hedge. Changes in fair value of the swap recognized in AOCI are reclassified to interest expense when hedged interest payments on the underlying debt are made. Amounts in AOCI expected to be recognized in interest expense over the next 12 months total approximately $3.2 million ($2.1 million after tax).

NOTE 5. CONCENTRATIONS AND CREDIT RISK

Major Customers

No customer accounted for more than 10% of total revenue for the three or six months ended June 30, 2016 or the three or six months ended June 30, 2015. No customer accounted for more than 10% of total trade receivables as of June 30, 2016 or December 31, 2015.

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) and Comerica, Inc. 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.

NOTE 6. RECEIVABLES

Receivables consisted of the following:

$s in thousands	**June 30, 2016**	**December 31, 2015**
Trade	$ 84,273	$ 95,055
Unbilled revenue	17,267	11,983
Other	1,357	2,568
Total receivables	102,897	109,606
Allowance for doubtful accounts	(2,330)	(3,226)
Receivables, net	$ 100,567	$ 106,380

NOTE 7. 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, debt and interest rate swap agreements. The estimated fair value of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and revolving credit facility approximate their carrying value due to the short-term nature of these instruments.

The Company estimates the fair value of its variable-rate debt using Level 2 inputs, such as interest rates, related terms and maturities of similar obligations. At June 30, 2016, the fair value of the Company s variable-rate debt was estimated to be $289.9 million. The Company s assets and liabilities measured at fair value on a recurring basis consisted of the following:

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	June 30, 2016							
$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)	$	823	$	3,214	$		$	4,037
Money market funds (2)		1,781						1,781
Total	$	2,604	$	3,214	$		$	5,818
Liabilities:								
Interest rate swap agreement (3)	$		$	8,436	$		$	8,436
Total	$		$	8,436	$		$	8,436

	December 31, 2015							
$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)	$	403	$	3,573	$		$	3,976
Money market funds (2)		1,772						1,772
Total	$	2,175	$	3,573	$		$	5,748
Liabilities:								
Interest rate swap agreement (3)	$		$	4,676	$		$	4,676
Total	$		$	4,676	$		$	4,676

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(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.

(3) In order to manage interest rate exposure, we entered into an interest rate swap agreement in October 2014 that effectively converts a portion of our variable-rate debt to a fixed interest rate. The swap is designated as a cash flow hedge, with gains and losses deferred in other comprehensive income to be recognized as an adjustment to interest expense in the same period that the hedged interest payments affect earnings. The interest rate swap has an effective date of December 31, 2014 with an initial notional amount of $250.0 million. The fair value of the interest rate swap agreement represents the difference in the present value of cash flows calculated at the contracted interest rates and at current market interest rates at the end of the period. We calculate the fair value of the interest rate swap agreement quarterly based on the quoted market price for the same or similar financial instruments. The fair value of the interest rate swap agreement is included in Other long-term liabilities in the Company s consolidated balance sheet as of June 30, 2016 and December 31, 2015.

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NOTE 8. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

$s in thousands	June 30, 2016	December 31, 2015
Cell development costs	$ 123,215	$ 121,473
Land and improvements	33,158	31,606
Buildings and improvements	73,820	70,990
Railcars	17,375	17,375
Vehicles and other equipment	102,779	92,797
Construction in progress	21,450	20,067
Total property and equipment	371,797	354,308
Accumulated depreciation and amortization	(156,313)	(143,974)
Property and equipment, net	$ 215,484	$ 210,334

Depreciation and amortization expense for the three months ended June 30, 2016 and 2015 was $6.2 million and $7.7 million, respectively. Depreciation and amortization expense for the six months ended June 30, 2016 and 2015 was $12.1 million and $15.1 million, respectively.

NOTE 9. GOODWILL AND INTANGIBLE ASSETS

Changes in goodwill for the six months ended June 30, 2016 consisted of the following:

$s in thousands	Environmental Services	Field & Industrial Services	Total
Balance at December 31, 2015	$ 147,692	$ 44,131	$ 191,823
ESI acquisition	939		939
Foreign currency translation	1,073		1,073
Balance at June 30, 2016	$ 149,704	$ 44,131	$ 193,835

Intangible assets, net consisted of the following:

	June 30, 2016			December 31, 2015		
$s in thousands	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Amortizing intangible assets:						

Permits, licenses and lease	$	111,120	$	(8,254)	$	102,866	$	109,652	$	(6,682)	$	102,970
Customer relationships		83,001		(11,791)		71,210		82,021		(9,015)		73,006
Technology - formulae and processes		7,023		(1,241)		5,782		6,560		(1,054)		5,506
Customer backlog		3,652		(743)		2,909		3,652		(561)		3,091
Tradename		4,318		(2,930)		1,388		4,318		(2,210)		2,108
Developed software		2,917		(848)		2,069		2,899		(678)		2,221
Non-compete agreements		747		(735)		12		732		(732)		
Internet domain and website		540		(58)		482		540		(44)		496
Database		390		(105)		285		385		(85)		300
Total amortizing intangible assets		213,708		(26,705)		187,003		210,759		(21,061)		189,698
Nonamortizing intangible assets:												
Permits and licenses		50,367				50,367		49,750				49,750
Tradename		131				131		123				123
Total intangible assets, net	$	264,206	$	(26,705)	$	237,501	$	260,632	$	(21,061)	$	239,571

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Amortization expense for the three months ended June 30, 2016 and 2015 was $2.6 million and $3.3 million, respectively. Amortization expense for the six months ended June 30, 2016 and 2015 was $5.3 million and $6.6 million, respectively. Foreign intangible asset carrying amounts are affected by foreign currency translation.

NOTE 10. DEBT

Long-term debt consisted of the following:

$s in thousands		**June 30, 2016**		**December 31, 2015**
Term loan	$	289,491	$	300,994
Unamortized discount and debt issuance costs		(6,404)		(7,254)
Total debt		283,087		293,740
Current portion of long-term debt		(2,954)		(3,056)
Long-term debt	$	280,133	$	290,684

On June 17, 2014, in connection with the acquisition of EQ Holdings, Inc. and its wholly-owned subsidiaries (collectively 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 provided 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 June 30, 2016, the effective interest rate on the Term Loan, including the impact of our interest rate swap, was 4.74%. 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 $220.0 million, or 76%, of the Term Loan principal outstanding as of June 30, 2016.

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 consolidated earnings before interest, taxes, depreciation and amortization (as defined in the Credit Agreement). At June 30, 2016, the effective interest rate on the Revolving Credit Facility was 5.25%. 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 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 payments are due either monthly or on the last day of any interest period, as applicable. At June 30, 2016, there were $4.0 million of working capital borrowings outstanding on the Revolving Credit Facility. These borrowings are due on demand and presented as short-term debt in the consolidated balance sheets. As of June 30, 2016, the availability under the Revolving Credit Facility was $113.5 million with $7.5 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 and other assurance obligations.

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). 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, 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
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 June 30, 2016, we were in compliance with all of the financial covenants in the Credit Agreement.

NOTE 11. 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. We record the fair value of our closure and post-closure obligations as a liability in the period in which the regulatory obligation to retire a specific asset is triggered. For our individual landfill cells, the required closure and post-closure obligations under the terms of our permits and our intended operation of the landfill cell are triggered and recorded when the cell is placed into service and waste is initially disposed in the landfill cell. The fair value is based on the total estimated costs to close the landfill cell and perform post-closure activities once the landfill cell has reached capacity and is no longer accepting waste. 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.

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

$s in thousands	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
Closure and post-closure obligations, beginning of period	$ 71,786	$ 71,154
Accretion expense	1,025	2,049
Payments	(376)	(848)
Foreign currency translation		80
Closure and post-closure obligations, end of period	72,435	72,435
Less current portion	(2,680)	(2,680)
Long-term portion	$ 69,755	$ 69,755

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NOTE 12. INCOME TAXES

Our effective tax rate for the three months ended June 30, 2016 was 39.6%, down from 70.3% for the three months ended June 30, 2015. Our effective tax rate for the six months ended June 30, 2016 was 39.1%, down from 49.9% for the six months ended June 30, 2015. The decreases for both the three and six months ended June 30, 2016 primarily reflect non-deductible impairment charges of $6.7 million recorded during the three and six months ended June 30, 2015. The decreases are partially offset by a lower proportion of earnings from our Canadian operations, which are taxed at a lower corporate tax rate, for the three and six months ended June 30, 2016 compared with the three and six months ended June 30, 2015. The decreases are also partially offset by a higher U.S. effective tax rate in the three and six months ended June 30, 2016 driven by a higher overall effective state tax rate resulting from changes in our apportionment between the various states in which we operate.

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. During the six months ended June 30, 2016, the US Ecology, Inc. IRS examination for the 2012 tax year concluded with no material changes. US Ecology, Inc. is subject to examination by the IRS for tax years 2013 through 2015. During the six months ended June 30, 2016, the EQ IRS examination for the 2012 tax year concluded with no material changes. EQ is subject to examination by the IRS for tax years 2013 through 2015. We may be subject to examinations by the Canada Revenue Agency as well as various state and local taxing jurisdictions for tax years 2011 through 2015. We are currently not aware of any other examinations by taxing authorities.

NOTE 13. EARNINGS PER SHARE

	Three Months Ended June 30,			
$s and shares in thousands, except per share amounts	**2016**		**2015**	
	Basic	**Diluted**	**Basic**	**Diluted**
Net income	$ 8,938	$ 8,938	$ 2,138	$ 2,138
Weighted average basic shares outstanding	21,700	21,700	21,617	21,617
Dilutive effect of stock-based awards		90		131
Weighted average diluted shares outstanding		21,790		21,748
Earnings per share	$ 0.41	$ 0.41	$ 0.10	$ 0.10
Anti-dilutive shares excluded from calculation		251		178

	Six Months Ended June 30,			
$s and shares in thousands, except per share amounts	**2016**		**2015**	
	Basic	**Diluted**	**Basic**	**Diluted**
Net income	$ 16,455	$ 16,455	$ 8,003	$ 8,003
Weighted average basic shares outstanding	21,692	21,692	21,600	21,600
Dilutive effect of stock-based awards		76		119
Weighted average diluted shares outstanding		21,768		21,719
Earnings per share	$ 0.76	$ 0.76	$ 0.37	$ 0.37
Anti-dilutive shares excluded from calculation		304		197

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NOTE 14. EQUITY

Stock Repurchase Program

On June 1, 2016, the Company s Board of Directors authorized the repurchase of $25.0 million of the Company s outstanding common stock. Repurchases may be made from time to time in open market or through privately negotiated transactions. The timing of any repurchases will be based upon prevailing market conditions and other factors. The Company did not repurchase any shares of common stock under the repurchase program during the three months ended June 30, 2016. The repurchase program will remain in effect until June 2, 2018, unless extended by our Board of Directors.

Omnibus Incentive Plan

On May 27, 2015, our stockholders approved the Omnibus Incentive Plan (Omnibus Plan), which was approved by our Board of Directors on April 7, 2015. The Omnibus Plan was developed to provide additional incentives through equity ownership in US Ecology and, as a result, encourage employees and directors to contribute to our success. The Omnibus Plan provides, among other things, the ability for the Company to grant restricted stock, performance stock, options, stock appreciation rights, restricted stock units (RSUs), performance stock units (PSUs) and other stock-based awards or cash awards to officers, employees, consultants and non-employee directors. Subsequent to the approval of the Omnibus Plan in May 2015, we stopped granting equity awards under our 2008 Stock Option Incentive Plan and our 2006 Restricted Stock Plan (collectively, the Previous Plans), and the Previous Plans will remain in effect solely for the settlement of awards granted under the Previous Plans. No shares that are reserved but unissued under the Previous Plans or that are outstanding under the Previous Plans and reacquired by the Company for any reason will be available for issuance under the Omnibus Plan. The Omnibus Plan expires on April 7, 2025 and authorizes 1,500,000 shares of common stock for grant over the life of the Omnibus Plan. As of June 30, 2016, 1,241,752 shares of common stock remain available for grant under the Omnibus Plan.

PSUs, RSUs and Restricted Stock

On January 4, 2016, the Company granted 16,000 PSUs to certain employees. Each PSU represents the right to receive, on the settlement date, one share of the Company s common stock. The total number of PSUs each participant is eligible to earn ranges from 0% to 200% of the target number of PSUs granted. The actual number of PSUs that will vest and be settled in shares is determined at the end of a three-year performance period beginning January 1, 2016, based on total stockholder return relative to a set of peer companies. The fair value of the PSUs estimated on the grant date using a Monte Carlo simulation was $41.22 per unit. Compensation expense is recorded over the awards vesting period.

Assumptions used in the Monte Carlo simulation to calculate the fair value of the PSUs granted in 2016 and 2015 are as follows:

	2016	2015
Stock price on grant date	$ 35.05	$ 46.89
Expected term (years)	3.0	2.6

Expected volatility	29%	29%
Risk-free interest rate	1.3%	0.9%
Expected dividend yield	2.1%	1.5%

A summary of our PSU, restricted stock and RSU activity for the six months ended June 30, 2016 is as follows:

	PSUs		Restricted Stock		RSUs	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Outstanding as of December 31, 2015	6,929	$ 65.78	59,413	$ 42.67		$
Granted	16,000	41.22	34,300	37.90	20,830	39.10
Vested			(29,371)	37.21		
Cancelled, expired or forfeited						
Outstanding as of June 30, 2016	22,929	$ 48.64	64,342	$ 42.62	20,830	$ 39.10

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Stock Options

A summary of our stock option activity for the six months ended June 30, 2016 is as follows:

	Shares	Weighted Average Exercise Price
Outstanding as of December 31, 2015	336,417	$ 35.83
Granted	147,660	37.83
Exercised	(7,873)	27.78
Cancelled, expired or forfeited		
Outstanding as of June 30, 2016	476,204	$ 36.59
Exercisable as of June 30, 2016	154,568	$ 32.52

Treasury Stock

During the six months ended June 30, 2016, the Company issued 10,412 shares of restricted stock, under the Omnibus Plan, from our treasury stock at an average cost of $39.82 per share and repurchased 5,667 shares of the Company s common stock in connection with the net share settlement of employee equity awards at an average cost of $40.59 per share. During the six months ended June 30, 2016, option holders exercised 7,873 options with a weighted-average exercise price of $27.78 per option. Option holders exercised 2,083 of these options via net share settlement.

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. 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.

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.

NOTE 16. OPERATING SEGMENTS

Financial Information by Segment

Our operations are managed in two reportable segments reflecting our internal reporting structure and nature of services offered as follows:

Environmental Services - This segment provides a broad range of hazardous material management services including transportation, recycling, treatment and disposal of hazardous and non-hazardous waste at Company-owned landfill, wastewater and other treatment facilities.

Field & Industrial Services - This segment provides packaging and collection of hazardous waste and total waste management solutions at customer sites and through our 10-day transfer facilities. Services include on-site management, waste characterization, transportation and disposal of non-hazardous and hazardous waste. This segment also provides specialty services such as high-pressure cleaning, tank cleaning, decontamination, remediation, transportation, spill cleanup and emergency response and other services to commercial and industrial facilities and to government entities.

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The operations not managed through our two reportable segments are recorded as Corporate. Corporate selling, general and administrative expenses include typical corporate items such as legal, accounting and other items of a general corporate nature. 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.

Effective January 1, 2016, we changed our internal reporting structure by moving the financial results of our Sulligent, Alabama and Tampa, Florida facilities from our Environmental Services segment to our Field & Industrial Services segment. The purpose of this change is to align our internal reporting structure with how we manage our business based on the primary service offering of each facility. Throughout this Quarterly Report on Form 10-Q, our segment results for all periods presented have been recast to reflect this change.

Summarized financial information of our reportable segments is as follows:

	Three Months Ended June 30, 2016			
$s in thousands	**Environmental Services**	**Field & Industrial Services**	**Corporate**	**Total**
Treatment & Disposal Revenue	$ 66,908	$ 2,897	$	$ 69,805
Services Revenue:				
Transportation and Logistics (1)	15,889	4,955		20,844
Industrial Cleaning (2)		7,201		7,201
Technical Services (3)		19,167		19,167
Remediation (4)		4,653		4,653
Other (5)		681		681
Total Revenue	$ 82,797	$ 39,554	$	$ 122,351
Depreciation, amortization and accretion	$ 8,371	$ 1,377	$ 125	$ 9,873
Capital expenditures	$ 5,575	$ 1,021	$ 673	$ 7,269
Total assets	$ 591,511	$ 127,836	$ 58,905	$ 778,252

	Three Months Ended June 30, 2015			
$s in thousands	**Environmental Services**	**Field & Industrial Services (6)**	**Corporate**	**Total**
Treatment & Disposal Revenue	$ 71,641	$ 3,123	$	$ 74,764
Services Revenue:				
Transportation and Logistics (1)	15,345	5,040		20,385
Industrial Cleaning (2)		23,735		23,735
Technical Services (3)		18,083		18,083
Remediation (4)		2,580		2,580
Other (5)		185		185
Total Revenue	$ 86,986	$ 52,746	$	$ 139,732
Depreciation, amortization and accretion	$ 8,795	$ 3,064		