

FLEXTRONICS INTERNATIONAL LTD.

Form 10-K/A

July 28, 2009

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

**Form 10-K/A  
Amendment No. 1**

**(Mark One)**

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

**For the fiscal year ended March 31, 2009**

**or**

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

**Commission file number 000-23354**

**FLEXTRONICS INTERNATIONAL LTD.**

*(Exact name of registrant as specified in its charter)*

**Singapore**

*(State or other jurisdiction of  
incorporation or organization)*

**One Marina Boulevard, #28-00**

**Singapore**

*(Address of registrant's principal executive offices)*

**Not Applicable**

*(I.R.S. Employer  
Identification No.)*

**018989**

*(Zip Code)*

**Registrant's telephone number, including area code**

**(65) 6890 7188**

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

<b>Title of Each Class</b>	<b>Name of Each Exchange on Which Registered</b>
Ordinary Shares, No Par Value	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

**Securities registered pursuant to Section 12(g) of the Act NONE**

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

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

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

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

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

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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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

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

As of September 26, 2008, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the Company's ordinary shares held by non-affiliates of the registrant was approximately \$6.2 billion based upon the closing sale price as reported on the NASDAQ Stock Market LLC (NASDAQ Global Select Market).

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

<b>Class</b>	<b>Outstanding at July 24, 2009</b>
Ordinary Shares, No Par Value	810,719,538

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The Registrant is filing this Amendment No. 1 on Form 10-K/A to amend its Annual Report on Form 10-K for the fiscal year ended March 31, 2009, as filed with the Securities and Exchange Commission on May 20, 2009, for the purpose of providing the information required by Part II Securities Authorized For Issuance Under Equity Compensation Plans and Part III of Form 10-K. The information required by Part II Securities Authorized For Issuance Under Equity Compensation Plans and Part III of Form 10-K is no longer being incorporated by reference from the Registrant's Proxy Statement. Except as set forth in Part II and Part III below, no other changes are made to the original Form 10-K for the fiscal year ended March 31, 2009. Unless expressly stated, this Amendment No. 1 does not reflect events occurring after the filing of the original Form 10-K, nor does it modify or update in any way the disclosures contained in the original Form 10-K. Throughout this report, references to the company, we, our, or us refer to Flextronics International Ltd. and its consolidated subsidiaries, taken as a whole, unless the context otherwise indicates.

**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

As of March 31, 2009, we maintained (i) the 2001 Equity Incentive Plan, which we refer to as the 2001 Plan, (ii) the 2002 Interim Incentive Plan, which we refer to as the 2002 Plan, (iii) the 2004 Award Plan for New Employees, which we refer to as the 2004 Plan, and (iv) the Solectron Corporation 2002 Stock Plan, which we refer to as the SLR Plan. None of the 2004 Plan, the 2002 Plan or the SLR Plan have been approved by our shareholders. The following table provides information about equity awards under all of these equity incentive plans as of March 31, 2009.

<b>Plan Category</b>	<b>Number of Ordinary Shares to be Issued Upon Exercise of Outstanding Options and Vesting of Share Bonus Awards</b>	<b>Weighted-Average Exercise Price of Outstanding Options (1)</b>	<b>Number of Ordinary Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Ordinary Shares Reflected in Column (a))</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
Equity compensation plans approved by shareholders	68,751,363(2)	\$ 8.85	15,462,381(3)
Equity compensation plans not approved by shareholders (4), (5), (6), (7)	16,430,767(8)	\$ 11.37	23,433,234(9)
<b>Total</b>	<b>85,182,130</b>	<b>\$ 9.26</b>	<b>38,895,615</b>

(1) The weighted-average exercise price does not take into account ordinary

shares issuable upon the vesting of outstanding share bonus awards, which have no exercise price.

- (2) Includes 6,336,730 ordinary shares issuable upon the vesting of share bonus awards granted under the 2001 Plan. The remaining balance consists of ordinary shares issuable upon the exercise of outstanding stock options. Approximately 3.1 million shares subject to share bonus awards are subject to performance criteria which management of the company believes are not probable of being achieved and these awards are not expected to vest.
- (3) Consists of ordinary shares available for grant under the 2001 Plan and shares available under prior company plans and assumed plans that were consolidated into the 2001 Plan.

The 2001 Plan provides for grants of up to 62,000,000 ordinary shares, plus ordinary shares issued or issuable pursuant to stock awards available for grant as a result of the forfeiture, expiration or termination of options granted under such consolidated plans (if such ordinary shares are issued under such other stock options, they will not become available under the 2001 Plan) and shares that were available for grant under such plans at the time of the consolidation of such plans into the 2001 Plan.

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- (4) The 2004 Plan was established in October 2004 and, unless earlier terminated by our Board of Directors, will continue until October 21, 2014. The purpose of the 2004 Plan is to provide incentives to attract, retain and motivate eligible persons whose potential contributions are important to our success by offering such persons an opportunity to participate in our future performance through stock awards. Awards under the 2004 Plan may be granted only to persons who:
- (a) were not previously an employee or director of the company or
  - (b) have either
    - (i) completed a period of *bona fide* non-employment by the company of at least one year, or
    - (ii) are returning to service as an employee of the company, after a period of *bona*



*fide*

non-employment of less than one year due to our acquisition of such person's employer; and then only as an incentive to such persons entering into employment with us. We may grant nonqualified stock options and share bonus awards under the 2004 Plan. The 2004 Plan provides for grants of up to 10,000,000 shares. The exercise price of options granted under the 2004 Plan is determined by the Compensation Committee and may not be less than the fair market value of the underlying stock on the date of grant. Options granted under the 2004 Plan generally vest over four years and expire 10 years from the date of grant. Unvested options are forfeited upon termination of employment. Share bonus awards generally vest in installments over a three- to

five-year period and unvested share bonus awards are also forfeited upon termination of employment.

- (5) Our 2002 Plan was adopted by our Board of Directors in May 2002 and, unless earlier terminated by our Board of Directors, will continue until May 6, 2012. The adoption of the 2002 Plan was necessitated by our internal growth, our multiple acquisitions and the requirement to provide equity compensation for employees consistent with competitors and peer companies. The Board reserved an aggregate of 20,000,000 ordinary shares for issuance under the 2002 Plan. The 2002 Plan provides for the grant of nonqualified stock options and share bonus awards. Grants of awards to executives and non-employee directors may not exceed 49% of the

shares reserved for grant under the plan. Options granted under the 2002 Plan generally have an exercise price of not less than the fair market value of the underlying ordinary shares on the date of grant. Options granted under the 2002 Plan generally vest over four years and expire 10 years from the date of grant. Unvested options are forfeited upon termination of employment. Share bonus awards generally vest in installments over a three- to five-year period and unvested share bonus awards are also forfeited upon termination of employment.

- (6) We have assumed equity incentive plans in connection with the acquisition of certain companies. Options to purchase a total of 7,202,654 ordinary shares under such assumed plans remained outstanding as of

March 31, 2009.  
These options have a weighted-average exercise price of \$8.62 per share. These options have been converted into options to purchase our ordinary shares on the terms specified in the applicable acquisition agreement, but are otherwise administered in accordance with terms of the assumed plans. Options under the assumed plans generally vest over four years and expire 10 years from the date of grant.

- (7) In connection with the acquisition of Solectron Corporation on October 1, 2007, we assumed the SLR Plan, including all outstanding options to purchase Solectron Corporation common stock with exercise prices equal to, or less than, \$5.00 per share. Each assumed option was converted

into an option to acquire our ordinary shares at the applicable exchange rate of 0.345. As a result, we assumed approximately 7.4 million vested and unvested options with exercise prices ranging from between \$5.45 and \$14.41 per ordinary share. We may grant incentive stock options and nonqualified stock options under the SLR Plan. Options granted under the SLR Plan generally have an exercise price of not less than the fair value of the underlying ordinary shares on the date of grant. Such options generally vest over four years and expire 10 years from the date of grant. Unvested options are forfeited upon termination of employment.

- (8) Includes 4,120,175 ordinary shares issuable upon the vesting of share bonus awards granted under the 2002 Plan and the 2004 Plan. The

remaining balance  
consists of  
ordinary shares  
issuable upon the  
exercise of  
outstanding stock  
options.

- (9) As of March 31,  
2009, 1,101,270  
ordinary shares  
remained  
available for grant  
under the 2002  
Plan and  
3,890,879  
ordinary shares  
remained  
available for grant  
under the 2004  
Plan. There were  
approximately  
18.4 million  
shares available  
for grant under  
the SLR Plan.

**Table of Contents****PART III****ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE  
OUR BOARD OF DIRECTORS**

Article 95 of our Articles of Association requires that at each annual general meeting one-third of the directors (or, if their number is not a multiple of three, then the number nearest to but not more than one-third of the directors), are required to retire from office. The directors required to retire in each year are those who have been in office the longest since their last re-election or appointment. As between persons who became or were last re-elected directors on the same day, those required to retire are (unless they otherwise agree among themselves) determined by lot. Under Article 91 of our Articles of Association, any director holding office as a Chief Executive Officer shall not be subject to retirement by rotation, unless the Board of Directors determines otherwise, or be taken into account in determining the number of directors required to retire by rotation. Retiring directors are eligible for re-election. Article 101 of our Articles of Association requires that any person appointed as a director of the company by the Board of Directors shall hold office only until our next annual general meeting, and shall then be eligible for re-election.

On April 14, 2009, Ambassador Rockwell A. Schnabel announced his intention to retire from our Board of Directors at our 2009 annual general meeting of shareholders and on June 18, 2009, Mr. Ajay Shah announced his intention to retire from our Board at the 2009 annual general meeting. Neither director will stand for re-election.

The Companies Act requires that we must have at all times at least one director ordinarily resident in Singapore. Mr. Tan, the only member of our Board of Directors who is ordinarily resident in Singapore, was last re-elected to the Board at the 2007 annual general meeting.

***Members of Our Board of Directors***

*H. Raymond Bingham* (age 63) Mr. Bingham has served as our Chairman of the Board since January 2008 and as a member of our Board of Directors since October 2005. He is Managing Director of General Atlantic LLC, a global private equity firm. Previously, Mr. Bingham served in various positions with Cadence Design Systems, Inc., a supplier of electronic design automation software and services, from 1997 through 2005, most recently as its Executive Chairman from May 2004 to July 2005, director from November 1997 to April 2004, President and Chief Executive Officer from April 1999 to May 2004, and Executive Vice President and Chief Financial Officer from April 1993 to April 1999. Mr. Bingham also serves on the boards of STMicroelectronics and Oracle Corporation.

*James A. Davidson* (age 49) Mr. Davidson has served as a member of our Board of Directors since March 2003. He is a co-founder and managing director of Silver Lake, a private equity investment firm. From June 1990 to November 1998, he was an investment banker with Hambrecht & Quist, most recently serving as Managing Director and Head of Technology Investment Banking. From 1984 to 1990, Mr. Davidson was a corporate and securities lawyer with Pillsbury, Madison & Sutro. Mr. Davidson was appointed to our Board of Directors as a designee of Silver Lake, in connection with the issuance to Silver Lake in 2003 of our Zero Coupon Convertible Junior Subordinated Notes due 2009.

*Robert L. Edwards* (age 53) Mr. Edwards has served as a member of our Board of Directors since October 2008. Mr. Edwards, executive vice president and chief financial officer of Safeway Inc., was appointed to his current position in March 2004, and was previously executive vice president and chief financial officer of Maxtor Corporation. Prior to joining Maxtor, Mr. Edwards was an officer at Imation Corporation, a developer, manufacturer and supplier of magnetic and optical data storage media, where he held the position of senior vice president, chief financial officer and chief administrative officer.

*Michael M. McNamara* (age 52) Mr. McNamara has served as a member of our Board of Directors since October 2005, and as our Chief Executive Officer since January 1, 2006. Prior to his appointment as Chief Executive Officer, Mr. McNamara served as our Chief Operating Officer from January 2002 through January 2006 and as President, Americas Operations from April 1997 to December 2001, and as Vice President, North American Operations from April 1994 to April 1997. Mr. McNamara also serves on the board of MEMC Electronic Materials, Inc.

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*Rockwell A. Schnabel* (age 72) Mr. Schnabel has served as a member of our Board of Directors since February 2006. Mr. Schnabel is founding partner and advisory director of Trident Capital Partners, a venture capital firm, where he also served as a managing director from its inception in 1993 until 2001. From 2001 to 2005, Mr. Schnabel served as the U.S. Representative to the European Union. Prior to that time, he served at the U.S. Department of Commerce as Undersecretary, Deputy Secretary and Acting Secretary of Commerce in the administration of President George H.W. Bush, and he served under President Reagan as U.S. Ambassador to Finland.

*Daniel H. Schulman* (age 51) Mr. Schulman has served as a member of our Board of Directors since June 2009. He is the Chief Executive Officer and Director for Virgin Mobile USA, a wireless service provider. Mr. Schulman has also served as the Chief Executive Officer of Priceline.com from June 1999 to May 2001. Prior to joining Priceline, Mr. Schulman served more than 18 years at AT&T. Mr. Schulman is a member of the board of directors of Symantec and the chair of its compensation committee. Mr. Schulman also serves on the board of trustees of Rutgers University and Autism Speaks.

*Ajay B. Shah* (age 49) Mr. Shah has served as a member of our Board of Directors since October 2005. Mr. Shah is a Managing Director of Silver Lake Sumeru and the Managing Partner of the Shah Capital Partners Fund. Previously, Mr. Shah was President and Chief Executive Officer of the Technology Solutions unit of Solectron Corporation and a member of its board of directors.

*Willy C. Shih, Ph.D.* (age 58) Dr. Shih has served as a member of our Board of Directors since January 2008. Dr. Shih is currently a Professor of Management Practice for the Harvard Business School, a role he has held since January 2007. From August 2005 to September 2006, Dr. Shih served as Executive Vice President of Thomson, a provider of digital video technologies. He was an independent intellectual property consultant from February 2005 to August 2005. Dr. Shih served as Senior Vice President of Eastman Kodak Company from July 1997 to February 2005. Dr. Shih serves on the board of directors of Atheros Communications, Inc.

*Lip-Bu Tan* (age 49) Mr. Tan has served as a member of our Board of Directors since April 2003. In 1987, he founded and since that time has served as Chairman of Walden International, a venture capital fund. Mr. Tan also serves as President and Chief Executive Officer of Cadence Design Systems, Inc. He also serves on the boards of Semiconductor Manufacturing International Corporation and SINA Corporation.

*William D. Watkins* (age 57) Mr. Watkins has served as a member of our Board of Directors since April 2009. He most recently served as Seagate Technology's Chief Executive Officer from 2004 through January 2009. Previously, Mr. Watkins was Seagate's President and Chief Operating Officer, a position he had held since 2000. During that time, he was responsible for the company's hard disc drive operations, including recording heads, media and other components, and related R&D and product development organizations. Mr. Watkins joined Seagate in 1996 with the company's merger with Conner Peripherals. In addition to Flextronics, he currently serves on the board of directors of Vertical Circuits Inc. and Maxim Integrated Products.

**Board Committees**

The standing committees of our Board of Directors are the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. The table below provides current membership for each of these committees.

Name	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
H. Raymond Bingham			X**
James A. Davidson		X*	
Robert L. Edwards	X*		X
Michael M. McNamara			
Rockwell A. Schnabel		X	X**



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Name	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Ajay B. Shah	X		
Daniel H. Schulman		X	
Willy C. Shih			X
Lip-Bu Tan	X		
William D. Watkins	X		

\* Committee  
Chair

\*\* Committee  
Co-Chair

**OUR EXECUTIVE OFFICERS**

The names, ages and positions of our executive officers as of July 28, 2009 are as follows:

Name	Age	Position
Michael M. McNamara	52	Chief Executive Officer
Paul Read	43	Chief Financial Officer
Sean P. Burke	47	President, Computing
Michael J. Clarke	54	President, Infrastructure
Christopher Collier	41	Senior Vice President, Finance
Carrie L. Schiff	43	Senior Vice President and General Counsel
Gernot Weiss	45	President, Mobile Market
Werner Widmann	57	President, Multek

*Michael M. McNamara.* Mr. McNamara has served as our Chief Executive Officer since January 2006, and as a member of our Board of Directors since October 2005. Prior to his promotion, Mr. McNamara served as our Chief Operating Officer from January 2002 through January 2006, as President, Americas Operations from April 1997 to December 2001, and as Vice President, North American Operations from April 1994 to April 1997. Mr. McNamara received a B.S. from the University of Cincinnati and an M.B.A. from Santa Clara University.

*Paul Read.* Mr. Read has served as our Chief Financial Officer since June 30, 2008. Prior to his promotion, Mr. Read served as Executive Vice President of Finance for Flextronics Worldwide Operations since October 2005, as Senior Vice President of Finance for Flextronics Worldwide Operations from February 2001 to October 2005, and as Vice President, Finance of Flextronics Americas Operations from August 1997 to February 2001. Mr. Read is a member of the Chartered Institute of Management Accountants.

*Sean P. Burke.* Mr. Burke has served as our President, Computing since October 16, 2005. Prior to joining us, Mr. Burke was the Executive Vice President of Iomega Corporation from January 2003 through September 2005. Preceding Iomega Corporation, Mr. Burke held a number of executive positions at Dell, Inc., Compaq Computer Corporation and HP Company. Mr. Burke received a B.B.A. degree from the University of North Texas.

*Michael J. Clarke.* Mr. Clarke has served as President of FlexInfrastructure since January 2006. Prior to joining us, Mr. Clarke served as a President and General Manager of Sanmina-SCI Corporation from October 1999 to December 2005. Mr. Clarke has over 25 years of Senior Executive, business development and hands-on operational experience managing global companies in major industries including Aerospace and Defense, Automotive and Industrial. Formerly, Mr. Clarke has held senior positions with international companies including Devtek Corporation, Hawker Siddeley and Cementation Africa, Mr. Clarke was educated as a Mechanical Engineer from Bradford Polytechnic, England, with enhanced professional development programs from University of Western Ontario, Canada and Columbia University, USA.

*Christopher Collier.* Mr. Collier, our Principal Accounting Officer since May 1, 2007, has served as our Senior Vice President, Finance since December 2004. Prior to his appointment as Senior Vice President, Finance in 2004, Mr. Collier served as Vice President, Finance and Corporate Controller since he joined us in April 2000. Mr. Collier is a certified public accountant and he received a B.S. in Accounting from State University of New York at Buffalo.

*Carrie L. Schiff.* Ms. Schiff has served as our Senior Vice President and General Counsel since June 1, 2006. Prior to her appointment as Senior Vice President and General Counsel, Ms. Schiff served as Vice President, General Counsel from February 1, 2004 to June 1, 2006 and as Associate General Counsel from July 2001 through

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January 2004. Prior to joining us, Ms. Schiff was the Senior Vice President, Corporate Development of USA.Net, Inc., from April 1999 until June 2001. Preceding USA.Net, Inc., Ms. Schiff was a partner with the firm of Cooley Godward. Ms. Schiff received an A.B. from the University of Chicago and her law degree from the University of California, Los Angeles.

*Gernot Weiss.* Mr. Weiss has served as our President, Mobile Market since January 2006. Prior to his appointment as President, Mobile Market, Mr. Weiss served as Senior Vice President of Sales and Marketing and Account Management in Europe and held various other positions in operations and account management. Mr. Weiss joined us with the acquisition of Neutronics in 1998, where he was a general manager since 1994. Previously, Mr. Weiss worked with Philips Electronics from 1984 to 1994. Mr. Weiss holds an Electrical Engineering Diploma and a diploma in Economics from the University in Klagenfurt, Austria.

*Werner Widmann.* Mr. Widmann has served as President, Multek since January 2004. Prior to his promotion, he served as General Manager of Multek Germany beginning in October 2002. Prior to joining Multek, Mr. Widmann was Managing Director of Inboard from 1999 to 2002 and held various technical and managerial positions with STP, Inboard-SSGI, Siemens AG and IBM Sindelfingen throughout his 33 year-career in the PCB industry. Mr. Widmann received his degree in mechanical/electrical engineering from the University for Applied Sciences (Fachhochschule), Karlsruhe.

### **AUDIT COMMITTEE**

The Audit Committee of the Board of Directors is currently composed of Messrs. Edwards, Shah, Tan and Watkins, each of whom the Board has determined to be independent and to meet the financial experience requirements under both the rules of the SEC and the listing standards of the NASDAQ Global Select Market. The Board has also determined that Mr. Edwards is an audit committee financial expert within the meaning of the rules of the SEC and is financially sophisticated within the meaning of the listing standards of the NASDAQ Global Select Market. The Audit Committee held 7 meetings during fiscal year 2009. The committee's principal functions are to:

monitor and evaluate periodic reviews of the adequacy of the accounting and financial reporting processes and systems of internal control that are conducted by our financial and senior management, and our independent auditors;

be directly responsible for the appointment, compensation and oversight of the work of our independent auditors (including resolution of any disagreements between our management and the auditors regarding financial reporting); and

facilitate communication among our independent auditors, our financial and senior management and our Board.

*Our Board has adopted an Audit Committee Charter that is available on the Corporate Governance page of our website at [www.flextronics.com](http://www.flextronics.com).*

### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than 10% of our ordinary shares to file initial reports of ownership and reports of changes in ownership with the SEC. Such persons are required by SEC regulations to furnish us with copies of all Section 16(a) forms that they file. Based solely on our review of the copies of such forms furnished to us and written representations from our executive officers and directors, we believe that all Section 16(a) filing requirements for the fiscal year ended March 31, 2009 were met.

### **CODE OF BUSINESS CONDUCT AND ETHICS**

We have adopted a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees. The Code of Business Conduct and Ethics, which we refer to as the Code, is available on the Corporate Governance page of our website at [www.flextronics.com](http://www.flextronics.com). In accordance with SEC rules, we intend to disclose on the Corporate Governance page of our website any amendment (other than technical, administrative or other non-substantive amendments) to or any material waiver from, a provision of the Code that applies to our principal executive officer, principal financial officer, principal accounting officer, controller or persons performing similar

functions.

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**ITEM 11. EXECUTIVE COMPENSATION**

**COMPENSATION COMMITTEE REPORT**

*The information contained under this Compensation Committee Report shall not be deemed to be soliciting material or to be filed with the SEC, nor shall such information be incorporated by reference into any filings under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended (the Exchange Act), or be subject to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically incorporate this information by reference into any such filing.*

The Compensation Committee of the Board of Directors of the company has reviewed and discussed with management the Compensation Discussion and Analysis which follows this Report. Based on this review and discussion, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the company's proxy statement for the 2009 annual general meeting of shareholders and its Form 10-K/A for the fiscal year ended March 31, 2009.

Submitted by the Compensation Committee of the Board of Directors:

James A. Davidson

Rockwell A. Schnabel

**COMPENSATION DISCUSSION AND ANALYSIS**

In this section, we discuss the material elements of our compensation programs and policies, including the objectives of our compensation programs and the reasons why we pay each element of our executives' compensation. Following this discussion, you will find a series of tables containing more specific details about the compensation earned by, or awarded to the following individuals, whom we refer to as the named executive officers or NEOs. This discussion focuses on compensation and practices relating to the named executive officers for our 2009 fiscal year:

<b>Name</b>	<b>Position</b>
Michael M. McNamara	Chief Executive Officer
Paul Read	Chief Financial Officer <sup>1</sup>
Michael J. Clarke	President, Infrastructure
Sean P. Burke	President, Computing
Carrie L. Schiff	Senior Vice President and General Counsel
Thomas J. Smach	Former Chief Financial Officer <sup>2</sup>

(1) Paul Read was appointed Chief Financial Officer effective June 30, 2008.

(2) Thomas J. Smach resigned as Chief Financial Officer effective June 30, 2008.

***Compensation Committee***

The Compensation Committee of our Board of Directors (referred to in this discussion as the Committee) seeks to align our compensation philosophy and objectives with our business strategy. On an annual basis, the Committee conducts a comprehensive review of our overall compensation strategy and competitive positioning, and recommends to our Board the compensation of our Chief Executive Officer and all other executive officers. The Committee also oversees management's decisions concerning the compensation of other company officers, administers our equity compensation plans, and evaluates the effectiveness of our overall executive compensation programs.

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***Independent Consultants and Advisors***

The Committee has the authority to retain and terminate any independent, third-party compensation consultants and to obtain advice and assistance from internal and external legal, accounting and other advisors. During our 2009 fiscal year, the Committee engaged Frederic W. Cook & Co., Inc. (referred to in this discussion as F.W. Cook) as its independent adviser for certain executive compensation matters. F.W. Cook was retained by the Committee to provide an independent review of the company's executive compensation programs, including an analysis of both the competitive market and the design of the programs. As part of its report to the Committee, F.W. Cook selected peer companies, and provided competitive compensation data, benchmarking and analysis relating to the compensation of our Chief Executive Officer and our other executives and senior officers. The Committee relied on input from F.W. Cook in evaluating management's recommendations and arriving at the Committee's recommendations to the Board with respect to the elements of compensation discussed below in this discussion and analysis. However, in December 2008, the Committee recommended and our Board approved modifications to our annual incentive bonus plan and additional equity grants for our employees, including our executives, and in March 2009, the Committee recommended and our Board approved additional equity grants for our Chief Executive Officer. The Committee and our Board took these additional actions in order to better align our annual incentive bonus plan with our business strategy and to retain and incentivize our employees, including our executives. These actions were not part of the more formal annual compensation review and, accordingly, were not based on input from F.W. Cook. For further discussion, please see below under *Fiscal Year 2009 Executive Compensation Summary of Fiscal Year 2009 Compensation Decisions*, *Annual Incentive Bonus Plan Modification of Performance Metrics During Fiscal 2009* and *Stock-Based Compensation Grants During Fiscal Year 2009*.

F.W. Cook has not provided any other services to the company and has received no compensation other than with respect to the services provided to the Committee. The Committee expects that it will continue to retain an independent compensation consultant on future executive compensation matters.

***Compensation Philosophy and Objectives***

We believe that the quality, skills and dedication of our executive officers are critical factors affecting the company's performance and shareholder value. Accordingly, the key objective of our compensation programs is to attract, retain and motivate superior executive talent while maintaining an appropriate cost structure. In addition, our compensation programs are designed to link a substantial component of our executives' compensation to the achievement of performance goals that directly correlate to the enhancement of shareholder value. Finally, our compensation programs are designed to align our executives' interests with those of our shareholders.

To accomplish these objectives, the Committee has structured our compensation programs to include the following key features and compensation elements:

- base salaries, which are competitive with peer group companies, allowing the company to attract and retain key executives;

- annual cash bonuses, which are earned only if pre-established performance goals related to the company and business unit (in the cases of business unit executives) are achieved;

- equity-based compensation, which aligns our executives' interests with those of our shareholders and promotes executive retention;

- long-term cash bonuses and performance-based share bonus awards, which are earned only if pre-established performance goals related to the company and business unit (in the cases of business unit executives) are achieved; and

- deferred cash bonus awards, which are designed to promote executive retention, as these elements of compensation vest over a period of years only if the executive remains in the company's active employment.

The Committee does not maintain policies for allocating among current and long-term compensation or among cash and non-cash compensation. Instead, the Committee maintains flexibility and adjusts different elements of

compensation based upon its evaluation of the key compensation goals set forth above. However, as a general matter, the Committee seeks to allocate a substantial majority of the named executive officers' compensation to components that are performance-based and at-risk.

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While compensation levels may differ among NEOs based on competitive factors, and the role, responsibilities and performance of each specific NEO, there are no material differences in the compensation philosophies, objectives or policies for our NEOs. We do not maintain a policy regarding internal pay equity.

None of the named executive officers serves pursuant to an employment agreement, and each serves at the will of the company's Board of Directors. Similarly, we generally do not enter into severance agreements with, nor have we established severance arrangements for, our executive officers as part of the terms of their employment. This enables our Board to remove an executive officer, if necessary, prior to retirement or resignation whenever it is in our best interests. When an executive officer retires, resigns or is terminated, our Board exercises its business judgment in approving an appropriate separation or severance arrangement in light of all relevant circumstances, including the individual's term of employment, past accomplishments and reasons for separation from the company.

***Role of Executive Officers in Compensation Decisions***

The Committee makes recommendations to our Board on all compensation actions relating to our executive officers. As part of its process, the Committee meets with our Chief Executive Officer and Chief Financial Officer to obtain recommendations with respect to the structure of our compensation programs, as well as an assessment of the performance of individual executives and recommendations on compensation for individual executives. Our Chief Executive Officer and Chief Financial Officer meet with our Executive Vice President, Worldwide Human Resources and Management Systems and our Vice President, Global Compensation and Benefits to obtain additional input on these matters.

In connection with the formal compensation review process for fiscal year 2009, our Chief Executive Officer and Chief Financial Officer developed their recommendations based on the competitive data prepared by F.W. Cook. In addition, our Executive Vice President, Worldwide Human Resources and Management Systems and our Vice President, Global Compensation and Benefits relied on similar data prepared by Radford Consulting and Pearl Meyer & Partners, which were used to validate the data developed by F.W. Cook.

***Competitive Positioning***

To assist the Committee in arriving at its recommendations to our Board on the amounts and components of fiscal year 2009 compensation for our Chief Executive Officer and other executive officers, F.W. Cook prepared for the Committee's review competitive compensation data as follows:

to benchmark compensation for our CEO and CFO, F.W. Cook constructed a peer group consisting of 24 high-profile technology companies in the EMS (electronic manufacturing services), OEM (original equipment manufacturer) and distribution sectors, and compiled compensation data from such companies SEC filings; and

to benchmark compensation for our other executives and senior officers, including our named executive officers (other than our CEO and CFO), F.W. Cook matched the executives and senior officers based on job title and responsibility to compensation data in a published compensation survey prepared by Radford Consulting covering technology companies with annual revenues greater than \$8 billion. F.W. Cook used the Radford survey data for our other NEOs, rather than the peer group data, because the Radford survey data provided a better match based upon job title and responsibility.

F.W. Cook selected all of the companies included in the CEO/CFO peer group. The peer group consisted of the following companies:

- |                              |                              |
|------------------------------|------------------------------|
| Advanced Micro Devices, Inc. | Agilent Technologies, Inc.   |
| Anixter International Inc.   | Applied Materials, Inc.      |
| Arrow Electronics, Inc.      | Avnet, Inc.                  |
| Celestica Inc.               | Cisco System, Inc.           |
| Dell Inc.                    | Emerson Electric Co.         |
| Hewlett-Packard Company      | Honeywell International Inc. |
| Ingram Micro Inc.            | Intel Corporation            |
| Jabil Circuit, Inc.          | Micron Technology, Inc.      |

Motorola, Inc.

Seagate Technology

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Sun Microsystems, Inc.	Tech Data Corporation
Tyco International Ltd.	United Technologies Corporation
Western Digital Corporation	Xerox Corporation

The companies included in the Radford survey data used by F.W. Cook for their competitive analysis of our other executives and senior officers, including our NEOs (other than our CEO and CFO) are as follows:

Alcatel-Lucent	Amazon.com, Inc.
Apple Inc.	Applied Materials, Inc.
Arrow Electronics, Inc.	AT&T Inc.
Cisco Systems, Inc.	Comcast Corporation
Computer Sciences Corporation	Dell Inc.
The DIRECTV Group, Inc.	Eastman Kodak Company
Electronic Data Systems Corporation	EMC Corporation
General Dynamics Corporation	Google Inc.
Intel Corporation	Microsoft Corporation
Motorola, Inc.	Nokia Corporation
Nortel Networks Corporation	Oracle Corporation
QUALCOMM Incorporated	Qwest Communications International Inc.
Seagate Technology	Sprint Nextel Corporation
Sun Microsystems, Inc.	Texas Instruments Incorporated

For fiscal years 2008 and 2007, the Committee reviewed competitive data compiled by Pearl Meyer & Partners in determining CEO and CFO compensation. Pearl Meyer selected six companies in an industry peer group (one of which was Solectron Corporation, which we acquired in October 2007) and six companies in a high technology company peer group. Pearl Meyer also used data from a high technology company survey and an industry survey, both selected on the basis of revenue comparability.

For fiscal years 2008 and 2007, the Committee based its compensation recommendations for executives and senior officers, other than our CEO and CFO, on the nature and scope of these officers' responsibilities and leadership roles in relation to the Chief Executive Officer and Chief Financial Officer, and on the recommendations of our Chief Executive Officer. In these years, our Chief Executive Officer based his recommendations on competitive data compiled by Hay Group from executive compensation survey reports prepared by Hay Group and Radford Consulting.

The Committee believes that the competitive data compiled by F.W. Cook provides a more appropriate set of benchmarking data than the data used in previous years, given the company's revenue growth and the consolidation in the EMS industry. Due to these changes, F.W. Cook determined that it was appropriate to select peer technology companies in businesses that compete for similar executive talent and with a range of financial metric and market capitalization comparability. The Committee also believes that the Radford survey data used by F.W. Cook provided benchmarking data that was consistent with the CEO/CFO peer group and a better data match for our other NEOs.

The Committee seeks to set total target direct compensation for the company's executives at or above the 75<sup>th</sup> percentile of that provided by peer companies. Total target direct compensation is the sum of base salary, target annual incentive compensation and target long-term incentive awards. The Committee also seeks to target each component of total target direct compensation at these levels. However, total target direct compensation, as well as individual components, may vary by executive based on the executive's experience, level of responsibility and performance, as well as competitive market conditions. The compensation decisions discussed below under the section captioned *Fiscal Year 2009 Executive Compensation* reflect the Committee's objective of generally targeting the 75<sup>th</sup> percentile of peer company compensation. However, the compensation decisions made in December 2008 and March 2009, as summarized below under *Fiscal Year 2009 Executive Compensation Summary of Fiscal Year 2009 Compensation Decisions* and as discussed more fully in the sections captioned *Annual Incentive Bonus Plan Modification of Performance Metrics During Fiscal 2009* and *Stock-Based Compensation Grants During Fiscal*

*Year 2009* were taken in response to the global economic crisis in order to better align our annual incentive bonus plan with our business strategy and to retain and incentivize our employees, including our executives. Accordingly, these elements of compensation were not part of the more formal annual compensation review, including the benchmarking process.

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**Table of Contents*****Fiscal Year 2009 Executive Compensation*****Summary of Fiscal Year 2009 Compensation Decisions**

The Committee believes that management executed effectively on the company's business strategy in the current economic environment and performed exceptionally well in managing the controllable aspects of our business. For our first two fiscal quarters, we had record revenues and adjusted operating profits (which in the second fiscal quarter excluded approximately \$129 million in charges primarily for provisions for doubtful accounts receivable, the write-down of inventory and recognition of associated contractual obligations for financially distressed customers). Beginning with our third fiscal quarter and accelerating through our fourth fiscal quarter, the global economic crisis had a significant impact on our business, with almost every product category and every geographic region in which we operate experiencing a substantial reduction in customer demand. In response to the deteriorating economic environment, our Board upon the recommendation of the Committee modified certain elements of our fiscal 2009 compensation programs in order to better align our annual incentive bonus plan with our business strategy, and to assure retention of and to incentivize our employees, including our management team. To this end, we modified the performance metrics of our annual incentive bonus plan to focus our executives and senior officers on the following goals: controlling costs; improving internal efficiencies; reducing inventory levels; managing working capital; and generating cash flow. In addition, we made additional equity grants to our employees, including our executives and senior officers.

Our CEO's base salary was not adjusted in fiscal 2009. In connection with the appointment of Mr. Read as our Chief Financial Officer, his base salary was adjusted to a level that was between the median and 75<sup>th</sup> percentile of our peer companies. Our three other NEOs' base salaries were adjusted to levels approaching the 75<sup>th</sup> percentile of our peer companies, with the exception of Ms. Schiff, whose base salary remains below the median level. Annual incentive awards were 110.0% of target for Mr. McNamara; 117.14% of target for Mr. Read; 116.23% of target for Mr. Clarke; 77.15% of target for Mr. Burke; and 146.41% of target for Ms. Schiff. Aggregate cash compensation in the form of base salary and incentive bonuses paid to the NEOs (other than Mr. Smach) for fiscal year 2009 was lower than fiscal year 2008 by the following percentages: Mr. McNamara 46.57%; Mr. Read 0.85%; Mr. Clarke 16.62%; Mr. Burke 19.20%; and Ms. Schiff 27.63%. Due to the equity awards made in December 2008 and March 2009 to address the impact of the global economic crisis on our compensation programs for our employees, including our executives, we do not believe that it is meaningful to compare fiscal 2009 total direct compensation levels with fiscal 2008 levels. However, given the substantial decline in our share price following the global economic crisis, the carried equity value of the NEOs' equity in the company (comprised of unvested share bonus awards and the in-the-money value of options) declined substantially from fiscal year end 2008 to 2009. The deteriorating macroeconomic environment also impacted long-term cash and stock incentive awards made in fiscal year 2009, and we do not expect that these awards will vest or be paid. Based on company performance, the Committee believes that compensation levels and long-term award opportunities for fiscal year 2009 were appropriate and consistent with the philosophy and objectives of the company's compensation programs.

In fiscal year 2009, the Committee also recommended and the Board approved a shift from the granting of share bonus awards and no options in fiscal year 2008 to granting both share bonus awards and options in fiscal year 2009, with a greater weighting to options. This shift was designed to create greater alignment of interests with shareholders and to reward the company's employees for the successful integration of the Solectron acquisition.

**Elements of Compensation**

We allocate compensation among the following components for our named executive officers:

base salary;

annual cash incentive awards;

multi-year cash and stock incentive awards;

stock-based compensation;

deferred compensation; and

other benefits.

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**Base Salary**

We seek to set our executives' base salaries at levels which are competitive with our peer companies based on each individual executive's role and the scope of his or her responsibilities, also taking into account the executive's experience and the base salary levels of other executives within the company. The Committee typically reviews base salaries every fiscal year and adjusts base salaries to take into account competitive market data, individual performance and promotions or changes in responsibilities.

Mr. McNamara's base salary was maintained at \$1,250,000 based on the F.W. Cook peer company data which indicated that this level approximated the 75<sup>th</sup> percentile.

Prior to his appointment as Chief Financial Officer effective June 30, 2008, Mr. Read served as Executive Vice President of Finance for Worldwide Operations. As part of the Committee's annual review of base salaries, the Committee recommended and the Board approved an increase in Mr. Read's base salary from \$400,000 to \$475,000. This increase was made to approximate the 75<sup>th</sup> percentile of the Radford survey data for the second most senior finance executive, after applying a premium of 10% to take into account that Mr. Read reported directly to the CEO. On May 14, 2008, Mr. Read was appointed Chief Financial Officer effective June 30, 2008. In recognition of Mr. Read's appointment, Mr. Read's base salary was increased to \$600,000 effective May 15, 2008 and was set at between the median and 75<sup>th</sup> percentile of the peer company data for his position.

Base salary levels for the other named executive officers (other than Mr. Smach) were increased as follows: Mr. Clarke's base salary was increased from \$490,000 to \$550,000 (paid in Canadian dollars), in order to pay a level of base salary closer to the 75<sup>th</sup> percentile; Mr. Burke's base salary was increased from \$375,000 to \$450,000, also to pay a level of base salary closer to the 75<sup>th</sup> percentile; and Ms. Schiff's base salary was increased from \$350,000 to \$425,000, which represented the largest percentage increase for our named executive officers other than Mr. Read, but reflected a level below the median of the peer company data.

**Annual Incentive Bonus Plan**

Through our annual incentive bonus plan, we seek to provide pay for performance by linking incentive awards to company and business unit performance.

Key features of the bonus plan in fiscal 2009 were as follows:

- performance targets were based on key company and business unit financial metrics

- performance targets were measured on a quarterly basis in the cases of the first two fiscal quarters and a quarterly and/or six month basis in the cases of the third and fourth fiscal quarters

- the financial goals varied based on each executive's responsibilities, with a substantial weighting on business unit financial metrics for business unit executives

- certain performance measures were calculated on a non-GAAP basis and excluded after-tax intangible amortization, stock-based compensation expense, gains and losses from divestitures, and certain restructuring and other charges, subject to approval by the Committee. We excluded these items in order to arrive at more meaningful period-to-period comparisons of our ongoing operating results

- bonuses were based entirely on achievement of financial performance objectives; there is no individual performance component

- each executive's target bonus was set at a percentage of base salary, based on the level of the executive's responsibilities

  - the CEO's target bonus was set at 150% of base salary and the CFO's target bonus was set at 100% of base salary

  - for executives other than the CEO and CFO, the target bonus was set at a range of between 60% and 80% of base salary

payout opportunities for each bonus component ranged from 50% of target to a maximum of 300% of target (200% in the cases of the CEO and CFO)

for the third and fourth fiscal quarters, the plan provided a minimum payout of 50% of target for certain company financial metrics



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The Committee recommended and our Board approved different performance metrics for our Chief Executive Officer and Chief Financial Officer as compared with other executives, and different performance metrics for corporate officers as compared with business unit executives. In addition, we varied the weightings for certain performance metrics among different executives, in order to better align individual awards with our business strategy. For example, we placed a greater emphasis on revenue growth for our Computing sector than for our Infrastructure sector, but placed a greater emphasis on profit after interest growth for our Infrastructure sector than for our Computing sector.

*Modification of Performance Metrics during Fiscal 2009*

We modified the performance metrics used in our annual incentive plan on December 1, 2008 as a result of the deteriorating macroeconomic conditions and its effects on the company's performance. The performance metrics initially approved and which remained in effect for the first two fiscal quarters were as follows:

for our CEO and CFO, bonuses were based on achievement of year-over-year quarterly EPS growth; however, in Mr. Read's case, his bonus for the first quarter was based on the metrics that applied to his former position as Executive Vice President of Finance for Worldwide Operations, which were achievement of year-over-year quarterly EPS growth, revenue growth and profit after interest growth;

Mr. Clarke's bonus was based on achievement of year-over-year quarterly EPS growth, and revenue growth and profit after interest growth at his business unit (Infrastructure);

Mr. Burke's bonus was based on achievement of year-over-year quarterly EPS growth, and revenue growth and profit after interest growth at his business unit (Computing); and

Ms. Schiff's bonus was based on achievement of year-over-year quarterly EPS growth, revenue growth, profit after interest growth, and SG&A reduction.

On December 1, 2008, the Committee recommended and our Board approved modifications to the performance metrics for the third and fourth fiscal quarters, as follows:

for our CEO and CFO, bonuses were based on achievement of quarterly EPS and inventory reduction targets and six-month free cash flow targets (which we refer to as the company metric);

Mr. Clarke's bonus was based on achievement of the company metric and revenue growth and profit after interest growth at his business unit (Infrastructure);

Mr. Burke's bonus was based on achievement of the company metric and revenue growth and profit after interest growth at his business unit (Computing); and

Ms. Schiff's bonus was based on achievement of the company metric and SG&A-reduction targets.

Under the modified plan, Messrs. Clarke and Burke also were eligible for an additional bonus of up to 10% and 8.75% of their respective annual base salaries for each of the third and fourth fiscal quarters based upon achievement of inventory reduction targets at their business units. The modified plan also provided for a minimum payout for the third and fourth fiscal quarters of 50% of the target company metric.

Prior to the plan modifications, the plan allocated 50% of the bonus opportunity to annual targets and 50% to achievement of quarterly targets. As part of the modification, the annual targets were eliminated so that 100% of the bonus opportunity was allocated to the achievement of quarterly performance targets (other than with respect to the six-month free cash flow target discussed above).

With the deteriorating macroeconomic environment accelerating in our third fiscal quarter, we increased our business focus on controlling costs and managing our working capital to improve cash flow. As a result of this shift in our business focus, and projected decreases in revenue, the Committee recommended and our Board approved the

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above-described modifications in the annual incentive plan performance metrics for our third and fourth fiscal quarters. We believe that these changes were appropriately designed to motivate our executives to execute the operational strategies necessitated by the unprecedented economic environment.

*Annual Incentive Awards for the CEO and CFO*

Mr. McNamara was eligible for a bonus award based on year-over-year quarterly EPS growth in the first and second fiscal quarters, and achievement of quarterly EPS and inventory reduction targets and six-month free cash flow targets for the third and fourth fiscal quarters. Mr. McNamara's annual target bonus was 150% of base salary.

For the first fiscal quarter, Mr. Read was eligible for a bonus award based on year-over-year quarterly EPS growth, revenue growth and profit after interest growth. Mr. Read's target bonus for the first fiscal quarter was based on an annual target of 70% of base salary. For the second through fourth fiscal quarters, Mr. Read's bonus eligibility was based on the same performance measures as Mr. McNamara. Mr. Read's target bonus for the second through fourth fiscal quarters was based on an annual target of 100% of base salary.

The following table sets forth the payout level opportunities that were available for Messrs. McNamara and Read as a percentage of their target awards for the first and second fiscal quarters (second quarter only in the case of Mr. Read) based on different levels of performance. The quarterly target bonus was 37.5% of base salary for Mr. McNamara and 25.0% of base salary for Mr. Read. For performance levels between the levels presented in the table below, straight line interpolation was used to arrive at the payout level:

*Annual Incentive Bonus Payout Levels (Q1 and Q2)*

Payout (% Target)	50%	75%	100%	150%	200% <sup>1</sup>
Adjusted EPS Growth	10.0%	12.5%	15.0%	18.8%	22.5%

1 The plan also provided for a maximum payout of 200% if 18% adjusted EPS growth was achieved and the average closing share price of the company's ordinary shares for the month of March 2009 was at least \$12.50.

Mr. Read's payout level opportunities as a percentage of the target award for each performance measure for the first fiscal quarter based on different levels of performance are set forth below. Mr. Read's quarterly target bonus was 17.5% of base salary, with a weighting of 20% for the EPS growth metric, 40% for the revenue growth metric and 40% for the profit after interest growth metric. For performance levels between the levels presented in the table below, straight line interpolation was used to arrive at the payout level:

<b>Adjusted EPS Growth</b>		<b>Revenue Growth</b>		<b>Profit After Interest (PAI) Growth</b>	
EPS Growth	Payout	Revenue Growth	Payout	PAI Growth	Payout
10.0% growth	50% payout	8.0% growth	50% payout	10.0% growth	50% payout
15.0% growth	100% payout	10.0% growth	100% payout	15.0% growth	100% payout
18.8% growth	150% payout	12.5% growth	150% payout	18.8% growth	150% payout
22.5% growth	200% payout	15.0% growth	200% payout	22.5% growth	200% payout

26.3% growth	250% payout	20.0% growth	250% payout	26.3% growth	250% payout
30.0% growth	300% payout	25.0% growth	300% payout	30.0% growth	300% payout

The following table sets forth the payout level opportunities that were available for Messrs. McNamara and Read as a percentage of the target award for each performance measure for the third and fourth fiscal quarters based on different levels of performance. The quarterly target bonus was 37.5% of base salary for Mr. McNamara and 25.0% of base salary for Mr. Read, with a weighting of 20% for the EPS metric, 40% for the inventory reduction metric and 40% for the free cash flow metric. For performance levels between the levels presented in the table below, straight line interpolation was used to arrive at the payout level:

**Table of Contents***Annual Incentive Bonus Payout Levels (Q3 and Q4)*

Payout (% Target)	50%	75%	100%	125%	150%	175%	200%
Q3 Adjusted EPS	0.21	0.22	0.23	0.24	0.25	0.26	0.27
Q3 Inventory Reduction	\$250M	\$275M	\$300M	\$325M	\$350M	\$375M	\$400M
Q3 & Q4 Free Cash Flow	\$500M	\$550M	\$600M	\$650M	\$700M	\$750M	\$800M
Q4 Adjusted EPS	0.02	0.03	0.04	0.045	0.05	0.06	0.07
Q4 Inventory Reduction	\$250M	\$275M	\$300M	\$325M	\$350M	\$375M	\$400M
Q3 & Q4 Free Cash Flow	\$500M	\$550M	\$600M	\$650M	\$700M	\$750M	\$800M

For the inventory reduction metric, the incentive plan allowed for recoupment of bonus opportunities based on aggregate third and fourth quarter performance.

The adjusted EPS growth performance metric (and in Mr. Read's case, the profit after interest performance metric for the first fiscal quarter) applicable for the first two fiscal quarters and the adjusted EPS and cash flow targets applicable for the third and fourth fiscal quarters were calculated on an adjusted basis to exclude after-tax intangible amortization, stock-based compensation expense, gains and losses from divestitures, and certain restructuring and other charges, subject to approval by the Committee.

The following table sets forth the actual quarterly and total payout levels, both as a percentage of target and of base salary, for Messrs. McNamara and Read:

Period	Payout (% Target)	CEO	CFO
		Actual Payout % (as a % of Base Salary)	Actual Payout % (as a % of Base Salary)
Q1	200%	75.0%	49.175% <sup>1</sup>
Q2	0%	0%	0%
Q3	80%	30.0%	20.0%
Q4	160%	60.0%	40.0%
<b>Total</b>		<b>165.0%</b>	<b>109.175%</b>

1 For the first fiscal quarter, Mr. Read's bonus was calculated as described above under *Annual Incentive Bonus Payout Levels (Q1 and Q2)*. Based on achievement of

performance measures, Mr. Read's first quarter payout as a percent of target was 281%. Based on the quarterly target bonus of 17.5% of base salary, this yielded a payout of 49.175% of his base salary for his first quarter bonus, which was applied to his base salary as in effect at the end of the first quarter.

First quarter year-over-year adjusted EPS growth exceeded the maximum performance level, resulting in a payout of 200% of target. Second quarter year-over-year adjusted EPS growth was a negative 50% (without making adjustment for charges of \$129 million primarily relating to financially distressed customers), resulting in no payout. For the third quarter, the threshold adjusted EPS target was not achieved, but inventory reduction was achieved at a 200% payout level. For the fourth quarter, the threshold adjusted EPS target was not achieved and inventory reduction was achieved at a 200% payout level. For the fourth quarter, free cash flow was achieved at a 200% payout level. On an aggregate basis, bonus payouts were 110% of target for Mr. McNamara and 117.14% of target for Mr. Read.

*Annual Incentive Awards for NEOs other than the CEO and CFO*

For the first two fiscal quarters, Messrs. Clarke and Burke were eligible for bonus awards based on year-over-year EPS growth and year-over-year revenue and profit after interest growth at their respective business units. Mr. Clarke's annual target bonus was 80% of base salary and Mr. Burke's annual target bonus was 70% of base salary. Actual payout level opportunities ranged from 50% to 300% of target. The weightings of the performance metrics for Mr. Clarke were 20% for EPS growth, 25% for business unit revenue growth and 55% for business unit profit after interest growth. Business unit profit after interest was calculated on an adjusted non-GAAP basis to exclude after-tax intangible amortization, stock-based compensation expense, gains and losses from divestitures, and certain restructuring and other charges, and to include a 12% cost of capital charge based on the average three month working capital balances. The weightings of the performance metrics for Mr. Burke were 20% for EPS growth, 40% for business unit revenue growth and 40% for business unit profit after interest growth. We treat the business unit

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profit after interest performance measure as confidential. We set these measures at levels designed to motivate Messrs. Clarke and Burke to achieve operating results at their respective business units in alignment with our business strategy with payout opportunities at levels of difficulty consistent with the corresponding corporate level metric.

For the first two fiscal quarters, Ms. Schiff was eligible for a bonus award based on year-over-year EPS growth, revenue growth, profit after interest growth and SG&A reduction, all calculated at the corporate level. Ms. Schiff's annual target bonus was 60% of base salary. Actual payout levels ranged from 50% to 300% of target. The weightings of the performance metrics for Ms. Schiff were 20% for EPS growth, 30% for revenue growth, 30% for profit after interest growth and 20% for SG&A reduction. The SG&A reduction measure was calculated on an adjusted, non-GAAP basis consistent with the basis utilized for other non-GAAP measures.

For the third and fourth fiscal quarters, Messrs. Clarke's and Burke's bonus eligibility was modified to replace the EPS growth metric with the company metric (the same metric used for Messrs. McNamara and Read). Actual payout level opportunities were modified slightly to cap the payout opportunity for the company metric at 200% versus a maximum payout opportunity of 300% for the EPS growth metric that applied in the first two fiscal quarters. In addition, Messrs. Clarke and Burke also were eligible for an additional bonus of up to 10% and 8.75% of their respective annual base salaries for each of the third and fourth fiscal quarters based upon achievement of inventory reduction targets at their business units. We treat the business unit inventory reduction measure as confidential. We set these measures at levels designed to motivate Messrs. Clarke and Burke to achieve inventory reduction levels at their respective business units in alignment with our business strategy with payout opportunities at levels of difficulty consistent with the corresponding corporate level metric.

For the third and fourth fiscal quarters, Ms. Schiff was eligible for a bonus award based on achievement of quarterly EPS, inventory reduction, and SG&A reduction targets and six-month free cash flow targets. Actual payout level opportunities were modified slightly to cap the payout opportunity for all of the metrics, other than SG&A reduction, to 200% versus a maximum payout opportunity of 300% that applied in the first two fiscal quarters. The weightings of the performance metrics for Ms. Schiff were 25% for each metric.

The following table sets forth the payout level opportunities that were available for Messrs. Clarke and Burke as a percentage of the target award for EPS growth (calculated at the corporate level) and revenue growth (calculated at the business unit level) for the first and second fiscal quarters based on different levels of performance. The quarterly target bonus was 20.0% of base salary for Mr. Clarke and 17.5% of base salary for Mr. Burke. For performance levels between the levels presented in the table below, straight line interpolation was used to arrive at the payout level:

<b>EPS Growth<sup>1</sup></b>		<b>Revenue Growth</b>	
EPS Growth	Payout	Revenue Growth	Payout
10.0% growth	50% payout	8.0% growth	50% payout
15.0% growth	100% payout	10.0% growth	100% payout
18.8% growth	150% payout	12.5% growth	150% payout
22.5% growth	200% payout	15.0% growth	200% payout
26.3% growth	250% payout	20.0% growth	250% payout
30.0% growth	300% payout	25.0% growth	300% payout

<sup>1</sup> As discussed above, for the third and fourth fiscal quarters, the EPS Growth metric was replaced with the company metric and the maximum

payout level for the company metric was 200%. In addition, Messrs. Clarke and Burke were eligible for additional bonuses based on inventory reduction at their business units in the third and fourth fiscal quarters.

The weightings given to the performance metrics for Messrs. Clarke and Burke were as follows:

	<b>EPS Growth</b>	<b>Business Unit Growth</b>	<b>Business Unit Profit Interest Growth</b>
Mr. Clarke	20%	25%	55%
Mr. Burke	20%	40%	40%

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Ms. Schiff's payout level opportunities as a percentage of the target award for each performance measure for the first and second fiscal quarters based on different levels of performance are set forth below. Ms. Schiff's quarterly target bonus was 15.0% of base salary, with a weighting of 20% for the EPS growth metric, 30% for the revenue growth metric, 30% for the profit after interest growth metric, and 20% for the SG&A reduction metric. For performance levels between the levels presented in the table below, straight line interpolation was used to arrive at the payout level:

EPS Growth		Revenue Growth		Profit After Interest (PAI) Growth		SG&A Reduction	
EPS Growth	Payout	Revenue	Payout	PAI Growth	Payout	SG&A	Payout
10.0% growth	50% payout	8.0% growth	50% payout	10.0% growth	50% payout	2.14% (% sales)	50% payout
15.0% growth	100% payout	10.0% growth	100% payout	15.0% growth	100% payout	2.09% (% sales)	100% payout
18.8% growth	150% payout	12.5% growth	150% payout	18.8% growth	150% payout	2.04% (% sales)	150% payout
22.5% growth	200% payout	15.0% growth	200% payout	22.5% growth	200% payout	1.99% (% sales)	200% payout
26.3% growth	250% payout	20.0% growth	250% payout	26.3% growth	250% payout	1.94% (% sales)	250% payout
30.0% growth	300% payout	25.0% growth	300% payout	30.0% growth	300% payout	1.89% (% sales)	300% payout

The following table sets forth the payout level opportunities that were available for Ms. Schiff as a percentage of the target award for each performance measure for the third and fourth fiscal quarters based on different levels of performance. The weightings for the performance measures were 25% for each metric. For performance levels between the levels presented in the table below, straight line interpolation was used to arrive at the payout level:

Payout (% Target)	50%	75%	100%	125%	150%	175%	200%	300%
Q3 Adjusted EPS	0.21	0.22	0.23	0.24	0.25	0.26	0.27	n/a
Q3 Inventory Reduction	\$ 250M	\$ 275M	\$ 300M	\$ 325M	\$ 350M	\$ 375M	\$ 400M	n/a
Q3 & Q4 Free Cash Flow	\$ 500M	\$ 550M	\$ 600M	\$ 650M	\$ 700M	\$ 750M	\$ 800M	n/a
Q3 Adjusted SG&A	\$ 188M	\$ 186M	\$ 184M	\$ 182M	\$ 180M	\$ 178M	\$ 176M	\$ 168M
Q4 Adjusted EPS	0.02	0.03	0.04	0.045	0.05	0.06	0.07	n/a
Q4 Inventory Reduction	\$ 250M	\$ 275M	\$ 300M	\$ 325M	\$ 350M	\$ 375M	\$ 400M	n/a
Q3 & Q4 Free Cash Flow	\$ 500M	\$ 550M	\$ 600M	\$ 650M	\$ 700M	\$ 750M	\$ 800M	n/a
Q4 Adjusted SG&A	\$ 171M	\$ 169M	\$ 167M	\$ 165M	\$ 164M	\$ 162M	\$ 160M	\$ 153M

For the inventory reduction metric, the incentive plan allowed for recoupment of bonus opportunities based on aggregate third and fourth quarter performance.

The following table sets forth the actual quarterly and total payout levels, both as a percentage of target and of base salary, for Messrs. Clarke and Burke and Ms. Schiff:

<b>M. Clarke</b>	<b>S. Burke</b>	<b>S. Burke</b>	<b>C. Schiff</b>	<b>C. Schiff</b>
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**M.  
Clarke**

<b>Period</b>	<b>Actual Payout</b>		<b>Actual Payout</b>		<b>Actual Payout</b>	
	<b>Payout (% Target)</b>	<b>% (as a % of Base Salary)</b>	<b>Payout (% Target)</b>	<b>% (as a % of Base Salary)</b>	<b>Payout (% Target)</b>	<b>% (as a % of Base Salary)</b>
Q1	151.9%	30.4%	160.6%	28.1%	260.6%	39.1%
Q2	165.0%	33.0%	0.0%	0.0%	120.0%	18.0%
Q3	66.0%	13.2%	66.0%	11.6%	73.5%	11.0%
Q4	82.0%	16.4%	82.0%	14.4%	131.6%	19.7%
<b>Total</b>		<b>93.0%</b>		<b>54.1%</b>		<b>87.8%</b>

**Long-Term Incentive Programs**

*Three-Year Performance Plan (fiscal 2007 through fiscal 2009)*

In fiscal year 2007, the Committee recommended and the Board approved a three-year cash incentive bonus plan. The three-year performance plan was designed to reward the named executive officers and certain other senior

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officers based upon the achievement by the company of a three-year compounded annual revenue growth rate and a three-year compounded annual EPS growth rate, provided that the individual receiving the bonus continued to remain employed by the company. Under this plan, each of the named executive officers (other than Mr. Smach, who retired effective June 30, 2008) was eligible for a bonus of up to \$1,000,000 following the close of the 2009 fiscal year if certain pre-established targets were achieved. For purposes of determining achievement of these targets, the plan used non-GAAP measures on the basis discussed above under *Annual Incentive Bonus Plan*. The Board established the three-year cash incentive bonus plan to focus senior management on achievement of sustained EPS and revenue growth at levels which would have resulted in payment of the \$1,000,000 maximum bonus only if the company performed significantly better than internal targets, with a lesser bonus opportunity if the company achieved its internal targets. The three-year bonus plan provided for a bonus of \$1,000,000 if the company achieved both a three-year compounded annual revenue growth rate of at least 15% and a three-year compounded annual EPS growth rate of at least 20%, and also provided for a bonus of \$750,000 if the company achieved both a three-year compounded annual revenue growth rate of at least 10% and a three-year compounded annual EPS growth rate of at least 15%. No bonus would be awarded if the company failed to achieve the target performance level required for the lesser bonus. Although the company achieved a three-year compounded annual revenue growth rate of 26.5%, the company's three-year compounded annual EPS growth rate was 2.4%. Accordingly, no bonuses were awarded under this plan.

*Three-Year Performance Plan (fiscal 2009 through fiscal 2011)*

In fiscal year 2009, the Committee recommended and the Board approved a three-year incentive bonus plan. The three-year performance plan is designed to reward the named executive officers and certain other senior officers based upon the achievement by the company of three-year compounded annual EPS growth rates, provided that the individual receiving the bonus remains employed by us at the time the bonus is paid. Under this plan, maximum cash bonuses that may be earned based on performance are as follows: Mr. McNamara \$4,000,000; Mr. Read \$1,250,000; Mr. Clarke \$625,000; Mr. Burke \$625,000; and Ms. Schiff \$500,000. For purposes of determining achievement of performance levels, the plan uses non-GAAP measures on the basis discussed above under *Annual Incentive Bonus Plan*. The Board established the three-year cash incentive bonus plan to focus senior management on achievement of sustained EPS growth at levels which result in payment of the maximum bonus only if the company performs significantly better than internal targets, with a lesser bonus opportunity if the company achieves its internal targets. If the company fails to achieve the threshold performance level, no bonus will be awarded. As a result of the dramatically deteriorating macroeconomic climate, which has slowed demand for our customers' products, and the resulting decrease in our expected operating results, management of the company believes that achievement of the performance measures for the three-year performance plan is no longer probable and these bonuses are not expected to be paid.

For additional information about the three-year incentive bonus plan, please refer to the Grants of Plan-Based Awards in Fiscal Year 2009 table, which shows the threshold, target and maximum amounts payable under the plan.

As discussed under *Competitive Positioning*, the Committee and the Board seek to set total target direct compensation at the 75<sup>th</sup> percentile of our peer companies, subject to individual variances. In structuring the three-year incentive bonus plan, the Committee and the Board assigned a value to the awards equal to one-third of the threshold payout level for purposes of competitive benchmarking.

**Stock-Based Compensation***Stock Options and Share Bonus Awards*

The Committee grants stock options and share bonus awards (the equivalent of restricted stock units), which are designed to align the interests of the named executive officers with those of our shareholders and provide each individual with a significant incentive to manage the company from the perspective of an owner, with an equity stake in the business. These awards are also intended to promote executive retention, as unvested stock options and share bonus awards generally are forfeited if the executive voluntarily leaves the company. Each stock option allows the executive officer to acquire our ordinary shares at a fixed price per share (the market price on the grant date) over a period of seven to ten years, thus providing a return to the officer only if the market price of the shares appreciates over the option term. Share bonus awards are structured as either service-based awards, which vest if the executive

remains employed through the vesting period, or performance-based awards, which vest only if pre-established performance measures are achieved. Before the share bonus award vests, the executive has no ownership rights in our ordinary shares.

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The size of the option grant or share bonus award to each executive officer generally is set at a level that is intended to create a meaningful opportunity for share ownership based upon the individual's current position with the company, but the Committee and Board also take into account (i) the individual's potential for future responsibility and promotion over the term of the award, (ii) the individual's performance in recent periods, and (iii) the number of options and share bonus awards held by the individual at the time of grant. In addition, the Committee and Board consider competitive equity award data, and determine award size consistent with the Committee's and our Board's objective of setting long-term incentive compensation at the 75<sup>th</sup> percentile of our peer companies, subject to individual variances.

As part of the annual compensation review process, the Committee recommended and the Board approved a shift from the granting of share bonus awards and no options in fiscal year 2008 to granting both share bonus awards and options in fiscal year 2009, with a greater weighting to options. This shift was designed to create greater alignment of interests with shareholders and to reward the company's employees for the successful integration of the Solectron acquisition. The equity grant strategy in fiscal year 2008 had been focused on retention of senior management by awarding share bonus awards with three-and four-year vesting schedules, with the vesting of 50% of the share bonus awards contingent upon achievement of certain performance measures. The Committee and Board also determined to limit option grants to seven-year terms to reduce the compensation expense and long-term overhang.

*Administration of Equity Award Grants*

The Committee grants options with exercise prices set at the market price on the date of grant, based on the closing market price. Our current policy is that options and share bonus awards granted to executive officers are only made during open trading windows. Awards are not timed in relation to the release of material information. Our current policy provides that grants to non-executive new hires and follow on grants to non-executives are made on pre-determined dates in each fiscal quarter.

*Grants During Fiscal Year 2009*

The number of stock options and share bonus awards granted to the named executive officers in fiscal year 2009, and the grant-date fair value of these awards determined in accordance with SFAS 123(R), are shown in the Grants of Plan-Based Awards in Fiscal Year 2009 table.

As part of the annual compensation review process, the Committee recommended and the Board approved the following options grants for our named executive officers: Mr. McNamara 4 million options; Mr. Read 1.4 million options; Mr. Clarke 600,000 options; Mr. Burke 400,000 options; and Ms. Schiff 300,000 options. The options have seven-year terms and vest 25% on the first anniversary of the grant and in 36 monthly installments thereafter. One-half of the options granted to Mr. McNamara and Mr. Read provide that the options may not be exercised unless the market price of the company's shares at the time of exercise is at least \$12.50.

The Committee also recommended and the Board approved performance-based share bonus awards based on the same performance measures as under the three-year performance plan discussed under "*Long-Term Incentive Programs Three-Year Performance Plan (fiscal 2009 through fiscal 2011)*". Under these awards, the maximum number of shares that the named executive officers may earn based on performance is as follows: Mr. McNamara 500,000 shares; Mr. Read 200,000 shares; Mr. Clarke 90,000 shares; Mr. Burke 90,000 shares; and Ms. Schiff 60,000 shares. If the company fails to achieve the threshold performance level, no shares will vest. As a result of the dramatically deteriorating macroeconomic climate, which has slowed demand for our customers' products, and the resulting decrease in our expected operating results, management of the company believes that achievement of the performance measures for the three-year performance plan is no longer probable and these share bonus awards are not expected to vest.

Mr. Burke also received a special share bonus award for 50,000 shares which will vest on the third anniversary of the grant date if Mr. Burke continues to remain an employee.

As discussed under *Competitive Positioning*, the Committee and the Board seek to set total target direct compensation at the 75<sup>th</sup> percentile of our peer companies, subject to individual variances. In structuring the annual awards of options and share bonus awards, for purposes of competitive benchmarking, the Committee and the Board assigned a value to the performance-based share bonus awards equal to one-third of the threshold payout level. In addition, the Committee and the Board considered the CEO and CFO option grants as two-year awards and therefore

considered the value of one-half of such grants for competitive benchmarking purposes.

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In December 2008 and March 2009, the Committee recommended and the Board approved additional equity grants. These grants were made in response to the global economic crisis in order to retain and incentivize our employees, including our executives. Option grants made to the named executive officers in December 2008 were as follows: Mr. McNamara 2 million options; Mr. Read 2 million options; Mr. Clarke 600,000 options; Mr. Burke 400,000 options; and Ms. Schiff 300,000 options. These options have seven-year terms and vest 25% on June 2, 2009 and 25% annually thereafter. In March 2009, the Committee recommended and the Board approved an additional option grant to Mr. McNamara for 2,000,000 shares and a service-based share bonus award for 500,000 shares. The options vest 25% on June 2, 2009 and 25% annually thereafter, and the share bonus award vests in three equal annual installments beginning March 2, 2010. In making these grants to the named executive officers, the Committee and the Board considered the impact of the company's share price on the carried interest value of the executives' equity holdings (including the effects of the global economy on the attainability of outstanding performance-based awards) and the desirability of making additional equity awards to provide for adequate retention.

For purposes of determining achievement of performance targets for performance-based share bonus awards, the Committee uses non-GAAP measures on the basis discussed above under *Annual Incentive Bonus Plan*.

**Deferred Compensation**

Each of the named executive officers participates in a deferred compensation plan or arrangement. These plans and arrangements are intended to promote retention by providing a long-term savings opportunity on a tax-efficient basis. Mr. McNamara participates in the company's senior executive deferred compensation plan (referred to as the senior executive plan). Following his appointment as Chief Financial Officer, Mr. Read also became a participant in the senior executive plan effective January 1, 2009. Mr. Read participated in the company's senior management deferred compensation plan (referred to as the senior management plan) prior to his appointment as Chief Financial Officer. Messrs. Clarke and Burke and Ms. Schiff participate in the senior management plan. As discussed below, we have made deferred long-term incentive bonuses so that a significant component of the named executive officers' compensation serves a retentive purpose, as the bonuses only will vest if the executive remains in the company's active employment. In structuring the executive deferred compensation arrangements, the Committee and the Board also sought to provide an additional long-term savings plan for the executives in recognition that we do not otherwise provide these executives with a pension plan or any supplemental executive retirement benefits.

Deferred Compensation for Messrs. McNamara and Read. Under the senior executive plan, a participant may defer up to 50% of his salary and up to 100% of his cash bonuses. In addition, at the Committee's and the Board's discretion, awards for deferred long-term incentive bonuses may be awarded in return for services to be performed in the future. During fiscal year 2006, the Committee recommended and the Board approved a deferred bonus for Mr. McNamara of \$5,000,000. The deferred bonus (together with earnings) for Mr. McNamara vests as follows: (i) 10% vested on April 1, 2006; (ii) 15% vested on April 1, 2007; (iii) 20% vested on April 1, 2008; (iv) 25% vested on April 1, 2009; and (v) 30% will vest on April 1, 2010.

During fiscal year 2009, in recognition of his appointment as Chief Financial Officer, the Committee recommended and the Board approved an initial one-time funding payment of \$2,000,000 for Mr. Read in the senior executive plan. The deferred bonus (together with earnings) for Mr. Read will vest as follows: (i) 10% will vest on January 1, 2010; (ii) 15% will vest on January 1, 2011; (iii) 20% will vest on January 1, 2012; (iv) 25% will vest on January 1, 2013; and (v) 30% will vest on January 1, 2014. Prior to his appointment as Chief Financial Officer, Mr. Read was a participant in the senior management plan. As part of the annual contribution, Mr. Read was eligible to receive a contribution equal to 30% of his base salary. During fiscal year 2009, the Committee recommended and the Board approved a contribution of \$180,000 (equal to 30% of his base salary). These contributions (together with earnings) will vest as follows: (i) one-third will vest on July 1, 2012; (ii) one-half of the remaining balance will vest on July 1, 2013; and (iii) the remaining balance will vest on July 1, 2014.

Any unvested portions of the deferred bonuses for Mr. McNamara and Mr. Read (with respect to his senior executive plan account) will become 100% vested upon a change of control (as defined in the senior executive plan) if they are employed at that time or if their employment is terminated as a result of death or disability. Other than in cases of death or disability or a change of control, any unvested amounts will be forfeited if the executive's employment is terminated, unless otherwise provided in a separation agreement. With respect to Mr. Read's senior

management plan account, 100% will become vested in the case of his death and a percentage of the unvested portion of Mr. Read's senior management account will become vested in the event of a change of control (as defined in the senior management plan), in an amount equal to the number of months from July 1, 2005 through July 1,

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2014, divided by 108. Any portion of his senior management plan account that remains unvested after a change of control shall continue to vest in accordance with the original vesting schedule.

*Deferred Compensation for Mr. Clarke.* During fiscal year 2008, the Committee recommended and the Board approved an initial one-time funding payment of \$366,355 for Mr. Clarke in the senior management plan. Beginning with fiscal year 2009, Mr. Clarke received and may continue to receive a contribution equal to 15% of his base salary. The percentage of deferred compensation for Mr. Clarke has been revised to reflect his participation in the company's Canadian defined contribution pension program as well as other benefits provided to him as part of his expatriate assignment package. During fiscal year 2009, the Committee recommended and the Board approved a contribution of \$82,500 (equal to 15% of his base salary). These contributions (together with earnings) will vest as follows: (i) one-third will vest on July 1, 2012; (ii) one-half of the remaining balance will vest on July 1, 2013; and (iii) the remaining balance will vest on July 1, 2014.

*Deferred Compensation for Mr. Burke.* During fiscal year 2007, the Committee recommended and the Board approved an initial one-time funding payment of \$400,000 for Mr. Burke in the senior management plan. Beginning with 2008, Mr. Burke has received and may continue to receive a contribution equal to 30% of his base salary. During fiscal year 2009, the Committee recommended and the Board approved a contribution of \$135,000 (equal to 30% of his base salary). These contributions (together with earnings) will vest as follows: (i) one-third will vest on July 1, 2015; (ii) one-half of the remaining balance will vest on July 1, 2016; and (iii) the remaining balance will vest on July 1, 2017.

*Deferred Compensation for Ms. Schiff.* Beginning with 2005, Ms. Schiff has received and may continue to receive a contribution equal to 30% of her base salary under the senior management plan. In addition, during fiscal year 2007, the Committee recommended and the Board approved a special discretionary deferred bonus for Ms. Schiff of \$250,000. During fiscal year 2009, the Committee recommended and the Board approved a contribution for Ms. Schiff of \$127,500 (equal to 30% of her base salary). These contributions (together with earnings) will vest as follows: (i) one-third will vest on the first July 1st that occurs at least one year after the day that the sum of her age and years of service with the company equals or exceeds 60; (ii) one-third will vest one year after the first vesting date; and (iii) one-third will vest two years after the first vesting date.

Any unvested portions of the deferral accounts of Messrs. Clarke and Burke and Ms. Schiff will become 100% vested if their employment is terminated as a result of his or her death. In the event of a change of control (as defined in the senior management plan), a portion of the deferral account will vest, calculated as a percentage equal to the number of months of service from November 10, 2006 to July 1, 2017, divided by 128 for Mr. Burke, the number of service months from July 1, 2007 to July 1, 2014, divided by 84 for Mr. Clarke, and the number of months from July 1, 2005 to July 1, 2014, divided by 144 for Ms. Schiff. Any portion of their deferral accounts that remains unvested after a change of control shall continue to vest in accordance with the original vesting schedule. Other than in cases of death or a change of control, any unvested amounts will be forfeited if the executive's employment is terminated, unless otherwise provided in a separation agreement.

*Deferred Compensation for Mr. Smach.* Prior to this resignation, Mr. Smach was a participant in the senior executive plan. During fiscal year 2006, the Committee recommended and the Board approved a deferred bonus for Mr. Smach of \$3,000,000. The deferred bonus (together with earnings) for Mr. Smach originally was scheduled to vest as follows: (i) 10% vested on April 1, 2006; (ii) 15% vested on April 1, 2007; (iii) 20% vested on April 1, 2008; (iv) an additional 25% was to vest on April 1, 2009; and (v) an additional 30% was to vest on April 1, 2010. As discussed below under "*Thomas J. Smach Separation Agreement*", \$841,353 of Mr. Smach's deferral account was accelerated to vest on June 30, 2008 and \$1 million of his deferral account (together with earnings) will vest on December 31, 2009, subject to compliance with the terms of his separation agreement.

For additional information about (i) executive contributions to the named executive officers' deferral accounts, (ii) company contributions to the deferral accounts, (iii) earnings on the deferral accounts, and (iv) deferral account balances as of the end of fiscal year 2009, see the section entitled **Executive Compensation Nonqualified Deferred Compensation in Fiscal Year 2009**. The deferral accounts are unfunded and unsecured obligations of the company, receive no preferential standing, and are subject to the same risks as any of the company's other general obligations.





**Table of Contents****Benefits***Executive Perquisites*

Perquisites represent a small part of the overall compensation program for the named executive officers. In fiscal year 2009, we paid the premiums on long-term disability insurance for all NEOs (other than Mr. Clarke), provided tax preparation assistance to Mr. Read and reimbursed Mr. Clarke for relocation costs associated with his international assignment. In addition, we reimbursed Mr. McNamara for taxes due upon vesting of a portion of his deferred bonuses. These and certain other benefits are quantified under the All Other Compensation column in the Summary Compensation Table.

While company aircraft are generally used for company business only, certain executives, including our Chief Executive Officer and Chief Financial Officer and their spouses and guests may be permitted to use company aircraft for personal travel. We calculate the incremental cost to the company for use of the company aircraft by using an hourly rate for each flight hour. The hourly rate is based on the variable operational costs of each flight, including fuel, maintenance, flight crew travel expense, catering, communications and fees, including flight planning, ground handling and landing permits. To the extent any travel on company aircraft resulted in imputed income to the executive officer in fiscal year 2009, the company provided gross-up payments to cover the executive officer's personal income tax due on such imputed income. These benefits are quantified under the All Other Compensation column in the Summary Compensation Table.

*401(k) Plan; Canada Defined Contribution Pension Plan*

Under our 401(k) Plan, all of our employees are eligible to receive matching contributions. The matching contribution for fiscal year 2009 was dollar for dollar on the first 3% of each participant's pre-tax contributions, plus \$0.50 for each dollar on the next 2% of each participant's pre-tax contributions, subject to maximum limits under the Internal Revenue Code. We do not provide an excess 401(k) plan for our executive officers. Messrs. McNamara, Read and Burke and Ms. Schiff participate in the program.

In response to the global economic downturn we reviewed all employee-related expenses and explored ways to control these expenses. Effective March 15, 2009, the company suspended the matching pre-tax 401(k) contributions made to the 401(k) Plan for all employees classified by the company as salaried (exempt) employees. The match was not suspended for employees participating in the plan who are classified by the company as hourly (non-exempt) employees. The matches for Messrs. McNamara, Read and Burke and Ms. Schiff were suspended as a result of this action.

Mr. Clarke participates in the company's Canadian Defined Contribution pension plan. The Canadian plan is made up of three components, as follows: (i) the Defined Contribution (DC) Pension Plan, where Flextronics makes monthly contributions equal to 2% of an employee's earnings; (ii) a Group Registered Retirement Savings Plan (RRSP)/After Tax Savings Vehicle (ATSV), where employees can make optional contributions to a Group RRSP/ATSV; and (iii) a Deferred Profit Sharing Plan (DPSP), where Flextronics will match any contributions made to the Group RRSP/ATSV. The company will match 50% of the first 6% of the earnings contributed by an employee.

*Other Benefits*

Executive officers are eligible to participate in all of the company's employee benefit plans, such as medical, dental, vision, group life, disability, and accidental death and dismemberment insurance, in each case on the same basis as other employees, subject to applicable law.

**Termination and Change of Control Arrangements**

The named executive officers are entitled to certain termination and change of control benefits under their deferred compensation plans and under certain of their equity awards. These benefits are described and quantified under the section entitled "*Executive Compensation Potential Payments Upon Termination or Change of Control*." As described in that section, if there is a change of control of the company, the entire unvested portion of the deferred compensation accounts of Mr. McNamara and Mr. Read under the senior executive plan will accelerate, and a percentage of the unvested portion of Messrs. Read's, Clarke's and Burke's and Ms. Schiff's deferred compensation accounts under the senior management plan will accelerate based on their respective periods of service. The vesting of Mr. Smach's deferral accounts was governed by his separation agreement, which is discussed in the section entitled "*Thomas J. Smach Separation Agreement*" below. Under the terms of certain of our equity incentive plans and the form

of share bonus award agreement used for certain of our grants of share bonus awards to  
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our employees (including our executives), in the event of a change of control, each outstanding stock option and each unvested share bonus award with such a provision shall automatically accelerate, provided that vesting shall not so accelerate if, and to the extent, such award is either to be assumed or replaced. In addition, certain of Mr. McNamara's options are subject to acceleration if there is a change of control and his employment is terminated or his duties are substantially changed. These arrangements are intended to attract and retain qualified executives who could have other job alternatives that might offer greater security absent these arrangements. The Committee determined that a single trigger for acceleration of the executives' deferred compensation accounts was appropriate in order to provide certainty of vesting for benefits that represent the executives' primary source of retirement benefits. With respect to the acceleration provisions under the company's stock incentive plans, the Committee believes that these provisions provide our Board with appropriate flexibility to address the treatment of options and share bonus awards in a merger or similar transaction that is approved by our Board, while providing appropriate protections to our executives and other employees in transactions which are not approved by our Board. With respect to certain of Mr. McNamara's options, the acceleration of vesting of options only occurs if Mr. McNamara remains with the company through the change of control and is terminated or his duties are substantially changed, commonly referred to as a double trigger.

**Thomas J. Smach Separation Agreement**

Thomas J. Smach terminated his employment effective June 30, 2008. Under the terms of Mr. Smach's separation agreement, Mr. Smach received his quarterly bonus for the first fiscal quarter of fiscal 2009, without reduction of the 50% annual holdback, and was no longer eligible for any additional annual or long-term cash incentive bonuses. He also received a severance payment of \$700,000, which amount was grossed up for income taxes. In addition, the vesting of \$841,353 of Mr. Smach's deferred compensation account was accelerated and vested on June 30, 2008, while the remaining unvested balance of \$1 million of the deferral account (together with earnings) will vest on December 31, 2009, subject to Mr. Smach's compliance with certain non-solicitation and non-competition covenants. The separation agreement also provided for accelerated vesting of an aggregate of 216,666 shares (and the cancellation of 75,000 shares) subject to share bonus awards granted in 2006 and 2007, and extended the exercisability of an aggregate of 670,000 options until December 31, 2008. Mr. Smach also will receive continued health coverage in accordance with the terms of his senior executive severance agreement with The Dii Group, which was acquired by the company in 2000.

**EXECUTIVE COMPENSATION**

The following table sets forth the fiscal year 2007, 2008 and 2009 compensation for:

Michael M. McNamara, our chief executive officer;

Paul Read, our current chief financial officer;

Thomas J. Smach, our former chief financial officer, who resigned from the company effective June 30, 2008; and

Michael J. Clarke, Sean P. Burke and Carrie L. Schiff, the three other most highly compensated executive officers serving as executive officers at the end of our 2009 fiscal year.

The executive officers included in the Summary Compensation Table are referred to in this annual report as our named executive officers. A detailed description of the plans and programs under which our named executive officers received the following compensation can be found in the section entitled *Compensation Discussion and Analysis* beginning on page 9 of this annual report. Additional information about these plans and programs is included in the additional tables and discussions which follow the Summary Compensation Table.

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Name and Principal Position (1)	Year	Salary (\$)(2)	Bonus (\$)(3)	Stock Awards (\$)(4)	Option Awards (\$)(5)	Non-Equity Plan Compensation (\$)(6)	Change in Pension Value and Nonqualified Deferred Compensation	All Other Compensation (\$)(8)	Total (\$)
							Earnings (\$)(7)		
Michael M. McNamara Chief Executive Officer	2009	\$ 1,250,000	\$ 812,895	\$ 102,405	\$ 4,674,588	\$ 2,062,500		\$ 83,183	\$ 8,985,571
	2008	\$ 1,250,000	\$ 2,200,000	\$ 2,388,437	\$ 1,514,541	\$ 3,750,000		\$ 23,522	\$ 11,126,500
	2007	\$ 1,000,000	\$ 750,000		\$ 2,347,360	\$ 3,000,000	\$ 144,444	\$ 365,304	\$ 7,607,108
Paul Read* Chief Financial Officer	2009	\$ 584,375		\$ 277,882	\$ 1,535,412	\$ 655,050		\$ 31,390	\$ 3,084,109
Michael J. Clarke President, Infrastructure	2009	\$ 550,000		\$ 403,144	\$ 837,920	\$ 511,422		\$ 341,686	\$ 2,644,172
Sean P. Burke President, Computing	2009	\$ 450,000		\$ 339,049	\$ 634,022	\$ 243,027		\$ 10,529	\$ 1,676,627
Carrie L. Schiff Senior Vice President and General Counsel	2009	\$ 425,000		\$ 231,886	\$ 314,110	\$ 373,355		\$ 10,488	\$ 1,354,839
	2008	\$ 350,000		\$ 474,160	\$ 39,260	\$ 753,125		\$ 9,500	\$ 1,626,045
	2007	\$ 300,000	\$ 125,000	\$ 121,534	\$ 53,063	\$ 469,294	\$ 46,412	\$ 26,713	\$ 1,142,016
Thomas J. Smach** Former Chief Financial Officer	2009	\$ 175,000		\$ 980,529	\$ 371,117	\$ 350,000		\$ 2,194,528	\$ 4,071,174
	2008	\$ 700,000	\$ 600,000	\$ 1,194,221	\$ 1,362,357	\$ 1,400,000		\$ 16,754	\$ 5,273,332
	2007	\$ 650,000	\$ 450,000		\$ 1,390,831	\$ 1,300,000	\$ 111,714	\$ 246,137	\$ 4,148,682

\* Mr. Read was appointed as our Chief Financial Officer, effective June 30, 2008.

\*\* Mr. Smach resigned effective June 30, 2008

(1) Information for fiscal years 2007 and 2008 is not included for Messrs.

Read, Clarke and Burke, each of whom was appointed an executive officer during fiscal year 2009.

- (2) Messrs. McNamara and Read deferred a portion of their fiscal year 2009 salary under our senior executive deferred compensation plan, which amounts are included in the Nonqualified Deferred Compensation in Fiscal Year 2009 table.

Messrs. McNamara, Smach, and Burke and Ms. Schiff also contributed a portion of their fiscal year 2009 salaries to their 401(k) savings plan accounts and Mr. Clarke contributed a portion of his earnings to the company's Canadian after tax savings plan. All amounts deferred are included under this column. Mr. Clarke's salary is converted to Canadian dollars immediately prior to payout using the prevailing exchange rate on the effective date of the beginning of the pay periods beginning in January and July of each year.

- (3) For fiscal year 2009, this column shows the unvested portion of Mr. McNamara's deferred compensation account that vested on April 1, 2009. For additional information about the company's deferred compensation arrangements, see the section entitled ***Compensation Discussion and Analysis Fiscal Year 2009 Executive Compensation Deferred Compensation*** and the discussion under the section entitled ***"Nonqualified Deferred Compensation in Fiscal Year 2009"***.

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(4) Stock awards consist of service-based and performance-based share bonus awards. The amounts in this column do not reflect compensation actually received by the named executive officers nor do they reflect the actual value that will be recognized by the named executive officers. Instead, the amounts reflect the compensation cost recognized by us in fiscal years 2009, 2008 and 2007 for financial statement reporting purposes in accordance with SFAS 123(R) for share bonus awards granted in and prior to fiscal year 2009. The amounts in this column exclude the impact of estimated forfeitures related to service-based vesting conditions. As a result of the dramatically deteriorating macro-economic climate, which has slowed demand for our customers products and the resulting decrease in our expected operating results, management



believes that achievement of the longer-term goals for the performance-based share bonus awards granted to our named executive officers in April 2006, May 2007 and June 2008 are no longer probable and these awards are not expected to vest. As a result, cumulative compensation expense previously recognized for these share bonus awards was reversed during the fourth quarter of fiscal year 2009. Compensation cost reversed during the fourth quarter of fiscal year 2009 for the named executive officers was as follows:

Mr. McNamara	\$1,528,690;
Mr. Read	\$506,997;
Mr. Clarke	\$313,627;
Mr. Burke	\$82,547; and
Ms. Schiff	\$235,220.

The full grant-date fair value of share bonus awards granted in fiscal year 2009 is reflected in the Grants of Plan-Based Awards in 2009 table. For

information regarding the assumptions made in calculating the amounts reflected in this column, see the section entitled Stock-Based Compensation under Note 2 to our audited consolidated financial statements for the fiscal year ended March 31, 2009, included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2009.

- (5) The amounts in this column do not reflect compensation actually received by the named executive officers nor do they reflect the actual value that will be recognized by the named executive officers. Instead, the amounts reflect the compensation cost recognized by us in fiscal years 2009, 2008 and 2007 for financial statement reporting purposes in accordance with SFAS 123(R) for stock options granted in and prior to fiscal year 2009. The amounts in this column exclude the impact of estimated forfeitures related

to service-based vesting conditions.

There were no option grants to the named executive officers in fiscal year 2008.

Information regarding the assumptions made in calculating the amounts reflected in this column for grants made in fiscal year 2009, is included in the section entitled

Stock-Based Compensation under Note 2 to our audited consolidated financial statements for the fiscal year ended March 31, 2009, included in our AnnualY:

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0pt">We operate in both the United States and Canada, but report revenues, costs and earnings in U.S. dollars.

Exchange rates between the U.S. dollar and the Canadian dollar are likely to fluctuate from period to period. Because our financial results are reported in U.S. dollars, we are subject to the risk of translation losses for reporting purposes. If we

continue to expand our international operations, we will conduct more transactions in currencies other than the U.S. dollar. To the extent that foreign revenue and expense transactions are not denominated in the local currency, we are also subject to the risk of transaction losses. We have not entered into derivative instruments to offset the impact of foreign exchange fluctuations. Fluctuations in foreign currency exchange rates could have a material adverse affect on our financial condition and results of operations.

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

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

The hazardous and radioactive waste industries in which we operate are subject to litigation risk.

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

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

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

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

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

Our levels of outstanding debt and letters of credit could adversely affect our financial condition and ability to fulfill our obligations under our Credit Agreements.

As of December 31, 2010, we had \$63 million of borrowings and \$4.1 million issued in letters of credit on our \$95 million revolving line of credit agreement (the "Credit Agreement") with Wells Fargo National Association ("Wells Fargo"). This level of outstanding debt and letters of credit may:

- adversely impact our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or continue paying dividends to our stockholders;
- require us to dedicate a substantial portion of our cash flow to the payment of interest on our debt and fees on our letters of credit, which reduces the availability of our cash flow to fund working capital, capital expenditures, acquisitions, dividends or other general corporate purposes;
- subject us to the risk of increased sensitivity to interest rate increases based upon variable interest rates;
- limit our ability to adjust to rapidly changing market conditions, reduce our ability to withstand competitive pressures and make us more vulnerable to a downturn in general economic conditions of our business than competitors with less debt.

If we are unable to generate sufficient cash flow from operations in the future to service our debt and letter of credit fee obligations, we may be required to refinance all or a portion of our existing debt and letter of credit facilities, or to obtain new or additional such facilities. However, we may not be able to obtain any such new or additional facilities on favorable terms or at all.

Servicing our debt, including any revolving loans and capital leases, and paying our letter of credit fee obligations, will require a significant amount of cash, and our ability to generate cash depends on many factors beyond our control.

Our ability to make scheduled payments of principal or interest with respect to borrowings under our Credit Agreement and to pay fee obligations with respect to our letters of credit will depend on our ability to generate cash from our future financial results. Our ability to generate cash depends on, among other factors, the demand for our services, which is subject to general and industry-specific market conditions, changes in government environmental regulation, and financial, competitive, regulatory and other factors affecting our operations, many of which are beyond our control. Our operations may not generate sufficient cash flow in an amount necessary to enable us to pay our debt and the fee obligations arising from our letters of credit, or to fund our other liquidity needs.

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

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

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

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

Item 1B. Unresolved Staff Comments

None.

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## Item 2. Properties

The following table describes our non-disposal related properties and facilities at December 31, 2010 owned or leased by us.

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

The following table describes our treatment and disposal properties owned or leased by us, total acreage owned or controlled by us at the facility, estimated amount of permitted airspace available at each facility, the estimated amount of non-permitted airspace and the estimated life at each facility. All estimates are as of December 31, 2010.

Location	Own/Lease	Total Acreage	Permitted Airspace (Cubic Yards)	Non-Permitted Airspace (Cubic Yards)	Estimate Life (in years)
Beatty, Nevada	Lease	80	1,335,147	-	8
Grand View, Idaho	Own	1,411	1,714,450	28,100,000	107
Robstown, Texas	Own	440	2,350,435	-	19
Richland, Washington (1)	Sublease	100	659,336	-	45
Blainville, Quebec, Canada (2)	Owned/Sublease	350	7,926,037	-	33

(1) The Richland, Washington facility is on land subleased from the State of Washington. Our sublease has 5 years remaining on the base term with four 10-year renewal options, giving us control of the property until the year 2055 provided that we meet our obligations and operate in a compliant manner. The facility's intended operating life is equal to the period of the sublease.

(2) The treatment processing facility at our Blainville, Quebec facility in Canada is on owned land. The disposal site which is adjacent to the owned treatment processing facility is leased from the Province of Quebec with a term through 2018 and one 5-year renewal option.



### Item 3. Legal Proceedings

In the ordinary course of business, we are involved in judicial and administrative proceedings involving federal, state or local governmental authorities. Actions may also be brought by individuals or groups in connection with alleged violations of existing permits, alleged damages from exposure to hazardous substances purportedly released from our operated sites, provision of services to customers, disputes with employees, contractors or vendors and other litigation. We maintain insurance coverage for property and damage claims which may be asserted against us. Periodically, management reviews and may establish or adjust reserves for legal and administrative matters, or fees expected to be incurred in connection therewith. As of December 31, 2010, we did not have any ongoing, pending or threatened legal action that management believes would have a material adverse effect on our financial position, results of operations or cash flows.

Item 4. Reserved

## PART II

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

Our common stock is listed on the NASDAQ Global Select Market under the symbol ECOL. As of February 28, 2011 there were approximately 11,340 beneficial owners of our common stock. High and low sales prices for the common stock for each quarter in the last two years are shown below:

	2010		2009	
	High	Low	High	Low
First Quarter	\$ 17.67	\$ 13.99	\$ 21.21	\$ 13.56
Second Quarter	\$ 16.55	\$ 13.49	\$ 20.42	\$ 13.59
Third Quarter	\$ 16.11	\$ 12.98	\$ 19.73	\$ 15.87
Fourth Quarter	\$ 17.60	\$ 15.40	\$ 19.90	\$ 15.97

The following graph compares the five-year cumulative total return on our common stock with the comparable five-year cumulative total returns of the NASDAQ Composite Index and a waste industry peer group of publicly traded companies for fiscal year 2010. The companies which make up the selected industry peer group are Clean Harbors, Inc; Perma-Fix Environmental Services, Inc; and Waste Management Inc. The graph assumes that the value of the investment in US Ecology common stock and each index was \$100 at December 31, 2005 and assumes the reinvestment of dividends. The chart below the graph sets forth the data points in dollars as of December 31 of each year.

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

	2010		2009	
	Per share	Dollars	Per share	Dollars
First Quarter	\$ 0.18	\$ 3,270	\$ 0.18	\$ 3,267
Second Quarter	0.18	3,273	0.18	3,267
Third Quarter	0.18	3,273	0.18	3,267
Fourth Quarter	0.18	3,274	0.18	3,267
Total	\$ 0.72	\$ 13,090	\$ 0.72	\$ 13,068

On October 29, 2010, we entered into the Credit Agreement with Wells Fargo which provides for an aggregate commitment from Wells Fargo of \$95 million. The Credit Agreement replaced our \$20 million revolving credit agreement with Wells Fargo dated June 30, 2008 as amended on June 15, 2010. The Credit Agreement provides for a \$20 million revolving line of credit (the "Revolving Line of Credit") with a maturity date of June 15, 2013 and a \$75 million reducing revolving line of credit (the "Reducing Revolving Line of Credit") with a maturity date of November 1, 2015. Pursuant to our Credit Agreement, we may only declare quarterly or annual dividends if on the date of declaration, no event of default has occurred, or no other event or condition has occurred that would constitute an event of default after giving effect to the payment of the dividend. No events of default under the Credit Agreement have occurred to date.

#### Item 6. Selected Financial Data

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

\$s in thousands, except for per share data

	2010	2009	2008	2007	2006
Revenue	\$ 104,836	\$ 132,519	\$ 175,827	\$ 165,520	\$ 116,838
Insurance proceeds (1)	-	661	-	-	704
Operating income	20,377	23,102	34,521	30,867	24,458
Foreign currency gain (loss)	1,819	(37 )	3	-	-
Income tax expense	9,602	9,513	13,735	12,322	9,979
Net income	12,584	13,970	21,498	19,396	15,889
Earnings per share - basic	\$ 0.69	\$ 0.77	\$ 1.18	\$ 1.06	\$ 0.88
Earnings per share - diluted:	\$ 0.69	\$ 0.77	\$ 1.18	\$ 1.06	\$ 0.87
Shares used in earnings per share calculation:					
Basic	18,170	18,146	18,236	18,217	18,071
Diluted	18,189	18,173	18,290	18,257	18,202
Dividends paid per share	\$ 0.72	\$ 0.72	\$ 0.66	\$ 0.60	\$ 0.60

Total assets	\$	217,349	\$	123,662	\$	127,445	\$	117,076	\$	104,041	
Working capital (2)		18,693		38,830		36,892		29,846		24,459	
Long-term debt		63,003		10		21		27		24	
Stockholders' equity		94,712		93,498		91,942		83,098		73,355	
Return on invested capital (3)		12.7	%	14.3	%	18.7	%	17.2	%	18.7	%

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

(2) Calculated as current assets minus current liabilities.

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

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

## General

We are a hazardous, PCB, non-hazardous and radioactive waste services company providing treatment, disposal, recycling and transportation services to commercial and government entities including but not limited to oil refineries, chemical production facilities, manufacturers, electric utilities, steel mills, biotechnology companies, military installations, waste broker aggregators and medical and academic institutions. The majority of the waste received at our facilities is produced in the United States.

On October 31, 2010, we completed the acquisition of the stock of Stablex for \$77.5 million. Stablex operates a hazardous waste processing center and landfill in Blainville, Quebec, Canada. For our two months of ownership in 2010 Stablex contributed approximately \$5.7 million, or 5%, of our total revenue. Throughout "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations," we have excluded Stablex results when calculating Base and Event Business and changes in disposal revenue between our customer categories. Due to the relatively insignificant contribution provided by Stablex in 2010, we believe that excluding Stablex revenue for purposes of comparison provides more meaningful information on the Company's core business.

We generate revenue from fees charged to treat and dispose of waste at our five fixed disposal facilities located near Grand View, Idaho; Richland, Washington; Beatty, Nevada; Robstown, Texas and Blainville, Quebec, Canada. We manage a dedicated fleet of railcars and arrange for the transportation of waste to our facilities. Transportation services contributed significant revenue in recent years. We also utilize this railcar fleet to provide transportation services for disposal at facilities operated by other companies on a less frequent basis. We or our predecessor companies have been in the waste business since 1952.

Our customers may be divided into categories to better evaluate period-to-period changes in our treatment and disposal revenue based on service mix and type of business (recurring "Base" or "Event" clean-up business). Each of these categories is described in the table below with information on the percentage of total treatment and disposal revenues for each category for the years ended December 31, 2010 and 2009.

Customer Category	Description	% of 2010 Treatment and Disposal Revenue(1) (2)	% of 2009 Treatment and Disposal Revenue(1)
Broker	Companies that collect and aggregate waste from their direct customers, comprised of both Base and Event clean-up business.	41%	36%
Government	Federal and State government clean-up project waste, comprised of both Base business and Event clean-up business.	21%	16%
Refinery	Petroleum refinery customers, comprised of both Base and Event clean-up business.	12%	12%
Other industry	Electric utilities, chemical manufacturers, steel mill and other industrial customers not included in other categories, comprised of	11%	10%

	both recurring Base business and Event clean-up business.		
Private Clean-up	Private sector clean-up project waste, typically Event business.	8%	19%
Rate regulated	Northwest and Rocky Mountain Compact customers paying rate-regulated disposal fees set by the State of Washington, predominantly Base business.	7%	7%

(1) Excludes all transportation service revenue

(2) Excludes 2010 revenue for Stablex Canada Inc. which was acquired on October 31, 2010

A significant portion of our disposal revenue is attributable to discrete Event Business projects which vary widely in size, duration and unit pricing. For the year ended December 31, 2010, approximately 42% of our treatment and disposal revenue was derived from Event Business projects. The one-time nature of Event Business, diverse spectrum of waste types received and widely varying unit pricing necessarily creates variability in revenue and earnings. This variability may be influenced by general and industry-specific economic conditions, funding availability, changes in laws and regulations, government enforcement actions or court orders, public controversies, litigation, weather, real estate redevelopment project timing, government appropriation and funding cycles and other factors. The types and amounts of waste received from Base Business also vary from quarter to quarter. As a result of this variability, we can experience significant quarter-to-quarter and year-to-year differences in revenue, gross profit, gross margin, operating income and net income. Also, while many large projects are pursued months or years in advance of work performance, both large and small clean-up project opportunities routinely arise with little prior notice. This uncertainty, which is inherent to the hazardous and radioactive waste disposal business, is factored into our projections and externally communicated business outlook statements. Our projections combine historical experience with identified sales pipeline opportunities, new or expanded service line projections and prevailing market conditions. Management believes that the significant adverse general economic conditions that emerged in late-2008 and continued thereafter exacerbate the uncertainty inherent to projecting future results.

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

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

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

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

Adverse economic trends arising in the second half of 2008 and continuing thereafter resulted in a decrease in near-term demand for our services from industrial production and manufacturing activities and waste-generating businesses that support them. These conditions also impacted spending on real estate “brownfield” redevelopment projects and other discretionary industry clean-up projects. Demand for our services may benefit from greater emphasis on enforcement by the current federal administration as well as increased federal funding for environmental remediation.

#### Overall Performance

On a consolidated basis, our financial performance for the year ended December 31, 2010 (“2010”), declined as compared to the years ended December 31, 2009 (“2009”), and December 31, 2008 (“2008”). A significant portion of our disposal revenue is derived from government Event clean-up projects, which are primarily driven by federal, state and (to a lesser extent) local government appropriations. Government Event projects include federal and state Superfund projects which, like other remediation work, depend on project-specific funding.



We have a contract with the USACE to provide disposal services for the USACE FUSRAP clean-up program. During 2010 we entered into a new contract with the USACE on similar terms as the old contract. The new contract expires in 2013 with an option period for the USACE to extend until 2015. The USACE expects the federal clean-up program, which funds the contract, to continue through approximately 2021. From time to time the USEPA and other federal agencies use our USACE contract to dispose of Superfund and other federal clean-up waste. Annual FUSRAP funding has remained generally constant ranging from \$130 million to \$140 million each fiscal year but is at risk for future funding cuts. On February 14, 2010 President Obama released the proposed fiscal 2012 budget that shows an overall reduction in the FUSRAP program to \$109 million. In 2010, USACE revenue was approximately 17% of our total revenue or \$17.6 million as compared to 8% or \$11.2 million and 6% or \$11.4 million of our total revenue in 2009 and 2008, respectively. During 2009, we provided transportation services to the USACE on various projects. Treatment and disposal revenue from the USACE increased 29% in 2010 as compared with 2009.

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

In 2005, we entered into a large project contract with Honeywell to transport, treat and dispose approximately 1.3 million tons of chromite ore processing residue (“COPR”). Treatment of metals-bearing waste is generally a commoditized service and we believe we earned this business through a combination of our high volume waste throughput capability, the superior environmental conditions present at our site in the Owyhee Desert of southwestern Idaho and competitive pricing for bundled transportation and disposal services. Initial Honeywell shipments were received at our Grand View, Idaho facility in July 2005 and the project was completed in October 2009. Honeywell revenue was 3%, 38% and 43% of our total revenue in 2010, 2009 and 2008, respectively. While revenue from this project represented a significant portion of the Company’s total revenue, approximately 75% of the revenue from this contract is for transportation services provided at or near our cost. In addition, the treatment of COPR is one of our lower margin treatment services. In 2009, waste received from Honeywell was more profitable due to an approximate 30% reduction in reagent additive costs required to treat the waste prior to disposal, a reduction in personnel as we prepared for the end of the project and, to a lesser degree, logistics and processing efficiencies realized over the duration of the project. At the same time, economic conditions in 2009 significantly impacted our non-Honeywell business resulting in the Honeywell portion of our business becoming a more significant portion of our total overall business. As a result, operating income generated from the Honeywell Jersey City project grew to an estimated 30% of our total operating income in 2009, more than in any other year. In 2010, we were successful in winning a smaller vicinity cleanup project that began shipping in the fourth quarter of 2010 and will be completed in the first half of 2011. Honeywell has other project sites in the general vicinity of Jersey City that we believe we will be able to effectively compete for.

During 2010, Base Business revenue increased 4% compared to 2009 levels. Base Business revenue was approximately 58% of total 2010 treatment and disposal revenue, up from 56% in 2009. The hazardous waste business is highly competitive and no assurance can be given that we will maintain these revenue levels or increase our market share.

2008 to 2010 year-to-year comparisons are affected by multiple significant events including, but not limited to:

2010 Events

Acquisition of Stablex: On October 31, 2010, we completed the acquisition of Stablex for \$77.5 million. The purchase was completed using \$19.7 million of cash and \$57.8 million of debt. The acquisition resulted in the following impacts on the comparability of 2010 with previous years:

- Stablex operations added \$5.7 million of total revenue for our two months of our ownership in 2010.
- We incurred \$2.6 million of business development activities primarily for due diligence and business integration. Of the \$2.6 million in business development costs, only \$548,000 were deductible for income tax purposes contributing to an overall 43.3% effective tax rate for 2010. We estimate that these costs reduced earnings per share by approximately \$0.13 per diluted share.
- We established intercompany loans totaling \$49.4 million between Stablex and US Ecology as part of our tax and treasury management strategy. These intercompany loans are payable using Canadian dollars (“CAD”) and are subject to mark-to-market adjustments with movements in the CAD relative to the U.S. dollar (“USD”). During November and December 2010 the CAD strengthened relative to the USD resulting in a \$1.2 million foreign currency translation gain in the Company’s Consolidated Statement of Operations related to the intercompany loans.

- We entered into a forward contract to purchase \$80 million CAD to complete the purchase of Stablex. Favorable currency movements in the CAD relative to the USD between the date of the forward contract and the date of the ultimate purchase of Stablex resulted in foreign currency gains of approximately \$728,000 that are recognized in the Company's Consolidated Statement of Operations.
- We recorded \$41 million of intangibles and \$21 million of goodwill on the Consolidated Balance Sheet as a result of the acquisition. Intangibles will be amortized over their estimated useful life ranging from 5 to 33 years. Goodwill will be tested for impairment at least annually.

**Closure Post Closure Trust Fund Reimbursement:** During the fourth quarter of 2010 the Company received a \$1.3 million refund from the State of Nevada closure and post-closure trust fund maintained by the State of Nevada and funded by the Company to cover closure and post-closure obligations of the Beatty, Nevada facility. Any excess in the trust fund over the estimated costs to complete closure and post-closure obligations revert back to the Company. During the fourth quarter of 2010 the Company and the State of Nevada completed an engineering cost study resulting in a \$1.3 million refund that was received by the Company and is included in Revenue in the Consolidated Statement of Operations.

**USEPA Regulatory Fine:** In March 2010, the Company received a proposed settlement offer from the USEPA relating to alleged non-compliance with certain regulations at our Beatty, Nevada facility dating back to 2005. In response to the USEPA's proposal, the Company and the USEPA agreed to settle the matter for \$497,000 which was recorded as a charge to Selling, general and administrative expenses in the Consolidated Statement of Operations.

**Operating and Non-operating facility closure expenses:** In 2010, we recognized net charges of \$149,000 related to changes in cost estimates to close our operating and non-operating sites and perform post-closure monitoring. The charge is included in Other direct operating costs in the Consolidated Statement of Operations.

#### 2009 Events

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

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

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

#### 2008 Events

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



## Results of Operations

The table below summarizes our operating results and percentage of revenues for the years ended December 31, 2010, 2009 and 2008.

\$s in thousands	2010	%	2009	%	2008	%
Revenue	\$ 104,836	100.0 %	\$ 132,519	100.0 %	\$ 175,827	100.0 %
Other direct operating costs	45,391	43.3 %	43,535	32.9 %	44,322	25.2 %
Transportation costs	20,434	19.5 %	52,708	39.8 %	82,064	46.7 %
Gross profit	39,011	37.2 %	36,276	27.3 %	49,441	28.1 %
Selling, general and administrative expenses	18,634	17.8 %	13,835	10.4 %	14,920	8.5 %
Insurance proceeds	-		(661 )	-0.5 %	-	
Operating income	20,377	19.4 %	23,102	17.4 %	34,521	19.6 %
Other income (expense)						
Interest income	51		116	0.1 %	413	0.2 %
Interest expense	(320 )	-0.2 %	(2 )		(7 )	
Foreign currency gain (loss)	1,819	1.8 %	(37 )		3	
Other	259	0.2 %	304	0.2 %	303	0.2 %
Total other income	1,809	1.8 %	381	0.3 %	712	0.4 %
Income before income tax	22,186	21.2 %	23,483	17.7 %	35,233	20.0 %
Income tax expense	9,602	9.2 %	9,513	7.2 %	13,735	7.8 %
Net income	\$ 12,584	12.0 %	\$ 13,970	10.5 %	\$ 21,498	12.2 %

## Segments

We operate within two segments, Operating Disposal Facilities and Non-operating Disposal Facilities, which are combined with our discontinued Processing operations and with Corporate to arrive at consolidated income. Only the Operating Disposal Facilities segment reports significant revenue and profits. Non-operating Disposal Facilities generate virtually no revenue and no profit. Corporate generates no revenue and provides administrative, management and support services to the other segments. Income taxes are assigned to Corporate. All other items are included in the segment where they originated. Inter-company transactions have been eliminated from the segment information and are not significant between segments. Detailed financial information for our reportable segments can be found in Note 18 of the consolidated financial statements under Item 8 - Financial Statements and Supplementary Data to this Form 10-K.

## 2010 Compared to 2009

Revenue. Revenue decreased 21% to \$104.8 million in 2010, down from \$132.5 million in 2009. This decrease reflects a 64% decline in transportation and logistics revenue primarily due to the Honeywell contract that was completed in October 2009. Treatment and disposal revenue in 2010 increased 8% over 2009. Stablex contributed \$5.7 million of total revenue for the two months following the acquisition in 2010. Our treatment and disposal revenue excluding Stablex, in 2010 was consistent with 2009. During 2010 the Company received a \$1.3 million refund from the State of Nevada closure and post-closure trust fund maintained by the State and funded by the Company to cover closure and post-closure obligations of the Beatty, Nevada facility. Any excess in the trust fund over the estimated costs to complete closure and post-closure obligations reverts back to the Company. During the fourth quarter of 2010 the Company and the State of Nevada completed engineering cost studies confirming that the trust fund had an excess

balance of \$1.3 million which was refunded to and received by the Company.

During 2010, we disposed of 723,000 tons of hazardous and radioactive waste, down 7% from 774,000 tons disposed in 2009. Our average selling price for treatment and disposal services (excluding transportation) in 2010 was 26% higher than our average selling price in 2009. This increase reflects normal service mix and the replacement of the lower commodity-priced Honeywell waste stream with higher priced services.

During 2010, treatment and disposal revenue (excluding transportation services and Stablex) from recurring Base Business was 4% higher than 2009 and represented 58% of non-transportation revenue in 2010. This compared to 56% of non-transportation revenue in 2009. This increase primarily reflects Base Business improvement in our broker, government and other industry business categories partially offset by a decline in our refinery business.

Event Business treatment and disposal revenue (excluding transportation services and Stablex) in 2010 decreased 5% compared to 2009 and comprised 42% of non-transportation revenue compared to 44% of non-transportation revenue in 2009. The decline in Event Business in 2010 reflects completion of the Honeywell project in October 2009. In 2009, revenue from Honeywell represented 38% of total revenue. When Honeywell is excluded from 2009 results, our Event business increased 53% in 2010 compared to 2009.

The following table summarizes revenue growth (both Base and Event Business – excluding Stablex) by industry customer type for 2010 as compared to 2009.

	Treatment and Disposal Revenue Growth 2010 vs. 2009	
Government	32	%
Broker	13	%
Other industry	7	%
Rate regulated	1	%
Refinery	-2	%
Private	-57	%

Treatment and disposal revenue from our government customers increased 32% in 2010 compared to 2009. This improvement reflects increased shipments from the USACE and a field services contract where we provided logistics and project management oversight brokering disposal services to an alternative disposal facility owned by another company. Total revenue (including transportation services) under the USACE contract increased to \$17.6 million or 16.8% of total revenue in 2010. This is up from \$11.2 million in 2009, or 8% of total revenue. Treatment and disposal revenue from the USACE increased 29% in 2010 as compared with 2009. Project-specific timing at the multiple USACE clean-up sites we serve drove this increase. Each USACE site typically is remediated over multiple years in discretely funded project phases that may involve different types of waste being shipped to one or more disposal companies. These phases vary by type and amount of waste shipped and duration. No USACE projects served by the Company were cancelled or, to our knowledge, awarded to competitors during 2010. We believe the timing and disbursement of funds for discrete work phases in 2009 were negatively impacted by competing administrative demands and reporting requirements associated with USACE implementation of the American Recovery and Reinvestment Act of 2009 (“ARRA”) which were alleviated in 2010. The growth in 2010 was also partially attributable to increased transportation services being offered.

Broker business increased 13% in 2010 compared to 2009. The increase in our Broker business was partially due to a broker-served military project in 2010. The increase was also partially attributable to an increase in waste shipments for our thermal recycling services at our Robstown, Texas facility and increased shipments from various other third-party brokers in 2010 compared to 2009.

Other industry revenue increased 7% in 2010 compared to 2009. This increase reflects higher shipments of waste from multiple industrial customers.

Rate-regulated business at our Richland, Washington low-level radioactive waste facility increased 1% in 2010 compared to 2009. Our Richland facility operates under a State-approved revenue requirement. This increase is primarily due to annual rate adjustments based on a specific inflation index.

Treatment and disposal revenue from our refinery customers decreased 2% in 2010 compared to 2009. This decrease is primarily due to pricing pressure experienced in late-2009 and 2010 on thermal recycling services partially offset by increased volumes. In 2010, thermal recycling volumes increased approximately 18% and average selling prices decreased approximately 9%.

Treatment and disposal revenue from private clean-up customers for 2010 decreased 57% compared to 2009. This decrease primarily reflects completion of the Honeywell Study Area 7 project. The Honeywell Study Area 7 site and other much smaller Honeywell Study Area sites contributed 38% of total revenue (including transportation) in 2009, or \$50.6 million. This is compared with other Honeywell projects generating 3%, or \$3.4 million of total revenue in 2010.



Gross Profit. In 2010, gross profit increased 8% to \$39.0 million, up from \$36.3 million in 2009. Gross margin was 37% in 2010 up from 27% in 2009. Treatment and disposal gross margin was 47% in 2010, up from 45% in 2009. The gross margin improvement reflects normal service mix and a positive benefit from the Nevada closure post-closure trust fund reimbursement. Partially offsetting the gross margin benefit was a \$149,000 charge related to cost increases in our closure and post-closure obligations, pricing pressure on thermal recycling services and the addition of Stablex for the final two months of 2010 which operates at lower overall gross margins than the Company as a whole.

Selling, General and Administrative (“SG&A”). SG&A expenses for 2010 were \$18.6 million, up from \$13.8 million in 2009. As a percentage of total revenue, SG&A increased to 17.8% in 2010 as compared to 10.4% in 2009. In total dollars, SG&A expense increased \$4.8 million reflecting \$2.6 million in business development costs, including transaction expenses associated with the acquisition of Stablex and other business development activities, \$1.4 million of incentive compensation and \$746,000 of SG&A related to Stablex.

Interest income and expense. Interest income is earned on cash balances and short-term investments and is a function of prevailing market rates and balances. In 2010, we earned \$51,000 of interest income, down from \$116,000 in 2009. This decrease was due to a lower average rate of interest earned on investments in 2010 compared to 2009 and lower average balances of cash equivalents and short-term investments in 2010. Interest expense is incurred on borrowings on our Credit Agreement. Interest expense in 2010 was \$320,000 compared to \$2,000 in 2009. On October 29, 2010, we borrowed \$57.8 million on our credit facility to partially finance the acquisition of Stablex. As of December 31, 2010, we had approximately \$63 million of borrowings on our Credit Facility. Interest rates charged on our Credit Facility are variable and are priced at LIBOR plus a margin. Interest rates charged over the last two months of 2010 approximated on average 2.7%. See Liquidity and Capital Resources for more information on our Credit Agreement.

Other income (expense). Other income (expense) includes business activities not included in ordinary and usual revenue and expenses. In 2010 and 2009, we recognized \$259,000 and \$304,000, respectively, in other income primarily for royalty income from a previously sold municipal waste landfill in Texas.

Foreign Currency Gain (Loss). In 2010 we recognized \$1.8 million in foreign currency gains compared to a foreign currency loss of \$37,000 in 2009. Foreign currency gain (loss) reflects changes in business activity conducted in a currency other than the USD, our functional currency. In 2010, we acquired Stablex, a Canadian company, whose functional currency is the CAD. As part of a tax and treasury management strategy we established intercompany loans of \$49.4 million between our parent company US Ecology and Stablex. These intercompany loans are payable by Stablex to US Ecology in CAD requiring us to revalue the outstanding loan balance through our statement of operations, based on the USD/CAD currency movements from period to period. During November and December 2010, the CAD strengthened relative to the USD resulting in a \$1.2 million foreign currency translation gain in the Company’s Consolidated Statement of Operations. Additionally, in preparation for the purchase of Stablex, we entered into a forward contract to purchase \$80 million CAD to fund the purchase. Favorable currency movements in the CAD relative to the USD between the date we locked in the forward contract rate and the date of the acquisition of Stablex resulted in foreign currency gains of approximately \$728,000 that are recognized in the Company’s Consolidated Statement of Operations.

Income tax expense. Our effective income tax rate for 2010 was 43.3% compared to 40.5% in 2009. This increase in our effective tax rate is primarily due to business development costs incurred in connection with the Stablex acquisition which were not deductible for income tax purposes.

As of December 31, 2010, we had approximately \$91.6 million in state net operating loss carry forwards (“NOLs”) for which we maintain nearly a full valuation allowance. These state NOLs are located in states where we currently do little or no business or where we do not expect to generate future taxable income, and we consider it unlikely that we

will utilize these NOLs in the future.

As of December 31, 2010 and 2009, we had no material unrecognized tax benefits. We recognize interest assessed by taxing authorities as a component of interest expense. We recognize any penalties assessed by taxing authorities as a component of selling, general and administrative expenses. Interest and penalties for both 2010 and 2009 were not material.

#### 2009 Compared to 2008

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

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

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

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

	Treatment and Disposal Revenue Growth 2009 vs. 2008	
Refinery	71	%
Rate regulated	4	%
Broker	0	%
Other industry	-33	%
Private	-34	%
Government	-35	%

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

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

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

Other industry revenue decreased 33% in 2009 compared to 2008. This decrease reflects a PCB waste clean-up project for an electric utility customer shipped to our Grand View, Idaho facility that was completed in 2008 coupled with a decline in business with electric utility, manufacturing, steel mill and other industrial customers as a result of weaker year-over-year economic conditions and industrial production.

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

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

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

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

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

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

Insurance proceeds. During the fourth quarter of 2009, the Company received a \$661,000 insurance settlement involving an employee dishonesty claim.

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

Other income (expense). Other income (expense) includes non-operating business activities and usual revenue and expenses. In 2009, we recognized \$304,000 in other income primarily for royalty income from a previously sold municipal waste landfill in Texas and a gain on the sale of unused property associated with our discontinued operation in Winona, Texas. Other income in 2008 was \$303,000, primarily from royalty income from the Texas municipal landfill.

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

As of December 31, 2009, we had approximately \$83.0 million in state NOLs for which we maintain nearly a full valuation allowance. These state NOLs are located in states where we currently do little or no business, or where we do not expect to generate future taxable income and consider it unlikely that we will utilize these NOLs in the future.

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

### Liquidity and Capital Resources

Our primary sources of liquidity are cash and cash equivalents, cash generated from operations, and borrowings under the Credit Agreement. At December 31, 2010, we had \$6.3 million in cash and cash equivalents immediately available for operations. We assess our liquidity in terms of our ability to generate cash to fund our operating, investing, and financing activities. Our primary ongoing cash requirements will be to fund operations, capital expenditures, interest and principle payments and continue paying dividends pursuant to our dividend policy. We believe our future operating cash flows will be sufficient to meet our future operating and investing cash needs for the foreseeable future. Furthermore, the existing cash balances and the availability of additional borrowings under our revolving Credit Agreement provide additional potential sources of liquidity should they be required.

Operating Activities. In 2010, net cash provided by operating activities was \$14.9 million. This reflects net income of \$12.6 million, non-cash depreciation, amortization and accretion of \$9.1 million, increases in our income taxes payable of \$2.4 million, increases in our working capital liabilities such as accounts payable, accrued liabilities, accrued salaries and benefits totaling \$2.3 million and non-cash stock based equity awards of \$988,000. Partially offsetting these sources of cash were increases in accounts receivable of \$11.3 million, unrealized non-cash foreign currency gains of \$1.2 million, Impacts on net income are due to the factors discussed above for 2010 under Results of Operations. The increase in income taxes payable reflects improved fourth quarter pretax results in 2010. The increase in our working capital liability accounts also reflect the higher level of business activity in the fourth quarter of 2010 operating results along with an increase in incentive compensation as a result of achieving internal performance metrics. The increase in receivables is primarily attributable to increased business activity in November and December of 2010. Days sales outstanding improved slightly to 65 days as of December 31, 2010, compared to 68 days at December 31, 2009. The non-cash foreign currency gain reflects a strengthening CAD relative to the USD on intercompany notes established as part of the Stalex acquisition.

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

In 2008, cash provided by operating activities was \$30.6 million. This was primarily attributable to net income of \$21.5 million, depreciation, amortization and accretion of \$10.6 million and changes in deferred income taxes. These

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



**Investing Activities.** In 2010, net cash used in investing activities was \$89.5 million. Significant transactions affecting cash used in investing activities during 2010 include our purchase of Stablex for \$77.4 million net of cash acquired, and capital expenditures of \$14.2 million. Partially offsetting these uses of cash were net maturities of short-term investments of \$1.4 million and \$685,000 in cash received from our restricted cash trust funds. Capital expenditures during 2010 reflected additional infrastructure investments including \$6.0 million to construct a new treatment and storage facility in Robstown, Texas, \$2.9 million of additional disposal capacity at our Robstown, Texas, and Beatty, Nevada facilities and \$859,000 for the final stages of a new storage and processing facility at Stablex. Other capital projects included equipment and fixture purchases at all of our operating disposal facilities.

In 2009, net cash used in investing activities was \$10.8 million. Significant transactions affecting cash used in investing activities during 2009 included capital expenditures of \$9.4 million including \$5.2 million to construct additional disposal capacity at our Grand View, Idaho and Robstown, Texas facilities. Other capital projects included equipment and fixture purchases at all of our operating disposal facilities. Purchases of short-term investments of \$1.4 million also contributed to net cash used in investing activities during 2009.

In 2008, net cash used in investing activities was \$11.2 million. We invested \$13.6 million on capital projects, including \$7.3 million to construct additional disposal capacity at our Beatty, Nevada and Robstown, Texas facilities and \$2.8 million at the Texas facility on expanded infrastructure supporting thermal desorption recycling equipment installed at that operation. Other capital projects included equipment and fixture purchases at all our operating waste facilities. Partially offsetting cash outflows for capital expenditures were net maturities of short-term investments totaling \$2.2 million.

**Financing Activities.** For 2010, net cash from financing activities was \$49.6 million and included \$63.0 million of borrowings on our credit facility incurred primarily to finance the Stablex acquisition. These cash inflows were partially offset by \$13.1 million of dividend payments to our stockholders and \$373,000 in deferred financing costs paid.

For 2009, net cash used in financing activities was \$13.1 million primarily as a result of the payment of dividends.

For 2008, net cash used in financing activities was \$13.5 million. This included \$12.1 million in dividend payments and \$2.6 million used for common stock repurchases. The dividend payments and common stock repurchases were partially offset by proceeds received from stock option exercises and associated tax benefits.

On October 29, 2010, we entered the Credit Agreement with Wells Fargo which provides for an aggregate commitment from Wells Fargo of \$95 million. The Credit Agreement replaced our \$20 million revolving credit agreement with Wells Fargo dated June 30, 2008 as amended on June 15, 2010. The Credit Agreement provides for a \$20 million revolving line of credit (the "Revolving Line of Credit") with a maturity date of June 15, 2013 and a \$75 million reducing revolving line of credit (the "Reducing Revolving Line of Credit") with a maturity date of November 1, 2015.

**Revolving Line of Credit.** The Revolving Line of Credit provides up to \$20 million in revolving credit loans or letters of credit for working capital needs (the "Commitment Amount"). Under the Revolving Line of Credit, revolving loans are available based on the Prime Rate or LIBOR, at the Company's option, plus an applicable margin, which is determined according to a pricing grid under which the interest rate decreases or increases based on our ratio of funded debt to earnings before interest, taxes, depreciation and amortization ("EBITDA"). At December 31, 2010, the effective interest rate of the Revolving Line of Credit was 1.56%. Interest only payments are due either monthly or on the last day of any interest period, as applicable. At December 31, 2010 the availability under the Revolving Line of Credit was \$16.0 million with \$4.0 million of the line of credit issued in the form of a standby letter of credit utilized as collateral for closure and post-closure financial assurance that expires in December 2011. There were no

outstanding borrowings under the Revolving Line of Credit at December 31, 2010.

**Reducing Revolving Line of Credit.** The Reducing Revolving Line of Credit provides an initial commitment amount of \$75 million, the proceeds of which were used to acquire all of the shares of Stablex, and thereafter will be used to provide financing for working capital needs (the “Reducing Revolving Commitment Amount”). The initial Reducing Revolving Commitment Amount is reduced by \$2.8 million on the last day of each June, September, December and March beginning June 30, 2011 continuing through November 1, 2015. Under the Reducing Revolving Line of Credit revolving loans are available based on the Prime Rate or LIBOR, at the Company’s option, plus an applicable margin which is determined according to a pricing grid under which the interest rate decreases or increases based on our ratio of funded debt to EBITDA. At December 31, 2010, effective interest rate of the Reducing Revolving Line of Credit was 2.7%. Interest only payments are due either monthly or on the last day of any interest period, as applicable. At December 31, 2010 the availability under the Reducing Revolving Line of Credit was \$12.0 million.

In addition to standard fees, there are origination fees and commitment fees based on the average daily unused portion of the Commitment Amount and the Reducing Revolving Commitment Amount. The Credit Agreement contains certain quarterly financial covenants, including a maximum funded debt ratio, a maximum fixed charge coverage ratio, a minimum required tangible net worth and a minimum current ratio. In addition, we may only declare quarterly or annual dividends if on the date of declaration, no event of default has occurred, or no other event or condition has occurred that would constitute an event of default after giving effect to the payment of the dividend. At December 31, 2010 we were in compliance with all financial and non-financial covenants under the Credit Agreement. Obligations under the Credit Agreement are guaranteed by US Ecology and all of its subsidiaries.

**Common Stock Repurchases.** On October 28, 2008, our Board of Directors authorized management to repurchase up to 600,000 shares, or approximately 3%, of our outstanding common stock. The program was extended periodically until it expired on December 31, 2009. During the repurchase period the Company repurchased 155,315 shares under the plan at an average price of \$16.68 per share using cash on hand.

#### Subsequent Event

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

#### Contractual Obligations and Guarantees

##### Contractual Obligations

US Ecology's contractual obligations at December 31, 2010 mature as follows:

\$s in thousands	Total	Payments Due by Period			
		1 Year or less	2-3 Years	4-5 Years	More than 5 Years
Closure and post-closure obligations (1)	\$ 111,882	\$ 836	\$ 3,824	\$ 1,147	\$ 106,075
Operating lease commitments	1,465	479	739	197	50
Capital lease obligation	10	7	3	-	-
Reducing revolving credit facility (2)	63,000	-	15,800	47,200	-
Interest expense (3)	6,728	1,707	3,091	1,930	-
<b>Total contractual obligations</b>	<b>\$ 183,085</b>	<b>\$ 3,029</b>	<b>\$ 23,457</b>	<b>\$ 50,474</b>	<b>\$ 106,125</b>

(1) For the purposes of the table above, our closure and post-closure obligations are shown on an undiscounted basis and inflated using an estimated annual inflation rate of 2.6%. Cash payments for closure and post-closure obligation extend to the year 2105.

(2) Our Credit Agreement with Wells Fargo expires in October 2015. Under the terms of the Credit Agreement, the commitment amount reduces \$2,780,000 per quarter on the last day of June, September and December commencing on June 30, 2011. For the purposes of the table above, principal repayments begin when the commitment level is lower than the \$63,000,000 outstanding at December 31, 2010 and reduce \$2,780,000 per quarter thereafter.

(3) Interest expense has been calculated using the effective interest rate of 2.7% in effect at December 31, 2010 in accordance with the Credit Agreement. This rate is assumed throughout the duration of the term of the Credit Agreement and reflects assumed principal reductions consistent with disclosures in footnote (2) above.

## Guarantees

We enter into a wide range of indemnification arrangements, guarantees and assurances in the ordinary course of business and have evaluated agreements that contain guarantees and indemnification clauses in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification™ (“ASC”) Topic 460 Guarantees. These include tort indemnities, tax indemnities, indemnities against third-party claims arising out of arrangements to provide services to us and indemnities related to the sale of our securities. We also indemnify individuals made party to any suit or proceeding if that individual was acting as an officer or director of US Ecology or was serving at the request of US Ecology or any of its subsidiaries during their tenure as a director or officer. We also provide guarantees and indemnifications for the benefit of our wholly-owned subsidiaries to satisfy performance obligations, including closure and post-closure financial assurances. It is difficult to quantify the maximum potential liability under these indemnification arrangements; however, we are not currently aware of any material liabilities to the Company or any of its subsidiaries arising from these arrangements.

## Environmental Matters

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

We estimate that our undiscounted future closure and post-closure costs for all facilities was approximately \$112 million at December 31, 2010, with a median payment year of 2057. Our future closure and post-closure estimates are our best estimate of current costs and are updated periodically to reflect current technology, cost of materials and services, applicable laws, regulations and permit conditions or orders and other factors. These current costs are adjusted for anticipated annual inflation, which we assumed to be 2.6% as of December 31, 2010. These future closure and post-closure estimates are discounted to their present value for financial reporting purposes using our credit-adjusted risk-free interest rate, which approximates our incremental long-term borrowing rate in effect at the time the obligation is established or when there are upward revisions to our estimated closure and post-closure costs. At December 31, 2010, our weighted-average credit-adjusted risk-free interest rate was 7.7%. For financial reporting purposes, our recorded closure and post-closure obligations were \$16.8 million and \$13.4 million for 2010 and 2009, respectively.

Through December 31, 2010, we have met our financial assurance requirements through a combination of insurance policies, commercial surety bonds and trust funds. Our insurance policies covering closure and post-closure activities were renewed in December 2010 and expire in December 2013 for our U.S. operating facilities. We continue to use self-funded trust accounts for our closure and post-closure obligations at our non-operating sites. We use commercial surety bonds for our Stalex operation that were renewed in November 2010 and expire in November 2011.

## US Operating and Non-Operating Facilities

We cover our closure and post-closure obligations for our US Operating facilities located in Grand View, Idaho; Robstown, Texas and to a limited degree our Beatty, Nevada facility through the use of third-party insurance policies. These policies were renewed in December 2010 and expire in December 2013. The insurance policies require that we provide collateral of \$4 million (adjusted based on policy levels) through the policy term. As of December 31, 2010, we have satisfied this requirement through the issuance of a \$4 million in letter of credit from our Credit Agreement. Our total policy limits are approximately \$44 million.

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

We continue to use self-funded trust accounts for our post-closure obligations at our non-operating sites located in Sheffield, Illinois and Winona, Texas. At December 31, 2010 our trust accounts had \$4.1 million for our closure and post-closure obligations and are identified as "Restricted Cash" on our consolidated balance sheet.

## Stablex

We use commercial surety bonds to cover our closure obligations for our Stablex facility located in Blainville, Quebec, Canada. Our lease agreement with the Province of Quebec requires that the surety bond be maintained for 25 years after the lease expires in 2023. At December 31, 2010 we had \$864,000 in commercial surety bonds dedicated for closure obligations. These bonds were renewed in November 2010 and expire November 2011. Post-closure funding obligations for the Stablex landfill revert back to the Province of Quebec through a dedicated trust account that is funded based on a per-metric-ton disposed fee by Stablex.

We expect to renew insurance policies and commercial surety bonds in the future. If we are unable to obtain adequate closure, post-closure or environmental liability insurance and/or commercial surety bonds in future years, any partial or completely uninsured claim against us, if successful and of sufficient magnitude, could have a material adverse effect on our financial condition, results of operations or cash flows. Additionally, continued access to casualty and pollution legal liability insurance with sufficient limits, at acceptable terms, is important to obtaining new business. Failure to maintain adequate financial assurance could also result in regulatory action including early closure of facilities. While we believe we will be able to maintain the requisite financial assurance policies at a reasonable cost, premium and collateral requirements may materially increase.

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

## Seasonal Effects

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

## Critical Accounting Policies

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

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

## Revenue Recognition

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

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



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

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

Our Richland, Washington disposal facility is regulated by the WUTC, which approves our rates for disposal of LLRW. Annual revenue levels are established based on a six-year rate agreement with the WUTC at amounts sufficient to cover the costs of operation and provide us with a reasonable profit. Per-unit rates charged to LLRW customers during the year are based on our evaluation of disposal volume and radioactivity projections submitted to us by waste generators. Our proposed rates are then reviewed and approved by the WUTC. If annual revenue exceeds the approved levels set by the WUTC, we are required to refund excess collections to facility users on a pro-rata basis. The rate agreement in effect for 2010 began on January 1, 2008, and expires on January 1, 2014.

#### Disposal Facility Accounting

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

- § Personnel and equipment costs incurred to construct new disposal cells are identified and capitalized as a cell development asset.
- § The cell development asset is amortized as each available cubic yard, or metric ton in the case of Stablex, of disposal space is filled. Periodic independent engineering surveys and inspection reports are used to determine the remaining volume available. These reports take into account volume, compaction rates and space reserved for capping filled disposal cells.
- § FASB ASC Topic 410 Asset Retirement and Environmental Obligations (formerly Statement of Financial Accounting Standard (“SFAS”) No. 143 Accounting for Asset Retirement Obligations), requires us to record the fair value of an Asset Retirement Obligation (“ARO”) as a liability in the period in which we incur a legal obligation associated with the retirement of tangible long-lived assets. We are also required to record a corresponding asset that is amortized over the life of the underlying tangible asset. After the initial measurement, the ARO is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation.

The closure liability (obligation) represents the present value of current cost estimates to close, maintain and monitor disposal cells and support facilities. Cost estimates are developed using input from our technical and accounting personnel as well as independent engineers and our interpretation of current requirements, and are intended to approximate fair value under the provisions of ASC 410. We estimate the timing of future payments based on expected annual disposal airspace consumption and then accrete the current cost estimate by an inflation rate, estimated at December 31, 2010 to be 2.6%. Inflated current costs are then discounted using our credit-adjusted

risk-free interest rate, which approximates our incremental borrowing rate in effect at the time the obligation is established or when there are upward revisions to our estimated closure and post-closure costs. Our weighted-average credit-adjusted risk-free interest rate at December 31, 2010 approximated 7.7%. Final closure and post-closure monitoring obligations are currently estimated as being paid through the year 2105. During 2010, we updated several assumptions. This included the estimated cost of closing active disposal cells, site closure costs, post-closure activities and the estimated year of site closure. These changes resulted in a net increase to our closure post-closure obligation of \$1.1 million, an increase of \$957,000 in retirement assets and \$149,000 recorded as a charge to other direct costs. In addition we added \$1.4 million of closure obligation and \$946,000 of retirement assets as part of the acquisition of Stablex.

Changes in inflation rates or the estimated costs, timing or extent of the required future activities to close, maintain and monitor disposal cells and facilities result in both: (i) a current adjustment to the recorded liability and related asset and (ii) a change in the liability and asset amounts to be recorded prospectively over the remaining life of the asset in accordance with our depreciation policy. A hypothetical 1% increase in the inflation rate would increase our closure/post-closure obligation by \$2.0 million. A hypothetical 10% increase in our cost estimates would increase our closure/post-closure obligation by \$1.5 million.

#### Goodwill and Intangible Assets

Goodwill represents the excess of the fair value of the consideration transferred over the fair value of the underlying identifiable assets and liabilities. We recognized \$21.3 million of goodwill in connection with our acquisition of Stablex. No events or circumstances have occurred since the October 31, 2010, acquisition that indicate a possible impairment and therefore no impairment test was performed related to goodwill during 2010. Beginning in 2011, we will assess goodwill for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Some of the factors that could indicate impairment include a significant adverse change in legal factors or in the business climate, an adverse action or assessment by a regulator, or operating losses at the reporting unit. We will assess impairment by comparing the fair value of the reporting unit to the carrying value of the net assets assigned to the reporting unit, including goodwill. In the event the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill test would be performed to measure the amount of impairment loss. In the event that management determines that the value of goodwill has become impaired, the Company will incur an accounting charge for the amount of impairment during the period in which the determination has been made.

We have \$41.7 million of intangible assets, net of accumulated amortization as of December 31, 2010. Our intangible assets resulted from the purchase price allocation from the acquisition of Stablex on October 31, 2010. The intangible assets were recorded at their estimated fair value as of the acquisition date. No events or circumstances have occurred since the October 31, 2010, acquisition that would indicate that our intangible assets may be impaired, and therefore no impairment test was performed for 2010. In 2011, we will begin reviewing the carrying value of our intangible assets for impairment whenever events indicate that the carrying value of the intangible asset may not be recoverable. In order to assess whether a potential impairment exists, the assets' carrying values are compared with their undiscounted expected future cash flows. Estimating future cash flows requires significant judgment about factors such as general economic conditions and projected growth rates, and our estimates often vary from the cash flows eventually realized. Impairments are measured by comparing the fair value of the asset to its carrying value. Fair value is generally determined by considering: (i) internally developed discounted projected cash flow analysis of the asset; (ii) actual third-party valuations; and/or (iii) information available regarding the current market environment for similar assets. If the fair value of an asset is determined to be less than the carrying amount of the asset, an impairment in the amount of the difference is recorded in the period in which the events or changes in circumstances that indicated the carrying value of the assets may not be recoverable occurred.

#### Share Based Payments

The Company's Board of Directors granted stock options to purchase our common stock to certain employees and Directors under our previous 1992 Employee Stock Option Plan and our 2009 Stock Option Incentive Plan. The Company has also granted directors and certain employees restricted stock awards under the 2005 Director Stock Plan and the 2006 Employee Stock Plan. Additionally, outstanding options have been granted under a 1992 Director Plan option plan that was cancelled in 2005. The benefits provided under all of these plans are subject to the provisions of ASC Topic 718 Compensation – Stock Compensation (formerly revised SFAS No. 123 (“SFAS 123 R”), Share-Based Payments), which we adopted effective January 1, 2006.

The determination of fair value of stock option awards on the date of grant using the Black-Scholes model is affected by our stock price and subjective assumptions. These assumptions include, but are not limited to, the expected term of stock options and expected stock price volatility over the term of the awards. Refer to Note 16 – Equity to the consolidated financial statements included in this Form 10-K for a summary of the assumptions utilized in 2010, 2009 and 2008. Our stock options have characteristics significantly different from those of traded options, and changes in the assumptions can materially affect the fair value estimates.

ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. When actual forfeitures vary from our estimates, we recognize the difference in compensation expense in the period the actual forfeitures occur or when options vest.

## Income Taxes

Income taxes are accounted for using an asset and liability approach in accordance with ASC Topic 740 Income Taxes (formerly SFAS No. 109, Accounting for Income Taxes), which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement and tax basis of assets and liabilities at the applicable tax rates. Deferred tax assets are required to be evaluated for the likelihood of use in future periods. A valuation allowance is recorded against deferred tax assets if, based on the weight of the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The determination of the need for a valuation allowance, if any, requires management's judgment and the use of estimates. As of December 31, 2010, we have deferred tax assets totaling approximately \$5.9 million, a valuation allowance of \$4.6 million and deferred tax liabilities totaling approximately \$20.0 million.

We apply the provisions of ASC 740 related to income tax uncertainties (formerly FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes-an Interpretation of FASB Statement No. 109) to account for uncertain tax positions. As discussed in Note 2 and Note 14 to the accompanying consolidated financial statements, we have determined that we have no material uncertain tax positions. The application of income tax law is inherently complex. Tax laws and regulations are voluminous and at times ambiguous and interpretations of guidance regarding such tax laws and regulations change over time. This requires us to make many subjective assumptions and judgments regarding our income tax exposures. Changes in our assumptions and judgments can materially affect our financial position, results of operations and cash flows.

## Litigation

We have, in the past, been involved in litigation requiring estimates of timing and loss potential whose timing and ultimate disposition is controlled by the judicial process. As of December 31, 2010, we did not have any ongoing, pending or threatened legal action that management believes would have a material adverse effect on our financial position, results of operations or cash flows. The decision to accrue costs or write off assets is based on the pertinent facts and our evaluation of present circumstances.

## Off Balance Sheet Arrangements

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

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We have minimal interest rate risk on investments or other assets due to our general preservation of capital approach to investments. At December 31, 2010, approximately \$6.3 million was held in cash and cash equivalents.

We are exposed to changes in interest rates as a result of our borrowings under the Credit Agreement with Wells Fargo. Under the Credit Agreement, revolving loans are available based on the Prime Rate or LIBOR, at the Company's option, plus an applicable margin, which is determined according to a pricing grid under which the interest rate decreases or increases based on our ratio of funded debt to EBITDA. At December 31, 2010, we had \$63 million of borrowings on the Reducing Revolving Line of Credit bearing an interest rate of 2.7% and no amount borrowed on the Revolving Line of Credit bearing an interest rate of 1.6%. If interest rates were to rise we would be subject to higher interest payments if outstanding balances remain unchanged. Based on the outstanding indebtedness of \$63 million under our Credit Facility at December 31, 2010, if market rates used to calculate interest expense were to average 1% higher in the next twelve months, our net-of-tax interest expense would increase by approximately \$630,000.

### Foreign Currency Risk

We are subject to currency exposures and volatility because of currency fluctuations. The majority of our transactions are in USD; however, our Stablex subsidiary conducts business in Canada and the United States. In addition, contracts for services Stablex provides to US customers are generally denominated in USD. During 2010, Stablex transacted approximately 41% of its revenue in USD and at any time has cash on deposit in USD and outstanding USD trade receivables and payables related to these transactions. These USD cash, receivable and payable accounts are vulnerable to foreign currency translation gains or losses. Exchange rate movements also affect the translation of Canadian generated profits and losses into USD.

We established intercompany loans totaling \$49.4 million between Stablex and US Ecology, Inc. as part of a tax and treasury management strategy allowing for repayment of third-party bank debt used to complete the acquisition. These intercompany loans are payable using CAD and are subject to mark-to-market adjustments with movements in the CAD. During November and December 2010 the CAD strengthened as compared to the USD resulting in a \$1.2 million foreign currency translation gain being recognized in the Company's Consolidated Statement of Operations related to the intercompany loans. Based on intercompany balances as of December 31, 2010 a \$0.01 CAD increase or decrease in currency rate compared to the USD at December 31, 2010 would have generated approximately \$500,000 of gains or loss for the year ended December 31, 2010.

We had total pre-tax foreign currency gains of \$1.8 million for the year ended December 31, 2010. We currently have no foreign exchange contracts, option contracts or other foreign currency hedging arrangements.

Stablex was acquired October 31, 2010 and therefore only two months of operating results are reflected in the Company's operating results for the year ended December 31, 2010. It is expected that a larger portion of our operating results will be subject to currency fluctuations in future periods. Management evaluates the Company's risk position on an ongoing basis to determine whether foreign exchange hedging strategies should be employed.

Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of US Ecology, Inc. and subsidiaries (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended December 31, 2010 and 2009. We also have audited the Company's internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Controls over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

As described in Management's Annual Report on Internal Controls over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Stablex Canada, Inc. ("Stablex"), which was acquired on October 31, 2010 and whose financial statements constitute approximately 47 % total assets and 5% of revenues of the consolidated financial statement amounts as of and for the year ended December 31, 2010. Accordingly, our audit did not include the internal control over financial reporting at Stablex.

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

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of U.S. Ecology, Inc. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the years ended December 31, 2010 and 2009, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Deloitte and Touche LLP

Boise, Idaho  
March 15, 2011

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of  
U.S. Ecology, Inc.

We have audited the accompanying consolidated statement of operations, stockholders' equity and cash flows of U.S. Ecology, Inc. and subsidiaries ("the Company") for the year ended December 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of U.S. Ecology, Inc. and subsidiaries for the year ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

/s/ Moss Adams LLP  
Portland, OR  
February 25, 2009

US ECOLOGY, INC.  
CONSOLIDATED BALANCE SHEETS  
in thousands, except share and per share amounts

	As of December 31,	
	2010	2009
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$6,342	\$31,347
Short-term investments	-	1,395
Receivables, net	33,553	16,302
Prepaid expenses and other current assets	2,635	1,752
Deferred income taxes	455	41
Total current assets	42,985	50,837
Property and equipment, net	105,822	67,485
Restricted cash	4,115	4,800
Intangible assets, net	41,740	-
Goodwill	21,790	-
Other assets	897	540
Total assets	\$217,349	\$123,662
<b>Liabilities And Stockholders' Equity</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$5,033	\$4,264
Deferred revenue	3,620	1,353
Accrued liabilities	8,188	4,150
Accrued salaries and benefits	4,051	1,735
Income taxes payable	2,615	201
Current portion of closure and post-closure obligations	778	293
Current portion of capital lease obligations	7	11
Total current liabilities	24,292	12,007
Long-term closure and post-closure obligations	15,995	13,070
Long-term capital lease obligations	3	10
Reducing revolving line of credit	63,000	-
Other long-term liabilities	201	-
Deferred income taxes	19,146	5,077
Total liabilities	122,637	30,164
<b>Contingencies and commitments</b>		
<b>Stockholders' Equity:</b>		
Common stock \$0.01 par value, 50,000 authorized; 18,311 and 18,306 shares issued, respectively	183	183
Additional paid-in capital	61,892	61,459
Retained earnings	33,940	34,446

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Treasury stock, at cost, 119 and 155 shares, respectively	(1,979	)	(2,590	)
Accumulated other comprehensive income	676		-	
Total stockholders' equity	94,712		93,498	
Total liabilities and stockholders' equity	\$217,349		\$123,662	

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

US ECOLOGY, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
in thousands, except share and per share amounts

	For the Year Ended December 31,		
	2010	2009	2008
Revenue	\$ 104,836	\$ 132,519	\$ 175,827
Other direct operating costs	45,391	43,535	44,322
Transportation costs	20,434	52,708	82,064
Gross profit	39,011	36,276	49,441
Selling, general and administrative expenses	18,634	13,835	14,920
Insurance proceeds	-	(661 )	-
Operating income	20,377	23,102	34,521
Other income (expense):			
Interest income	51	116	413
Interest expense	(320 )	(2 )	(7 )
Foreign currency gain (loss)	1,819	(37 )	3
Other	259	304	303
Total other income	1,809	381	712
Income before income taxes	22,186	23,483	35,233
Income tax expense	9,602	9,513	13,735
Net income	\$ 12,584	\$ 13,970	\$ 21,498
Earnings per share:			
Basic	\$ 0.69	\$ 0.77	\$ 1.18
Diluted	\$ 0.69	\$ 0.77	\$ 1.18
Shares used in earnings per share calculation:			
Basic	18,170	18,146	18,236
Diluted	18,189	18,173	18,290
Dividends paid per share	\$ 0.72	\$ 0.72	\$ 0.66

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

US ECOLOGY, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
in thousands

	For the Year Ended December 31,		
	2010	2009	2008
<b>Cash Flows From Operating Activities:</b>			
Net income	\$ 12,584	\$ 13,970	\$ 21,498
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion	9,118	9,046	10,641
Unrealized foreign currency gain	(1,205 )	-	-
Deferred income taxes	(286 )	1,793	3,333
Stock-based compensation expense	988	655	820
Net loss on sale of property and equipment	171	296	34
Investment premium amortization	20		
Accretion of interest income	(2 )	-	(15 )
Changes in assets and liabilities (net of effect of business acquisition):			
Receivables	(11,278 )	14,435	(1,315 )
Income tax receivable	-	2,834	(1,840 )
Other assets	(618 )	(11 )	753
Accounts payable and accrued liabilities	1,702	(1,054 )	(1,815 )
Deferred revenue	339	(3,304 )	166
Accrued salaries and benefits	1,141	(1,160 )	282
Income tax payable	2,413	201	-
Closure and post-closure obligations	(158 )	(928 )	(1,934 )
Other	-	14	-
Net cash provided by operating activities	14,929	36,787	30,608
<b>Cash Flows From Investing Activities:</b>			
Business acquisition (net of cash acquired)	(77,427 )	-	-
Purchases of property and equipment	(14,190 )	(9,405 )	(13,617 )
Purchases of short-term investments	(4,998 )	(1,409 )	(992 )
Maturities of short-term investments	6,375	-	3,216
Restricted cash	685	(84 )	165
Proceeds from sale of property and equipment	58	64	14
Net cash used in investing activities	(89,497 )	(10,834 )	(11,214 )
<b>Cash Flows From Financing Activities:</b>			
Proceeds from reducing revolving line of credit	63,000	-	-
Proceeds from stock option exercises	46	-	1,095
Tax benefit of common stock options	10	-	73
Dividends paid	(13,090 )	(13,068 )	(12,054 )
Common stock repurchases	-	(2 )	(2,588 )
Deferred financing costs paid	(373 )	-	-
Payment of capital lease obligations	(11 )	(10 )	(10 )
Other	-	1	-
Net cash provided by (used in) financing activities	49,582	(13,079 )	(13,484 )

Effect of foreign exchange rate changes on cash	(19 )		
(Decrease) increase in cash and cash equivalents	(25,005 )	12,874	5,910
Cash and cash equivalents at beginning of year	31,347	18,473	12,563
Cash and cash equivalents at end of year	\$ 6,342	\$ 31,347	\$ 18,473

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



## US ECOLOGY, INC.

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

\$s in thousands

	Common Shares Issued	Par Value Common Stock	Additional Paid-In Capital	Comprehensive Income	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock	Total
Balance								
12-31-2007	18,246,040	\$ 182	\$ 58,816		-	\$ 24,100	-	\$ 83,098
Net income	-	-	-	\$ 21,498	-	21,498	-	21,498
Comprehensive income				\$ 21,498	-			
Dividend paid	-	-	-		-	(12,054)	-	(12,054)
Stock option exercises	53,774	1	1,094		-	-	-	1,095
Tax benefit of equity based awards	-	-	73		-	-	-	73
Stock-based compensation	-	-	820		-	-	-	820
Issuance of restricted common stock	4,500	-	-		-	-	-	-
Repurchase of common stock: 155,175 shares	-	-	-		-	-	(2,588 )	(2,588 )
Balance								
12-31-2008	18,304,314	183	60,803		-	33,544	(2,588 )	91,942
Net income	-	-	-	\$ 13,970	-	13,970	-	13,970
Comprehensive income				\$ 13,970				-
Dividend paid	-	-	-		-	(13,068)	-	(13,068)
Stock-based compensation	-	-	655		-	-	-	655
Issuance of restricted common stock net of forfeitures	1,300	-	-		-	-	-	-
Repurchase of common stock: 140 shares	-	-	-		-	-	(2 )	(2 )
Other	-	-	1		-	-	-	1
Balance								
12-31-2009	18,305,614	183	61,459		-	34,446	(2,590 )	93,498
Net income	-	-	-	\$ 12,584	-	12,584	-	12,584
Foreign currency translation	-	-	-	676	676	-	-	676

Comprehensive income	-	-	\$ 13,260	-	-	-	-
Dividend paid	-	-	-	-	(13,090)	-	(13,090)
Tax benefit of equity based awards	-	-	10	-	-	-	10
Stock-based compensation	-	-	988	-	-	-	988
Stock option exercises	5,000	-	46	-	-	-	46
Issuance of restricted common stock from treasury shares	-	-	(611 )	-	-	611	-
Balance 12-31-2010	18,310,614	\$ 183	\$ 61,892	\$ 676	\$ 33,940	\$(1,979 )	\$ 94,712

The accompanying notes are an integral part of these financial statements

US ECOLOGY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF BUSINESS

US Ecology was most recently incorporated as a Delaware corporation in May 1987 as American Ecology Corporation. On February 22, 2010 the Company changed its name from American Ecology Corporation to US Ecology, Inc. US Ecology, Inc., through its subsidiaries provides radioactive, Polychlorinated biphenyl (“PCB”), hazardous and industrial waste management services to commercial and government entities, such as refineries and chemical production facilities, electric utilities, manufacturers, steel mills and medical and academic institutions. We are headquartered in Boise, Idaho. Throughout these financial statements words such as “we,” “us,” “our,” “US Ecology” and the “Company” refer to US Ecology, Inc., and its subsidiaries.

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

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

**Short-Term Investments.** Short-term investments consist of investments in government agency securities or investments in high-quality commercial paper. Investments are classified as available for sale and held at amortized cost, which approximates fair value. Our investment policy allows for maturities of up to two years and a wide range of investment rated debt.

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

**Receivables.** Receivables are stated at an amount management expects to collect. Based on management’s assessment of the credit history of the customers having outstanding balances and factoring in current economic conditions,

management has concluded that potential unreserved future losses on balances outstanding at year-end will not be material.

Restricted Cash. Restricted cash balances of \$4.1 million and \$4.8 million at December 31, 2010 and 2009, respectively, 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. Restricted cash balances are maintained by third-party trustees and are invested in money market accounts. The balances are adjusted to fair market value on a monthly basis.

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

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

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

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

Our Richland, Washington disposal facility is regulated by the Washington Utilities and Transportation Commission (“WUTC”), which approves our rates for disposal of low-level radioactive waste regulated under the federal Atomic Energy Act (“LLRW”). Annual revenue levels are established based on a rate agreement with the WUTC at amounts sufficient to cover the costs of operation and provide us with a reasonable profit. Per-unit rates charged to LLRW customers during the year are based on our evaluation of disposal volume and radioactivity projections submitted to us by waste generators. Our proposed rates are then reviewed and approved by the WUTC. If annual revenue exceeds the approved levels set by the WUTC, we are required to refund excess collections to facility users on a pro-rata basis. The rate agreement in effect for 2010 began on January 1, 2008 and expires on January 1, 2014.

**Unbilled Receivables.** Unbilled receivables are recorded for work performed under contracts that have not yet been invoiced to customers and arise due to the timing of billings. Substantially all unbilled receivables at December 31, 2010, were billed in the following month.

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

**Property and Equipment.** Property and equipment are recorded at cost and depreciated on the straight-line method over estimated useful lives. Replacements and major repairs of property and equipment are capitalized and retirements are made when assets are disposed of or when the useful life has been exhausted. Minor components and parts are expensed as incurred. During 2010, 2009 and 2008, maintenance and repair expenses charged to continuing operations were \$1.8 million, \$2.0 million and \$2.1 million, respectively.

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

	Useful Lives
Vehicles and other equipment	3 to 10
Disposal facility and equipment	3 to 20
Buildings and improvements	5 to 40
Railcars	40

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

We have material financial commitments for closure and post-closure obligations for certain facilities we own or operate. We estimate future cost requirements for closure and post-closure monitoring based on RCRA and conforming state requirements and facility permits. RCRA requires that companies provide the responsible regulatory agency acceptable financial assurance for closure and post-closure monitoring of each facility for 30 years following closure. Estimates for final closure and post-closure costs are developed using input from our technical and accounting managers as well as independent engineers and are reviewed by management at least annually. These estimates involve projections of costs that will be incurred after the disposal facility ceases operations, through the required post-closure care period. The present value of the estimated closure and post-closure costs are accreted using the interest method of allocation to other direct costs in our consolidated statement of operations so that 100% of the future cost has been incurred at the time of payment.

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

**Goodwill.** Goodwill represents the excess of the fair value of the consideration transferred over the fair value of the underlying identifiable assets and liabilities acquired. Goodwill is not amortized, but instead is to be tested for impairment at least annually and whenever events or circumstances have occurred that may indicate a possible impairment. In the event that management determines that the value of goodwill has become impaired, the Company will incur an accounting charge for the amount of impairment during the period in which the determination has been made. Goodwill was recognized in connection with our October 31, 2010 acquisition of Stablex (See Note 9). No events or circumstances have occurred since the acquisition that indicated a possible impairment and therefore no impairment test was performed related to goodwill during 2010.

**Intangible assets.** Intangible assets are stated at the fair value assigned in a business combination net of amortization. We amortize our intangible assets using the straight-line method over their estimated economic lives ranging from 5 to 33 years. We assess our intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of an intangible asset may not be recoverable.

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

Deferred Financing Costs. Deferred financing costs are amortized over the life of our credit agreement. Amortization of deferred financing costs is included as a component of interest expense in the consolidated statements of operations. As of December 31, 2010 we had deferred financing costs of \$344,000, net of amortization in Prepaid expenses and other current assets and Other assets on the Consolidated balance sheet. We had no deferred financing costs as of December 31, 2009.



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

Income taxes. Income taxes are accounted for using an asset and liability approach. This requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement and tax basis of assets and liabilities at the applicable tax rates. A valuation allowance is recorded against deferred tax assets if, based on the weight of the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

The determination of our provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items and the probability of sustaining uncertain tax positions. The impact of uncertain tax positions would be recorded in our financial statements only after determining a more-likely-than-not probability that the uncertain tax positions would withstand challenge, if any, from taxing authorities. As facts and circumstances change, we reassess these probabilities and would record any changes in the financial statements as appropriate. Our tax returns are subject to audit by the Internal Revenue Service (“IRS”), various states in the U.S., and by the Canadian Revenue Agency.

Insurance. Accrued costs for our self-insured health care coverage were \$136,000 and \$212,000 at December 31, 2010 and 2009, respectively.

We maintain a surety bond for closure costs associated with the Stablex facility. Our lease agreement with the Province of Quebec requires that the surety bond be maintained for 25 years after the lease expires. At December 31, 2010 we had \$864,000 in commercial surety bonds dedicated for closure obligations.

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

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

Accumulated other comprehensive income. The components of accumulated other comprehensive income were as follows (in thousands):

		December 31,	
	2010	2009	2008
Cumulative adjustment of foreign currency	\$ 676	\$ -	\$ -

statements

Accumulated other

comprehensive income	\$ 676	\$ -	\$ -
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## NOTE 3. USE OF ESTIMATES

## Use of Estimates

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

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

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

#### NOTE 4. DISCLOSURE OF SUPPLEMENTAL CASH FLOW INFORMATION

\$s in thousands

	2010	2009	2008
Income taxes paid, net of receipts	\$ 7,419	\$ 4,686	\$ 12,169
Interest paid	178	2	7
Non-cash investing and financing activities:			
Closure/Post closure retirement asset	957	(1,338 )	45
Capital expenditures in accounts payable	1,805	566	896
Acquisition of equipment with capital leases	-	-	6
Restricted stock issuances from treasury shares	611	-	-

The Company acquired Stablex on October 31, 2010 for \$77.5 million

Fair value of assets \$77,594

acquired	
Liabilities	
assumed	(21,372)
Total	
identifiable	
net assets	56,222
Goodwill	21,272
Purchase	
price	\$77,494

## NOTE 5. CONCENTRATIONS AND CREDIT RISK

Major Customers. The US Army Corps of Engineers accounted for 17%, 8% and 6% of total revenue for the years ending December 31, 2010, 2009 and 2008, respectively. Honeywell International, Inc., accounted for 3%, 38% and 43% of revenue for the years ending December 31, 2010, 2009 and 2008, respectively. The decline in revenue from Honeywell in 2010 was due to the completion of a four-year contract to transport, treat, and dispose of approximately 1.3 million tons of chromite ore processing residue. The project was completed in October 2009. No other customer accounted for more than 10% of revenue for the years ending December 31, 2010, 2009 and 2008.

The following customers accounted for more than 10% of total trade receivables as of December 31:

Customer	Percent of Receivables	
	2010	2009
U.S. Army Corps of Engineers	12%	18%
General Electric, Inc.	10%	0%
Honeywell International, Inc.	10%	2%
WRS Infrastructure & Environmental	0%	11%

No other customer's trade receivables represented more than 10% as of December 31, 2010 and 2009.

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

Labor Concentrations. As of December 31, 2010, the Paper, Allied-Industrial Chemical & Energy Workers International Union, AFL-CIO, CLC (PACE), represented 10 employees at our Richland facility and the Communications, Energy and Paperworkers Union of Canada represented 107 employees at our Blainville, Quebec, Canada facility. Our 255 other employees do not belong to a union.

## NOTE 6. SHORT-TERM INVESTMENTS

Short-term investments at December 31, 2009 were comprised of \$1.4 million in fixed maturity commercial paper that matured in June 2010. There were no short-term investments outstanding at December 31, 2010.

## NOTE 7. RECEIVABLES

Receivables at December 31, 2010 and 2009, were as follows:

\$s in thousands	2010	2009
Trade	\$ 32,221	\$ 16,016
Unbilled revenue	1,463	337
Other	207	70

	33,891	16,423
Allowance for doubtful accounts	(338 )	(121 )
	\$ 33,553	\$ 16,302

The allowance for doubtful accounts is a provision for uncollectible accounts receivable and unbilled receivables. The allowance is evaluated and adjusted to reflect our collection history and an analysis of the accounts receivables aging. The allowance is decreased by accounts receivable as they are written off. The allowance is adjusted periodically to reflect actual experience:

\$s in thousands	Balance at Beginning of Period	Charged (Credited) to Costs and Expenses	Recoveries (Deductions/ Write-offs)	Adjustments	Balance at End of Period
Allowance for Doubtful Accounts					
Year ended December 31, 2010	\$ 121	\$ 168	\$(24 )	\$ 73	\$ 338
Year ended December 31, 2009	\$ 349	\$(39 )	\$(189 )	\$ -	\$ 121
Year ended December 31, 2008	\$ 134	\$ 219	\$(4 )	\$ -	\$ 349

## NOTE 8. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2010 and 2009 were as follows:

\$s in thousands	2010	2009
Cell development costs	\$ 58,944	\$ 44,029
Land and improvements	13,016	9,773
Buildings and improvements	44,228	29,151
Railcars	17,375	17,375
Vehicles and other equipment	31,252	21,824
Construction in progress	10,556	7,822
	175,371	129,974
Accumulated depreciation and amortization	(69,549 )	(62,489 )
	\$ 105,822	\$ 67,485

Depreciation and amortization expense was \$7.7 million, \$7.9 million and \$9.4 million for the years ended December 31, 2010, 2009 and 2008, respectively.

## NOTE 9. BUSINESS COMBINATION

On October 31, 2010, the Company through a wholly-owned subsidiary acquired 100% of the outstanding shares of Seaway TLC Inc. and its wholly-owned subsidiaries Stablex Canada Inc. and Gulfstream TLC, Inc. (collectively "Stablex"). Stablex is a provider of hazardous waste services that operates a permitted hazardous waste processing and disposal facility in Blainville, Québec, Canada about 30 miles northwest of Montreal, Canada. The purchase price consisted of \$79.0 million CAD net of post closing adjustments. The purchase price was funded through a combination of cash on hand and borrowings under a \$75 million Reducing Revolving Line of Credit facility (as more fully described in Note 13). The purchase price was subject to post-closing adjustments based on the amount of working capital at closing and the amount of capital expenditures made by Stablex prior to closing. Total post closing adjustments resulted in \$1.0 million CAD being refunded to US Ecology. The net purchase price of \$79.0 million CAD totaled \$77.5 million USD after consideration of the post-closing adjustments and currency translation.

The following summarizes the consideration paid for Stablex and the fair value of assets acquired and liabilities assumed recognized at the acquisition date.

\$s in thousands	2010
Current assets	\$ 6,146
Property and equipment	30,470
Identifiable intangible assets	40,978
Current liabilities	(6,533 )
Other liabilities	(14,839 )
Total identifiable net assets	56,222
Goodwill	21,272
	\$ 77,494

Acquisition related costs of \$2.6 million were included in selling, general and administrative expenses in the Company's consolidated statement of operations for the year ended December 31, 2010.

Goodwill of \$21.3 million arising from the acquisition is the result of several factors. Stablex has a talented assembled workforce that principally serves the eastern Canadian and northeastern U.S. industrial markets utilizing proprietary state-of-the-art technology to treat a wide range of hazardous waste. The acquisition of Stablex increases our geographic base providing a northeastern presence and an exceptional service platform to better serve key North American hazardous waste markets. In addition, Stablex provides us with an opportunity to win more U.S. Event 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 Operating Disposal Facilities segment. None of the goodwill recognized is expected to be deductible for income tax purposes.



The following unaudited pro forma financial information presents the combined results of operations as if Stablex 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.

\$ in thousands, except per share data	(unaudited)	
	2010	2009
Pro forma combined revenues	\$ 133,779	\$ 166,430
Pro forma combined net income	\$ 13,547	\$ 14,340
Earnings per share		
Basic	\$ 0.75	\$ 0.79
Dilutive	\$ 0.74	\$ 0.79

The amounts of revenue and net loss from Stablex included in US Ecology's consolidated statement of operations for the year ended December 31, 2010 were \$5.7 million and \$145,000 respectively.

#### NOTE 10. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets as of December 31, 2010, were the result of our acquisition of Stablex on October 31, 2010 (see Note 9). Prior to the acquisition of Stablex, the Company had no goodwill and intangible assets. The goodwill has been assigned to the Operating Disposal Facilities reporting segment. The changes in goodwill for the year ended December 31, 2010, were as follows:

\$s in thousands

	2010
Balance, beginning of year	\$ -
Acquired from acquisition	21,272
Foreign currency translation	518
Balance, end of year	\$ 21,790

Below is a summary of amortizable and other intangible assets:

\$s in thousands

	December 31, 2010			Weighted Average Amortization Period (in years)
	Cost	Accumulated Amortization	Net	
Amortized intangible assets				
Developed software	\$ 352	\$ (11 )	\$ 341	6
Database	100	(2 )	98	7
Customer relationships	4,102	(34 )	4,068	20
	9,149	(46 )	9,103	33

Technology - Formulae and processes				
Permits, licenses and lease	28,101	(142 )	27,959	33
	41,804	\$ (235 )	41,569	31.4
Unamortized intangible assets				
Tradename	171		171	
	\$ 41,975		\$ 41,740	
Aggregate Amortization Expense				
2010	\$ 231			

Below is the expected amortization for the carrying amount of finite-lived intangible assets at December 31, 2010:

\$s in thousands

Estimated Amortization Expense	
2011	\$ 1,410
2012	1,410
2013	1,410
2014	1,410
2015	1,404
Thereafter	34,525
Total	\$ 41,569

#### NOTE 11. EMPLOYEE BENEFIT PLANS

We maintain the US Ecology, Inc., 401(k) Savings Plan (“the Plan”) for employees who voluntarily contribute a portion of their compensation, thereby deferring income for federal income tax purposes. The Plan covers substantially all of our employees in the United States. Participants may contribute a percentage of salary up to the IRS limitations. We contribute a matching contribution equal to 55% of participant contributions up to 6% of compensation. We contributed in 2010, 2009 and 2008 matching contributions to the Plan of \$273,000, \$311,000 and \$311,000, respectively.

We also maintain the Stalex Canada Inc. Simplified Pension Plan (“the SPP”). This defined contribution plan covers substantially all of our employees at our Blainville, Quebec facility in Canada. Participants receive a company contribution equal to 5% of their annual salary. For the two months of ownership in 2010, the Company contributed \$56,000 to the SPP.

#### NOTE 12. CLOSURE AND POST-CLOSURE OBLIGATIONS

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

We do not presently bear significant financial responsibility for closure and/or post-closure care of the disposal facilities located on state-owned land at our Beatty, Nevada site; Provincial owned land in Blainville, Quebec; or state-leased federal land at the Richland, Washington site. The States of Nevada and Washington and the Province of Quebec collect fees from us based on the waste received on a quarterly or annual basis. Such fees are deposited in dedicated, government -controlled funds to cover the future costs of closure and post-closure care and maintenance. Such fees are periodically reviewed by the governmental authorities.

We apply ASC 410 to account for our asset retirement obligations which requires a liability to be recognized as part of the fair value of future asset retirement obligations and an associated asset to be recognized as part of the carrying amount of the underlying asset. This obligation is valued based on our best estimates of current costs and current estimated closure cost taking into account current technology, material and service costs, laws and regulations. These cost estimates are increased by an estimated inflation rate, estimated to be 2.6% at December 31, 2010. Inflated

current costs are then discounted using our credit-adjusted risk-free interest rate, which approximates our incremental borrowing rate, in effect at the time the obligation is established or when there are upward revisions to our estimated closure and post-closure costs. Our weighted-average credit-adjusted risk-free interest rate at December 31, 2010 approximated 7.7%. We perform periodic reviews of both non-operating and operating sites and revise the accruals as necessary.

Changes to reported closure and post-closure obligations for the years ended December 31, 2010 and 2009, were as follows:

\$s in thousands	2010	2009
Beginning obligation	\$ 13,363	\$ 14,462
Accretion expense	1,137	1,167
Liabilities assumed in Stablex acquisition	1,439	-
Payments	(307 )	(598 )
Adjustments	1,106	(1,668 )
Currency translation	35	-
Ending obligation	16,773	13,363
Less current portion	(778 )	(293 )
Long-term portion	\$ 15,995	\$ 13,070

The adjustment to the obligation is a change in the expected timing or amount of cash expenditures based upon actual and estimated cash expenditures. The primary adjustments in 2010 were: (1) assumption of liabilities assumed in connection with our acquisition of Stablex (see Note 9), (2) an \$872,000 increase to the obligation for our Grand View, Idaho and Robstown, Texas operating facilities, primarily as a result of increases in our estimated costs for closure and post-closure activities related to our active disposal cells, (3) a \$234,000 increase to the obligations associated with our non-operating facilities as a result of changes in our estimated costs for closure and post-closure activities.

The primary adjustments in 2009 were: (1) a \$1.9 million decrease to the obligation for our Grand View, Idaho and Robstown, Texas facilities, primarily as a result of decreases to our estimated costs to close active disposal cells, (2) a \$231,000 increase to the obligations associated with our non-operating facilities as a result of changes in our estimated costs for closure and post-closure activities. . .

The reported closure and post-closure asset is recorded as a component of Property and equipment, net, in the consolidated balance sheet for the years ended December 31, 2010 and 2009 as follows:

\$s in thousands	2010	2009
Net closure and post-closure asset, beginning of year	\$ -	\$ 2,228
Additions or adjustments to closure and post-closure asset	1,886	(1,338 )
Amortization of closure post-closure asset	(107 )	(890 )
Currency translation	23	-
Net closure and post-closure asset, end of year	\$ 1,802	\$ -

## NOTE 13. DEBT

On October 29, 2010, we entered a credit agreement (the “Credit Agreement”) with Wells Fargo National Association (“Wells Fargo”) which provides for an aggregate commitment from Wells Fargo of \$95 million. The Credit Agreement replaces our \$20 million revolving credit agreement with Wells Fargo dated June 30, 2008 as amended on June 15, 2010. The Credit Agreement provides for a \$20 million revolving line of credit (the “Revolving Line of Credit”) with a maturity date of June 15, 2013 and a \$75 million reducing revolving line of credit (the “Reducing Revolving Line of Credit”) with a maturity date of November 1, 2015.

### Revolving Line of Credit

The Revolving Line of Credit provides up to \$20 million in revolving credit loans or letters of credit for working capital needs (the “Commitment Amount”). Under the Revolving Line of Credit, revolving loans are available based on the Prime Rate or LIBOR, at the Company’s option, plus an applicable margin, which is determined according to a pricing grid under which the interest rate decreases or increases based on our ratio of funded debt to earnings before interest, taxes, depreciation and amortization (“EBITDA”). At December 31, 2010, effective interest rate of the Revolving Line of Credit was 1.56%. Interest only payments are due either monthly or on the last day of any interest period, as applicable. At December 31, 2010 there were no amounts outstanding under the Revolving Line of Credit. The availability under the Revolving Line of Credit was \$16.0 million with \$4.0 million of the line of credit issued in the form of a standby letter of credit utilized as collateral for closure and post-closure financial assurance.

### Reducing Revolving Line of Credit

The Reducing Revolving Line of Credit provides an initial commitment amount of \$75 million, the proceeds of which were used to acquire all of the shares of Stablex, and thereafter will be used to provide financing for working capital needs (the “Reducing Revolving Commitment Amount”). The initial Reducing Revolving Commitment Amount is reduced by \$2.8 million on the last day of each June, September, December and March beginning June 30, 2011, continuing through November 1, 2015. Under the Reducing Revolving Line of Credit revolving loans are available based on the Prime Rate or LIBOR, at the Company’s option, plus an applicable margin, which is determined according to a pricing grid under which the interest rate decreases or increases based on our ratio of funded debt to EBITDA. At December 31, 2010, the effective interest rate of the Reducing Revolving Line of Credit was 2.71%. Interest only payments are due either monthly or on the last day of any interest period, as applicable. At December 31, 2010, there was \$63 million outstanding on the Reducing Revolving Line of Credit with availability for additional borrowings totaling \$12.0 million.

In addition to standard fees, there are origination fees and commitment fees based on the average daily unused portion of the Commitment Amount and the Reducing Revolving Commitment Amount. The Credit Agreement contains certain quarterly financial covenants, including a maximum funded debt ratio, a maximum fixed charge coverage ratio, a minimum required tangible net worth and a minimum current ratio. In addition, we may only declare quarterly or annual dividends if on the date of declaration, no event of default has occurred, or no other event or condition has occurred that would constitute an event of default after giving effect to the payment of the dividend. Obligations under the Credit Agreement are guaranteed by US Ecology and all of its subsidiaries.

At December 31, 2010, we were in compliance with all of the financial covenants in the Credit Agreement.

## NOTE 14. INCOME TAXES

The components of the income tax expense were as follows:

\$s in thousands	2010	2009	2008
<b>Current:</b>			
U.S. Federal	\$ 8,618	\$ 6,630	\$ 8,992
State	1,136	1,090	1,411
Foreign	133	-	-
	9,887	7,720	10,403
<b>Deferred:</b>			
U.S. Federal	(29 )	1,591	3,042
State	(71 )	202	290
Foreign	(185 )	-	-
	(285 )	1,793	3,332
	\$ 9,602	\$ 9,513	\$ 13,735

The following table reconciles between the effective income tax rate and the applicable statutory federal and state income tax rate:

	2010		2009		2008	
Taxes computed at statutory rate	35.0	%	35.0	%	35.0	%
State income taxes (net of federal)						
income tax benefit	3.3		3.7		3.4	
Non-deductible acquisition costs	3.2		-		-	
Foreign rate differential	0.1		-		-	
Other	1.7		1.8		0.6	
	43.3	%	40.5	%	39.0	%

The tax effects of temporary differences between income for financial reporting and taxes that gave rise to significant portions of the deferred tax assets and liabilities as of December 31, 2010 and 2009, were as follows:

\$s in thousands	2010	2009
<b>Deferred tax assets:</b>		
Net operating loss carry forward	\$ 1,317	\$ 2,904
Accruals, allowances and other	4,578	402
Total deferred tax assets	5,895	3,306
Less: valuation allowance	(4,558 )	(2,886 )
Net deferred tax assets	1,337	420
<b>Deferred tax liabilities:</b>		
Environmental compliance and other site related costs	(2,401 )	(1,583 )
Property and equipment	(6,377 )	(3,873 )
Intangible assets	(11,250 )	-
Total deferred tax liabilities	(20,028 )	(5,456 )
Net deferred tax liability	\$ (18,691 )	\$ (5,036 )

We do not accrue U.S. tax for foreign earnings (loss) that we consider to be permanently reinvested outside the United States. Consequently, the Company has not provided any U.S. tax on the unremitted earnings (loss) of its foreign subsidiary, Stalex. As of December 31, 2010, the amount of loss before income taxes for which no repatriation tax has been provided was \$197,000. The Company had no foreign subsidiaries prior to 2010.

We have historically recorded a valuation allowance for certain deferred tax assets due to uncertainties regarding future operating results and limitations on utilization of net operating loss carry forwards (“NOLs”) for tax purposes. State NOLs expire in 2013 and 2015. The realization of a significant portion of net deferred tax assets is based in part on our estimates of the timing of reversals of certain temporary differences and on the generation of taxable income before such reversals. At December 31, 2010 and 2009, we continued to maintain a valuation allowance for approximately \$4.6 million and \$2.9 million, respectively, of state tax benefits that are not expected to be utilizable prior to expiration.



The domestic and foreign components of Income (loss) before income taxes were as follows:

\$s in thousands	2010	2009	2008
Domestic	22,383	23,483	35,233
Foreign	(197 )	-	-
Income before income taxes	\$ 22,186	\$ 23,483	\$ 35,233

We apply the provisions of ASC 740 related to income tax uncertainties (formerly FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes-an Interpretation of FASB Statement No. 109) which clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. ASC 740 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. We had no material unrecognized tax benefits as of December 31, 2010, 2009 or 2008. We recognize interest assessed by taxing authorities as a component of interest expense. We recognize any penalties assessed by taxing authorities as a component of selling, general and administrative expenses. Interest and penalties for the years ended December 31, 2010, 2009 and 2008 were not material.

We file U.S. federal income tax returns with the Internal Revenue Service (“IRS”) as well as income tax returns in various states and Canada. We may be subject to examination by taxing authorities in the U.S. and Canada for tax years 2006 through 2010. Additionally, we may be subject to examinations by various state and local taxing jurisdictions for tax years 2005 through 2010. We are currently not aware of any examinations by taxing authorities.

#### NOTE 15. CONTINGENCIES AND COMMITMENTS

##### Litigation

In the ordinary course of conducting business, we are involved in judicial and administrative proceedings involving federal, state or local governmental authorities. Actions may also be brought by individuals or groups in connection with permitting of planned facilities, 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 fees expected to be incurred in connection therewith. As of December 31, 2010, we did not have any ongoing, pending or threatened legal action that management believes would have a material adverse effect on our financial position, results of operations or cash flows.

##### Operating Leases

Lease agreements primarily cover rail cars, the disposal site for our Stablex facility and office space. Future minimum lease payments on non-cancellable operating leases as of December 31, 2010 were as follows:

\$s in thousands	
2011	\$ 479
2012	386
2013	353
2014	125
2015	72
Thereafter	50
	\$ 1,465

Rental expense from amounted to \$1.5 million, \$3.3 million and \$3.5 million during 2010, 2009 and 2008, respectively.

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## NOTE 16. EQUITY

## Stock Options

We have three stock option plans, the 1992 Stock Option Plan for Employees (“the 1992 Employee Plan”), the 1992 Director Stock Option Plan (“the 1992 Director Plan”) and the 2008 Stock Option Incentive Plan (“the 2008 Stock Option Plan”). In March 2005, the Board of Directors cancelled the 1992 Director Plan except for the options then outstanding. These plans were developed to provide additional incentives through equity ownership in US Ecology and, as a result, encourage employees to contribute to our success. The following table summarizes our stock option plan activity for each of the years ended December 31:

\$s in thousands, except per share amounts	2010	2009	2008
Outstanding at beginning of period	326,360	206,002	266,376
Granted	102,100	147,000	3,400
Exercised	(5,000 )	-	(53,774 )
Cancelled or expired	(53,700 )	(26,642 )	(10,000 )
Outstanding at end of period	369,760	326,360	206,002
Weighted average exercise price of options:			
Beginning of period	\$ 18.59	\$ 17.19	\$ 17.10
Granted	\$ 14.75	\$ 19.85	\$ 28.52
Exercised	\$ 9.20	\$ -	\$ 20.37
Cancelled or expired	\$ 16.77	\$ 14.77	\$ 1.47
Outstanding at end of period	\$ 17.92	\$ 18.59	\$ 17.19
Exercisable at end of period	209,982	167,577	125,957
Available for future grant	1,303,142	1,366,242	1,496,600
Intrinsic value of options exercised	\$ 38	\$ -	\$ 546
Aggregate intrinsic value of options outstanding	\$ 615	\$ 592	\$ 922
Aggregate intrinsic value of options exercisable	\$ 414	\$ 575	\$ 922

Range of exercise prices	Number of Shares	Outstanding options		Exercisable options	
		Weighted average remaining contractual life (in years)	Weighted average exercise price	Number of Shares	Weighted average exercise price
\$2.42	10,000	0.4	\$ 2.42	10,000	\$ 2.42
\$3.75 - \$3.92	7,500	1.4	\$ 3.92	7,500	\$ 3.92
\$9.20 - \$12.15	15,000	3.7	\$ 10.68	15,000	\$ 10.68

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\$14.09 -					
\$15.36	100,300	9.3	\$ 15.01	18,174	\$ 15.36
\$16.40 -					
\$17.56	28,800	8.4	\$ 16.47	28,800	\$ 16.47
\$20.27 -					
\$21.74	173,760	7.2	\$ 20.94	96,108	\$ 21.20
\$23.48	31,000	6.9	\$ 23.48	31,000	\$ 23.48
\$28.52	3,400	7.4	\$ 28.52	3,400	\$ 28.52

All share-based compensation is measured at the grant date based on the fair value of the award, and is recognized as an expense in earnings over the requisite service period.

During 2010, we granted 102,100 incentive and non-qualified stock options to purchase US Ecology common stock to members of our management and non-employee directors. These options expire in the year 2020 and vest over a period ranging from one to three years. Vesting requirements for non-employee directors are contingent on attending a minimum of seventy-five percent of regularly scheduled board meetings during the year. During 2009, we granted 147,000 incentive and non-qualified stock options to purchase US Ecology common stock to members of our management team and non-employee directors. These options expire in the year 2019 and vest over one to three years. Vesting requirements for non-employee directors are contingent on attending a minimum of seventy-five percent of regularly scheduled board meetings during the year. During 2008, we granted 3,400 non-qualified stock options to a non-employee director. These options expire in the year 2018 and vest over one year contingent on the non-employee director attending a minimum of seventy-five percent of regularly scheduled board meetings during the year. Compensation expense related to stock options for the years ended December 31, 2010, 2009 and 2008 were as follows:

	2010	2009	2008
Stock-based compensation recorded in selling, general and administrative expense	\$ 453,229	\$ 572,502	\$ 474,435
Stock-based compensation recorded in other direct costs	-	2,619	5,087
Total stock-based compensation expense	\$ 453,229	\$ 575,121	\$ 479,522

The fair value of each option grant is estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2010	2009	2008
Expected life	3.3	3.3	3.2
	years	years	years
Expected volatility	47%	47%	40%
Risk-free interest rate	1.4%	1.1%	2.7%
Expected dividend yield	4.2%	2.8%	2.6%
Weighted-average fair value of options granted during the period	\$3.91	\$5.68	\$7.29

#### Restricted Stock Plans

We have two restricted stock plans: the Amended and Restated 2005 Non-Employee Director Compensation Plan (the "Director Plan") and the 2006 Restricted Stock Plan (the "Employee Plan"). The Director Plan provides that each non-employee director receive an annual award of the number of shares of restricted stock or options to purchase US Ecology common stock with a value equal to \$25,000 on the date of grant with a one-year vesting period. Vesting is also contingent on the non-employee director attending a minimum of seventy-five percent of regularly scheduled board meetings during the year. 200,000 shares of common stock have been authorized for issuance under the Director Plan. As of December 31, 2010, 104,500 shares of stock remained available for issuance under the Director Plan.

The Employee Plan provides that employees are eligible for restricted stock grants at the discretion of the Board of Directors. 200,000 shares of common stock have been authorized for issuance under the Employee Plan. During 2010, 18,800 shares were granted to employees vesting monthly over a twelve month period and 14,237 shares were granted to employees that were immediately vested. During 2009 and 2008, no shares of restricted stock were granted to employees. As of December 31, 2010, 147,362 shares of stock remained available for future issuance under the plan.

The table below summarizes restricted stock activity and related expense for the years ended December 31, 2010, 2009 and 2008.

	2010		2009		2008	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Outstanding at beginning of period	1,666	\$ 16.79	6,448	\$ 26.34	17,408	\$ 22.20
Granted	36,637	16.09	1,500	16.40	4,500	28.52
Vested	(30,003 )	16.48	(6,083 )	26.67	(15,460 )	22.31
Cancelled or expired	-	-	(199 )	21.27	-	-
Outstanding at end of period	8,300	\$ 14.81	1,666	\$ 16.79	6,448	\$ 26.34
Available for future grant	251,862		348,299		349,600	
Compensation expense recognized in:						
Other direct costs	\$ -		\$ 855		\$ 7,892	
Selling, general & administrative	\$ 534,944		\$ 78,371		\$ 332,614	
Unearned compensation	\$ 64,935		\$ 10,385		\$ 68,111	

#### Treasury Stock

On October 28, 2008, our Board of Directors authorized a program, as amended, to repurchase up to 600,000 shares of the Company's outstanding common stock through December 31, 2009. We repurchased 155,315 shares at an average cost of \$16.68 per share through the duration of the program

#### NOTE 17. CALCULATION OF EARNINGS PER SHARE

\$s and shares in thousands, except per share amounts

	2010		2009		2008	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net income	\$ 12,584	\$ 12,584	\$ 13,970	\$ 13,970	\$ 21,498	\$ 21,498
Weighted average common shares outstanding	18,170	18,170	18,146	18,146	18,236	18,236
		19		27		54

Dilutive effect of  
stock options and  
restricted stock

Weighted average shares outstanding		18,189		18,173		18,290
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Earnings per share	\$	0.69	\$	0.69	\$	0.77	\$	0.77	\$	1.18	\$	1.18
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Anti-dilutive shares  
excluded from  
calculation

		322		268		83
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#### NOTE 18. OPERATING SEGMENTS

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

Income taxes are assigned to Corporate, but all other items are included in the segment where they originated. Inter-company transactions have been eliminated from the segment information and are not significant between segments.



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

\$s in thousands	Operating Disposal Facilities	Non- Operating Disposal Facilities	Corporate	Total
2010				
Revenue - Treatment and disposal	\$85,474	\$26	\$-	\$85,500
Revenue - Transportation services	19,336	-	-	19,336
Total revenue	104,810	26	-	104,836
Other direct operating costs	44,893	498	-	45,391
Transportation costs	20,434	-	-	20,434
Gross profit (loss)	39,483	(472 )	-	39,011
Selling, general & administration	6,217	-	12,417	18,634
Insurance proceeds	-	-	-	-
Operating income (loss)	33,266	(472 )	(12,417 )	20,377
Interest income (expense), net	5	-	(274 )	(269 )
Foreign currency gain (loss)	(103 )	-	1,922	1,819
Other income	249	10	-	259
Income (loss) before tax	33,417	(462 )	(10,769 )	22,186
Income tax expense	-	-	9,602	9,602
Net income (loss)	\$33,417	\$(462 )	\$(20,371 )	\$12,584
Depreciation, amortization & accretion	\$8,868	\$204	\$46	\$9,118
Capital expenditures	\$14,137	\$50	\$3	\$14,190
Total assets	\$204,603	\$62	\$12,684	\$217,349

\$s in thousands	Operating Disposal Facilities	Non- Operating Disposal Facilities	Corporate	Total
2009				
Revenue - Treatment and disposal	\$79,307	\$22	\$-	\$79,329
Revenue - Transportation services	53,190	-	-	53,190
Total revenue	132,497	22	-	132,519
Transportation costs	52,708	-	-	52,708
Other direct operating costs	43,073	462	-	43,535
Gross profit (loss)	36,716	(440 )	-	36,276
Selling, general & administration	4,790	-	9,045	13,835
Insurance proceeds	(661 )	-	-	(661 )
Operating income (loss)	32,587	(440 )	(9,045 )	23,102
Interest income (expense), net	(1 )	-	115	114
Foreign currency gain (loss)	(37 )	-	-	(37 )
Other income	224	80	-	304
Income (loss) before tax	32,773	(360 )	(8,930 )	23,483
Income tax expense	-	-	9,513	9,513
Net income (loss)	\$32,773	\$(360 )	\$(18,443 )	\$13,970
Depreciation, amortization & accretion	\$8,782	\$219	\$45	\$9,046
Capital expenditures	\$9,371	\$-	\$34	\$9,405

Total assets	\$84,729	\$39	\$38,894	\$123,662
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\$s in thousands	Operating Disposal Facilities	Non- Operating Disposal Facilities	Corporate	Total
2008				
Revenue - Treatment and disposal	\$92,996	\$23	\$-	\$93,019
Revenue - Transportation services	82,808	-	-	82,808
Total revenue	175,804	23	-	175,827
Transportation costs	82,064	-	-	82,064
Other direct operating costs	44,025	265	32	44,322
Gross profit (loss)	49,715	(242 )	(32 )	49,441
Selling, general & administration	5,121	-	9,799	14,920
Insurance proceeds	-	-	-	-
Operating income (loss)	44,594	(242 )	(9,831 )	34,521
Interest income (expense), net	(3 )	-	409	406
Foreign currency gain (loss)	3	-	-	3
Other income	302	-	1	303
Income (loss) before tax	44,896	(242 )	(9,421 )	35,233
Income tax expense	-	-	13,735	13,735
Net income (loss)	\$44,896	\$(242 )	\$(23,156 )	\$21,498
Depreciation, amortization & accretion	\$10,308	\$285	\$48	\$10,641
Capital expenditures	\$13,558	\$9	\$50	\$13,617
Total assets	\$99,906	\$59	\$27,480	\$127,445

#### Revenue, Property, Plant And Equipment And Intangible Assets Outside Of The United States

We provide services in the United States and Canada. The table below summarizes revenues by geographic area where the underlying services were performed for the years ended December 31, 2010, 2009 and 2008:

\$s in thousands	2010	2009	2008
United States	\$ 99,129	\$ 132,519	\$ 175,827
Canada	5,707	-	-
	\$ 104,836	\$ 132,519	\$ 175,827

Long-lived assets by geographic location, consisting of property and equipment and intangible assets net of accumulated depreciation and amortization as of December 31, 2010 and 2009 were as follows:

\$s in thousands	2010	2009
United States	\$ 74,734	\$ 67,485
Canada	72,828	-
	\$ 147,562	\$ 67,485

## NOTE 19. QUARTERLY FINANCIAL DATA (unaudited)

The unaudited consolidated quarterly results of operations for 2010 and 2009 were:

	Mar. 31,	Three-Months Ended			Year
		June 30,	Sept. 30,	Dec. 31,	
		\$s and shares in thousands, except per share data			
<b>2010</b>					
Revenue	\$ 19,540	\$ 19,832	\$ 25,984	\$ 39,480	\$ 104,836
Gross profit	6,575	7,143	10,372	14,921	39,011
Operating income	3,008	3,800	6,443	7,126	20,377
Net income	1,790	2,323	3,938	4,533	12,584
Earnings per share—diluted (1)	\$ 0.10	\$ 0.13	\$ 0.22	\$ 0.25	\$ 0.69
Weighted average common shares outstanding used in the diluted earnings per share calculation	18,185	18,187	18,186	18,197	18,189
<b>2009</b>					
Revenue	\$ 34,965	\$ 36,377	\$ 37,529	\$ 23,648	\$ 132,519
Gross profit	9,546	9,112	9,983	7,635	36,276
Operating income	5,973	5,716	6,777	4,636	23,102
Net income	3,644	3,518	4,164	2,644	13,970
Earnings per share—diluted (1)	\$ 0.20	\$ 0.19	\$ 0.23	\$ 0.15	\$ 0.77
Weighted average common shares outstanding used in the diluted earnings per share calculation	18,176	18,175	18,170	18,172	18,173

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

## NOTE 20. SUBSEQUENT EVENT

On January 3, 2011 the Company declared a dividend of \$0.18 per common share for stockholders of record on January 14, 2011. The dividend was paid out of cash on hand on January 21, 2011 in an aggregate amount of \$3.3 million.



Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including its Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, of the effectiveness of the Company's disclosure controls and procedures, as such term is defined under Rule 13a-15e under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of December 31, 2010. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported as specified in SEC rules and forms and that such information is accumulated and communicated to the Company's management, including the CEO and CFO, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

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

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

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

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

Management has conducted an assessment of its internal controls over financial reporting as of December 31, 2010 utilizing criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission. Based on this assessment, management concluded that our internal controls over financial reporting, excluding the Stablex business, were effective to provide reasonable assurance regarding the reliability of financial reporting. In reliance on the guidance set forth in Question 3 of a "Frequently Asked Questions" interpretive release issued by the staff of the SEC's Office of the Chief Accountant and the Division of Corporation Finance in June 2004 (and revised on October 6, 2004), management determined that it would exclude the Stablex business, which was acquired from Marsulex Inc. on October 31, 2010, from the scope of its assessment of internal control over financial reporting as of December 31, 2010. The reason for its exclusion is that Stablex was acquired by the Company in a purchase business combination that was completed on October 31, 2010, and it was not possible for management to conduct an assessment of the Stablex business's internal control over financial reporting in the period between the date the acquisition was completed and the date of management's assessment. Total assets for Stablex constituted approximately 47% of the Company's total consolidated assets at December 31, 2010. This includes \$22 million of goodwill and \$42 million of acquired intangible assets. Total revenues of the Stablex business constituted 5% of the consolidated financial statement amounts for the year ended December 31, 2010.

Our independent registered public accounting firm, Deloitte and Touche LLP, has audited the effectiveness of internal control over financial reporting as of December 31, 2010, as stated in their report, which is included in Part II, Item 8 of this Annual Report on Form 10-K.

Item 9B. Other Information

None

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## PART III

## Item 10. Directors, Executive Officers and Corporate Governance.

The information regarding directors and nominees for directors of the Company, including identification of the members of the audit committee and audit committee financial expert, is presented under the headings “Corporate Governance—Committees of the Board of Directors,” and “Election of Directors—Nominees For Directors” in the Company’s definitive proxy statement for use in connection with the 2011 Annual Meeting of Stockholders (the “Proxy Statement”) to be filed within 120 days after the end of the Company’s fiscal year ended December 31, 2010. The information contained under these headings is incorporated herein by reference. Information regarding the executive officers of the Company is included in this Annual Report on Form 10-K under Item 1 of Part I as permitted by Instruction 3 to Item 401(b) of Regulation S-K.

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

## Item 11. Executive Compensation.

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

## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

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

The following table provides information as of December 31, 2010, about the common stock that may be issued under all of our existing equity compensation plans, including the 1992 Employee Stock Option Plan, 1992 Director Stock Option Plan, 2005 Non-Employee Director Compensation Plan, the 2006 Restricted Stock Plan and the 2008 Stock Option Incentive Plan. All of these plans have been approved by our stockholders.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) (1)	Weighted-average exercise price of outstanding options, warrants and rights (b) (2)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity stock option compensation plans approved by security holders	378,060	\$ 17.92	1,555,004



Equity compensation plans not approved by security holders	-	-	-
Total	378,060	\$ 17.92	1,555,004

(1) Includes 8,300 shares of unvested restricted stock awards outstanding under the 2005 Non-Employee Director Compensation Plan and 2006 Restricted Stock Plan.

(2) The weighted-average exercise price does not take into account the shares issuable upon vesting of outstanding restricted stock awards, which have no exercise price.

Item 13. Certain Relationships and Related Transactions and Director Independence.

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

Item 14. Principal Accountant Fees and Services.

Information concerning principal accountant fees and services is presented under the heading “Ratification of Appointment of Independent Registered Public Accountant” in the Proxy Statement. The information contained under this heading is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

- (a) The following documents are filed as part of this report:
- 1) Consolidated Financial Statements: See Index to Consolidated Financial Statements at Item 8 on page 41 of this report.
  - 2) Financial Statement Schedules. Schedules have been omitted because they are not required or because the information is included in the financial statements at Item 8 on page 41.
  - 3) Exhibits are incorporated herein by reference or are filed with this report as set forth in the Index to Exhibits on page 71 hereof.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

US ECOLOGY, INC.

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

Date: March 15, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated as of March 15, 2011.

/s/ James R. Baumgardner  
James R. Baumgardner  
President and Chief Executive Officer  
(Principal Executive Officer)

/s/ Jeffrey R. Feeler  
Jeffrey R. Feeler  
Vice President and Chief Financial  
Officer  
(Principal Financial Officer and Principal  
Accounting Officer)

/s/ Simon G. Bell  
Simon G. Bell.  
Vice President of Operations

/s/ John M. Cooper  
John M. Cooper  
Vice President and Chief Information  
Officer

/s/ Eric L. Gerratt  
Eric L. Gerratt  
Vice President and Controller

/s/ Steven D. Welling  
Steven D. Welling.  
Senior Vice President Sales and  
Marketing

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

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

/s/ Daniel Fox  
Daniel Fox (Director)

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

/s/ John W. Poling  
John W. Poling (Director)

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

Exhibit No.	Description	Incorporated by Reference from Registrant's
2.1	Share Purchase Agreement dated September 13, 2010 between Marsulex Inc. and US Ecology, Inc.	3rd Qtr Form 10-Q filed 10-28-2010
3.1	Restated Certificate of Incorporation	
3.3	Amended and Restated Bylaws	Form 8-K filed 12-11-2007
10.1	Sublease dated July 27, 2005, between the State of Washington and US Ecology Washington, Inc.	Form 8-K filed 7-27-05
10.2	Lease Agreement as amended between American Ecology Corporation and the State of Nevada	2nd Qtr 2007 Form 10-Q filed 8-7-2007
10.5250	Credit Agreement Between Wells Fargo Bank National Association and US Ecology, Inc. dated October 29, 2010	Form 8-K filed 11-1-2010
10.53	*Amended and Restated American Ecology Corporation 1992 Employee Stock Option Plan	Proxy Statement dated 4-16-03
10.54	*Management Incentive Plan Effective January 1, 2007	1st Qtr Form 10-Q filed 4-30-2007
10.55	*Management Incentive Plan Effective January 1, 2008	2007 Form 10-K
10.56	*Management Incentive Plan Effective January 1, 2009	1st Qtr Form 10-Q filed 4-30-2009
10.57	*Management Incentive Plan Effective January 1, 2010	1st Qtr Form 10-Q filed 4-30-2010
10.58	Consulting Services Agreement, effective as of January 1, 2010, between the Company and Stephen A. Romano	1st Qtr Form 10-Q filed 4-30-2010
10.60	*Form of Indemnification Agreement between American Ecology Corporation and each of the Company's Directors and Officers	Form 8-K filed 5-26-05
10.62	*2006 Restricted Stock Plan	Proxy Statement dated 3-31-06
10.65	*2008 Stock Option Incentive Plan	Proxy Statement dated 4-10-2008
10.70	Form of Royalty Agreement for El Centro Landfill Dated February 13, 2003	Form 8-K filed 2-13-03
10.71	* Employment Agreement, effective January 1, 2010, between the Company and James R. Baumgardner **	1st Qtr Form 10-Q filed 4-30-2010
10.72	*Employment Agreement, effective January 1, 2010, between the Company and Simon G. Bell	1st Qtr Form 10-Q filed 4-30-2010
10.73	*Employment Agreement, effective January 1, 2010, between the Company and John M. Cooper	1st Qtr Form 10-Q filed 4-30-2010

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10.74	*Employment Agreement, effective January 1, 2010, between the Company and Jeffrey R. Feeler	1st Qtr Form 10-Q filed 4-30-2010
10.75	*Employment Agreement, effective January 1, 2010, between the Company and Eric L. Gerratt	1st Qtr Form 10-Q filed 4-30-2010
10.76	*Employment Agreement, effective January 1, 2010, between the Company and Steven D. Welling	1st Qtr Form 10-Q filed 4-30-2010
10.82	Amended and Restated 2005 Non-Employee Director Compensation Plan	2008 Form 10-K
14.1	Code of Ethics for Chief Executive, President and Chief Operating Officer, Chief Financial Officer and Other Executive Officers	2009 Form 10-K
14.2	Code of Ethics for Directors	2007 Form 10-K
21	List of Subsidiaries	
23.1	Consent of Moss Adams LLP	
23.2	Consent of Deloitte and Touche LLP	
31.1	Certifications of December 31, 2010 Form 10-K by Chief Executive Officer dated March 15, 2011	
31.2	Certifications of December 31, 2010 Form 10-K by Chief Financial Officer dated March 15, 2011	
32.1	Certifications of December 31, 2010 Form 10-K by Chief Executive Officer dated March 15, 2011	
32.2	Certifications of December 31, 2010 Form 10-K by Chief Financial Officer dated March 15, 2011	

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

\*\* Certain portions of the exhibit have been omitted pursuant to a confidential treatment request submitted to the SEC