SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2000

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________________ to ______________

Commission File No. 1-11596

PERMA-FIX ENVIRONMENTAL SERVICES, INC.
(Exact name of registrant as specified in its charter)

Delaware	58-1954497
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)
1940 N.W. 67th Place, Gainesville, FL	32653
(Address of principal executive offices)	(Zip Code)

(352)373-4200
(Registrant's telephone number)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the close of the latest practical date.

Class	Outstanding at May 10, 2000
Common Stock, $.001 Par Value	21,709,172 (excluding 988,000 shares held as treasury stock)

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED FINANCIAL STATEMENTS

PART I, ITEM 1

The consolidated financial statements included herein have been prepared by the Company (which may be referred to as we, us or our), without an audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes the disclosures which are made are adequate to make the information presented not misleading. Further, the consolidated financial statements reflect, in the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position and results of operations as of and for the periods indicated.

It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

The results of operations for the three months ended March 31, 2000, are not necessarily indicative of results to be expected for the fiscal year ending December 31, 2000.

<TABLE>
<CAPTION>
PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands, Except for Share Amounts)	March 31, 2000 (Unaudited)	December 31, 1999
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 679	$ 771
Restricted cash equivalents and investments	22	73
Accounts receivable, net of allowance for doubtful accounts of $945 and $952, respectively	13,057	13,027
Inventories	223	229
Prepaid expenses	1,611	486
Other receivables	161	62
Assets of discontinued operations	320	377
Total current assets	16,073	15,025
Property and equipment:		
Buildings and land	12,557	12,555
Equipment	13,827	13,682
Vehicles	2,309	2,274
Leasehold improvements	16	16
Office furniture and equipment	1,278	1,223
Construction in progress	1,698	1,210
	31,685	30,960

Less accumulated depreciation	(8,336)	(7,690)
Net property and equipment	23,349	23,270
Intangibles and other assets:		
Permits, net of accumulated amortization of $1,634 and $1,504, respectively	8,416	8,544
Goodwill, net of accumulated amortization of $1,087 and $1,009, respectively	7,076	7,154
Other assets	637	651
Total assets	$ 55,551	$ 54,644

</TABLE>

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

<TABLE>
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PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED BALANCE SHEETS, CONTINUED

(Amounts in Thousands, Except for Share Amounts)	March 31, 2000 (Unaudited)	December 31, 1999
<S>	<C>	<C>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 6,697	$ 7,587
Accrued expenses	7,028	5,885
Revolving loan and term note facility	938	938
Current portion of long-term debt	1,488	1,427
Current liabilities of discontinued operations	413	588
Total current liabilities	16,564	16,425
Environmental accruals	3,800	3,847
Accrued closure costs	967	962
Long-term debt, less current portion	13,349	12,937
Long term liabilities of discontinued operations	654	654
Total long-term liabilities	18,770	18,400
Total Liabilities	35,334	34,825
Commitments and contingencies (see Note 6)	-	-
Stockholders' equity:		
Preferred Stock, $.001 par value; 2,000,000 shares authorized, 4,187 and 4,537 shares issued and outstanding, respectively	-	-
Common Stock, $.001 par value; 50,000,000 shares authorized, 22,697,172 and 21,501,776 shares issued, including 988,000 shares held as treasury stock	23	21
Additional paid-in capital	43,254	42,367
Accumulated deficit	(21,198)	(20,707)
	22,079	21,681
Less Common Stock in treasury at cost; 988,000 shares issued and outstanding	(1,862)	(1,862)
Total stockholders' equity	20,217	19,819
Total liabilities and stockholders' equity	$ 55,551	$ 54,644

</TABLE>

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

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(Amounts in Thousands, Except for Share Amounts)	Three Months Ended March 31, 2000	1999
<S>	<C>	<C>
Net revenues	$ 13,589	$ 7,812
Cost of goods sold	9,542	5,290
Gross profit	4,047	2,522
Selling, general and administrative expenses	3,253	1,838
Depreciation and amortization	862	519
Income (loss) from operations	(68)	165
Other income (expense):		
Interest income	11	7
Interest expense	(410)	(27)
Other	30	(14)
Net income (loss)	(437)	131
Preferred Stock dividends	(54)	(117)
Net income (loss) applicable to Common Stock	$ (491)	$ 14
Basic net income (loss) per common share:	$ (.02)	$ -
Diluted net income (loss) per common share	$ (.02)	$ -
Weighted average number of shares and potential common shares used in computing net income (loss) per share:		
Basic	20,849	12,372
Diluted	20,849	25,247

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

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(Amounts in Thousands, Except for Share Amounts)	Three Months Ended March 31, 2000	1999

<S>	<C>	<C>
Cash flows from operating activities:		
Net income (loss) from continuing operations	$ (437)	$ 131
Adjustments to reconcile net income (loss) to cash provided by continuing operations:		
Depreciation and amortization	862	519
Provision for bad debt and other reserves	11	4
Gain on sale of plant, property and equipment	(10)	(2)
Changes in assets and liabilities:		
Accounts receivable	(41)	(101)
Prepaid expenses, inventories and other assets	(216)	(82)
Accounts payable and accrued expenses	(715)	(156)
Net cash provided by (used in) continuing operations	(546)	313
Net cash used in discontinued operations	(157)	(276)
Cash flows from investing activities:		
Purchases of property and equipment	(570)	(374)
Proceeds from sale of plant, property and equipment	65	5
Change in restricted cash, net	46	(5)
Net cash used by discontinued operations	-	(40)
Net cash used in investing activities	(459)	(414)
Cash flows from financing activities:		
Net Borrowings (Repayments) of revolving loan & term note facility	600	(263)
Principal repayments on long-term debt	(345)	(70)
Proceeds from issuance of stock	776	43
Net cash used by discontinued operations	(3)	(15)
Net cash provided by (used in) financing activitie	1028	(305)
Decrease in cash and cash equivalents	(134)	(682)
Cash and cash equivalents at beginning of period, including discontinued operations of $45, and $0, respectively	816	776
Cash and cash equivalents at end of period, including discontinued operations of $3, and $10, respectively	$ 682	$ 94
	=========	========
Supplemental disclosure:		
Interest paid	$ 417	$ 215
Non-cash investing and financing activities:		
Issuance of Common Stock for services	49	12
Issuance of stock for payment of dividends	112	115
Long-term debt incurred for purchase of property and equipment	216	89

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

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited, for the three months ended March 31, 2000)

(Amounts in Thousands	Preferred Stock		Common Stock		Additional Paid-In	Accumulated	Common Stock Held in
Except for Share Amounts)	Shares	Amount	Shares	Amount	Capital	Deficit	Treasury
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1999	4,537	$ -	21,501,776	$ 21	$ 42,367	$(20,707)	$ (1,862)
Net loss	-	-	-	-	-	(437)	-
Preferred Stock dividend	-	-	-	-	-	(54)	-
Issuance of Common Stock for Preferred Stock dividend	-	-	97,841	-	112	-	-
Conversion of Preferred Stock to Common	(350)	-	322,351	1	-	-	-

Issuance of stock under Employee Stock Purchase Plan	-	-	48,204	-	49	-	-
Exercise of warrants	-	-	727,000	1	726	-	-
Balance at March 31, 2000	4,187	$ -	22,697,172	$ 23	$ 43,254	$(21,198)	$ (1,862)

</TABLE>

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

PERMA-FIX ENVIRONMENTAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2000
(Unaudited)

Reference is made herein to the notes to consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 1999.

1. Summary of Significant Accounting Policies

Our accounting policies are as set forth in the notes to consolidated financial statements referred to above.

2. Earnings Per Share

Basic EPS is based on the weighted average number of shares of Common Stock outstanding during the period. Diluted EPS includes the dilutive effect of potential common shares. Diluted loss per share for the three months ended March 31, 2000, does not include potential common shares as their effect would be anti-dilutive.

<TABLE>
<CAPTION>

The following is a reconciliation of basic net income (loss) per share to diluted net income (loss) per share for the three months ended March 31, 2000 and 1999:

(Amounts in Thousands Except for Share Amounts)	Three Months Ended March 31, 2000	1999
<S>	<C>	<C>
Net income (loss) applicable to Common Stock - basic	$ (491)	$ 14
Effect of dilutive securities - Preferred Stock dividends	-	117
Net income (loss) applicable to Common Stock - diluted	$ (491)	$ 131
Basic net income (loss) per share	$ (.02)	$ -

Diluted net income (loss) per share	$ (.02)	$ -
Weighted average shares outstanding-basic	20,849	12,372
Potential shares exercisable under stock option plans	-	171
Potential shares upon exercise of warrants	-	63
Potential shares upon conversion of Preferred Stock	-	12,641
Weighted average shares outstanding-diluted	20,849	25,247

</TABLE>

The above reconciliation for the three months ended March 31, 2000, excludes 1,302,949 options, 4,839,963 warrants and 2,880,147 potential shares upon conversion of Preferred Stock since their effect would be anti-dilutive.

3. Discontinued Operations

On January 27, 1997, an explosion and resulting tank fire occurred at the Perma-Fix of Memphis, Inc. ("PFM") facility, a hazardous waste storage,processing and blending facility, which resulted in damage to certain hazardous waste storage tanks located on the facility and caused certain limitedcontamination at the facility. As a result of the significant disruption and the cost to rebuild and operate this segment, the Company made a strategic decision, in February 1998, to discontinue its fuel blending operations at PFM.The fuel blending operations represented the principal line of business for PFM prior to this event, which included a separate class of customers, and its discontinuance has required PFM to attempt to develop new markets and customers, through the utilization of the facility as a storage facility under its RCRA permit and as a transfer facility.

The accrued environmental and closure costs related to PFM total $1,008,000 as of March 31, 2000, a decrease of $166,000 from the December 31, 1999, accrual balance. This reduction was principally a result of the specific costs related to general closure and remedial activities, including groundwater remediation, and agency and investigative activities, ($101,000), and the general operating losses, including indirect labor, materials and supplies, incurred in conjunction with the above actions ($65,000). The general operating losses do not reflect management fees charged by the corporation. The remaining environmental and closure liability represents the best estimate of the cost to complete the groundwater remediation at the site of approximately $633,000, the costs to complete the facility closure activities over the next five (5) year period (including agency and investigative activities, and future operating losses during such closure period) totaling approximately $338,000, and the potential PRP liability of $37,000.

4. Proposed Acquisition

The Company has entered into a stock purchase agreement dated May 16, 2000, to purchase Diversified Scientific Systems, Inc. ("DSSI") from Waste Management, Inc.("Seller"), subject to certain conditions being met. Under the terms of the agreement, upon completion of the purchase of DSSI, the Company is to pay the Seller $8.5 million, subject to the purchase price being increased or decreased under certain conditions, with $5 million payable in cash at closing and the balance evidenced by a promissory note (the "Note"). The Note is to be for a term of five years, will bear an annual rate of interest of 7%, with accrued interest payable annually and the principal amount payable in one lump sum at the end of the five-year term. DSSI's facility, located in Kingston, Tennessee, is permitted to transport, store and treat hazardous waste and mixed waste (waste containing both low level radioactive and hazardous waste) and to dispose of or recycle mixed waste in DSSI's incinerator located at DSSI's facility.

In order to assist the Company in raising the funds to fund the cash portion of the purchase price and to assist the Company in providing additional liquidity, the Company has retained Ryan, Beck & Co. and Larkspur Capital Corporation (collectively, the "Agents") as financial advisors to the Company, and has granted the Agents or their permitted designees a five-year warrant to purchase up to 150,000 shares of the Company's Common Stock

("Retainer Warrants"). If the Company is successful in finalizing the private placement as discussed in the "Management's Discussion and Analysis of Financial Condition and Results of Operation Liquidity" prior to termination of the agreement with the Agents or within twelve months following termination of the agreement with the Agents and the placement involves a party contacted by the Agents prior to the termination, the Company has agreed to pay the Agents certain cash fees and certain additional warrants.

5. Long-term Debt

<TABLE>
<CAPTION>
Long-term debt consists of the following at March 31, 2000, and December 31, 1999 (in thousands):

<S>	March 31, 2000 (Unaudited) <C>	December 31, 1999 <C>
Revolving loan facility dated January 15, 1998, as amended May 27, 1999, borrowings based upon by eligible accounts receivable, subject to monthly borrowing base calculation, variable interest paid monthly at prime rate plus 1 3/4 (10.50% at March 31, 2000).	$ 6,726	$ 5,891
Term loan agreement dated January 15, 1998, as amended May 27, 1999, payable in monthly principal installments of $78, balance due in June 2002, variable interest paid monthly at prime rate plus 1 3/4 (10.50% at March 31, 2000).	2,969	3,203
Three promissory notes dated May 27, 1999, payable in equal monthly installments of principal and interest of $90 over 60 months, due June 2004, interest at 5.5% for first three years and 7% for remaining two years.	4,070	4,283
Various capital lease and promissory note obligations, payable 2000 to 2005, interest at rates ranging from 7.5% to 13.0%.	2,010	1,925
	15,775	15,302
Less current portion of revolving loan and term note facility	938	938
Less current portion of long-term debt	1,488	1,427
	$ 13,349	$ 12,937

</TABLE>

On January 15, 1998, the Company, as parent and guarantor, and all direct and indirect subsidiaries of the Company, as co-borrowers and cross-guarantors, entered into a Loan and Security Agreement ("Agreement") with Congress as lender. The Agreement initially provided for a term loan in the amount of $2,500,000, which required principal repayments based on a four-year level principal amortization over a term of 36 months, with monthly principal payments of $52,000. Payments commenced on February 1, 1998, with a final balloon payment in the amount of approximately $573,000 due on January 14, 2001. The Agreement also provided for a revolving loan facility in the amount of $4,500,000. At any point in time the aggregate available borrowings under the facility are subject to the maximum credit availability as determined through a monthly borrowing base calculation, as updated for certain information on a weekly basis, equal to 80% of eligible accounts receivable accounts of the Company as defined in the Agreement. The termination date on the revolving loan facility was also the third anniversary of the closing date. The Company incurred approximately $230,000 in financing fees relative to the solicitation and closing of this original loan agreement (principally commitment, legal and closing fees) which are being amortized over the term of the Agreement.

Pursuant to the Agreement, the term loan and revolving loan both bear interest at a floating rate equal to the prime rate plus 1 3/4%. The loans also contain certain closing, management and unused line fees

payable throughout the term. The loans are subject to a 3.0% prepayment fee in the first year, 1.5% in the second and 1.0% in the third year of the original Agreement dated January 15, 1998.

In connection with the acquisition of Chemical Conservation Corporation (CCC), Chemical Conservation of Georgia, Inc. (CCG) and Chem-Met Services, Inc. (CM) on May 27, 1999, Congress, the

Company, and the Company's subsidiaries, including CCC, CCG and CM entered into an Amendment and Joinder to Loan and Security Agreement (the "Loan Amendment") dated May 27, 1999, pursuant to which the Loan and Security Agreement ("Original Loan Agreement") among Congress, the Company and the Company's subsidiaries were amended to provide, among other things, (i) the credit line being increased from $7,000,000 to $11,000,000, with the revolving line of credit portion being determined as the maximum credit of $11,000,000, less the term loan balance, with the exact amount that can be borrowed under the revolving line of credit not to exceed eighty percent (80%) of the Net Amount of Eligible Accounts (as defined in the Original Loan Agreement) less certain reserves; (ii) the term loan portion of the Original Loan Agreement being increased from its current balance of approximately $1,600,000 to $3,750,000 and it shall be subject to a four-year amortization schedule payable over three years at an interest rate of 1.75% over prime; (iii) the term of the Original Loan Agreement, as amended, was extended for three years from the date of the acquisition, subject to earlier termination pursuant to the terms of the Original Loan Agreement, as amended; (iv) CCC, CCG and CM being added as co-borrowers under the Original Loan Agreement, as amended; (v) the interest rate on the revolving line of credit will continue at 1.75% over prime, with a rate adjustment to 1.5% if net income applicable to Common Stock of the Company is equal to or greater than $1,500,000 for fiscal year ended December 31, 2000; (vi) the monthly service fee shall increase from $1,700 to $2,000; (vii) government receivables will be limited to 20% of eligible accounts receivable; and (viii) certain obligations of CM shall be paid at closing of the acquisition of CCC, CCG and CM. The Loan Amendment became effective on June 1, 1999, when the Stock Purchase Agreements were consummated. Payments under the term loan commenced on June 1, 1999, with monthly principal payments of approximately $78,000 and a final balloon payment in the amount of $938,000 on June 1, 2002. The Company incurred approximately $40,000 in additional financing fees relating to the closing of this amendment, which is being amortized over the remaining term of the agreement. The interest rate on the revolving loan and term loan was 10.50% at March 31, 2000.

Under the terms of the Original Loan Agreement, as amended, the Company has agreed to maintain an Adjusted Net Worth (as defined in the Original Loan Agreement) of not less than $3,000,000 throughout the term of the Original Loan Agreement, which was amended, pursuant to the above noted acquisition. The adjusted net worth covenant requirement ranges from a low of $1,200,000 at June 1, 1999, to a high of $3,000,000 from July 1, 2000, through the remaining term of the Loan Agreement. The covenant requirement at March 31,2000, was $2,000,000, which the Company was in compliance with. The Company has agreed that it will not pay any dividends on any shares of capital stock of the Company, except that dividends may be paid on the Company's shares of Preferred Stock outstanding as of the date of the Loan Amendment (collectively, "Excepted Preferred Stock") under the terms of the applicable Excepted Preferred Stock and if and when declared by the Board of Directors of the Company pursuant to Delaware General Corporation Law. As security for the payment and performance of the Original Loan Agreement, as amended, the Company and its subsidiaries (including CCC, CCG and CM) have granted a first security interest in all accounts receivable, inventory, general intangibles, equipment and certain of their other assets, as well as the mortgage on two facilities owned by subsidiaries of the Company, except for certain real property owned by CM, for which a first security interest is held by the TPS Trust and the ALS Trust as security for CM's non-recourse guaranty of the payment of the Promissory Notes. All other terms and conditions of the original loan remain unchanged.

As of March 31, 2000, borrowings under the revolving loan agreement were approximately $6,726,000, an increase of $835,000 over the December 31, 1999, balance of $5,891,000. The balance under the term loan at March 31, 2000, was $2,969,000, a decrease of $234,000 from the December 31, 1999, balance of $3,203,000.

As of March 31, 2000, the Company's borrowing availability under the Congress credit facility, based on its then outstanding eligible accounts receivable, was approximately $1,627,000.

Pursuant to the terms of the Stock Purchase Agreements in connection with the acquisition of CCC, CCG and CM, a portion of the consideration was paid in the form of the Promissory Notes, in the aggregate amount of $4,700,000 payable to the former owners of CCC, CCG and CM. The Promissory Notes are paid in equal monthly installments of principal and interest of approximately $90,000 over five years with the first installment due on

July 1, 1999, and having an interest rate of 5.5% for the first three years and 7% for the remaining two years. The aggregate outstanding balance of the Promissory Notes total $4,070,000 at March 31, 2000, of which $881,000 is in the current portion. Payments of such Promissory Notes are guaranteed by CM under a non-recourse guaranty, which non-recourse guaranty is secured by certain real estate owned by CM.

As further discussed in Note 3, the long-term debt, other than revolving and term loan debt, associated with the discontinued PFM operation is excluded from the above and is recorded in the Liabilities of Discontinued Operations total. The PFM debt obligations total $1,000, all of which is current.

6. Commitments and Contingencies

Hazardous Waste

In connection with our waste management services, we handle both hazardous and non-hazardous waste which we transport to our own or other facilities for destruction or disposal. As a result of disposing of hazardous substances, in the event any cleanup is required, we could be a potentially responsible party for the costs of the cleanup notwithstanding any absence of fault on our part.

Legal

In the normal course of conducting our business, we are involved in various litigation. There has been no material change in legal proceedings from those disclosed previously in the Company's Form 10-K for year ended December 31, 1999. We are not a party to any litigation or governmental proceeding which our management believes could result in any judgements or fines against us that would have a material adverse affect on the Company's financial position, liquidity or results of operations.

Permits

We are subject to various regulatory requirements, including the procurement of requisite licenses and permits at our facilities. These licenses and permits are subject to periodic renewal without which our operations would be adversely affected. We anticipate that, once a license or permit is issued with respect to a facility, the license or permit will be renewed at the end of its term if the facility's operations are in compliance with the applicable regulatory requirements.

Accrued Closure Costs and Environmental Liabilities

We maintain closure cost funds to insure the proper decommissioning of our RCRA facilities upon cessation of operations. Additionally, in the course of owning and operating on-site treatment, storage and disposal facilities, we are subject to corrective action proceedings to restore soil and/or groundwater to its original state. These activities are governed by federal, state and local regulations and we maintain the appropriate accruals for restoration. We have recorded accrued liabilities for estimated closure costs and identified environmental remediation costs.

Insurance

We believe we maintain insurance coverage adequate for our needs and which is similar to, or greater than, the coverage maintained by other companies of our size in the industry. There can be no assurances, however, that liabilities which may be incurred by us will be covered by our insurance or that the dollar amount of such liabilities which are covered will not exceed our policy limits. Under our insurance contracts, we usually accept self-insured retentions which we believe

appropriate for our specific business risks. We are required by EPA regulations to carry environmental impairment liability insurance providing coverage for damages on a claims-made basis in amounts of at least $1 million per occurrence and $2 million per year in the aggregate. To meet the requirements of customers, we have exceeded these coverage amounts.

7. Business Segment Information

Pursuant to FAS 131, we define an operating segment as:

* A business activity from which we may earn revenue and incur expenses;
* Whose operating results are regularly reviewed by our chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
* For which discrete financial information is available.

We have eleven operating segments which are defined as each separate facility or location that we operate. We clearly view each facility as a separate segment and make decisions based on the activity and profitability of that particular location. These segments however, exclude the Corporate headquarters which does not generate revenue and Perma-Fix of Memphis, Inc. which is reported elsewhere as a discontinued operation. See Note 3 regarding discontinued operations.

Pursuant to FAS 131 we have aggregated two or more operating segments into two reportable segments to ease in the presentation and understanding of our business. We used the following criteria to aggregate our segments:

* The nature of our products and services;
* The nature of the production processes;
* The type or class of customer for our products and services;
* The methods used to distribute our products or provide our services;
  and
* The nature of the regulatory environment.

Our reportable segments are defined as follows:

The Waste Management Services segment, which provides on-and-off site treatment, storage, processing and disposal of hazardous and non-hazardous industrial and commercial, mixed waste, radioactive waste, and wastewater through our seven TSD facilities; Perma-Fix Treatment Services, Inc., Perma-Fix of Dayton, Inc., Perma-Fix of Ft. Lauderdale, Inc., Perma-Fix of Florida, Inc., Chemical Conservation Corporation, Chemical Conservation of Georgia, Inc., and Chem-Met Services, Inc. We provide through Perma-Fix Inc. and Perma-Fix of New Mexico, Inc. on-site waste treatment services to convert certain types of characteristic hazardous and mixed wastes into non-hazardous waste and various waste management services to certain governmental agencies through Chem-Met Government Services.

The Consulting Engineering Services segment provides environmental engineering and regulatory compliance services through Schreiber, Yonley & Associates, Inc. which includes oversight management of environmental restoration projects, air and soil sampling and compliance and training activities, as well as engineering support as needed by our other segment. During 1999, the business and operations of Mintech, Inc., our second engineering company, located in Tulsa, Oklahoma, was merged into and consolidated with the SY&A operations.

The table below shows certain financial information by business segment for the quarter ended March 31, 2000 and quarter ended March 31, 1999 and excludes the results of operations of the discontinued operations.

<TABLE>
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Segment Reporting 03/31/00

	Waste Services	Engineering	Segments Total	Corp(2)	Memphis(3)	Consolidated Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue from external customers	$ 12,622	$ 967	$ 13,589	$ -	$ -	$ 13,589
Intercompany revenues	1,127	51	1,178	-	-	1,178
Interest income	7	-	7	4	-	11
Interest expense	326	13	339	71	-	410
Depreciation and amortization	825	20	845	17	-	862
Segment profit (loss)	(36)	124	88	(579)	-	(491)
Segment assets(1)	50,638	2,633	53,271	1,960	320	55,551
Expenditures for segment assets	741	12	753	33	-	786

Segment Reporting 03/31/99

	Waste Services	Engineering	Segments Total	Corp(2)	Memphis(3)	Consolidated Total
Revenue from external customers	$ 6,601	$ 1,211	$ 7,812	$ -	$ -	$ 7,812
Intercompany revenues	93	93	186	-	-	186
Interest income	5	-	5	2	-	7
Interest expense	41	20	61	(34)	-	27
Depreciation and amortization	494	20	514	5	-	519
Segment profit (loss)	270	77	347	(333)	-	14
Segment assets(1)	24,725	2,432	27,157	1,310	456	28,923
Expenditures for segment assets	445	13	458	5	-	463

<FN>

(1) Segment assets have been adjusted for intercompany accounts to reflect actual assets for each segment.

(2) Amounts reflect the activity for corporate headquarters.

(3) Amounts reflect the activity for Perma-Fix of Memphis, Inc., which is a discontinued operation, not included in the segment information (See Note 2).
</FN>
</TABLE>

PERMA-FIX ENVIRONMENTAL SERVICES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
PART I, ITEM 2

Forward-looking Statements

Certain statements contained with this report may be deemed "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (collectively, the "Private Securities Litigation Reform Act of 1995"). All statements in this report other than a statement of historical fact are forward-looking statements that are subject to known and unknown risks, uncertainties and other factors which could cause actual results and performance of the Company to differ materially from such statements. The words "believe," "expect," "anticipate," "intend," "will," and similar expressions identify forward-looking statements. Forward-looking statements contained herein relate to, among other things, (i) ability or inability to continue and improve operations and remain profitable on an annualized basis, (ii) the Company's ability to develop or adopt new and existing technologies in the conduct of its operations, (iii) anticipated financial performance, (iv) ability to comply with the Company's general working capital requirements, (v) ability to retain or receive certain permits or patents, (vi) ability to be able to continue to borrow under the Company's revolving line of credit, (vii) ability to generate sufficient cash flow from operations to fund all costs of operations and remediation of certain formerly leased property in Dayton, Ohio, and the Company's facilities in Memphis, Tennessee; Valdosta, Georgia and Detroit Michigan, (viii) ability to remediate certain contaminated sites for projected amounts, (ix) completion of the acquisition of DSSI, (x) ability to obtain new sources of financing, and (xi) all other statements which are not statements of historical fact. While the Company believes the expectations reflected in such forward-looking statements are reasonable, it can give no assurance such expectations will prove to have been correct. There are a variety of factors which could cause future outcomes to differ materially from those described in this report, including, but not limited to, (i) general economic conditions, (ii) material reduction in revenues, (iii) inability to collect in a timely manner a material amount of receivables, (iv) increased competitive pressures, (v) the ability to maintain and obtain required permits and approvals to conduct operations, (vi) the ability to develop new and existing technologies in the conduct of operations, (vii) inability of the "New Process" (as defined) to perform as anticipated or to develop such for commercial, (viii) ability to receive or retain certain required permits, (ix) discovery of additional contamination or expanded Contamination at a certain Dayton, Ohio, property formerly leased by the Company or the Company's facilities at Memphis, Tennessee; Valdosta, Georgia and Detroit Michigan, which would result in a material increase in remediation expenditures, (x) determination that PFM is the source of chlorinated compounds at the Allen Well Field, (xi) changes in federal, state and local laws and regulations, especially environmental regulations, or in interpretation of such, (xii) potential increases in equipment, maintenance, operating or labor costs, (xiii) management retention and development, (xiv) the requirement to use internally generated funds for purposes not presently anticipated, (xv) inability to become profitable, (xvi) the inability to secure additional liquidity in the form of additional equity or debt, (xvii) the commercial viability of our on-site treatment process, (xviii) the inability of the Company to obtain under certain circumstances shareholder approval of the transaction in which the Series 10 Preferred and certain warrants were issued, (xix) the inability of the Company to maintain the

listing of its Common Stock on the NASDAQ, (xx) the determination that CM or CCC was responsible for a material amount of remediation at certain Superfund sites, and (xxi) inability to finalize the acquisition of DSSI. The Company undertakes no obligations to update publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

Results of Operations

<TABLE>
<CAPTION>

The table below should be used when reviewing management's discussion and analysis for the three months ended March 31, 2000 and 1999:

Consolidated (amounts in thousands)

<S>	2000 <C>	% <C>	1999 <C>	% <C>
Net Revenues	$13,589	100.0	$ 7,812	100.0
Cost of Goods Sold	9,542	70.2	5,290	67.7
Gross Profit	4,047	29.8	2,522	32.3
Selling, General & Administrative	3,253	23.9	1,838	23.6
Depreciation/Amortization	862	6.3	519	6.6
(Income) Loss from operations	$ (68)	(.4)	$ 165	2.1
Interest Expense	$ (410)	(3.0)	$ (27)	(.3)
Preferred Stock Dividend	(54)	(.4)	(117)	(1.5)

</TABLE>

Summary - Quarter Ended March 31, 2000 and 1999

We provide services through two reportable operating segments. The Waste Management Services segment is engaged in on-and off-site treatment, storage, disposal and processing of a wide variety of by-products and industrial, hazardous and mixed wastes. This segment competes for materials and services with numerous regional and national competitors to provide comprehensive and cost-effective Waste Management Services to a wide variety of customers in the Midwest, Southeast and Southwest regions of the country. We operate and maintain facilities and businesses in the waste by-product brokerage, on-site treatment and stabilization, and off-site blending, treatment and disposal industries. Our Consulting Engineering segment provides a wide variety of environmental related consulting and engineering services to industry and government. The Consulting Engineering segment provides oversight management of environmental restoration projects, air and soil sampling, compliance reporting, surface and subsurface water treatment design for removal of pollutants, and various compliance and training activities.

Consolidated net revenues increased to $13,589,000 from $7,812,000 for the quarter ended March 31, 2000, as compared to the same quarter in 1999. This increase of $5,777,000 or 74.0% is principally attributable to the additional revenues resulting from the acquisition of Chemical Conservation Corporation (CCC), Chemical Conservation of Georgia, Inc. (CCG) and Chem-Met Services, Inc. (CM), effective June 1, 1999, which in the aggregate contributed approximately $6,746,000 to this increase. Partially offsetting this increase, were decreases within the Waste Management Services segment totaling approximately $410,000, principally from the Perma-Fix of Dayton wastewater facility, and decreases within the Consulting Engineering segment totaling approximately $559,000, principally from the Mintech, Inc. engineering company whose operations were reduced and merged with Schreiber, Yonley & Associates, Inc. during the second half of 1999. These reduced revenues are also a result of the seasonal decrease in market demand, which typically occurs during the first quarter of each year and appeared more dramatic in 2000.

Cost of goods sold for the Company increased $4,252,000 or 80.4% for the quarter ended March 31, 2000, as compared to the quarter ended March 31, 1999. This consolidated increase in cost of goods sold reflect principally the increased operating, disposal and transportation costs, corresponding to the increased revenues from the acquisition of CCC, CCG and CM, as discussed above, which totaled $4,703,000. Increased operating costs were also recognized across most of the Waste Management Services facilities, as we increase certain fixed costs and began preparation for the processing of new wastewater streams at several facilities and the expanded mixed waste processing capabilities at the Gainesville, Florida, mixed waste facility. The resulting gross profit for the quarter ended March 31, 2000, increased $1,525,000 to $4,047,000, which as a percentage of revenue is 29.8%, reflecting a decrease over the corresponding quarter in 1999 percentage of revenue of 32.3%. This decrease in

gross profit as a percentage of revenue was principally recognized throughout the Waste Management Services segment which experienced a decrease from 33.1% in 1999 to 29.4% in 2000 reflecting the expansion and startup activities discussed above. Offsetting this however was an increase in the Consulting Engineering segment from 28.8% in 1999 to 35.1% in 2000, reflecting the benefits from the restructuring and consolidation of our engineering businesses, as discussed above.

Selling, general and administrative expenses increased $1,415,000 or 77.0% for the quarter ended March 31, 2000, as compared to the quarter ended March 31, 1999. As a percentage of revenue, selling, general and administrative expense increased to 23.9% for the quarter ended March 31, 2000, compared to 23.6% for the same period in 1999. The increase reflects the expenses directly related to CCC, CCG and CM as acquired effective June 1, 1999, which totals $1,300,000 and the increased expenses associated with our additional sales and marketing efforts as we continue to refocus the business segments into new environmental markets, such as nuclear and mixed waste, and the additional administrative overhead associated with our research and development efforts. We have expensed in the current period all research and development costs associated with the development of various technologies and the increase administrative costs associated with the expansion of the Perma-Fix of Florida, Inc. ("PFF") mixed waste facility.

Depreciation and amortization expense for the quarter ended March 31, 2000, reflects an increase of $343,000 as compared to the quarter ended March 31, 1999. This increase is attributable to a depreciation expense increase of $246,000 which is a result of the depreciation in 2000 from the CCC, CCG and CM facilities acquired effective June 1, 1999, totaling $194,000 and the additional depreciation related to the expanded facilities and an amortization expense increase of $97,000 for the quarter ended March 31, 2000, as compared to the quarter ended March 31, 1999. This increase in amortization expense is a result of the goodwill and permit amortization from the CCC, CCG and CM facilities acquired in 1999.

Interest expense increased $383,000 from the quarter ended March 31, 2000, as compared to the corresponding period of 1999, excluding discontinued operations. This increase principally reflects the acquisition of CCC, CCG and CM effective June 1, 1999. The existing debt assumed in conjunction with the acquisition, along with the three promissory notes, which comprised $4,700,000 of the purchase price, resulted in approximately $74,000 of additional interest expense. The remaining increase in interest expense is a result of the increased borrowing levels on the Congress Financial Corporation revolving and term loan incurred in conjunction with the above noted acquisition, which totaled approximately $297,000.

Preferred Stock dividends decreased $63,000 during the quarter ended March 31, 2000 as compared to the corresponding period of 1999. This decrease is due to the conversion of $4,563,000 (4,563 preferred shares) of the Preferred Stock into Common Stock on April 20, 1999, the redemption of $750,000 (750 preferred shares) of the Preferred Stock on July 15, 1999, and the conversion of $350,000 (350 preferred shares) of the Preferred Stock into Common Stock throughout the first quarter of 2000.

Discontinued Operations

On January 27, 1997, an explosion and resulting tank fire occurred at the Perma-Fix of Memphis, Inc. ("PFM") facility, a hazardous waste storage, processing and blending facility, which resulted in damage to certain hazardous waste storage tanks

located on the facility and caused certain limited contamination at the facility. As a result of the significant disruption and the cost to rebuild and operate this segment, the Company made a strategic decision, in February 1998, to discontinue its fuel blending operations at PFM. The fuel blending operations represented the principal line of business for PFM prior to this event, which included a separate class of customers, and its discontinuance has required PFM to attempt to develop new markets and customers, through the utilization of the facility as a storage facility under its RCRA permit and as a transfer facility.

Proposed Acquisition

As provided in Note 4 to Notes to Consolidated Financial Statements, the Company has entered into a stock purchase agreement dated May 16, 2000, to purchase Diversified Scientific Systems, Inc. ("DSSI") from Waste Management, Inc. ("Seller"), subject to certain conditions being met. Under the terms of the agreement, upon completion of the purchase of DSSI, the Company is to pay the Seller $8.5 million, subject to the purchase price being increased or decreased under certain conditions, with $5 million payable in cash at closing and the balance evidenced by a promissory note to the Seller (the "Note"). The Note is to be for a term of five years, will bear an annual rate of interest of 7%, with the accrued interest payable annually and the principal amount payable in one lump sum payment at the end of the five-year term. The agreement also provides that if the acquisition is not completed within 90 days from May 16, 2000, or such longer period as is necessary to obtain approvals of applicable governmental authorities relating to the permits and licenses of DSSI necessary to consummate the transactions, the agreement may be terminated by either party, except under certain limited circumstances. See "Liquidity and Capital Resources of the Company" for a discussion as to the Company's proposal to fund the cash portion of the purchase price.

Liquidity and Capital Resources of the Company

At March 31, 2000, the Company had cash and cash equivalents of $682,000, including $3,000 from discontinued operations. This cash and cash equivalents total reflects a decrease of $134,000 from December 31, 1999, as a result of net cash used in continuing operations of $546,000 (principally the reduction of accounts payable), cash used by discontinued operation of $157,000, cash used in investing activities of $459,000 (principally purchases of equipment, net totaling $570,000), offset by cash provided by financing activities of $1,028,000 (net borrowings of the revolving loan and term note facility, proceeds from the issuance of stock, partially offset by principal repayments of long-term debt). Accounts receivable, net of allowances for continuing operations, totaled $13,057,000, an increase of $30,000 over the December 31, 1999, balance of $13,027,000. The receivable balance remained flat during this first quarter of 2000, due in large part to the reduced revenue levels of this typical slow quarter, offset by Government Services contracting activities, which increased for the quarter and represents slower paying receivables.

The Company, as parent and guarantor, and all direct and indirect subsidiaries of the Company are co-borrowers and cross-guarantors under a Loan and Security Agreement ("Agreement") with Congress as lender. The Agreement initially provided for a term loan in the amount of $2,500,000, which required principal repayments based on a four-year level principal amortization over a term of 36 months, with monthly principal payments of $52,000. Payments commenced on February 1, 1998, with a final balloon payment in the amount of approximately $573,000 due on January 14, 2001. The Agreement also provided for a revolving loan facility in the amount of $4,500,000. At any point in time the aggregate available borrowings under the facility are subject to the maximum credit availability as determined through a monthly borrowing base calculation, as updated for certain information on a weekly basis, equal to 80% of eligible accounts receivable accounts of the Company as defined in the Agreement. The termination date on the revolving loan facility was also the third anniversary of the closing date. The Company incurred approximately $230,000 in financing fees relative to the solicitation and closing of this original loan agreement (principally commitment, legal and closing fees) which are being amortized over the term of the Agreement.

Pursuant to the Agreement, the term loan and revolving loan both bear interest at a floating rate equal to the prime rate plus 1 3/4%. The loans also contain certain closing, management and unused line fees payable throughout the term. The loans are subject to a 3.0% prepayment fee in the first year, 1.5% in the second and 1.0% in the third year of the original Agreement dated

January 15, 1998.

In connection with the acquisition of CCC, CCG and CM on May 27, 1999, Congress, the Company, and the Company's subsidiaries, including CCC, CCG and CM entered into an Amendment and Joinder to Loan and Security Agreement (the "Loan Amendment") dated May 27, 1999, pursuant to which the Loan and Security Agreement ("Original Loan Agreement") among Congress, the Company and the Company's subsidiaries was amended to provide, among other things, (i) the credit line being increased from $7,000,000 to $11,000,000, with the revolving line of credit portion being

determined as the maximum credit of $11,000,000, less the term loan balance, with the exact amount that can be borrowed under the revolving line of credit not to exceed eighty percent (80%) of the Net Amount of Eligible Accounts (as defined in the Original Loan Agreement) less certain reserves; (ii) the term loan portion of the Original Loan Agreement being increased from its current balance of approximately $1,600,000 to $3,750,000 and it shall be subject to a four-year amortization schedule payable over three years at an interest rate of 1.75% over prime; (iii) the term of the Original Loan Agreement, as amended, was extended for three years from the date of the acquisition, subject to earlier termination pursuant to the terms of the Original Loan Agreement, as amended; (iv) CCC, CCG and CM being added as co-borrowers under the Original Loan Agreement, as amended; (v) the interest rate on the revolving line of credit will continue at 1.75% over prime, with a rate adjustment to 1.5% if net income applicable to Common Stock of the Company is equal to or greater than $1,500,000 for fiscal year ended December 31, 2000; (vi) the monthly service fee shall increase from $1,700 to $2,000; (vii) government receivables will be limited to 20% of eligible accounts receivable; and (viii) certain obligations of CM shall be paid at closing of the acquisition of CCC, CCG and CM. The Loan Amendment became effective on June 1, 1999, when the Stock Purchase Agreements were consummated. Payments under the term loan commenced on June 1, 1999, with monthly principal payments of approximately $78,000 and a final balloon payment in the amount of $938,000 on June 1, 2002. The Company incurred approximately $40,000 in additional financing fees relating to the closing of this amendment, which is being amortized over the remaining term of the agreement.

Under the terms of the Original Loan Agreement, as amended, the Company has agreed to maintain an Adjusted Net Worth (as defined in the Original Loan Agreement) of not less than $3,000,000 throughout the term of the Original Loan Agreement, which was amended, pursuant to the above noted acquisition. The adjusted net worth covenant requirement ranges from a low of $1,200,000 at June 1, 1999, to a high of $3,000,000 from July 1, 2000, through the remaining term of the Loan Agreement. The covenant requirement at March 31, 2000, was $2,000,000, which the Company was in compliance with. The Company has agreed that it will not pay any dividends on any shares of capital stock of the Company, except that dividends may be paid on the Company's shares of Preferred Stock outstanding as of the date of the Loan Amendment (collectively, "Excepted Preferred Stock") under the terms of the applicable Excepted Preferred Stock, if and when declared by the Board of Directors of the Company pursuant to Delaware General Corporation Law. If dividends on the Excepted Preferred Stock are paid, the loan agreement provides that the Company must pay the dividends in shares of Common Stock and not in cash, unless prior consent is obtained. As security for the payment and performance of the Original Loan Agreement, as amended, the Company and its subsidiaries (including CCC, CCG and CM) have granted a first security interest in all accounts receivable, inventory, general intangibles, equipment and certain of their other assets, as well as the mortgage on two facilities owned by subsidiaries of the Company, except for certain real property owned by CM, for which a first security interest is held by the TPS Trust and the ALS Trust as security for CM's non-recourse guaranty of the payment of the Promissory Notes. All other terms and conditions of the original loan remain unchanged.

As of March 31, 2000, borrowings under the revolving loan agreement were approximately $6,726,000, an increase of $835,000 over the December 31, 1999, balance of $5,891,000. The balance under the term loan at March 31, 2000, was $2,969,000, a decrease of $234,000 from the December 31, 1999, balance of $3,203,000. As of March 31, 2000, the Company's borrowing availability under the Congress credit facility, based on its then outstanding eligible accounts receivable, was approximately $1,627,000.

Pursuant to the terms of the Stock Purchase Agreements in connection with the acquisition of CCC, CCG and CM, a portion of

the consideration was paid in the form of the Promissory Notes, in the aggregate amount of $4,700,000 payable to the former owners of CCC, CCG and CM. The Promissory Notes are paid in equal monthly installments of principal and interest of approximately $90,000 over five years with the first installment due on July 1, 1999, and having an interest rate of 5.5% for the

first three years and 7% for the remaining two years. The aggregate outstanding balance of the Promissory Notes total $4,070,000 at March 31, 2000, of which $881,000 is in the current portion. Payments of such Promissory Notes are guaranteed by CM under a non-recourse guaranty, which non-recourse guaranty is secured by certain real estate owned by CM.

As of March 31, 2000, total consolidated accounts payable for continuing operations was $6,697,000, a decrease of $890,000 from the December 31, 1999, balance of $7,587,000. This decrease in accounts payable is partially reflective of the increased borrowing level under the revolving loan agreement, which funds were utilized to reduce certain payables.

Our net purchases of new capital equipment for continuing operations for the three-month period ended March 31, 2000, totaled approximately $786,000. These expenditures were for expansion and improvements to the operations principally within the waste management industry segment. These capital expenditures were principally funded by the cash provided by continuing operations and $216,000 through various other lease financing sources. We have budgeted capital expenditures of approximately $4,000,000 for 2000, which includes completion of certain current projects, as well as other identified capital and permit compliance purchases. We anticipate funding these capital expenditures by a combination of lease financing with lenders other than the equipment financing arrangement discussed above, and/or internally generated funds.

The working capital deficit position at March 31, 2000, was $491,000, as compared to a deficit position of $1,400,000 at December 31, 1999, which reflects an improvement in this position of $909,000 during the first quarter of 2000. The working capital deficit position is principally a result of the impact of the CCC, CCG and CM acquisition, effective June 1, 1999. The consideration was paid in the form of cash, debt and equity, with the cash portion being $1,000,000, funded out of current working capital and the debt portion being $4,700,000 in the form of three promissory notes, paid over five years. The Congress term loan was also increased by $2,083,000 pursuant to this acquisition, which resulted in an increase in the current portion of the term loan debt. We also assumed certain other liabilities pursuant to this acquisition, including the accrued environmental liability related to the CM facility in Detroit, Michigan, and the CCG Facility in Valdosta, Georgia, both of which are long term remedial projects, with increased spending in this first year. These two remedial projects contributed $1,007,000 to this working capital deficit. Additionally, we continue to invest current cash proceeds into the long term capital improvements of our operating facilities as discussed above. However, we were able to improve on this working capital position during the first quarter, principally from cash flow from operations, borrowings on the revolving loan and proceeds from the issuance of stock.

During January 1998, PFM was notified by the EPA that it believed that PFM was a PRP regarding the remediation of a site owned and operated by W.R. Drum, Inc. ("WR Drum") in Memphis, Tennessee (the "Drum Site"). During the third quarter of 1998, the government agreed to PFM's offer to pay $225,000 ($150,000 payable at closing and the balance payable over a twelve-month period) to settle any potential liability regarding this Drum Site. During January 1999, the Company executed a "Partial Consent Decree" pursuant to this settlement, and paid the initial settlement payment amount of $150,000 in October 1999 and an installment of $37,000 in March 2000. The remaining amount of $38,000 is to be paid on September 15, 2000.

The accrued dividends on the outstanding Preferred Stock for the period July 1, 1999, through December 31, 1999, in the amount of approximately $109,000 were paid in February 2000, in the form of 95,582 shares of Common Stock of the Company. The dividends for the period January 1, 2000, through March 31, 2000, total $54,000, of which $3,000 was paid in conjunction with the first quarter 2000 conversions and $51,000 will be paid in July 2000, in the form of Common Stock, or if approved by the lender, at the Company's option, in the form of cash.

In order to fund the cash portion of the purchase price relating to the proposed acquisition of DSSI, as discussed above, and to provide the Company additional liquidity to fund other capital expenditures and the continuing growth of the Company, the Company has retained Ryan, Beck & Co. and Larkspur Capital Corporation (collectively, the "Agents") as its financial advisors in the private placement of new debt and possible equity. There are no assurances that the Company will be successful in arranging lenders to participate in the private placement, or if participants are available, that the private placement can be completed on terms satisfactory to the Company.

In connection with the retention of the Agents as financial advisors to the Company, the Company has granted the Agents or their permitted designees a five-year warrant to purchase up to 150,000 shares of the Company's Common Stock ("Retainer Warrants"). If the Company is successful in finalizing the private placement prior to termination of the agreement with the Agents or within twelve months following termination of the agreement with the Agents and the placement involves a party contacted by the Agents prior to the termination, the Company has agreed to pay the Agents certain cash fees and additional warrants.

In summary, we have continued to take steps to improve our operations and liquidity as discussed above. However, with the acquisition in 1999, we incurred and assumed certain debt obligations and long-term liabilities, which had a short term impact on liquidity. If we are unable to continue to improve our operations and to continue profitability in the foreseeable future, such would have a material adverse effect on our liquidity position.

Environmental Contingencies

The Company is engaged in the Waste Management Services segment of the pollution control industry. As a participant in the on-site treatment, storage and disposal market and the off-site treatment and services market, the Company is subject to rigorous federal, state and local regulations. These regulations mandate strict compliance and therefore are a cost and concern to the Company. The Company makes every reasonable attempt to maintain complete compliance with these regulations; however, even with a diligent commitment, the Company, as with many of its competitors, may be required to pay fines for violations or investigate and potentially remediate its waste management facilities.

The Company routinely uses third party disposal companies, who ultimately destroy or secure landfill residual materials generated at its facilities or at a client's site. The Company, compared to its competitors, disposes of significantly less hazardous or industrial by-products from its operations due to rendering material non-hazardous, discharging treated wastewaters to publicly-owned treatment works and/or processing wastes into saleable products. In the past, numerous third party disposal sites have improperly managed wastes and consequently require remedial action; consequently, any party utilizing these sites may be liable for some or all of the remedial costs. Despite the Company's aggressive compliance and auditing procedures for disposal of wastes, the Company could, in the future, be notified that it is a PRP at a remedial action site, which could have a material adverse effect on the Company.

In addition to budgeted capital expenditures of $4,000,000 for 2000 at the TSD facilities, which are necessary to maintain permit compliance and improve operations, as discussed above in this Management's Discussion and Analysis, we have also budgeted for 2000 an additional $1,656,000 in environmental expenditures to comply with federal, state and local regulations in connection with remediation of certain contaminates at four locations. The four locations where these expenditures will be made are a parcel of property leased by a predecessor to PFD in Dayton, Ohio (EPS), a former RCRA storage facility as operated by the former owners of PFD, PFM's facility in Memphis, Tennessee, CCG's facility in Valdosta Georgia and CM's facility in Detroit, Michigan. We have estimated the expenditures for 2000 to be approximately $254,000 at the EPS site, $265,000 at the PFM location, $499,000 at the CCG site and $638,000 at the CM site, of which $83,000, $63,000, $23,000 and $127,000 were spent during the first quarter of 2000, respectively. Additional funds will be required for the next five to ten years to properly investigate and remediate these sites. We expect to fund these expenses to remediate these four sites from funds generated internally, however, no assurances can be made that we will be able to do so.

Year 2000 Issues

The Year 2000 problem arises because many computer systems were designed to identify a year using only two digits, instead of four digits, in order to conserve memory and other resources. For instance, "1999" would be held in the memory of a computer as "99."

When the year changes from 1999 to 2000, a two-digit system would read the year as changing from "99" to "00." For a variety of reasons, many computer systems are not designed to make such a date change or are not designed to "understand" or react appropriately to such a date change. Therefore, after the date changes to the year 2000, many computer systems could completely stop working or could perform in an improper and unpredictable manner.

We have conducted a review of our computer systems to identify the systems which we anticipated could be effected by the Year 2000 issue and we believe that all such systems were already, or have been converted to be, Year 2000 compliant. Such conversion costs, where required, have not been material and have been expensed as incurred. Pursuant to our Year 2000 planning, we requested information regarding the computer systems of our key suppliers, customers, creditors, and financial service organizations and were informed that they are substantially Year 2000 compliant. As of the date of this Report, the Company has experienced no Year 2000 disruptions to its operations since the year 2000 began. There can be no assurance, however, that such key organizations are actually Year 2000 compliant and that the Year 2000 issue will not adversely affect the Company's financial position or results of operations. We believe that our expenditures in addressing our Year 2000 issues will not have a material adverse effect on our financial position or results of operations.

Recent Accounting Pronouncements

In June 1998 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"). FAS 133 requires companies to recognize all derivative contracts as either assets or liabilities in the balance sheet and to measure them at fair value. FAS 133 as amended by FAS 137 is effective for periods beginning after June 15, 2000. Historically, we have not entered into derivative contracts. Accordingly, FAS 133 is not expected to affect our financial statements.

PERMA-FIX ENVIRONMENTAL SERVICES, INC.
QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

PART I, ITEM 3

The Company is exposed to certain market risks arising from adverse changes in interest rates, primarily due to the potential effect of such changes on the Company's variable rate loan arrangements with Congress, as described under Note 5 to Notes to Consolidated Financial Statements. The Company does not use interest rate derivative instruments to manage exposure to interest rate changes.

PART II - Other Information

Item 1. Legal Proceedings

There are no additional material legal proceedings pending against the Company and/or its subsidiaries not previously reported by the Company in Item 3 of its Form 10-K for the year ended December 31, 1999, which Item 3 is incorporated herein by reference.

Item 5. Other Information

The Company has entered into a stock purchase agreement dated May 16, 2000, to purchase Diversified Scientific Systems, Inc. ("DSSI") from Waste Management, Inc. ("Seller"), subject to certain conditions being met. Under the terms of the agreement, upon completion of the purchase of DSSI, the Company is to pay the Seller $8.5 million, subject to the purchase price being increased or decreased under certain conditions, with $5 million payable in cash at closing and the balance evidenced by a promissory note (the "Note"). The Note is to be for a term of five years, will bear an annual rate of interest of 7%, with accrued interest payable annually and the principal amount payable in one lump sum at the end of the five-year term. DSSI's facility, located in Kingston, Tennessee, is permitted to transport, store and treat hazardous waste and mixed waste (waste containing both low level radioactive and hazardous waste) and to dispose of or recycle mixed waste in DSSI's incinerator located at DSSI's facility. The agreement provides that if the acquisition by the Company of DSSI is not completed within 90 days from May 16, 2000, or such longer period as is necessary to obtain approvals of applicable governmental authorities relating to the permits and licenses of DSSI necessary to consummate the transaction, either party may terminate the agreement, except under limited circumstances. See Note 4 to Notes to Consolidated Financial Statements and the "Management's Discussion and Analysis of Financial Condition and Results of Operations--Proposed Acquisition" and "-Liquidity and Capital Resources of the Company."

In connection with the retention of Ryan, Beck & Co. and Larkspur Capital Corporation (collectively, the "Agents") as financial advisors to the Company, the Company has granted the Agents or their permitted designees a five-year warrant to purchase up to 150,000 shares of the Company's Common Stock ("Retainer Warrants"). If the Company is successful in finalizing the private placement as discussed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity" prior to termination of the agreement with the Agents or within twelve months following termination of the agreement with the Agents and the placement involves a party contacted by the Agents prior to the termination, the Company has agreed to pay the Agents certain cash fees and certain additional warrants.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

2.1 Stock Purchase Agreement, dated May 16, 2000, between the Company and Waste Management, Inc. regarding the purchase of DSSI. Schedules and exhibits attached thereto are omitted, but such will be provided to the Commission upon request.

10.1 Form of Warrant Agreement between the Company, Ryan, Beck & Co., Inc. and Larkspur Capital Corporation.

27 Financial Data Schedule

(b) Reports on Form 8-K

No report on Form 8-K was filed by the Company during the first quarter of 2000.

SIGNATURES

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

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

Date: May 17, 2000 By: /s/ Louis F. Centofanti

Dr. Louis F. Centofanti
Chairman of the Board
Chief Executive Officer

By: /s/ Richard T. Kelecy

Richard T. Kelecy
Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description	Sequential Page No.
2.1	Stock Purchase Agreement, dated May 16, 2000, between the Company and Waste Management, Inc. regarding the purchase of DSSI. Schedules and exhibits attached thereto are omitted, but such will be provided to the Commission upon request.	27
10.1	Warrant Agreement, between the Company, Ryan, Beck & Co., Inc. and Larkspur Capital Corporation.	60
27	Financial Data Schedule.	69

STOCK PURCHASE AGREEMENT

BETWEEN

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

AND

WASTE MANAGEMENT HOLDINGS, INC.

May 16, 2000

DIVERSIFIED SCIENTIFIC SERVICES, INC.
STOCK PURCHASE AGREEMENT

THIS AGREEMENT entered into this 16th day of May, 2000, by and between Perma-Fix Environmental Services, Inc., a Delaware corporation, with its principal place of business located at 1940 NW 67th Place, Suite A, Gainesville, FL 32653, (the "Buyer") and Waste Management of Holdings, Inc., a Delaware corporation, with a principal place of business located at 3900 S. Wadsworth Boulevard, Suite 800, Lakewood, Colorado 80235 (the "Seller"). The Buyer and the Seller are referred to collectively herein as the "Parties."

WHEREAS, the Seller is the sole and exclusive owner of all of the issued and outstanding capital stock of Diversified Scientific Services, Inc. a Tennessee corporation, ("DSSI"); and

WHEREAS, the Seller desires to sell, convey, transfer, assign and deliver to Buyer, and Buyer desires to purchase from Seller, all of the issued and outstanding capital stock of DSSI for cash and Buyer's Stock (as defined below); and

WHEREAS, the Board of Directors of Buyer and Seller, respectively, have approved and adopted this Agreement.

Now, therefore, in consideration of the premises and mutual promises herein made, and in consideration of the representations, warranties and covenants herein contained, the Parties agree as follows:

1. Definitions.

(a) "Adverse Consequences" means all actions, suits proceedings, hearings, investigations, charges, complaints, claims, demands, injunctions, judgments, orders, decrees, rulings, damages, penalties, fines, costs, liabilities, obligations,, taxes, liens, losses, expenses, and fees, including court costs and reasonable attorneys' fees and expenses.

(b) "Affiliates" has the meaning set forth in Rule 405 promulgated under the Securities act (as defined below), whether or not such is an affiliate now or becomes an Affiliate after the date hereof.

(c) "Buyer" has the meaning set forth in the preface above.

(d) "Buyer's Note" has the meaning set forth in Article 2(b) below.

(e) "Cash" means any cash and cash equivalents (including marketable securities and short term investments) calculated in accordance with GAAP applied on a basis consistent with the preparation of the Financial Statements.

(f) "Closing" has the meaning set forth in Article 2(d) below.

(g) "Closing Date" has the meaning set forth in Article 2(d) below.

(h) Intentionally left blank.

(i) "Environmental Laws" mean all federal, state, and local environmental, radioactive, health and safety Laws, codes, ordinances and all rules and regulations promulgated thereunder, including without limitation, Laws relating to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic, radioactive or hazardous substances or wastes into the environment (including, without limitation, air, surface water, groundwater, land surface or subsurface strata) or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, chemicals, or industrial, solid, toxic, hazardous or radioactive substances or wastes.

(j) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

(k) "Financial Statement" has the meaning set forth in Article 6(f) below.

(l) "GAAP" means United States generally accepted accounting principles as in effect from time to time.

(m) "Hart-Scott-Rodino Act" means the Hart-Scott Rodino Antitrust Improvements Act of 1976, as amended.

(n) "Knowledge" means the knowledge of the following officers of DSSI, the Seller, or any of their Affiliates, Joel Eacker, Breke Harnagel, Gail Strobel, Pat Hopper and Andrew

Roseman.

(o) "Laws" mean any and all Laws, rules, regulations, codes, ordinances, judgments, injunctions, decrees and policies.

(p) "Liens" mean all security interests, liens, mortgages, claims, charges, pledges, restrictions, equitable interests, easements, property rights or encumbrances of any nature.

(q) "Ordinary Course of Business" means the ordinary course of business of a party consistent with such party's custom and practice including with respect to quantity and frequency.

(r) "Party" has the meaning set forth in the preface above.

(s) "Proprietary Right" means any trade name, trademark, service mark, patent or copyright and any application for any of the foregoing owned or used by DSSI

(t) "Purchase Price" has the meaning set forth in Article 2(b) below.

(u) "Real Property" means all real property, land, buildings, improvements and structures owned or leased by DSSI and all mineral rights thereunder owned by DSSI.

(v) "Returns" mean all returns, declaration, reports, estimates, information returns and statements required to be filed with or supplied to any taxing authorities in connection with any Taxes.

(w) "Securities Act" means the Securities Act of 1933, as amended.

(x) "Securities Exchange Act" means the Securities Exchange Act of 1934, as amended.

(y) "Seller" has the meaning set forth in the preface above.

(z) "Shares" mean all of the issued and outstanding shares of capital stock of DSSI of whatsoever character and description.

(aa) "Subsidiaries" means all corporations or other entities fifty percent (50%) or more of the common stock or other form of equity of which shall be owned, directly or indirectly through one or more intermediaries, by another corporation.

(bb) "Taxes" mean all taxes, charges, fees, levies or other assessments, including, without limitation, income, gross receipts, excise real and personal property, sales, transfer, license, payroll and franchise taxes, imposed by any governmental authority and shall include any interest, penalties or additions to tax attributable to any of the foregoing.

(cc) "Tennessee EPA" means the Tennessee Department of Environment and Conversation.

2. Purchase and Sale of DSSI Shares.

(a) Basic Transaction. On and subject to the terms and conditions of this Agreement, at the Closing, the Buyer agrees to purchase from the Seller, and the Seller agrees to sell, transfer and convey to the Buyer, all of the issued and outstanding Shares, free and clear of any and all Liens, for the consideration specified below in this Article 2.

(b) Purchase Price. The Buyer agrees to pay to the Seller at the Closing $8,500,000 (the "Purchase Price") by delivery of

(1) its promissory note (the "Buyer's Note") in the form of Exhibit A attached hereto in the aggregate principal amount of $3,500,000 (plus or minus the adjustments to be made to the Purchase Price pursuant to this agreement) and bearing interest at a rate of 7% per annum on any unpaid principal

balance and having a term of five years from the Closing Date, with interest payable annually and principal due in lump sum at the end of the five year term; and

(2) $5,000,000 in cash payable by wire transfer to Seller at Closing.

(c) Adjustments to Purchase Price.

(1) At the Closing, the Purchase Price shall be adjusted as follows: The Seller and the Buyer shall jointly prepare an unaudited balance sheet of DSSI as of the end of the month immediately preceding the Closing Date ("Balance Sheet of DSSI"), which Balance Sheet of DSSI shall be prepared in accordance with GAAP applied on a consistent basis with the December Balance Sheet. If the Net Assets (as defined below) of DSSI calculated pursuant to the Balance Sheet of DSSI is greater than the Net Assets of DSSI calculated pursuant to the December Balance Sheet (as defined I subsection 5(f) hereof), then the Purchase Price shall be increased by the exact amount of such difference. If the Net Assets of DSSI calculated pursuant to the Balance Sheet of DSSI is less than the Net Assets of DSSI calculated pursuant to the December Balance Sheet, then the Purchase Price shall be reduced by the exact amount of such difference. For the purposes of this Agreement, "Net Assets" means the amount by which the total assets (less goodwill, general intangibles, receivables due from Seller and/or any other Affiliates of DSSI and any investments in Subsidiaries) of DSSI exceeds the total liabilities (less payables or other amounts due to Seller or any other Affiliates of DSSI, any investments in Subsidiaries and accrued income taxes) of DSSI as determined under GAAP and consistently applied; and

(2) Within 30 days after the Closing, Seller and Buyer shall jointly prepare an unaudited balance sheet of DSSI as of the end of the day immediately preceding the Closing ("Closing Balance Sheet"), which balance sheet shall be prepared in accordance with GAAP applied on a consistent basis with the Balance Sheet of DSSI. If the Net Assets (as defined in subsection 2(b) above) of DSSI calculated pursuant to the Balance Sheet of DSSI is greater than the Net Assets of DSSI used for calculating the Purchase Price under subsection 2(c)(1) above, then the Buyer shall pay such difference to the Seller within 45 days from the date of the Closing. If the Net Assets of DSSI

calculated pursuant to the Closing Balance Sheet is less than the Net Assets of DSSI used for calculating the Purchase Price under subsection 2(c)(1) above, then the Seller shall pay such difference to the Buyer within 45 days from the date of the Closing.

(3) Any adjustment to the Purchase Price made pursuant to this section 2(c) shall be made by adjustment to the principal amount due under the Buyer's Note.

(d) The Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Burns, Figa & Will, P.C. 6400 South Fiddlers Green Circle, Suite 1030, Englewood, Colorado, 80111, commencing at 10:00 a.m. Mountain Time on the second business day following satisfaction or waiver of all conditions to the obligations of the Parties to consummate the transactions contemplated hereby or such other date as the Buyer and Seller may mutually determine (the "Closing Date"). If the Closing has not occurred on or before the later of 90 days from the date of this Agreement or

such longer period as is necessary to obtain the approvals of the applicable government authorities relating to the permits and licenses of DSSI as necessary to consummate the transaction contemplated hereunder, then either of the Parties may terminate this agreement by giving of written notice of such termination; except that a Party may not terminate this Agreement if the Closing has not occurred by the later of 90 days from the date of this Agreement or such longer period as is necessary to obtain the approvals of the applicable government authorities relating to the permits and licenses of DSSI as necessary to consummate the transaction contemplated hereunder due to such Party's breach of its representations, warranties and covenants contained herein.

(e) Deliveries at the Closing. At the Closing,

(1) the Seller will deliver to the Buyer the various certificates, instruments and documents referred to in Articles 7 & 9 below required to be delivered by Seller;

(2) the Buyer will deliver to the Seller the various certificates, instruments and documents referred to in Articles 7 & 9below required to be delivered by Buyer;

(3) the Seller will deliver to the Buyer stock certificates representing all of the issued and outstanding Shares, duly and validly endorsed in the name of Buyer, free and clear of any and all Liens; and

(4) the Buyer will deliver to the Seller the consideration specified in Article 2(b) above.

3. Representations and Warranties of the Seller.

The Seller represents and warrants to the Buyer that the statements contained in this Article 3 are correct and complete in all material respects as of the date of this Agreement and will be correct and complete as of the Closing Date.

(a) Organization of Seller. The Seller is a duly organized, validly existing corporation, and is in good standing

under the Laws of the state of Delaware.

(b) Authorization of Transactions. The Seller has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement constitutes the valid and legally binding obligation of the Seller, enforceable against the Seller in accordance with its terms and conditions. Except as set forth in Schedule 3(b) hereof, or the terms of this Agreement, Seller need not give any notice to, make any filing with, or obtain any authorization, consent or approval of any government or governmental agency in order to consummate the transactions contemplated by this Agreement.

(c) Non-contravention. To the best knowledge of Seller, neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will violate any constitution, statute, regulation, rule, permit, agreement, injunction, judgment, order, decree, ruling, charge,

or other restriction of any government, governmental agency, or court to which Seller is subject, or any provision of its articles of incorporation or bylaws.

(d) Brokers' Fees. The Seller has no liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement for which Buyer could become liable or obligated.

(e) Investment. The Seller

(1) understands that the Buyer's Note has not been, and will not be registered under the Securities Act, or under any applicable state securities Laws, and is being offered and sold in reliance upon federal and state exemptions fro transactions not involving any public offering ;

(2) is acquiring the Buyer's Note solely for its own account for investment purposes, and not with a view to distribution thereof;

(3) is a sophisticated investor with knowledge and experience in business and financial matters;

(4) is an accredited investor (as such term is defined in Rule 501 of Regulation D promulgated under the Securities act), as the Seller is a corporation with total assets in excess of $5,000,000;

(5) has received true and correct copies of the following documents which have been filed with the Securities and Exchange Commission ("Commission");

(i) the Annual Report on Form 10-K for the year ended December 31, 1999;

(ii) Form 10-Q for the quarter ended March 31, 1999;

(iii) Form 10-Q for the quarter ended June 30, 1999;

(iv) Form 10-Q from the quarter ended

September 30, 1999, as amended by form 10-Q/A dated January 18, 2000;

(v) Forms 8-K, dated April 21, 1999, June 16, 1999 (as amended by form 8-K/A, dated August 16, 1999, and February 15, 2000; and

(vi) Proxy Statement for 1999 annual shareholders' meeting.

(6) is able to bear the economic risk and lack of liquidity inherent in holding the Buyer's Note; and

(7) Agrees that the Buyer's Note will bear a legend stating in substance:

> This Note has been acquired for investment and has not been registered under the Securities Act of 1933, as amended ("Securities Act"), in reliance on an exception contained in the Securities Act. This Note may only be transferred pursuant to an effective registration statement under the Securities Act and any applicable state securities laws unless there is furnished to the Buyer an opinion of counsel or other evidence satisfactory to Buyer to the effect that such registration is not required. This Note is subject to the terms and conditions of that certain Stock Purchase Agreement, dated May 16, 2000, between the Maker and the Payee of this Note.

(f) DSSI Shares. Seller owns of record and beneficially all of the Shares free and clear of any and all Liens or restrictions on transfer, taxes, options, warrants, purchase rights, contracts, commitments, equities, claims, or demands. The Seller is not, directly or indirectly, a party to any option, warrant purchase right, or other contract or commitment that could require the Seller to sell, transfer, or otherwise dispose of any capital stock of DSSI. The Seller is not a party to any voting trust, proxy or other agreement or understanding with respect to the voting of any capital stock of DSSI.

4. Representations and Warranties of the Buyer.

The Buyer represents and warrants to the Seller that the statements contained in this Article 4 are correct and complete in all material respects as of the date of this Agreement and will be correct and complete as of the Closing Date.

(a) Organization of Buyer. The Buyer is a duly organized, validly existing corporation, and is in good standing under the Laws of the state of its incorporation.

(b) Authorization of Transactions. The Buyer has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement constitutes the valid and legally binding obligation of the Buyer, enforceable against the Buyer in accordance with its terms and

conditions, subject to bankruptcy, insolvency and other law of similar import. Except as set forth in Schedule 4(b) hereof or the terms of this Agreement or as may be required under DSSI permit, license or under any environmental laws relating to DSSI or the acquisition of DSSI, Buyer need not give any notice to, make any filing with, or obtain any authorization, consent or approval of any government or governmental agency in order to consummate the transactions contemplated by this Agreement.

(c) Non-contravention. To the best knowledge of Buyer, neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of

any government, governmental agency, or court to which Buyer is subject, or any provision of its articles of incorporation or bylaws, provided however, this provision shall not apply to any limitations, restrictions, or conditions contained in any of the DSSI permits or licenses, or on any of the Environmental Laws relating to DSSI or the acquisition of DSSI.

(d) Brokers' Fees. The Buyer has no liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement for which Seller could become liable or obligated.

(e) Investment. The Buyer is not acquiring the Shares with a view to or for sale in connection with any distribution thereof within the meaning of the Securities Act.

(f) Financial Statements. Buyer has previously delivered to the Seller the following financial statements (collectively the "Buyer Financial Statements"):

(1) audited balance sheet and statement of income for the fiscal years ended December 31, 1997, December 31, 1998 and December 31, 1999 for Buyer; and

(2) unaudited balance sheets and statements of income for the three (3) month period ended March 31, 2000 for the Buyer.

The above referenced financial statements of the Buyer have been prepared in accordance with GAAP applied on a consistent basis throughout the periods covered thereby and present fairly the financial condition of Buyer as of such dates and the results of operations of Buyer for such periods.

5. Representations and Warranties Concerning DSSI.

The Seller represents and warrants to the Buyer that to its Knowledge the statements contained in this Article 5 are correct and complete in all material respects as of the date of this Agreement and will be correct and complete as of the Closing Date,

(a) Organization, Qualification and Corporate Power. DSSI is a corporation duly organized, validly existing and in good standing under the Laws of the state of its incorporation. DSSI is duly authorized to conduct business and is in good standing under the Laws of each jurisdiction where such qualification is required, except where the lack of such

qualification would not have a material adverse effect on the financial condition or operation of DSSI. DSSI has full corporate power and authority to carry on the business in which it is engaged and to own and use the properties owned and used by it. Schedule 5 (a) lists the officers and directors of DSSI.

(b) Capitalization. The authorized capital stock of DSSI consists of 2,000,000 shares of common stock, no par value (DSSI Common Stock) of which 1,800,000 shares are issued and outstanding. All of the issued and outstanding shares of capital stock of DSSI have been duly authorized, are validly issued, fully paid and non-assessable free and clear of any and all liens, and are all owned of record and beneficially by the

Seller. There are no outstanding or authorized options warrants, purchase rights, subscription rights, conversion rights, exchange rights or other contracts or commitments that could require DSSI to issue, sell or otherwise cause to become outstanding any of its capital stock. There are no outstanding or authorized stock appreciation, phantom stock, profit participation or similar rights with respect to DSSI.

(c) Non-contravention. Except as set forth in Schedule 5(c), neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will

(1) violate any constitution, statute, regulation, rule, license, permit, agreement, injunction, judgment, order, decree, ruling charge or other restriction of any government, governmental agency or court to which DSSI is subject or any provision of its articles of incorporation or bylaws; or

(2) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, permit, contract, lease, license, instrument, or other arrangement to which DSSI is a party or by which it is bound or to which any of its assets is subject, except where the violation, conflict, breach, default, acceleration, termination, modification, cancellation, or failure to give notice would not have a material adverse effect on the financial condition of DSSI or on the ability of the parties to consummate the transactions contemplated by this Agreement. DSSI is required to obtain approval or provide notice to the governmental agencies that issued the permits and/or licenses set forth in Schedule 5(o).

(d) Brokers' Fees. DSSI has no liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement.

(e) Title to Tangible Assets. Except as disclosed in Schedule 5(e), DSSI has good and marketable title to, or a valid leasehold interest in, the material tangible assets used in the conduct of its business free and clear of any and all Liens.

(f) Financial Statements. Seller shall prior to Closing furnish Buyer with the following financial statements:

(1) audited balance sheet and statement of income of DSSI for the fiscal year ended December 31, 1999 ("December Balance Sheet") and the audited balance sheet and statement of income of DSSI for the fiscal years ended December 31, 1997 and December 31, 1998;

(2) unaudited balance sheet and statement of income of DSSI for the three months ended March 31, 2000; and

(3) audited statement of cash flow for the fiscal years ended December 31, 1997, December 31, 1998 and December 31, 1999.

The above-referenced financial statements of DSSI are true, correct and complete in all material respects and correctly present the financial conditions and results of operations of DSSI as of the date thereof. The audited financial statements of DSSI for the fiscal year ended December 31, 1999 are hereinafter referred to as the "December Financial Statements." The financial statements for the three months ended March 31, 2000 are herein after referred to as "March Financial Statements". The December Financial Statements and the March Financial Statements are together referred to as the "Financial Statements". For the purposes of this Agreement, the Unaudited Financial Statements shall be deemed to include any notes to such financial statements. The Unaudited Financial Statements have been prepared in conformity with GAAP, consistently applied throughout the periods indicated and on a basis consistent with prior periods.

(g) Liabilities. Except as set forth in the Schedule 5(g) attached hereto, DSSI does not have any liabilities or obligations either accrued, absolute, contingent, matured or unmatured or otherwise which have not been:

(1) reflected on the December Financial Statements; or

(2) incurred consistent with past practices of DSSI in the ordinary and normal course of DSSI's business since the date of the December Financial Statements.

(h) Events Subsequent to December Financial Statements. Since the December Financial Statements, there has not been any material adverse change in the financial condition of DSSI. Without limiting the generality of the foregoing, since that date DSSI has not engaged in any practice, taken any action or entered into any transaction outside the ordinary course of business the primary purpose or effect of which has been to generate or preserve cash.

(i) Legal Compliance. Except as disclosed in Schedule 5(i), in all material respects DSSI has complied with all applicable permits, laws, statutes, ordinances rules and regulations of all federal, state and local government or governmental agency with jurisdiction over DSSI operations or real property. DSSI has and is operating the incinerator located on the Gallaher Road property in Roane County, Tennessee in accordance with the incinerator permits. Neither DSSI nor Seller is aware of any threatened claim or litigation, which could materially and adversely affect the financial condition, results of operations or business, assets or properties of DSSI or the

conduct of business of DSSI

(j) Real Property.

(1) Schedule 5(j)(1) lists all Real Property owned by DSSI. With respect to each such parcel of owned Real Property:

(i) DSSI has good and marketable title to the parcel of Real Property and all mineral rights thereunder, free and clear of any and all Liens except for installments of special assessments not yet delinquent and or, recorded

easements, covenants and other restrictions which do not materially affect the value of the Real Property or materially interfere with the present use of such Real Property;

(ii) there are no leases, subleases, concessions or other agreements granting to any party or parties the right to use or occupy any portion of the real property; and

(iii) there are no outstanding options or rights of first refusal to purchase the parcel of Real Property or any mineral rights contained therunder, or any portion thereof or interest therein.

(2) Schedule 5(j)(2) lists all of the Real Property leased or subleased to DSSI. The Seller has made available to the Buyer for inspection correct and complete copies of the leases and subleases listed in Schedule 5(j)(2). Each of the leases and subleases listed is legal, valid, binding, enforceable and in full force and effect, except where the illegality, invalidity, nonbinding nature, unenforceability or ineffectiveness would not have a material adverse effect on DSSI.

Seller will at its sole cost and expense provide Buyer with a title guarantee or policy and an ALTA survey to all Real Property described in 5(j)(1) above meeting the requirements of Section 5(j)(1) and the requirements of 7(i) hereof.

(3) Except as set forth on Schedule 5(j)(3), none of the Real Property owned or Real Property leased by DSSI is contaminated or requires remediation of any kind under any Environmental Law as a result of being contaminated.

(k) Patents and Trademarks.

(1) Schedule 5(k) attached hereto is a true and complete list of all patents and applications, trade names, trademark registrations and applications, common law trademarks, copyrights and copyright registrations and applications, which DSSI owns, uses or has the right to use that are necessary to the conduct of DSSI's business. Schedule 5(k) also correctly sets forth all patents and applications, trade names, trademark registrations and applications, common law trademarks, copyrights and copyright registrations and applications, which relate to the business of DSSI and which are directly or indirectly owned or controlled by any director, officer, shareholder, employee or Affiliate of DSSI and used by DSSI. There are no claims or demands from any other person, firm or corporation pertaining to any of such patents and applications, trade names, trademark

registrations and applications, common law trademarks, copyrights or copyright registrations and applications and no proceedings have been instituted or are pending or to the knowledge of Seller, threatened, which challenge the rights of DSSI, in respect thereof, except as shown on Schedule "5(k)." None of such patents and applications, trade names, trademark registrations and applications, common law trademarks, copyrights or copyright registrations and applications, as the case may be, is subject to any outstanding order, judgment, decree, stipulation, or agreement restricting the use of such patents, trade names, trademarks or copyrights, and to Seller's knowledge none infringes on, or is being infringed by, other patents, trade names, trademarks or copyrights. DSSI has not given and is not

bound by an agreement indemnification for patent, trade name, trademark or copyright infringement as to any property produced, used or sold by DSSI.

(2) DSSI is not, or will as a result of the execution and delivery of this Agreement or the performance by Seller of its obligations under this Agreement or otherwise, be in breach of any license, sublicense or other agreement relating to the DSSI's Intellectual Property Rights, or any material licenses, sublicenses and other agreements as to which DSSI is a party and pursuant to which DSSI is authorized to use any third party patents, trademarks or copyrights ("DSSI Third Party Intellectual Property rights"), including software which is sued in the manufacture of, incorporated in, or forms a part of any product sold or services rendered by or expected to be sold or services rendered by DSSI, except as disclosed in Schedule "5(j)" hereof.

(l) Contracts.

(1) Schedule 5(l) lists all written contracts and other written agreements to which DSSI is a party the performance of which will involve consideration in excess of $25,000.00. The Seller has made copies of each contract or other agreement listed in schedule 5(l) available to Buyer for inspection.

(2) except as set forth in Schedule 5(l), DSSI is not a party to or bound by:

(i) any collective bargaining agreements or any agreements that contain any severance pay liabilities or obligations;

(ii) any bonus, deferred compensation, pension, profit-sharing or retirement plans, programs or other similar arrangements;

(iii) any employment agreement, contract or commitment with an employee;

(iv) any agreement of guaranty or indemnification running from DSSI to any person or entity, including, but not limited to, any of its Affiliates;

(v) any agreement, contract or commitment which would reasonably be expected to have a material adverse impact on the business of DSSI;

(vi) any agreement, indenture or other

instrument which contains restrictions with respect to payment of dividends or any other distribution in respect of DSSI or any other outstanding securities of DSSI;

(vii) any agreement, contract or commitment containing any covenant limiting the freedom of DSSI to engage in any line of business or compete with any person;

(viii) any agreement, contract or commitment relating to capital expenditures in excess of twenty five thousand dollars ($25,000.00) and involving future payments;

(ix) any agreement, contract or commitment relating to the acquisition of assets or capital stock of any business enterprise;

(x) any contract with the Department of Defense or any other department or agency of the United States Government, or to any subcontract under any such contract, which is subject to renegotiation under the Renegotiation Act of 1951, as amended;

(xi) any agreement, contract or commitment not made in the ordinary course of business which involves Twenty Five Thousand Dollars ($25,000.00) or more or has a remaining term of one (1) year or more from December 31, 1999, or is not cancelable on thirty (30) days or less notice without penalty. DSSI has not breached, and there is not any claim, or, to the best of Seller's or DSSI's knowledge, any claim that DSSI has breached any of the terms or conditions of any agreement, contract or commitment set forth in this Agreement or in any of the Schedules attached hereto or of any other agreement, contract or commitment, of any such breach or breaches in the aggregate could result in the imposition of damages or the loss of benefits in an amount or a kind material to DSSI.

(xii) contractors, and other arrangements of any kind, whether oral or written, with any directors, officer, employee, trustee stockholder or Affiliate of DSSI;

(xiii) contracts, purchase orders and other arrangements of any nature involving an expenditure of Twenty Five Thousand Dollars ($25,000.00) or more not made in the ordinary course of business or which involve an unperformed commitment, under contracts not otherwise disclosed hereunder, in excess of Twenty-Five Thousand Dollars ($25,000.00); or

(xv) indentures, loan agreements, notes, mortgages, conditional sales contracts, and other agreements for financing.

(m) Litigation. Schedule 5(m) sets forth each instance in which DSSI

(1) is subject to any outstanding injunction, judgment, order, decree, ruling, or charge; or

(2) is a party to any action, suit, proceeding, hearing or investigation of, in, or before any court or quasi-judicial or administrative agency of any federal, state or local jurisdiction, except where the injunction, judgment, order,

decree, ruling, action, suit, proceeding, hearing or investigation would not have a material adverse effect on the financial condition of DSSI.

(n) Employee Benefits.

(1) Attached hereto as Schedule 5(n) is a list of all Plans (as defined in Section 3(3) of ERISA) and other retirement, profit-sharing, deferred compensation, bonus, stock option, stock purchase and Plans and arrangements (individually, a "Plan", and collectively, the "Plans") in which DSSI employees participate. Seller has furnished Buyer current copies of all such Plans. None of the Plans is sponsored or maintained by DSSI.

(2) None of the Plans is a "multiemployer Plan," as defined in Section 414(f) of the Internal Revenue Code (the "Code") or Section 3(37) of ERISA. DSSI has not completely or partially withdrawn from any multiemployer Plan so as to incur any partial or full withdrawal liability under Section 4201 of ERISA (without regard to subsequent reduction or waiver of such liability under section 4207 or 4208 of ERISA). Consummation of this Agreement will not result in either a complete or partial withdrawal from any multi-
employer Plan.

(3) Except as set forth in Schedule 5(n) the provisions and operation of each of the Plans do not violate in any respect any provision of ERISA, the Code or any other statute, rule, regulation, agreement or instrument which governs the Plans. Seller and its Affiliates have or will comply in all respects with all applicable ERISA reporting and disclosure requirements with the Department of Labor ("DOL"), Internal Revenue Service ("IRS"), participants and beneficiaries, whether due before or after Closing Date. Seller and its Affiliates have paid all premiums required by the Pension Benefit Guaranty Corporation ("PBGC"). The information supplied to the actuary by the Seller, DSSI or their Affiliates for use in preparing those reports was complete and accurate and neither Seller, DSSI nor any of their Affiliates has any reason to believe that the conclusions expressed in such reports are incorrect.

(4) Seller has paid to all the Plans all contributions (including employer and employee) and premiums due on or before the Closing Date. There are no unpaid premiums or contributions, which are due or not provided for by Seller or its Affiliates as of the Closing Date. Neither the Seller, DSSI, nor any of their Affiliates has any accumulated funding deficiencies, as such term is defined in ERISA and in the Code, with respect to any Plan maintained or established for employees of DSSI. Neither Seller, DSSI nor any of their Affiliates has incurred any material liability to the PBGC (other than for payment of insurance premiums, all of which have been paid, when due), the IRS or the DOL with respect to any Plans that affect, or might affect, DSSI.

(5) Except as set forth in Schedule 5(n) there are no pending investigations by any governmental entity involving any Plans relating to DSSI or any of the employees of DSSI, no deficiency or termination proceedings involving such

Plans, and no threatened or pending claims (except for claims for benefits payable in the normal operation of the Plans), suits or proceedings against any Plan or asserting any rights or claims to benefits under any such Plan (except for claims for benefits in the ordinary course) nor are there any facts which would give rise to any material liability in the event of any such investigation, claim, suit or proceeding. Neither the Plans nor any trusts created thereunder relating to DSSI or to any of the DSSI employees, nor any trustee or administrator or other fiduciary thereof, has engaged in a "prohibited transaction" (as such term is defined in Section 4975 of the Code or section 406 of ERISA) which would could give rise to any material liability to DSSI; and has not experienced any reportable event within the meaning of ERISA or other event or condition which presents a material risk of termination of any such Plan by the PBGC, has

had any tax imposed upon it by the IRS for any alleged violation under Section 4975 of the Code, or has engaged in any transaction which might subject DSSI or any such employee benefit to any material liability for such tax. All employees of DSSI participating in the Plan can be terminated from participation in all such Plans by DSSI without DSSI incurring any liability or obligations in any manner under the Plans to its employees or otherwise.

(6) With respect to any of the Plans that the Seller, DSSI, or any of their Affiliates is or intends to be a qualified Plan under Section 401(a) of the Internal Revenue Code, the Seller, DSSI or any of their Affiliates has received a determination letter from the IRS to the effect that the Plan is qualified under section 401 of the Code and the related trust is exempt form federal income tax under Section 501 of the Code. Nothing has occurred to cause the Loss of such qualification or exemption.

(7) As of the Closing Date, certain employees of DSSI that are employed by DSSI as of the Closing Date are entitled to accrued vacation and sick time, the exact amounts of which are set forth in Schedule 5(m) attached hereto and included in the financial statements, subject to the provisions of Section 7 (f) hereof.

(o) Permits and Licenses.

(1) Schedule 5(o) attached hereto is a list of all permits and licenses presently held by, or used in connection with the normal and ordinary business of, DSSI and all applications for any and all of the foregoing filed by DSSI under any and all Environmental Laws. All permits held by or used by DSSI to conduct its business or operations are in the name of DSSI and none are in the name of any other party.

(2) DSSI is in material compliance with all the terms and conditions of all permits and licenses listed in Schedule 5(o) and with all other limitations, restrictions, conditions, standards requirements or obligations contained in such permits or licenses. Except as disclosed in schedule 5(o), neither DSSI, Seller nor any of their Affiliates has received any notice from any governmental entity that DSSI is in violation of any permit, license or authorization held by DSSI or under which it is conducting its business as currently being conducted or has received notice of any violations of any Environmental Laws

(p) Closure and Post Closure. In connection with DSSI meeting its closure and post closure financial assurance requirements, Seller or DSSI has had issued through Frontier Insurance company, Bond # 119932 in the sum of $12,732,834 ("Closure and Post Closure Bond"). At the Closing, Buyer shall be responsible to provide a replacement bond in similar sum at or prior to Closing. Neither Seller nor DSSI makes any warranty express or implied as to the sufficiency of such Closure and Post Closure Bond to meet the financial assurance requirements required by any Environmental Laws.

(q) Taxes. All federal, state and local taxes (including interest and penalties), due from DSSI (i) have been fully paid, or (ii) have been adequately accrued for in the DSSI December Financial Statements.

(r) Assets. Except as disclosed on Schedule 5(q) attached hereto, DSSI owns and has good and marketable title in and to all of the material assets used by it in the operation or conduct of its business, or required by DSSI from the normal and ordinary conduct of its business free and clear of any and all Liens.

(s) No Breach of Status or Contract. Neither the execution and delivery of this agreement by the Seller, nor the performance or compliance by the Seller or DSSI with any of the terms and conditions of this Agreement, will violate any Laws or any rules or regulations promulgated thereunder or will at Closing conflict with or result in a breach of any of the terms, conditions or provisions of any judgment, order, injunction, decree or ruling of any court or governmental entity or authority, to which Seller or DSSI is subject to or bound by, or of any agreement or instrument to which Seller or DSSI is a party or by which any of them is bound, or constitute a default thereunder, or result in the creation of any Liens upon the Shares or any of the property or assets of DSSI, or cause any acceleration of maturity of any loan or obligation, or give to others any interest or rights, including rights of termination or cancellation, in or with respect to any of the properties, assets, agreements, contracts, or business of DSSI, or cause any acceleration or termination or cancellation, in or with respect to any of the properties, assets, agreements, contracts, business or operations of DSSI.

(t) Violation of Law and Contamination of Real Property. Except as disclosed in the Schedule 5(t) to this Agreement, there are no violations of any Laws, (including but not limited to, Environmental Laws) which violation might have a material adverse effect on DSSI or the business of DSSI or the financial condition or operations of DSSI and the Real Property owned by DSSI is not contaminated and does not require remediation of any kind as a result of being contaminated.

(u) Disclaimer of Other Representations and Warranties. Except as expressly set forth in Articles 3 and 5, the Seller makes no representation or warranty, express or implied, at law or in equity, in respect to DSSI, or any of its assets, liabilities, or operations, including, without limitation, with respect to merchantability or fitness for a particular purpose, and any other representations or warranties are expressly disclaimed. Buyer hereby acknowledges that, except

to the extent specifically set forth in Articles 3 and 5, the Buyer is purchasing the assets of DSSI on an "as-is, where-is" basis.

6. Remedies for Breach of this Agreement.

(a) All of the representations, warranties and covenants of the Seller contained in Section 5 above shall survive the Closing Date hereunder (unless the Buyer knew any misrepresentation or breach of warranty at the Closing Date) and continue in full force and effect for a period of three years thereafter. All of the representations, warranties and covenants contained in Sections 3, 4 and 7 herein shall survive the Closing Date (unless the damaged party knew of any misrepresentation or breach of warranty at the time of Closing) and continue in full force and effect forever thereafter (subject to any applicable statute of limitations).

(b) In the event Seller breaches any of its warranties, representations or covenants contained herein, and, if there is an applicable survival period pursuant to Section 6(a) above and that Buyer makes a written claim for indemnification against the Seller pursuant to Section 10(g) below within such survival period, then the Seller agrees to indemnify the Buyer and DSSI from and against any and all Adverse Consequences the Buyer and/or DSSI shall suffer or may suffer through and after the date of the claim for indemnification (but excluding any and all Adverse Consequences the Buyer or DSSI shall or may suffer after the end of the applicable survival period as to a breach of the representations and warranties contained in section 5 hereof) caused proximately by the breach. Seller shall not have any obligation to indemnify the Buyer from and against any Adverse Consequences caused by the breach of any representation or warranty of the Seller contained in Article 5 above;

(1) until Buyer and/or DSSI has suffered Adverse Consequences by reason of all such breaches in excess of $250,000.00 at which point the Seller will be obligated to indemnify the Buyer and/or DSSI from and against any and all such Adverse Consequences from the first dollar of all such Adverse Consequences by the Buyer and /or DSSI. No event or breach shall be considered in determining such $250,000.00 unless and until the Adverse Consequences from any singular event or breach equals or exceeds $10,000.

(2) to the extent Adverse Consequences the Buyer has suffered by reason of all such breaches exceeds $3,500,000 after which point Seller will have no obligation to indemnify Buyer from and against further such Adverse Consequences.

(3) for any claim relating to (i) the ultimate disposal of waste generated by DSSI that is stored on the Real Property owned by DSSI located in Kingston, Tennessee ("Tennessee Real Property") on the Closing Date for which there is no current disposal alternatives under the Environmental Laws ("Legacy Waste"), including any closure and post closure obligations of DSSI relating to the Legacy Waste located on the Tennessee Real Property on the Closing Date, and (ii) any on-site contamination of the Tennessee Real Property as of the Closing Date; provided, however, nothing contained in this clause (3) shall limit or

restrict Seller's indemnification under this Article 6 or Seller's liability and/or obligations under this Article 6: (a) as a result of or in connection with any Adverse Consequences relating to or in connection with DSSI under, or claims made against DSSI that DSSI is a responsible party or a potentially responsible party under, any Environmental Laws or otherwise as a result of DSSI having arranged by contract, agreement or otherwise for disposal or treatment, or arranged for the transportation for disposal or treatment, of any waste or substance (hazardous, radioactive, petroleum or otherwise) at any facility or site for which a release (as defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended) or threatened release has occurred or may occur other than the Tennessee Real Property, or (b) any violation or breach of any Environmental Laws by DSSI or permits held by DSSI on or prior to the Closing Date, except for any violation or breach of any Environmental Laws due to the Legacy Waste being stored on the Tennessee Real Property on the Closing Date or any on-site contamination of the Tennessee Real Property as of the Closing Date.

(c) Buyer and Seller acknowledge and agree that the foregoing indemnification provisions in this Article 6 shall be the exclusive remedy of the Buyer and Seller with respect to DSSI

and the transaction contemplated by this Agreement, except for any remedy available to Seller at law or in equity, to collect on the Buyers Note; provided, however, in addition to any other rights and remedies Buyer and DSSI may have, at law or in equity, in the event Buyer or DSSI has a claim for indemnification against Seller under this Article 6 and Buyer has obtained an award or judgment against the Seller from an arbitrator or arbitrators or a court of competent jurisdiction in connection with or relating to such claim for indemnification, Buyer may offset the amount of such award or judgment against the Buyer's Note.

7. Pre-Closing Covenants.

The parties agree as follows with respect to the period between execution of this Agreement and the Closing Date.

(a) Each of the parties will use its reasonable best efforts to take all action and to do all things necessary, proper or advisable in order to consummate and make effective the transactions contemplated by this Agreement including satisfaction of the Closing conditions set forth elsewhere in this Agreement.

(b) Each of the Parties will, and the Seller will cause DSSI to, give any notices to, make any filings with and use its reasonable best efforts to obtain any authorizations, consents, and approvals of government's and government agencies in connection with the transfer of ownership of permits and approvals held by DSSI all as set forth in Schedule 7(b).

(c) The Seller will not cause or permit DSSI to engage in any practice, take any action, or enter into any transaction outside the Ordinary Course of Business. , nor will it accept for treatment any additional material which will generate secondary waste from which there is no outlet for disposal.

(d) The Seller will permit and Seller will cause DSSI

to permit, representatives of the Buyer to have full access at all reasonable times, in a manner so as not to interfere with the normal business operations of DSSI, to all premises, properties, personnel, books, records, contracts and documentation of or pertaining to DSSI. The Buyer will treat and hold as such any Confidential Information it receives from the seller or DSSI in the course of reviews contemplated by this Article 7(d), will not use the Confidential Information except in connection with this Agreement, and if this Agreement is terminated for any reason whatsoever, will return to Seller and DSSI all tangible embodiments and all copies of the Confidential Information which are in its possession.

(e) From the date of this Agreement until Closing, Seller shall not and shall cause DSSI to not perform any of the following acts relating to DSSI:

(f) issue any DSSI capital stock or make any changes to DSSI authorized, issued or outstanding capital stock, grant any stock options or rights to acquire shares of any of DSSI capital stock or any security convertible into any class of DSSI capital stock or agree to do any of the foregoing; or

(ii) declare, set aside, or pay any dividend or distribution with respect to any DSSI capital stock or any other securities convertible into any class of capital stock; or

(iii) directly or indirectly redeem, purchase or otherwise acquire any DSSI capital stock or enter into any agreement to purchase or redeem any DSSI capital stock; or

(iv) effect a split or reclassification of any DSSI capital stock or security convertible into any class of DSSI capital stock, purchase, redeem, retire or otherwise acquire any shares of any class of DSSI capital stock or any security convertible into any class of DSSI capital stock or agree to do any of the foregoing; or

(v) change its charter or bylaws; or

(vi) except consistent with past practices, grant any increase in the compensation payable or to become payable by it to DSSI officers or employees or any increase, regardless of amount, in any bonus, insurance, pension or other benefit plan, program, payment or arrangement made to, for, or with any officers or employees; or

(vii) engage in any transaction not in the Ordinary Course of Business; or

(viii) borrow or agree to borrow any funds or assume, endorse, guarantee or agree to guarantee or otherwise as an accommodation become liable or responsible for obligations of any other individual, firm, corporation; or

(ix) acquire any real property; or

(x) enter into any agreement with Affiliates, officers or directors of Seller or DSSI; or

(xi) adopt, enter into, or amend materially any

employment contract or any bonus, stock option, profit-sharing, pension, retirement, incentive, or similar employee benefit program; or

(xii) pay or incur any material obligation or liability, absolute or contingent, other than liabilities incurred in the ordinary and usual course of its business; or

(xiii) mortgage, pledge, or subject to Lien or other encumbrance any of DSSI properties or assets; or

(xiv) except for transactions in the Ordinary Course of DSSI Business, sell or transfer any of DSSI properties or assets or cancel, release or assign any indebtedness owed to DSSI or any claims held by DSSI; or

(xv) make any investment of a capital nature in excess of Fifty Thousand Dollars ($50,000.00) for any one item or group of similar items, contributions to capital, property transfers, or otherwise, or by the purchase of any property or assets of any other individual, firm, or corporation; or

(xvi) enter into any other agreement not in the Ordinary Course of Business; or

(xvii) merge or consolidate with any other corporation, acquire any of DSSI's assets or capital stock, solicit any offers for or negotiate with any third party to sell any of its assets or capital stock, or, except in the Ordinary Course of Business, acquire any assets of any other person, corporation, or other business organization, or enter into any discussions with any person concerning, or agree to do, any of the foregoing; or

(xviii) enter into any transaction or take any action which would, if effected prior to the Closing, constitute a breach of any of the representations, warranties or covenants contained in this Agreement.

(g) Employees. Seller shall cause DSSI to terminate those employees of DSSI prior to the Closing which Buyer shall request Seller or DSSI to terminate. Seller shall be liable and responsible for, and shall pay, all obligations and liabilities to those employees of DSSI which were terminated (voluntarily or involuntarily) on or prior to the Closing (including, but not limited, accrued vacation, sick time, medical claims and termination pay). Seller shall be liable and responsible for providing to all of the employees of DSSI terminated (voluntarily or involuntarily) on or the prior to the Closing coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"). Seller shall be liable for all group medical claims relating to employees of DSSI resulting from medical treatment conducted prior to the Closing.

(h) Directors and Officers. On or prior to the Closing, Seller shall cause all of the directors of DSSI to resign as a director of DSSI and shall cause those officers of DSSI to resign as requested by the Buyer, and at the Closing shall deliver to Buyer executed resignations of such directors and officers.

(i) Governmental Reports. Between the date of this

Agreement and the Closing, Seller shall furnish, make available to, and shall cause DSSI to furnish and make available to, Buyer any and all reports, not heretofore delivered to Buyer under this Agreement or which are filed subsequent to the date of this Agreement, to any state, federal or local Government, agency or department, including, but not limited to, the Commission, the IRS, the United States Environmental Protection Agency, the United States Federal Trade Commission, the PBGC and the Tennessee EPA.

(j) Title Policies and Survey. Seller shall deliver to Buyer, at Seller's sole cost and expense, a fully paid policy or policies of title insurance, dated as of the Closing Date, issued to DSSI by a title company of nationally-recognized standing, reasonably satisfactory to Buyer, on a standard ALTA's owner title insurance policy form, insuring that DSSI has good and marketable fee simple title in and to all of the Real Property and mineral rights in at least the amount of the fair market value to all of DSSI's Real Property, free and clear of any and all Liens except for installments of special assessments not yet delinquent and recorded easements, covenants and other

restrictions which do not materially affect the value of the Real Property or materially interfere with the present use of such Real Property. In addition, Seller shall deliver to Buyer, at Seller's cost and expense, a survey of each tract of DSSI's Real Property prepared by a duly-licensed surveyor, certified in a manner reasonably acceptable to Buyer with the "Minimum Standard Detail Requiremetns for ALTA/ACSM Land Title Survey," jointly established and adopted by ALTA and ACSM in 1992 and includes items 1, 2, 3, 4, 6, 7(a), 7(b)(i), 8, 9, 10, 11 and 13 of Table A thereto and pursuant to the accuracy standards (as adopted by ATLA and ACSM and in effect on the date of the certification of an Urban Survey.

(k) Insurance. The Seller shall maintain, or cause DSSI to maintain, all of the insurance relating to DSSI in such amounts and insuring such risks as in effect as of the date of this Agreement.

(l) Litigation. The Seller shall give the Buyer prompt notice of the institution of any litigation with respect to DSSI or any other litigation which would have a material adverse effect on DSSI.

(m) Violations. Seller shall furnish to Buyer any required authorization necessary in order for Buyer to make investigations of any violation of Law or any permits or licenses that would have a material adverse effect on DSSI's business or operations. Further, if Seller or DSSI shall receive any notice of such violations prior to Closing, it shall furnish a true and correct copy of the same to Buyer promptly upon receipt thereof. If any such violation would, in the good-faith and reasonable opinion of Buyer, have a material adverse effect on the business or operations of DSSI, Seller shall use reasonable efforts, promptly after written request by Buyer, to perform such work as shall be reasonably required to cure such violations prior to the Closing. If Seller fails or refuses for any reason to cure such violations, Buyer may terminate this Agreement and, upon such termination, neither party hereto shall have any liability to the other parties

8. Post-Closing Covenants.

The parties agree as follows with respect to the period following the Closing Date.

(a) In the case at any time after the Closing Date any further action is necessary to carry out the purposes of this Agreement, each of the Parties will take such further action (including execution and delivery of such further instruments and documents) as any other Party reasonably may request, all at the sole cost and expense of the requesting Party.

(b) In the event and for so long as any party actively is contesting or defending against any action, suit, proceeding, hearing, investigation, charge, complaint, claim or demand in connection with

(1) any transaction contemplated under this Agreement or

(2) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act or transaction on or prior to the Closing

Date involving DSSI, the other Party shall cooperate with it and its counsel in the defense or contest, make available its personnel, and provide such testimony and access to its books and records as shall be necessary in connection with the defense or contest, all at the sole cost and expense of the Party contesting or defending.

(c) The Seller will not, and shall cause its employees, agents, representatives and Affiliates to not, take any action that is designed or intended to have the effect of discouraging any lessor, licensor, customer, supplier, or other business associate of DSSI from maintaining the same business relationships with DSSI after the Closing Date as it maintained with DSSI prior to the Closing Date.

(d) Covenant Not to Compete. Seller shall not, and shall cause its employees, agents, representatives and Affiliates to not, for a period of twenty-four (24) months after the Closing Date, in the Untied States, directly or indirectly, by or for itself, or as an agent, representative or employee of another, or through others as their agent, representative or employee or by and through any joint venture, partnership, corporation, limited liability company or other business entity in which Seller or its Affiliates has a direct or indirect interest, own, manage, operate, control, or be engaged in any business that competes, directly or indirectly, with DSSI.

(e) Agreement Not to Solicit Employees and Customers. Seller shall not, and shall cause its employees, agents, representatives and Affiliates to not, for a period of twenty-four (24) months after the Closing Date, directly or indirectly, by or for themselves, or as an agent, representative or employee of another, or through others as their agent, representative or employee, or by and through any joint venture, partnership, corporation, limited liability company or other business entity in which he has a direct or indirect interest:

(1) to use or disclose for the benefit of any person or entity, other than Buyer or any of its subsidiaries,

any customer lists, or identify any of the customers of DSSI; or,

(2) to solicit, induce or in any manner attempt to solicit or induce any customer or supplier of DSSI to cease being a supplier or customer of DSSI; or

(3) to solicit or induce, or in any manner attempt to solicit or induce, any person employed by, or as an agent of DSSI, to terminate his or her employment or agency with DSSI.

(f) Injunctive Relief. Seller acknowledges that the provisions of this Section 8 are reasonable and necessary for the protection of the Buyer and that regarding the covenants and provisions in Section 8(c), 8(d) and 8(e) hereof ("Protective Clauses"), Buyer will be irrevocably damaged if such Protective Clauses are not specifically enforced. Seller agrees that the remedy at law for any breach or threatened breach of the Protective Clauses will be inadequate, and that the Buyer may, in addition to such other remedies as may be available to it in law or in equity, shall be entitled to injunctive relief without bond or other security. If it becomes necessary for the Buyer to bring legal action against the Seller as a result of its breach of any of the Protective Clauses, the Buyer and Seller agree that the prevailing party shall be entitled to recover its costs and expenses in connection with such legal action (including, but not

limited to, reasonable attorney's fees) from and against the other party.

9. Conditions to Obligation to Close.

(a) Conditions to Obligations of the Buyer. The obligation of the Buyer to consummate the transactions to be performed by it in connection with the Closing is subject to the satisfaction of the following conditions:

(1) the representations and warranties of the Seller set forth in this Agreement shall be true and correct in all material respects at and as of the Closing Date;

(2) The Seller and DSSI shall have performed and complied with all of their covenants, obligations and agreements contained herein in all material respects through the Closing;

(3) There shall not be any injunction, judgment, order, decree, ruling or charge in effect preventing, or any action or lawsuit pending which could prevent the consummation of any of the transactions contemplated by this Agreement;

(4) The Seller shall have furnished to the Buyer, in form and substance satisfactory to the Buyer, certified copies of resolutions of the Board of Directors of the Seller, duly adopted by the Board of Directors of Seller, authorizing the execution, delivery and performance of this Agreement by Seller, and an incumbency certificate for the officers of the Seller;

(5) The Seller shall have delivered to the Buyer a certificate, duly executed by an executive officer of the Seller, in form and substance satisfactory to Buyer, dated as of the Closing Date, to the effect that each of the conditions specified in (1), (2) and (3) above of this Article 9(a) has been

satisfied in all respects;

(6) All applicable waiting periods, if any, under the Hart-Scott Rodino Act shall have expired or otherwise been terminated and the Parties and DSSI shall have received all other authorizations, consents, and approvals of Governments and Governmental Authorities required hereunder;

(7) All actions to be taken by the Seller pursuant to the terms of this Agreement and in connection with the consummation of the transactions contemplated hereby, and all certificates, consents, opinions, instruments and other documents require to effect the transactions contemplated hereby, have been taken and will be reasonably satisfactory inform and substance to the Buyer;

(8) Seller shall, at its sole cost and expense, have prepared, and deliver to Buyer, true, correct and complete copies of the 1997, 1998 and 1999 audited financial statements of DSSI, consisting of:

1) balance sheet;

2) statement of income and related earnings;

3) statement of stockholders' equity and statement of changes in financial position;

4) statement of cash flows; and

5) notes thereto, with auditors' report thereon being unqualified, all of which shall have been examined by Arthur Anderson, DSSI's independent certified public accountants, and be in accordance with Regulation S-X (17 C.F.R. Part 210) and GAAP, consistently applied. Seller covenants and agrees that there shall be no material change in the 1999 audited financial statements of DSSI from the Financial Statements;

(9) all statutory requirements for the valid consummation by Seller of the transactions contemplated by this Agreement shall have been fulfilled; all authorizations, consents and approvals of the Governmental Authorities required to be obtained in order to permit consummation by Seller of the transactions contemplated by this Agreement and to permit the business presently conducted by DSSI to continue unimpaired immediately following the Closing shall have been obtained;

(10) all applications for, or modifications to, permits and licenses shall have been approved by the appropriate Governmental Authorities and all authorizations and approvals relating to all permits and licenses held by DSSI shall have been obtained from the appropriate Governmental Authorities under any and all of the Environmental Laws (including, but not limited to, the appropriate Environmental Laws of the State of Tennessee) as a result of the change in ownership of DSSI, pursuant to the terms of this Agreement, with such permits, approvals and authorizations to be in form and substance satisfactory to the Buyer, so that DSSI is permitted to continue unimpaired immediately following the Closing Date the same business operations that DSSI carried on as of the date of this Agreement

and the Closing Date. Between the date of this Agreement and the Closing, no Governmental Authority, whether federal, state or local, shall have instituted (or threatened to institute either or all or in a writing directed to Seller or DSSI or any of their subsidiaries) an investigation which is pending on the Closing relating to this Agreement and the transactions contemplated hereby, no action or proceeding shall have been instituted or, to the knowledge of Buyer, shall have been threatened before a court or other Governmental body or by any public authority to restrain or prohibit the transactions contemplated by this Agreement or to obtain damages in respect thereof;

(11) Buyer shall have conducted and completed an environmental audit of DSSI, and shall have determined to the satisfaction of Buyer that

(i) DSSI has been and is currently in compliance in all material respects with all applicable Environmental Laws;

(ii) none of the assets (including, but not limited to, the soils and groundwater on or under any of the Real Properties) owned, leased, operated or used by DSSI are contaminated with any radioactive waste, hazardous substance (as defined in Section 101(14) of CERCLA or any analogous state or local Laws) or petroleum (as defined in Subtitle I of RCRA or any analogous state or local Laws) in a manner that might have a material adverse effect on DSSI, and

(iii) DSSI is not or would be subject to any liability in any material amount under any provision, or as a result of any past or present violations, of any applicable Environmental Laws;

(12) DSSI shall have obtained consents to all transactions contemplated by this Agreement from the parties to all contracts, permits, agreements, debt instruments and other documents referred to in the Schedules delivered by Seller to Buyer in accordance with this Agreement or otherwise, which require such consents and consents from, or notification to, all Governmental Authorities which require such consents or notifications;

(13) There shall not have occurred

(i) any material adverse change since December 31, 1999, in the business, properties, assets, results of operations or financial condition of DSSI, or

(ii) any Loss or damage to any of the properties or assets (whether or not covered by insurance) of DSSI which will materially affect or impair the ability of DSSI to conduct, after consummation of the transactions contemplated hereby, the business of DSSI as now being conducted by DSSI;

(14) Buyer shall have received from Burns, Figa & Will, P.C., counsel to Seller, an opinion or opinions addressed to Buyer and dated the Closing Date, with the form and contents thereof reasonably satisfactory to Buyer and its counsel;

(15) Buyer shall have completed its financial due

diligence of DSSI, with the results thereof satisfactory to Buyer;

(16) Seller shall have delivered to Buyer the minute books and stock ledgers for DSSI, which minute books shall be current, in all material respects;

(17) Buyer shall have received from Seller good standing and tax certificates (or analogous documents), dated as close as practicable to the Closing, from the appropriate authorities in each jurisdiction of incorporation of DSSI and in each jurisdiction in which DSSI is qualified to do business, showing DSSI to be in good standing and to have paid all taxes due in the applicable jurisdiction;

(18) Seller and its Affiliates shall have delivered to Buyer, in form and substance satisfactory to Buyer, a release releasing DSSI from any and all known or unknown, absolute or contingent, debts, liabilities and obligations that DSSI may have to Seller and any and all Affiliates of Seller, and

Buyer shall have received, in form and substance satisfactory to Buyer, appropriate tax opinions from Seller that such release or releases shall have not tax effect or tax consequence on DSSI;

(19) Buyer shall have obtained, on terms satisfactory to Buyer, a bond in the principal sum of not less than $12,732,834 covering DSSI's closure and post closure financial assurance requirements under the Environmental Laws; and

(20) Seller shall, immediately prior to the Closing, terminate or cause DSSI to terminate DSSI employees from participation under any and all Plans, without such termination resulting in any liability or obligation on the part of DSSI or the Buyer under any such Plans or to any of the DSSI employees, the Seller, any Affiliate of the Seller, any governmental agency or otherwise.

The Buyer may waive any condition specified in this Article 9(a) if it executes a writing so stating at or prior to the Closing.

(b) Conditions to the Obligations of the Seller. The obligation of the Seller to consummate the transactions to be performed by it in connection with the Closing is subject to the following conditions:

(1) the representations and warranties set forth in Article 4 above shall be true and correct in all material respects at and as of the Closing Date;

(2) the Buyer shall have performed and complied with all of its covenants hereunder in all material respects through the Closing;

(3) there shall not be any injunction, judgment, order, decree, ruling or charge in effect preventing consummation of any of the transactions contemplated by this Agreement;

(4) the Buyer shall have delivered to the Seller a certificate to the effect that each of the conditions specified above in Article 10(b)(1)-(3) is satisfied in all respects;

(5) all applicable waiting periods, if any, under the Hart-Scott-Rodino Act shall have expired or otherwise been terminated and the Parties and DSSI shall have received all other authorizations, consents, and approvals of agencies referred to hereunder;

(6) the Seller shall have received from Conner & Winters, A Professional Corporation, counsel to the Buyer, an opinion in form and substance reasonably satisfactory to Seller and its counsel, addressed to the Seller and dated as of the Closing Date;

The Seller may waive any condition specified in this Article 9(b) if it executes a writing so stating at or prior to the Closing.

10. Miscellaneous.

(a) Press Releases and Public Announcements. No Party shall issue any press release or make any public announcement relating to the subject matter of this Agreement without the prior written approval of the Buyer and the Seller; provided, however, that any Party may make any public disclosure it believes in good faith is required by applicable Law or any listing or trading agreement concerning its publicly-traded securities (in which case the disclosing Party will use its reasonable best efforts to advise the other Parties prior to making the disclosure). The above restrictions shall not apply to any (1) information available to either party from public records or from other sources in accordance with the Law, (2) information which is in the public domain or subsequent to the date of this agreement enters the public domain otherwise than through disclosure by Buyer or Seller, or (3) information which is capable of being independently developed by or on behalf of the party wishing to disclose without reference to the confidential information.

(b) No Third-Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

(c) Entire Agreement. This Agreement (including the documents referred to herein) constitutes the entire agreement among the Parties and merges and supersedes any prior discussions, understandings, agreements, or representations by or among the Parties, written or oral, to the extent they have related in any way to the subject matter hereof. No party shall be bound by any condition, definition, warranty or representation other than as expressly provided for in this Agreement or as may be on a date on or subsequent to the date hereof duly set forth in writing signed by each party which is to be bound thereby. Unless otherwise expressly defined, terms defined in this Agreement shall have the same meanings when used in any exhibit or schedule and terms defined in any exhibit or schedule shall have the same meanings when used in the Agreement or any other exhibit or schedule. This Agreement (including the exhibits and schedules hereto) shall not be changed, modified, or amended except by a writing signed each Party hereto, and this Agreement not be discharged except by performance in accordance with its terms or by a writing signed by each party to be charged.

(d) Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the Buyer and the Seller.

(e) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

(f) Notices. All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communication hereunder

shall be deemed duly given if (and then two business days after) it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

If to the Seller:
Waste Management, Inc.
3900 S., Wadsworth Blvd.
Suite 800
Lakewood, CO 80235
Attn: Joel Eacker

Copy to:
Burns, Figa & Will, P.C.
6400 S. Fiddlers Green Circle
Suite 1030
Englewood, CO 80111
Attn: William A. Jeffry

If to the Buyer:
Perma-Fix Environmental Services, Inc.
1940 Northwest 67th Place
Gainesville, FL 32653
Attn: Dr. Louis F. Centofanti, President

Copy to:
Conner & Winters, A Professional Corporation
One Leadership Square
211 North Robinson, Suite 1700
Oklahoma City, OK 73102
Attn: Irwin H. Steinhorn

Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, telex, ordinary mail, or electronic mail), and any such notice, or communication shall be deemed to have been given as of three (3) days after posting, one (1) day after next day delivery service or upon actual delivery. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Parties notice in the manner herein set forth.

(g) Governing Law. This Agreement shall be construed in accordance with and governed by

(1) the applicable Laws of Tennessee only with respect to the transfer of those permits issued by the State of Tennessee and the applicable Laws of the Untied States only with respect to the transfer of those permits issued by the EPA; and

(2) in accordance with the Laws of Delaware in all other respects, without regarding to the principles of conflicts of Laws thereof.

(h) Amendments and Waivers. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by the Buyer and Seller. No waiver by

any Party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder, or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

(i) Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

(j) Expenses. The Buyer and Seller will each bear its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby. Any Taxes in the nature of Income Tax or any gain resulting from the sale of Shares hereunder and any transfer or sales tax and any stock transfer tax payable on the consummation of any other transaction contemplated by this Agreement shall be paid by Seller.

(k) Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local or foreign statute or Law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean including without limitation.

(l) Incorporation of Exhibits, Annexes, and Schedules. The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

(m) Headings. The heading in the sections, paragraphs, Schedules, and Exhibits of this Agreement are inserted for convenience of reference only and shall not constitute a part hereof. The words "herein," "hereof," "hereto," and "hereunder," and other words of similar import, refer to this Agreement as a whole and not to any particular provision of this Agreement.

(n) Time. Time is of the essence of this Agreement.

(o) Dispute Resolution. Any controversy or claim arising out of or relating to this Agreement, or the breach thereof (other than controversies or claims regarding enforcement of the Protective Clauses, all of which shall be settled by a court of competent jurisdiction) shall be settled in binding arbitration to be held, and the award made, in Nashville, Tennessee, in accordance with the then-existing rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. If any party's claim exceeds $1,000,000, exclusive of interest and attorneys' fees, the dispute shall be heard and determined by three arbitrators. In any arbitration involving one arbitrator, the

arbitrator shall be: (i) any person selected by the parties if they are able to so agree within ten (10) days after any party requests the other party to so agree; or, if not, (ii) the selection shall be made pursuant to the rules of the American Arbitration Association. In any arbitration involving three arbitrators, the Seller and Buyer shall each, within fifteen days of the commencement of arbitration, select one person to act as arbitrator and the two selected shall select a third arbitrator within ten (10) days of their appointment. If the arbitrator selected by the parties are unable or fail to agree upon the third arbitrator, the third arbitrator shall be selected by the American Arbitration Association. Within thirty (30) days of the

hearing, the arbitrator(s) shall render a decision concerning all contested issues considered during the arbitration and the arbitrator(s) shall notify the parties in writing of their decision, setting forth the dollar amount, if any, awarded. In the event that there shall be more than one dispute to be arbitrated, the parties agree that all pending disputes shall be consolidated to the extent feasible. The nonprevailing party in the arbitration shall pay to the prevailing party the prevailing party's reasonable attorney's fees and expenses. The amount of the dollar award, if any, plus all reasonable attorney's fees of the prevailing party, shall be paid by the non-prevailing party.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

"SELLER"	"BUYER"
WASTE MANAGEMENT HOLDINGS, INC. INC.	PERMA-FIX ENVIRONMENTAL SERVICES, INC.
By: /s/ Bruce E. Snyder	By: /s/ Louis Centofanti
Bruce E. Snyder	Dr. Louis F. Centofanti
Title: Vice President, Chief Financial Officer and Controller	Title: President

EXHIBIT AND SCHEDULES

Exhibit A - Form of Promissory Note

Schedule 3(b) - Consents and authorizations of governmental agencies

Schedule 4(b) - Permits and licenses required under environmental laws

Schedule 5(a)	-	List of the officers and directors of DSSI
Schedule5(c)	-	Non-contravention
Schedule 5(e)	-	Title to tangible assets
Schedule 5(g)	-	Liabilities
Schedule 5(i)	-	Compliance with laws
Schedule (j)(1)	-	Real Property owned by DSSI
Schedule (j)(2)	-	Real Property leased or subleased to DSSI
Schedule (j)(3)	-	Real Property owned or leased by DSSI
Schedule 5(k)	-	Patents, Applications, Trade Names, Trademark Registrations
Schedule 5(l)	-	Written Contracts and Agreements in excess of $25,000
Schedule 5(m)	-	Litigation
Schedule 5(n)	-	Employee benefit plans
Schedule 5(o)	-	Permits and Licenses
Schedule 5(q)	-	Assets
Schedule 5(t)	-	Compliance with environmental laws
Schedule 7(b)	-	Consents and approvals of governmental agencies in connection with the transfer of ownership of permits and approvals held by DSSI

THIS WARRANT AND THE SHARES OF COMMON STOCK ISSUABLE UPON EXERCISE OF THIS WARRANT AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD OR TRANSFERRED EXCEPT (i) UNDER COVER OF A REGISTRATION STATEMENT UNDER SUCH ACT WHICH IS EFFECTIVE AND CURRENT WITH RESPECT TO THIS WARRANT OR SUCH SHARES OF COMMON STOCK, AS THE CASE MAY BE, OR (ii) PURSUANT TO THE WRITTEN OPINION OF COUNSEL REASONABLY ACCEPTABLE TO PERMA-FIX ENVIRONMENTAL SERVICES, INC. TO THE EFFECT THAT REGISTRATION UNDER SUCH ACT IS NOT REQUIRED WITH RESPECT TO SUCH SALE OR TRANSFER.

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

RYAN, BECK & CO., INC.

AND

LARKSPUR CAPITAL CORPORATION

WARRANT AGREEMENT

Dated as of January 25, 2000

WARRANT AGREEMENT, dated as of January 25, 2000 by and among PERMA-FIX ENVIRONMENTAL SERVICES, INC., a Delaware corporation (the "Company"), RYAN BECK & CO, INC., and LARKSPUR CAPITAL CORPORATION (hereinafter referred to individually called a "Holder" or "Agent" and collectively, the "Holders" or the "Agents").

W I T N E S S E T H:

WHEREAS, the Company proposes to issue to the Agents, or subject to the terms hereof, those permitted designees, warrants ("Warrants") to purchase up to an aggregate 150,000 shares of common stock of the Company, par value $.001 per share ("Common Stock");

WHEREAS, the Agents have agreed pursuant to an agreement (the "Agreement") dated as of the date hereof by and among the Agents and the Company to provide certain services to the Company;

WHEREAS, the Company proposes to issue to the Agents (and/or designees) the Warrants as a partial retainer for the Agents' services;

WHEREAS, the Agents are "accredited investors," as such term is defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended (the "Act");

WHEREAS, if either of the Agents designates any other party as a designee for the purpose of receiving any portion of the Warrants pursuant to the terms hereof, then, prior to receiving any of the Warrants as designee of the Agents, such designee must

execute and deliver to the Company a written certification ("Certification"), the form and content of which must be satisfactory to the Company, in which such designee represents to the Company that such designee is an "accredited investor" under Rule 501 of Regulation D promulgated under the Act and how such designee is an accredited investor, and that such designee is acquiring such designated Warrants for the designees' own account, for investment purposes only and not with a view toward distribution or resale and agrees to be subject to and bound by all of the other conditions and provisions of this Agreement (including, but not limited to, the representations, warranties and covenants contained in Sections 3 and 7 hereof) and shall execute and deliver to the Company an agreement in form and substance substantially the same as this Agreement except for the name and number of Warrants to be issued to the designee;

WHEREAS, the Common Stock is listed for trading on the Boston Stock Exchange and the National Association of Securities Dealers Automated Quotation SmallCap market ("NASDAQ"), and the Company is subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and has been subject to such filing requirements for the past ninety (90) days; and

WHEREAS, in reliance upon the representations made by the Agents in this Agreement, the transactions contemplated by this Agreement are such that the offer and purchase of securities hereunder will be exempt from registration under applicable federal securities laws because this is a private placement and intended to be a nonpublic offering pursuant to Sections 4(2) and/or 3(b) of the Securities Act and/or Regulation D promulgated under the Act.

NOW, THEREFORE, in consideration of the premises, the payment by the Agents to the Company of an aggregate of twelve dollars and fifty cents ($12.50), the agreements herein set forth and other good and valuable consideration, hereby acknowledged, the parties hereto agree as follows:

1. Grant. The Agents are hereby granted Warrants providing the right to purchase in equal amounts, at any time and from the date hereof until 5:30 p.m., New York time, on January 25, 2005, up to an aggregate of 150,000 shares of Common Stock (the "Warrant Shares") at an initial exercise price (subject to adjustment as provided in Section 11 hereof) of $1.44 per share of Common Stock subject to the terms and conditions of this Agreement. Except as set forth herein, the Warrant Shares issuable upon exercise of the Warrants are in all respects identical to the shares of Common Stock that have been issued to the public. Anything to the contrary notwithstanding, the Company shall have the right to cancel 50% of the Warrants issued and then outstanding, on a pro rata basis among the registered holders of the Warrants thereof, in

the event that no Transaction (as defined in the Agreement dated January 25, 2000 between Ryan, Beck & Co., Larkspur Capital Corporation and Perma-Fix Environmental Services, Inc. and its related subsidiaries) shall have occurred within one year from the date hereof. In the event any registered holder of the Warrants holds an odd number of Warrants at the time of cancellation of 50% of the Warrants issued and then outstanding by the Company, the number of Warrants held by such registered holder of the Warrants which are canceled shall be rounded up to the next highest whole number.

2. Warrant Certificates. The warrant certificates (the "Warrant Certificates") delivered and to be delivered pursuant to this Agreement shall be in the form set forth in Exhibit A, attached hereto and made a part hereof, with such appropriate insertions, omissions, substitutions, and other variations as required or permitted by this Agreement.

3. Representations, Warranties and Covenants of Holder. Each of the Holders of Warrants and/or Warrant Shares hereby represents, warrants and covenants to the Company as follows:

3.1 Investment Intent. The Holders represent and warrant that the Warrants are being, and any underlying Warrant Shares will be, purchased or acquired solely for the Holders' own account, for investment purposes only and not with a view toward the distribution or resale to others. The Holders acknowledge and understand that neither the Warrants nor Warrant Shares have been registered under the Act by reason of a claimed exemption under the provisions of the Act which depends, in large part, upon the Holders' representations as to investment intention, investor status, and related and other matters set forth herein. The Holders understand that, in the view of the Securities and Exchange Commission (the "Commission"), among other things, a purchase with an intent to distribute or resell would represent a purchase and acquisition with an intent inconsistent with its representation to the Company, and the Commission might regard such a transfer as a deferred sale for which the registration exemption is not available.

3.2 Certain Risk. The Holders recognize that the purchase of the Warrants or Warrant Shares involves a high degree of risk in that (a) although the Company has had an unaudited net income for the nine month period ended September 30, 1999, the Company did sustain losses through December 31, 1998, from its operations, and may require substantial funds for its operations; (b) that the Company has a substantial accumulated deficit; (c) an investment in the Company is highly speculative and only investors who can afford the loss of their entire investment should consider investing in the Company and the Warrants or Warrant Shares; (d) an investor may not be able to liquidate his investment; (e) transferability of the Warrants or Warrant Shares is extremely limited; (f) in the event of a disposition an investor could sustain the loss of his entire investment; (g) the Warrants

represent non-voting equity securities, and the right to exercise such Warrants and purchase shares of voting equity securities in a corporate entity that has an accumulated deficit; (h) no return on investment, whether through distributions, appreciation, transferability or otherwise, and no performance by, through or of the Company, has been promised, assured, represented or warranted by the Company, or by any director, officer, employee, agent or representative thereof; and, (i) while the

Common Stock is presently quoted and traded on the Boston Stock Exchange and the NASDAQ and while the Holders are a beneficiary of certain registration rights provided herein, the Warrants subscribed for and that are purchased under this Agreement and the Warrant Shares (a) are not registered under applicable federal or state securities laws, and thus may not be sold, conveyed, assigned or transferred unless registered under such laws or unless an exemption from registration is available under such laws, as more fully described herein, and (b) the Warrants subscribed for and that are to be purchased under this Agreement are not quoted, traded or listed for trading or quotation on the NASDAQ, or any other organized market or quotation system, and there is therefore no present public or other market for the Warrants, nor can there be any assurance that the Common Stock will continue to be quoted, traded or listed for trading or quotation on the Boston Stock Exchange or the NASDAQ or on any other organized market or quotation system.

3.3 Prior Investment Experience. The Holders acknowledge that they have prior investment experience, including investment in non-listed and non-registered securities, or they have employed the services of an investment advisor, attorney or accountant to read all of the documents furnished or made available by the Company to them and to evaluate the merits and risks of such an investment on their behalf, and that they recognize the highly speculative nature of this investment.

3.4 No Review by the Commission. The Holders hereby acknowledge that this offering of the Warrants has not been reviewed by the Commission because this private placement is intended to be a nonpublic offering pursuant to Sections 4(2) and/or 3(b) of the Act and/or Regulation D promulgated under the Act.

3.5 Not Registered. The Holders understand that the Warrants and the Warrant Shares have not been registered under the Act by reason of a claimed exemption under the provisions of the Act which depends, in part, upon the Holders' investment intention. In this connection, the Holders understand that it is the position of the Commission that the statutory basis for such exemption would not be present if their representations merely meant that their intention was to hold such securities for a short period,

such as the capital gains period of tax statutes, for a deferred sale, for a market rise (assuming that a market develops), or for any other fixed period.

3.6 No Public Market. The Holders understand that there is no public market for the Warrants. The Holders understand that although there is presently a public market for the Common Stock, including the Warrant Shares, Rule 144 (the "Rule") promulgated

under the Act requires, among other conditions, a one-year holding period following full payment of the consideration therefor prior to the resale (in limited amounts) of securities acquired in a nonpublic offering without having to satisfy the registration requirements under the Act. The Holders understand that the Company makes no representation or warranty regarding its fulfillment in the future of any reporting requirements under the Exchange Act, or its dissemination to the public of any current financial or other information concerning the Company, as is required by the Rule as one of the conditions of its availability. The Holders understand and hereby acknowledge that the Company is under no obligation to register the Warrants or the Warrant Shares under the Act, except as set forth in Section 10 hereof.

3.7 Sophisticated Investor. The Holders (a) have adequate means of providing for the Holders' current financial needs and possible contingencies and have no need for liquidity of the Holders' investment in the Warrants; (b) are able to bear the economic risks inherent in an investment in the Warrants and understand that an important consideration bearing on their ability to bear the economic risk of the purchase of Warrants is whether the Holders can afford a complete loss of the Holders' investment in the Warrants and the Holders represent and warrant that the Holders can afford such a complete loss; and (c) have such knowledge and experience in business, financial, investment and banking matters (including, but not limited to, investments in restricted, non-listed and non-registered securities) that the Holders are capable of evaluating the merits, risks and advisability of an investment in the Warrants.

3.8 Tax Consequences. The Holders acknowledge that the Company has made no representation regarding the potential or actual tax consequences for the Holders which will result from entering into the Agreement. The Holders acknowledge that they bear complete responsibility for obtaining adequate tax advice regarding the Agreement.

3.9 Commission Filing. The Holders acknowledge that they have been previously furnished with true and complete copies of the following documents which have been filed with the Commission pursuant to Sections 13(a), 14(a), 14(c) or 15(d) of the Exchange Act, and that such have been furnished to the Holders a reasonable time prior to the date

hereof: (i) Annual Report on Form 10-K for the year ended December 31, 1998 (the "Form 10-K"), as may be amended; (ii) the Company's Proxy Statement delivered to shareholders on or about November 10, 1999; and (iii) the information contained in any reports or documents required to be filed by the Company under Sections 13(a), 14(a), 14(c) or 15(d)

of the Exchange Act since the distribution of the Form 10-K.

3.10 Documents, Information and Access. The Holders' decisions to purchase the Warrants are not based on any promotional, marketing or sales materials, and the Holders and their representatives have been afforded, prior to purchase thereof, the opportunity to ask questions of, and to receive answers from, the Company and its management, and has had access to all documents and information which Holders deem material to an investment decision with respect to the purchase of Warrants hereunder.

3.11 No Commission. The Holders agree and acknowledge that no commission or other remuneration is being paid or given directly or indirectly for soliciting the subscription described hereunder.

3.12 Reliance. The Holders understand and acknowledge that the Company is relying upon all of the representations, warranties, covenants, understandings, acknowledgments and agreements contained in this Agreement in determining whether to accept this subscription and to sell and issue the Warrants to the Holders.

3.13 Accuracy or Representations and Warranties. All of the representations, warranties, understandings and acknowledgments that Holders have made herein are true and correct in all material respects as of the date of execution hereof. The Holders will perform and comply fully in all material respects with all covenants and agreements set forth herein, and the Holder covenants and agrees that until the acceptance of this Agreement by the Company, the Holders shall inform the Company immediately in writing of any changes in any of the representations or warranties provided or contained herein.

4. Representations, Warranties and Covenants of the Company. In order to induce Holder to enter into this Agreement, the Company hereby represents, warrants and covenants to Holder as follows:

4.1 Organization, Authority, Qualification. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware. The Company has full corporate power and authority to own and operate its properties and assets and to conduct and carry on its business as it is now being conducted and operated.

4.2 Authorization. The Company has full power and authority to execute and deliver this Agreement and to perform its obligations under and consummate the transactions contemplated by this Agreement. Upon the execution of this Agreement by the Company and delivery of the Warrants, this Agreement shall have been duly and validly executed and delivered by the

Company and shall constitute the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.

4.3 No Commission. The Company agrees and acknowledges that no commission or other remuneration is being paid or given directly or indirectly for soliciting the issuance of the Warrants.

4.4 Ownership of, and Title to, Securities. The Warrant Shares, if issued, will be, duly authorized, validly issued, fully paid and nonassessable shares of the capital stock of the Company, free of personal liability. Upon consummation of the issuance of the Warrants (and upon the exercise of the Warrants, in whole or in part) pursuant to this Agreement, the Holder will own and acquire title to the Warrants (and the Warrant Shares, as the case may be) free and clear of any and all proxies, voting trusts, pledges, options, restrictions, or other legal or equitable encumbrance of any nature whatsoever (other than the restrictions on transfer due to federal and state securities laws or as otherwise provided for in this Agreement or in the Warrants).

5. Exercise of Warrant.

5.1 Method of Exercise. Subject to the terms hereof, the Warrants initially are exercisable at an aggregate initial exercise price per share of Common Stock set forth in Section 9 hereof payable by certified or cashier's check in New York Clearing House funds, subject to adjustment as provided in Section 11 hereof. Upon surrender of a Warrant Certificate with the annexed Form of Election to Purchase duly executed, together with payment of the Exercise Price (as hereinafter defined) for the shares of Common Stock purchased pursuant to the terms hereof, at the Company's principal offices (presently located at 1940 NW 67th Place, Gainesville, FL 32653) the Holders shall be entitled to receive a certificate or certificates for the shares of Common Stock so purchased. The purchase rights represented by each Warrant Certificate are exercisable at the option of the Holders thereof, in whole or in part (but not as to fractional shares of the Common Stock underlying the Warrants). Warrants may be exercised to purchase all or part of the shares of Common Stock represented thereby. In the case of the purchase of less than all the shares of Common Stock purchasable under any Warrant Certificate, the Company shall cancel said Warrant Certificate upon the surrender thereof and shall execute and deliver a new Warrant Certificate of like tenor for the balance of the shares of Common Stock purchasable thereunder.

5.2 Exercise by Surrender of Warrants. In addition to the method of payment set forth in Section 5.1 and in lieu of any cash payment required thereunder, subject to the terms hereof, each Holder of the Warrants shall have the right at any time and from time to time to exercise the Warrants held by such Holder in full or in part by surrendering a Warrant Certificate in the manner specified in Section 5.1 in exchange for the number of Warrant Shares equal to the product of (x) the number of Warrant Shares as to which the Warrants are being exercised multiplied by (y) a

fraction, the numerator of which is the Market Price (as defined in Section 5.3 below) of the Warrant Shares less the Exercise Price and the denominator of which is such Market Price. Solely for the purposes of this paragraph, Market Price shall be calculated as the average of the Market Prices for each of the five trading days preceding the Notice Date.

5.3 Definition of Market Price. As used herein, the phrase "Market Price" at any date shall be deemed to be the average closing bid quotation of the Company's Common Stock (i) as reported on the NASDAQ for the last five (5) trading days, or (ii) if the Common Stock is not traded on NASDAQ, the average closing price as listed on a national securities exchange for the last five (5) trading days, or (iii) if no longer traded on NASDAQ or listed on a national securities exchange, as determined in good faith by resolution of the Board of Directors of the Company, based on the best information available to it.

6. Issuance of Certificates. Upon the exercise of the Warrants or any portion thereof, the issuance of certificates for the Warrant Shares underlying such Warrants so exercised, shall be made forthwith (and in any event within five (5) business days thereafter) without charge to the Holder exercising such Warrants, including, without limitation, any tax which may be payable in respect of the issuance thereof, and such certificates shall be issued in the name of the Holder thereof.

The Warrants and the certificates representing the Warrant Shares shall be executed on behalf of the Company by the manual or facsimile signature of the then Chairman or Vice Chairman of the Board of Directors or President or Vice President of the Company.

7. Restriction on Transfer of Warrants or Warrant Shares. The Holder of a Warrant Certificate, by its acceptance thereof, covenants and agrees that the Warrants are being acquired as an investment and not with a view to the distribution thereof. The Holder of a Warrant Certificate, by its acceptance thereof, agrees that (i) no public distribution of Warrants or Warrant Shares will be made in violation of the provisions of the Act and the Rules and Regulations promulgated thereunder and (ii) during such period as delivery of a prospectus with respect to Warrants or Warrant Shares may be required by the Act, no public distribution of Warrants or Warrant Shares will be made in a manner or on terms different from those set forth in, or without delivery of, a prospectus then meeting the requirements of Section 10 of the Act and in compliance with all applicable state securities laws. The Holder of each Warrant Certificate and each transferee thereof further agrees that if any distribution of any of the Warrants or Warrant Shares is proposed to be made by them otherwise than by delivery of a prospectus meeting the requirements of Section 10 of the Act, such action shall be taken only after receipt by the Company of an opinion of its counsel, or an opinion of counsel reasonably

satisfactory to the Company, to the effect that the proposed distribution will not be in violation of the Act or of applicable state law. Furthermore, it shall be a condition to the transfer of the Warrants that any transferee thereof deliver to the Company his or its written agreement to accept and be bound by all of the terms and conditions contained in this Agreement. Any Warrant Shares issued upon exercise of the Warrants shall bear a legend to the following effect:

The securities represented by this

certificate have not been registered under the Securities Act of 1933, as amended (the "Act"), or qualified under applicable state securities laws, and are restricted securities within the meaning of the Act. Such securities may not be sold or transferred, except pursuant to a registration statement under such Act and qualification under applicable state securities laws which are effective and current with respect to such securities or pursuant to an opinion of counsel reasonably satisfactory to the issuer of such securities that registration and qualification are not required under applicable federal or state securities laws or an exemption is available therefrom.

These securities are also subject to the registration rights set forth in that certain Warrant Agreement by and among Perma-Fix Environmental Services, Inc., (the "Company") Ryan, Beck & Co., Inc., and Larkspur Capital Corporation, dated as of January 25, 2000, a copy of which is on file at the Company's Principal Executive Office.

8. Warrant Holder Not Shareholder. A Warrant Certificate shall not be deemed to confer upon the Holder any right to vote the Warrant Shares or to consent to or receive notice as a shareholder of the Company as such, because of the Warrant Certificate, in respect of any matters whatsoever, or any other rights or liabilities as a shareholder.

9. Exercise Price.

9.1 Initial and Adjusted Exercise Price. Except as otherwise provided in Section 11 hereof, the initial exercise price of each Warrant shall be $1.44 per share of Common Stock. The adjusted exercise price shall be the price which shall result from time to time from any and all adjustments of the initial exercise price in accordance with the provisions of Section 11 hereof.

9.2 Exercise Price. The term "Exercise Price" herein shall mean the initial exercise price or the adjusted exercise price, depending upon the context.

10. Registration Rights.

10.1 Piggyback Registration. Subject to the terms of this Section 10, if, at any time commencing after the date hereof and expiring seven (7) years from the effective date, the Company proposes to register any of its equity securities under the Act (other than a registration statement (i) on Form S-8 or any successor form to such form or in connection with any employee or director welfare, benefit or compensation plan, (ii) on Form S-4 or any successor form to such form or in connection with an exchange offer, (iii) in connection with a rights offering exclusively to existing holders of Common Stock, (iv) in connection with an

offering solely to employees of the Company or its subsidiaries, or (v) relating to a transaction pursuant to Rule 145 of the Act), it will give written notice by registered mail, at least thirty (30) days prior to the filing of each such registration statement, to each Holder of its intention to do so. If any Holder notifies the Company within twenty (20) business days after receipt of any such notice of its desire to include any such securities in such proposed registration statement, the Company shall afford any such Holder of the opportunity to have any such Warrant Shares held by such Holder or Warrant Shares underlying Warrants held by such Holder, registered under such registration statement (sometimes referred to herein as the "Piggyback Registration").

Notwithstanding the provisions of this Section 10.1, the Company shall have the right at any time after it shall have given written notice pursuant to this Section 10.1 (irrespective of whether a written request for inclusion of any such securities shall have been made) to elect not to file any such proposed registration statement, or to withdraw the same after the filing but prior to the effective date thereof.

If a Piggyback Registration is an underwritten primary registration on behalf of the Company, and the managing underwriters advise the Company in writing that in their reasonable opinion based upon market conditions the number of securities requested to be included in such registration exceeds the number that can be sold in such offering or would impair the pricing of such offering, the Company will include in such registration (i) first, the securities the Company proposes to sell, (ii) second, up to the full number of applicable Common Stock requested to be included in such registration by holders of Common Stock with prior or superior piggyback registration rights, (iii) third, the number of applicable Warrant Shares requested to be included in such registration, pro rata among the Holders on the basis of the number of shares requested by such holders to be included and which, in the opinion of the managing underwriter, can be sold without adversely affecting the price range or probability of success of such offering, and (iv) fourth, other securities to be included in such registration.

10.2 Demand Registration.

(a) Subject to the terms of this Section 10, at any time after the date hereof and expiring five (5) years from the effective date, the Holders representing a "Majority" (as hereinafter defined) of the Warrant Shares (assuming the exercise of all the Warrants) shall have the right (which right is in addition to the registration rights under Section 10.1 hereof), exercisable by written notice to the Company, to have the Company

prepare and file with the Securities and Exchange Commission (the "Commission"), on one occasion only, a registration statement and such other documents, including a prospectus, as may be necessary in the opinion of both counsel for the Company and counsel for Ryan Beck & Co., Inc., in order to comply with the provisions of the Act, so as to permit a public offering and the sale of their respective Warrant Shares for nine (9) consecutive months by such Holders and any other Holder notifying the Company within ten (10) days after receiving notice from the Company of such request.

(b) The Company covenants and agrees to give written notice of any registration request under this Section 10.2 by any Holder to each Holder within ten (10) days from the date of the receipt of any such registration request.

(c) Notwithstanding anything to the contrary contained herein, if the Company is obligated to file a registration statement covering the Warrant Shares under Section 10.2(a) but shall not have filed a registration statement for the Warrant Shares within the time period specified in Section 10.3 hereof pursuant to the written notice specified in Section 10.2(a) of a Majority of the Holders, which time period shall be extended pursuant to 10.2(d) below, the Company shall have the option, but not the obligation, upon the written notice of election of a Majority of the Holders to repurchase (i) any and all Warrant Shares at the higher of the Market Price per share of Common Stock on (y) the date of the notice sent pursuant to Section 10.2(a) or (z) the expiration of the period specified in Section 10.3(a) and (ii) any and all Warrants at such Market Price less the Exercise Price of such Warrant. Such repurchase shall be in immediately available funds and shall close within two (2) days after the later of (i) the expiration of the period specified in Section 10.3(a) or (ii) the delivery of the written notice of election specified in this Section 10.2(d). The Company shall have no obligation to exercise the option that may be granted pursuant to the terms of this paragraph (c) of Section 10.2 hereof.

(d) Notwithstanding anything to the contrary, the Company may delay the filing of a Registration Statement under this Section 10.2 and may withhold efforts to cause such Registration Statement to become effective if the Company determines in good faith that such registration might interfere with or affect the negotiation or completion of any material transaction or other material event that is being contemplated by the Company (whether or not a final decision has been made to undertake such material transaction at the time the right to delay is exercised). The Company may exercise such right to delay the filing or effectiveness of a Registration Statement two times and may delay the filing or effectiveness of such registration statement for not more than 90 days beyond the relevant period set forth in Section 10.3(a). Upon any delay by the Company pursuant to this Section 10.2(d) which lasts more than 60 days, the Majority of the Holders may rescind the notice given pursuant to Section 10.2(a), and the Holders will be deemed not to have exercised the right to effect the filing of a Registration Statement under Section 10.2(a) as a result of such notice.

(e) Notwithstanding anything herein to the contrary, the obligations of the Company and rights of the Holders under Sections 10.1, 10.2 and 10.3 shall expire and terminate at such time as Ryan, Beck & Co., or its successors, shall have received from counsel to the Company an unqualified

written opinion of such counsel that the Holders have the right, pursuant to the provision of Rule 144 under the Act, to sell within any three month period from the date of the opinion all Warrant Shares then held and purchasable upon exercise of the Warrants by such Holders.

10.3 Covenants of the Company With Respect to Registration. In connection with any registration under Section 10.1 or 10.2 hereof, the Company covenants and agrees as follows:

(a) The Company shall use its reasonable efforts to file a registration statement within fifty (50) days of receipt of any demand therefor, shall use its reasonable efforts to have any registration statements declared effective at the earliest possible time, and shall furnish each Holder desiring to sell Warrant Shares under such registration statement such number of prospectuses as shall reasonably be requested.

(b) The Company shall pay all costs (excluding fees and expenses of Holder(s)' counsel and any underwriting or

selling commissions which shall be paid by the Holders), fees and expenses in connection with all registration statements filed pursuant to Section 10.1 and 10.2(a) hereof including, without limitation, the Company's legal and accounting fees, printing expenses, blue sky fees and expenses.

(c) The Company will take all necessary action which may be required in qualifying or registering the Warrant Securities included in a registration statement for offering and sale under the securities or blue sky laws of such states as reasonably are requested by the Holder(s), provided that the Company shall not be obligated to execute or file any general consent to service of process or to qualify as a foreign corporation to do business under the laws of any such jurisdiction.

(d) Nothing contained in this Agreement shall be construed as requiring the Holders to exercise their Warrants prior to the initial filing of any registration statement or the effectiveness thereof.

(e) The Company shall deliver promptly to each Holder participating in the offering requesting the correspondence and memoranda described below copies of all correspondence between the Commission and the Company, its counsel or auditors and all memoranda relating to discussions with the Commission or its staff with respect to the registration statement.

(f) Notwithstanding anything herein to the contrary, the obligations of the Company and rights of the Holders under Sections 10.1, 10,.2 and 10.3 shall expire and terminate at such time as Ryan, Beck & Co., Inc. or its successors, shall have received from counsel to the Company an unqualified written opinion of such counsel that the Holders have the right, pursuant to the provisions of Rule 144 under the Act, to sell within any three month period from the date of the opinion all Warrant Shares then held and purchasable upon exercise of the Warrants by such Holders.

10.4 Indemnification.

(a) Subject to the terms of this Section 10, the Company will indemnify and hold harmless each Holder, its directors and officers, and each person, if any, who controls the Holder within the meaning of Section 15 of the Act or Section 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), from and against, and will reimburse the Holder and each such controlling person with respect to, any and all loss, damage, liability, cost and expense to which such holder or controlling person may become subject under the Act or otherwise, insofar as such losses, damages, liabilities, costs or expenses are caused by any untrue statement or alleged untrue statement of any material fact contained in a Registration Statement filed with the Commission pursuant to Section 10, any prospectus contained therein or any amendment or supplement thereto, or arise out of, or are based upon, the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made not misleading; provided, however, that the Company will not be liable in any such case to the extent that any such loss, damage, liability, cost or expense arises out of, or is based upon, an untrue statement or alleged

untrue statement or omission or alleged omission so made in conformity with information furnished by a Holder or such controlling person in writing specifically for use in the preparation thereof.

(b) Subject to the terms of this Section 10, each Holder will severally, and not jointly, indemnify and hold harmless the Company, its directors and officers, any controlling person and any underwriter from and against, and will reimburse the Company, its directors and officers, any controlling person and any underwriter with respect to, any and all loss, damage, liability, cost or expense to which the Company or any controlling person and/or any underwriter may become subject under the Act or otherwise, insofar as such losses, damages, liabilities, costs or expenses are caused by any untrue statement or alleged untrue statement of any material fact contained in such Registration Statement filed with the Commission pursuant to Section 10, any prospectus contained therein or any amendment or supplement thereto, or arise out of, or are based upon, the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was so made in reliance upon, and in strict conformity with, written information furnished by, or on behalf of, the Holder specifically for use in the preparation thereof.

(c) Promptly after receipt by an indemnified party pursuant to the provisions of Section 10.4(a) or 10.(b) of notice of the commencement of any action involving the subject matter of the foregoing indemnity provisions, such indemnified party will, if a claim thereof is to be made against the indemnifying party pursuant to the provisions of Section 10.4(a) or 10.4(b), promptly notify the indemnifying party of the commencement thereof; but the omission to so notify the indemnifying party will not relieve the indemnifying party from any liability which it may have to any indemnified party otherwise than hereunder. In case such action is brought against any indemnified party and the indemnified party notifies the indemnifying party of the commencement thereof, the indemnifying

party shall have the right to participate in, and, to the extent that it may wish, assume the defense thereof; or, if there is a conflict of interest which would prevent counsel for the indemnifying party from also representing the indemnified party, (or, in the event that the indemnified party and the indemnifying party are both named as parties in the action and it is reasonably determined, in good faith, by counsel for the indemnified party and counsel for the indemnifying party that there is such a conflict) the indemnified parties have the right to select only one (1) separate counsel to participate in the defense of such action on behalf of all such indemnified parties. After notice from the indemnifying parties to such indemnified party of the indemnifying parties' election so to assume the defense thereof, the indemnifying parties will not be liable to such indemnified parties pursuant to the provisions of said Section 10.4(a) or 10.4(b) for any legal or other expense subsequently incurred by such indemnified parties in connection with the defense thereof, other than reasonable costs of

investigation, unless (a) the indemnified parties shall have employed counsel in accordance with the provisions of the preceding sentence; (b) the indemnifying parties shall not have employed counsel satisfactory to the indemnified parties to represent the indemnified parties within a reasonable time after the notice of the commencement of the action or (c) the indemnifying party has authorized the employment of counsel for the indemnified party at the expense of the indemnifying parties.

10.5 Majority. For purposes of this Agreement, the term "Majority" in reference to the Holders, shall mean in excess of fifty percent (50%) of the then outstanding Warrants or Warrant Shares that (y) are not held by the Company, an affiliate, officer, creditor, employee or agent thereof or any of their respective affiliates, members of their family, persons acting as nominees or in conjunction therewith and (z) have not been resold to the public pursuant to a registration statement filed with the Commission under the Act.

11. Adjustments to Exercise Price and Number of Securities.

11.1 Subdivision and Combination. In case the Company shall at any time subdivide or combine the outstanding shares of Common Stock, the Exercise Price shall forthwith be proportionately decreased in the case of subdivision or increased in the case of combination.

11.2 Stock Dividends and Distributions. If the Company at any time, or from time to time, while the Warrants are outstanding shall declare or pay, without consideration, any dividend on the Common Stock payable in Common Stock, then the Exercise Price shall be proportionately decreased.

11.3 Adjustment in Number of Securities. Upon each adjustment of the Exercise Price pursuant to the provisions of this Section 11, the number of Warrant Shares issuable upon the exercise at the adjusted exercise price of each Warrant shall be adjusted to the nearest full amount by multiplying a number equal to the Exercise Price in effect immediately prior to such adjustment by the number of Warrant Shares issuable upon exercise of the Warrants immediately prior to such adjustment and dividing the product so obtained by the adjusted Exercise Price.

11.4 Definition of Common Stock. For the purpose of this Agreement, the term "Common Stock" shall mean (i) the Common Stock or (ii) the class of stock designated as Common Stock in the Articles of Incorporation of the Company as may be amended as of the date hereof, or (ii) any other class of stock resulting from successive changes or reclassifications of such Common Stock consisting solely of changes in par value, or from par value to no par value, or from no par value to par value.

11.5 Merger or Consolidation. In case of any consolidation of the Company with, or merger of the Company with, or merger of the Company into, another corporation (other than a consolidation or merger in which the Company is the surviving entity), the corporation formed by such consolidation or merger shall execute and deliver to each Holder a supplemental warrant agreement providing that the holder of each Warrant then outstanding or to be outstanding shall have the right thereafter (until the expiration of such Warrant) to receive, upon exercise of such Warrant, the kind and amount of shares of stock and other

securities and property receivable upon such consolidation or merger, by a holder of the number of shares of Common Stock of the Company for which such warrant might have been exercised immediately prior to such consolidation, merger, sale or transfer. Such supplemental warrant agreement shall provide for adjustments which shall be identical to the adjustments provided in Section 11. The above provision of this subsection shall similarly apply to successive consolidations or mergers.

11.6 No Adjustment of Exercise Price in Certain Cases. No adjustment of the Exercise Price shall be made:

(a) Upon the issuance or sale of the Warrants or the shares of Common Stock issuable upon the exercise of the Warrants;

(b) If the amount of said adjustment shall be less than two cents (2 cents) per Warrant Share, provided, however, that in such case any adjustment that would otherwise be required then to be made shall be carried forward and shall be made at the time of and together with the next subsequent adjustment which, together with any adjustment so carried forward, shall amount to at least two cents (2 cents) per Warrant Share.

12. Exchange and Replacement of Warrant Certificates. Each Warrant Certificate is exchangeable without expense, upon the surrender thereof by the registered Holder at the principal executive office of the Company, for a new Warrant Certificate of like tenor and date representing in the aggregate the right to purchase the same number of Warrant Shares in such denominations as shall be designated by the Holder thereof at the time of such surrender.

Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of any Warrant Certificate, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it, and reimbursement to the Company of all reasonable expense incidental thereto, and upon surrender and cancellation of the

Warrants, if mutilated, the Company will make and deliver a new Warrant Certificate of like tenor, in lieu thereof.

13. Elimination of Fractional Interests. The Company shall not be required to issue certificates representing fractions of shares of Common Stock upon the exercise of the Warrants, nor shall it be required to issue scrip or pay cash in lieu of fractional interests, it being the intent of the parties that all fractional interests shall be eliminated by rounding any fraction up to the nearest whole number of shares of Common Stock or other securities, properties or rights.

14. Reservation and Listing of Securities. The Company shall at all times reserve and keep available out of its authorized shares of Common Stock, solely for the purpose of issuance upon the exercise of the Warrants, such number of shares of Common Stock or other securities, properties or rights as shall be issuable upon the exercise thereof. The Company covenants and agrees that, upon exercise of the Warrants and payment of the Exercise Price therefor, all shares of Common Stock and other securities issuable upon such exercise shall be

duly and validly issued, fully paid, non-assessable and not subject to the preemptive rights of any stockholder. As long as the Warrants shall be outstanding, the Company shall use its reasonable efforts to cause all shares of Common Stock issuable upon the exercise of the Warrants to be listed (subject to official notice of issuance) on all securities exchanges on which the Common Stock issued to the public in connection herewith may then be listed and/or quoted.

15. Notices to Warrant Holders. Nothing contained in this Agreement shall be construed as conferring upon the Holders the right to vote or to consent or to receive notice as a stockholder in respect of any meetings of stockholders for the election of directors or any other matter, or as having any rights whatsoever as a stockholder of the Company. If, however, at any time prior to the expiration of the Warrants and their exercise, any of the following events shall occur:

(a) the Company shall take a record of the holders of its shares of Common Stock for the purpose of entitling them to receive a dividend or distribution payable otherwise than in cash, or a cash dividend or distribution payable otherwise than out of current or retained earnings, as indicated by the accounting treatment of such dividend or distribution on the books of the Company;
or

(b) the Company shall offer to all the holders of its Common Stock any additional shares of capital stock of the Company or securities convertible into or exchangeable for shares of capital stock of the Company, or any option, right or warrant to subscribe therefor; or

(c) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation or merger) or a sale of all or substantially all of its property, assets and business as an entirety shall be proposed;

then, in any one or more of said events, the Company shall give written notice of such event at least fifteen (15) days prior to the date fixed as a record date or the date of closing the

transfer books for the determination of the stockholders entitled to such dividend, distribution, convertible or exchangeable securities or subscription rights, or entitled to vote on such proposed dissolution, liquidation, winding up or sale. Such notice shall specify such record date or the date of closing the transfer books, as the case may be. Failure to give such notice or any defect therein shall not affect the validity of any action taken in connection with the declaration or payment of any such dividend, or the issuance of any convertible or exchangeable securities, or subscription rights, options or warrants, or any proposed dissolution, liquidation, winding up or sale.

16. Notices.

All notices, requests, consents and other communications hereunder shall be in writing and shall be deemed to have been duly made and sent when delivered, or mailed by registered or certified mail, return receipt requested:

(a) If to a registered Holder of the Warrants, to the address of such Holder as shown on the books of the Company; or

(b) If to the Company, to the address set forth in Section 5 hereof or to such other address as the Company may designate by notice to the Holder; or

(c) If to Ryan, Beck & Co., Inc., to Ryan, Beck & Co., Inc. 200 Park Avenue, New York, NY 10166, Attention Randy F. Rock; or

(d) If to Larkspur Capital Corporation, to Larkspur Capital Corporation, 445 Park Avenue, New York, NY 10022, Attention: Robert L. Goodwin.

17. Supplements and Amendments. The Company and Ryan, Beck & Co. may from time to time supplement or amend this Agreement without the approval of any Holder in order to cure any ambiguity, to correct or supplement any provision contained herein which may be defective or inconsistent with any provisions herein, or to make any other provisions in regard to matters or questions arising hereunder which the Company and Ryan, Beck & Co. may deem necessary or desirable and which the Company and Ryan, Beck & Co. deem shall not adversely affect the interests of the Holders.

18. Successors. All the covenants and provisions of this Agreement shall be binding upon and inure to the benefit of the Company, each Holder and their respective successors and assigns hereunder.

19. Termination. This Agreement shall terminate at the close of business on January 25, 2005.

20. Governing Law; Submission to Jurisdiction. This Agreement and each Warrant Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of

Delaware and for all purposes shall be construed in accordance with the laws of said State without giving effect to the rules of said State governing the conflicts of laws.

The Company, the Agents and each Holder hereby agrees that any action, proceeding or claim against it arising out of, or relating in any way to, this Agreement shall be brought and enforced in the federal courts located in Wilmington, Delaware, and irrevocably submits to such jurisdiction, which jurisdiction shall be exclusive. The Company, the Agents and each Holder hereby irrevocably waives any objection to such exclusive jurisdiction or inconvenient forum. Any such process or summons to be served upon any of the Company, the Agents and the Holder(s) (at the option of the party bringing such action, proceeding or claim) may be served by transmitting a copy thereof, by registered or certified mail, return receipt requested, postage prepaid, addressed to it at the address set forth in Section 16 hereof. Such mailing shall be deemed personal service and shall be legal and binding upon the party so served in any action, proceeding or claim. The Company, the Agents and the Holder(s) agree that the prevailing party(ies) in any such action or proceeding shall be entitled to recover from the other party(ies) all of its/their reasonable legal costs and expenses relating to such action or proceeding and/or incurred in connection with the preparation therefor.

21. Entire Agreement; Modification. This Agreement contains the entire understanding between the parties hereto with respect to the subject matter hereof and may not be modified or amended except by a writing duly signed by the party against whom enforcement of the modification or amendment is sought.

22. Severability. If any provision of this Agreement shall be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision of this Agreement.

23. Captions. The caption headings of the Sections of this Agreement are for convenience of reference only and are not intended, nor should they be construed as, a part of this Agreement and shall be given no substantive effect.

24. Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any person or corporation other than the Company and the Agents and any other Holder any legal or equitable right, remedy or claim under this Agreement; and this Agreement shall be for the sole benefit of the Company and the Agents and any other registered Holder.

25. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and such counterparts shall together constitute but one and the same instrument.

26. Assignment. This Agreement may not be assigned without prior written consent of all parties hereto. The Warrants granted hereunder may be assigned in part, or in whole if prior to any such assignment the assignee executes and delivers to the Company a Certification, the form and content of which must be

satisfactory to the Company, in which such assignee represents to the Company that such assignee is an "accredited investor" under Rule 501 of Regulation D promulgated under the Act and how such assignee is an accredited investor, and that such assignee is acquiring such designated Warrants for the assignees' own account, for investment purposes only and not with a view toward distribution or resale and agrees to be subject to and bound by all of the other conditions and provisions of this Agreement (including, but not limited to, the representations, warranties and covenants contained in Sections 3 and 7 hereof) and such assignee shall execute and deliver to the Company an agreement in form and substance substantially the same as this Agreement except for the name and number of Warrants to be issued to the assignee.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, as of the day and year first above written.

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

By: _______________________________________

Dr. Louis F. Centofanti
Chief Executive Officer

RYAN, BECK & CO., INC.

By: ______________________________________

Name:

Title:

LARKSPUR CAPITAL CORPORATION

By: ______________________________________

Name:

Title:

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