

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 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 (IRS Employer Identification Number)
of incorporation or organization)

1940 N.W. 67th Place, Gainesville, FL 32653
(Address of principal executive offices) (Zip Code)

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 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 November 17, 2000
Common Stock, \$.001 Par Value	21,833,649 (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, results of operations and cash flows 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 nine months ended September 30, 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)	September 30, 2000 (Unaudited)	December 31, 1999
<S>	<C>	<C>

ASSETS		
Current assets:		
Cash and cash equivalents	\$ 524	\$ 771
Restricted cash equivalents and investments	20	73
Accounts receivable, net of allowance for doubtful accounts of \$886 and \$952, respectively	15,990	13,027
Inventories	616	229
Prepaid expenses	1,379	486
Other receivables	739	62
Assets of discontinued operations	47	377
Total current assets	<u>19,315</u>	<u>15,025</u>
Property and equipment:		
Buildings and land	14,015	12,555
Equipment	18,310	13,682
Vehicles	2,406	2,274
Leasehold improvements	16	16
Office furniture and equipment	1,495	1,223
Construction in progress	3,555	1,210
	<u>39,797</u>	<u>30,960</u>
Less accumulated depreciation	(9,321)	(7,690)
Net property and equipment	<u>30,476</u>	<u>23,270</u>
Intangibles and other assets:		
Permits, net of accumulated amortization of \$1,923 and \$1,504, respectively	13,552	8,544
Goodwill, net of accumulated amortization of \$1,244 and \$1,009, respectively	6,918	7,154
Other assets	605	651
Total assets	<u>\$70,866</u> =====	<u>\$54,644</u> =====

</TABLE>

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

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<TABLE>

<CAPTION>

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

(Amounts in Thousands, Except for Share Amounts)	September 30, 2000 (Unaudited)	December 31, 1999
<S>	<C>	<C>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,671	\$ 7,587
Accrued expenses	8,288	5,885
Revolving loan and term note facility	938	938
Current portion of long term debt	7,864	1,427
Current liabilities of discontinued operations	220	588
Total current liabilities	<u>23,981</u>	<u>16,425</u>
Environmental accruals	3,653	3,847
Accrued closure costs	5,091	962
Long term debt, less current portion	16,190	12,937
Long term liabilities of discontinued operations	654	654
Total long term liabilities	<u>25,588</u>	<u>18,400</u>
Total liabilities	<u>49,569</u>	<u>34,825</u>
Commitments and Contingencies (see Note 7)	-	-
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, 22,821,649 and 21,501,776 shares issued, including 988,000 shares held as treasury stock	23	21
Additional paid-in capital	43,466	42,367
Accumulated deficit	(20,330)	(20,707)
	<u>23,159</u>	<u>21,681</u>
Less Common Stock in treasury at cost; 988,000 shares issued and outstanding	(1,862)	(1,862)
	<u>21,297</u>	<u>19,819</u>
Total stockholders' equity		
	<u>21,297</u>	<u>19,819</u>
Total liabilities and stockholders' equity	\$ 70,866	\$ 54,644
	=====	=====

</TABLE>

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

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<TABLE>

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

(Amounts in Thousands, Except for Share Amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
Net revenues	\$15,360	\$13,858	\$43,441	\$32,243
Cost of goods sold	10,190	9,223	29,739	21,332
Gross profit	5,170	4,635	13,702	10,911
Selling, general and administrative expenses	3,138	3,014	9,318	7,147
Depreciation and amortization	903	771	2,617	1,887
Income from operations	1,129	850	1,767	1,877
Other income (expense):				
Interest income	10	16	31	34
Interest expense	(556)	(257)	(1,407)	(375)
Other	74	(11)	141	(31)
Net income	657	598	532	1,505
Preferred Stock dividends	(51)	(57)	(155)	(247)
Gain on Preferred Stock redemption	-	188	-	188
Net income applicable to Common Stock	\$ 606	\$ 729	\$ 377	\$ 1,446
	=====	=====	=====	=====

Net income per share:

Basic	\$.03	\$.04	\$.02	\$.09
	=====	=====	=====	=====
Diluted	\$.03	\$.03	\$.02	\$.08
	=====	=====	=====	=====

Number of shares and Common stock
equivalents used in computing net
income per share:

Basic:	21,720	20,386	21,427	16,472
	=====	=====	=====	=====
Diluted	26,208	24,183	25,717	20,104
	=====	=====	=====	=====

</TABLE>

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

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<TABLE>

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

(Amounts in Thousands, Except for Share Amounts)	Nine Months Ended September 30,	
	2000	1999
<S>	<C>	<C>
Cash flows from operating activities:		
Net income from continuing operations	\$ 532	\$ 1,505
Adjustments to reconcile net income to cash provided by (used in) operations:		
Depreciation and amortization	2,617	1,887
Provision for bad debt and other reserves	53	25
Gain on sale of plant, property and equipment	(107)	(19)
Changes in assets and liabilities, net of effects from business acquisitions:		
Accounts receivable	(753)	(1,968)
Prepaid expenses, inventories and other assets	(1,214)	(390)
Accounts payable and accrued expenses	(748)	(1,101)
Net cash provided by (used in) continuing operations	380	(61)
Net cash used by discontinued operations	(343)	(789)
Cash flows from investing activities:		
Purchases of property and equipment, net	(2,280)	(1,357)
Proceeds from sale of plant, property and equipment	191	65
Change in restricted cash, net	36	1,060
Cash used for acquisition consideration	(2,500)	(1,000)
Net cash used for acquisition settlements	-	(1,616)
Net cash provided by (used in) discontinued operations	265	(42)
Net cash used in investing activities	(4,288)	(2,890)
Cash flows from financing activities:		
Borrowings of revolving loan and term note facility	445	4,668
Principal repayments of long term debt	(1,062)	(450)
Proceeds from issuance of long term debt	3,750	250
Redemption of Preferred Stock	-	(750)
Purchase of treasury stock	-	(49)
Proceeds from issuance of stock	830	142
Net cash used by discontinued operations	(4)	(21)
Net cash provided by financing activities	3,959	3,790
Increase (decrease) in cash and cash equivalents	(292)	50
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 \$0, and \$43, respectively	\$ 524	\$ 826
	=====	=====
Supplemental disclosure:		
Interest and dividends paid	\$ 1,301	\$ 755
Non cash investing and financing activities:		
Issuance of Common Stock for services	-	15
Issuance of Common Stock for payment of dividends	214	221
Long term debt incurred for purchase of property and equipment	556	577
Long term debt incurred for acquisitions	6,000	4,700
Issuance of stock and warrants for acquisitions	57	3,000

</TABLE>

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

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<TABLE>
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 PERMA-FIX ENVIRONMENTAL SERVICES, INC.
 CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
 (Unaudited, for the Nine Months Ended September 30, 2000)

(Amounts in Thousands Except for Share Amounts)	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Common Stock Held in Treasury
	Shares	Amount	Shares	Amount			
<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 Income	-	-	-	-	-	532	-
Preferred Stock dividend	-	-	-	-	-	(155)	-
Issuance of Common Stock for Preferred Stock dividend	-	-	168,825	-	214	-	-
Conversion of Preferred Stock to Common Stock	(350)	-	322,351	1	(1)	-	-
Issuance of stock under Employee Stock Purchase Plan	-	-	101,697	-	103	-	-
Issuance of warrants in conjunction with acquisition	-	-	-	-	57	-	-
Exercise of warrants	-	-	727,000	1	726	-	-
Balance at September 30, 2000	4,187	\$ -	22,821,649	\$ 23	\$ 43,466	\$ (20,330)	\$ (1,862)

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

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 September 30, 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.

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The following is a reconciliation of basic net income per share to diluted net income per share for the three months and nine months ended September 30, 2000 and 1999:

(Amounts in Thousands, Except for Share Amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
Net income applicable to Common Stock - basic	\$ 606	\$ 729	\$ 377	\$ 1,446
Effect of dilutive securities - Preferred Stock dividends	51	57	155	247
Gain on Preferred Stock dividends	-	(188)	-	(188)
Net income applicable to Common Stock - diluted	\$ 657 =====	\$ 598 =====	\$ 532 =====	\$ 1,505 =====
Basic net income per share	\$.03 =====	\$.04 =====	\$.02 =====	\$.09 =====
Diluted net income per share	\$.03 =====	\$.03 =====	\$.02 =====	\$.08 =====
Weighted average shares outstanding-basic	21,720	20,386	21,427	16,472

Potential shares exercisable under stock option plans	1,132	712	1,015	519
Potential shares upon exercise of warrants	565	-	484	-
Potential shares upon conversion of Preferred Stock	2,791	3,085	2,791	3,113
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Weighted average shares outstanding-diluted	26,208	24,183	25,717	20,104
	=====	=====	=====	=====

</TABLE>

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 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

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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 \$841,000 as of September 30, 2000, a decrease of \$334,000 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, agency and investigative activities (\$192,000) and the general operating losses, including indirect labor, materials and supplies, incurred in conjunction with the above actions (\$142,000). The general operating losses do not reflect management fees charged by the Company. The remaining environmental and closure liability represents the best estimate of the cost to complete the groundwater remediation at the site of approximately \$580,000, 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 \$261,000.

4. Acquisition

On May 16, 2000, Perma-Fix Environmental Services, Inc. (the "Company"), and Waste Management Holdings, Inc., a Delaware corporation ("Waste Management Holdings") entered into a Stock Purchase Agreement which was subsequently amended on August 31, 2000 (together, the "Stock Purchase Agreement"), wherein the Company agreed to purchase all of the outstanding capital stock of Diversified Scientific Services, Inc. ("DSSI") from Waste Management Holdings, Inc. pursuant to the terms of the Stock Purchase Agreement. On August 31, 2000, the conditions precedent to closing of the Stock Purchase Agreement were completed and the Stock Purchase Agreement was consummated.

Under the terms of the Stock Purchase Agreement, the purchase price paid by the Company in connection with the DSSI acquisition was \$8,500,000, consisting of (i) \$2,500,000 in cash at closing, (ii) a guaranteed promissory note (the "Guaranteed Note"), guaranteed by DSSI, with the DSSI guarantee secured by certain assets of DSSI (except for accounts, accounts receivable, general intangibles, contract rights, cash, real property and proceeds thereof), executed by the Company in favor of Waste Management Holdings in the aggregate principal amount of \$2,500,000 and bearing interest at a rate equal to the prime rate charged on August 30, 2000, as published in the Wall Street Journal plus 1.75% per annum and having a term of the lesser of 120 days from August 31, 2000, or the business day that the Company acquires any entity or substantially all of the assets of an entity (the "Guaranteed Note Maturity Date"), with interest and principal due in a lump sum at the end of the Guaranteed Note Maturity Date, and (iii) an unsecured promissory note (the "Unsecured Promissory Note"), executed by the Company in favor of Waste Management Holdings in the aggregate principal amount of \$3,500,000, and bearing interest at a rate of 7% per annum and having a five-year term with interest

to be paid annually and principal due at the end of the term of the Unsecured Promissory Note.

The cash portion of the purchase price for DSSI was obtained pursuant to the terms of a short term bridge loan agreement (the "\$3,000,000 RBB Loan Agreement") with RBB Bank Aktiengesellschaft, a bank organized under the laws of Austria ("RBB Bank"), whereby RBB Bank loaned (the "\$3,000,000 RBB Loan") the Company the aggregate principal amount of \$3,000,000, as evidenced by a Promissory Note (the "\$3,000,000 RBB Promissory Note") in the face amount of \$3,000,000, having a maturity date of November 29, 2000, and bearing an annual interest rate of 12%.

The principal business of DSSI, conducted at its facility in Kingston, Tennessee, is the permitted transportation, storage and treatment of hazardous waste and mixed waste (waste containing both low level radioactive and hazardous waste) and the disposal of or recycling of mixed waste in DSSI's treatment unit located at DSSI's facility. The Company intends to continue using the DSSI facility for substantially the same purposes as such was being used prior to the acquisition by the Company.

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The acquisition was accounted for using the purchase method effective August 31, 2000, and accordingly, the assets and liabilities as of this date are included in the accompanying consolidated financial statements. As of September 1, 2000, the Company has performed a preliminary purchase price allocation based upon information available as of this date. Accordingly, the purchase price has been preliminarily allocated to the net assets acquired and net liabilities assumed based on their estimated fair values. Included in this preliminary allocation were acquired assets of approximately \$9,165,000 and assumed liabilities of approximately \$6,007,000, against total consideration of \$8,500,000. This preliminary allocation has resulted in an excess purchase price over the fair value of the net assets acquired of \$5,400,000 which was assigned to intangible permits. The intangible permits are being amortized on a straight line basis over 20 years. The preliminary purchase price allocation is subject to completing the valuation of certain assets and liabilities, which have not been finalized, and may or may not result in a change to the estimated fair market values assigned. The results of the acquired business have been included in the consolidated financial statements since the date of acquisition. The audited financial statements of DSSI for the fiscal year ended December 31, 1999, reflected net revenues of \$10,129,000, net income of \$2,590,000 and an EBITDA of \$2,754,000.

We accrued for the estimated closure costs, determined pursuant to RCRA and BIF guidelines, for the regulated facility acquired. This accrual, recorded at \$4,106,000, represents the potential future liability to close and remediate such facilities, should such a cessation of operations ever occur. No insurance or third party recovery was taken into account in determining our cost estimates or reserve, nor do our cost estimates or reserve reflect any discount for present value purposes.

The following unaudited pro forma information presents the consolidated statement of operations of the company as if the acquisition had taken place on January 1, 1999. DSSI had a December 31 fiscal year end and therefore, their results for the year ended December 31, 1999, have been consolidated with our results for the year ended December 31, 1999. DSSI's results for the nine months ended September 30, 2000 and 1999, have been consolidated with our results for the nine months ended September 30, 2000 (excluding the DSSI results for September 2000, included therein) and 1999.

(Amounts in thousands, except per share amounts)	Year Ended	Nine Months Ended	
	December 31, 1999	September 30, 2000	September 30, 1999
Net revenues	\$ 56,593	\$46,822	\$39,016
Net income (loss) applicable to Common Share	2,899	(492)	1,767
Net Income (loss) per share:			
Basic	.17	(.02)	.11
Diluted	.14	(.02)	.09

Weighted average number of common

shares outstanding

Basic	17,488	21,427	16,472
Diluted	21,224	21,427	20,104

These unaudited pro forma results have been prepared for comparative purposes only and include certain adjustments, such as additional amortization expense as a result of intangible permits and increased interest expense on acquisition related debt. They do not purport to be indicative of the results of operations that actually would have resulted on the date indicated, or which may result in the future.

5. Proposed Acquisition

During July 2000, the Company signed a letter of intent to acquire 80% of the voting stock of East Tennessee Materials and Energy Corporation ("M&EC"). Subsequently, the Company and M&EC orally modified their negotiations to address a proposed acquisition by the Company of 100% of the voting stock of M&EC. M&EC is licensed to operate a low level radioactive and hazardous ("Mixed Waste")

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treatment facility at the U.S. Department of Energy's ("DOE") site in Oak Ridge, Tennessee. The two-acre M&EC facility, which is intended for the treatment of government and commercial mixed waste, is the only non-government operated mixed waste treatment facility that is located within the government's Oak Ridge, Tennessee, site. M&EC will process mixed waste under three Broad Spectrum contracts granted to M&EC. As of the date of this report, M&EC is in the process of constructing its treatment facility and has no material revenue generating activities. If this transaction is completed, the Company anticipates it will pay consideration of approximately \$1,350,000 which shall be payable at closing, as follows: (i) \$338,000 in cash, and (ii) \$1,012,000 in the form of Perma-Fix Common Stock, with the number of shares determined at the date of closing, but not to exceed 675,000 shares. In addition, M&EC would issue, prior to the closing of this transaction, M&EC preferred stock to the current M&EC Owners. As of November 15, 2000, the Company has loaned M&EC \$930,000. The Company has evidenced such loan by the execution by M&EC of a promissory note in favor of the Company, which is secured by the assets of M&EC. The acquisition of M&EC is subject to, among other things, negotiation and execution of a definitive agreement, completion of due diligence, regulatory approval, the Company obtaining appropriate financing for the acquisition, and the Company obtaining the settlement of certain of M&EC's tax liabilities and obligations relating to M&EC's 401(k), all of which must be to the satisfaction of the Company.

6. Long term Debt

<TABLE>
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Long term debt consists of the following at September 30, 2000, and December 31, 1999 (in thousands):

	September 30, 2000 (Unaudited)	December 31, 1999
<S>	<C>	<C>
Revolving loan facility dated January 15, 1998, as amended May 27, 1999 and August 31, 2000, borrowings based upon eligible accounts receivable, subject to monthly borrowings base calculation, variable interest paid monthly at prime rate plus 1 3/4 (11.25% at September 30, 2000).	\$ 7,040	\$ 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 (11.25% at September 30, 2000).	2,500	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.	3,635	4,283
Promissory note dated July 14, 2000, payable in lump sum of principal and interest on the earlier of December 31, 2000, or ten business days after \$3,000,000 in securities raised, interest paid at annual rate of 10%.	750	-

Promissory note dated August 29, 2000, payable in lump sum of principal and interest on November 29, 2000, interest paid at annual rate of 12%.	3,000	-
Promissory note dated August 31, 2000, payable in lump sum on December 31, 2000, interest paid annually at 11.25%.	2,500	-
Promissory note dated August 31, 2000, payable in lump sum in August 2005, interest paid annually at 7%.	3,500	-
Various capital lease and promissory note obligations, payable 2000 to 2005, interest at rates ranging from 7.5% to 13.0%.	2,067	1,925
	<u>24,992</u>	<u>15,302</u>
Less current portion of revolving loan and term note facility	938	938
Less current portion of long term debt	7,864	1,427
	<u>\$ 16,190</u>	<u>\$ 12,937</u>
	=====	=====

</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

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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 due 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.

In connection with the acquisition of DSSI on August 31, 2000, Congress, the Company and the Company's subsidiaries, including DSSI entered into a Second Amendment and Joinder to Loan and Security Agreement (the "Second Amendment") dated August 31, 2000, pursuant to which the 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 \$11,000,000 to \$12,000,000, with the revolving line of credit portion being determined as the maximum credit of \$12,000,000, 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, and (ii) DSSI being added as a co-borrower under the terms of the original loan

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agreement, as amended. The Second Amendment became effective on August 31, 2000, when the acquisition of DSSI was consummated. The Company incurred approximately \$35,000 in amendment fees associated with the Second Amendment, as required pursuant to the acquisition of DSSI. The interest rate on the revolving loan and term loan was 11.25% at September 30, 2000.

Under the terms of the Original Loan Agreement, as amended, the Company had 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 CCC, CCG and CM acquisition. The adjusted net worth covenant requirement ranged 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. However, pursuant to the DSSI acquisition and Second Amendment, the covenant requirements were amended as follows: (i) the Company agreed to maintain a net worth in accordance with GAAP on a consolidated basis of not less than \$19,500,000 from the date of the acquisition until December 31, 2001, and (ii) effective December 31, 2001, through the remaining term of the Original Loan Agreement, the Company agreed to maintain an adjusted net worth of not less than \$3,000,000. 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, CM and DSSI) 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 September 30, 2000, borrowings under the revolving loan agreement were approximately \$7,040,000, an increase of \$1,149,000 over the December 31, 1999, balance of \$5,891,000. The balance under the term loan at September 30, 2000, was \$2,500,000, a decrease of \$703,000 from the December 31, 1999, balance of \$3,203,000. As of September 30, 2000, the Company's borrowing availability under the Congress credit facility, based on its then outstanding eligible accounts receivable, was approximately \$2,237,000, including \$1.0 million of additional borrowing availability extended to the Company by Congress. The additional borrowing availability was provided to the Company to assist with the acquisition of DSSI and M&EC (see Note 4 and Note 5) and to fund certain facility expansions and capital improvements, in anticipation of the Company raising additional funds. During the

first quarter of 2000, the Company engaged Ryan, Beck & Co. and Larkspur Capital Corporation (collectively, the "Financial Advisors") as financial advisors to the Company in the private placement of new debt and possible equity.

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 \$3,635,000 at September 30, 2000, of which \$906,000 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.

On July 14, 2000, the Company entered into a letter agreement ("750,000 RBB Loan Agreement") with RBB Bank Aktiengesellschaft ("RBB Bank"), pursuant to which RBB Bank, acting as agent for certain investors who provided the funds, loaned (the "750,000 RBB Loan") the Company the aggregate principal amount of \$750,000, as evidenced by an unsecured promissory note (the "750,000 RBB

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Promissory Note") in the face amount of \$750,000, bearing an annual interest rate of 10.0% per annum. The purpose of the \$750,000 RBB Loan is to provide interim financing to facilitate the acquisition of DSSI and M&EC (see Note 4 and Note 5) and to fund certain capital expansions at the Company's existing facilities. The principal amount of this Note and accrued interest thereon is payable in full upon the earlier of (i) December 31, 2000, or (ii) ten business days after the Company raises \$3,000,000 or more through a private placement of capital securities. As previously discussed in Note 6, during the first quarter, the Company engaged Ryan, Beck & Co. and Larkspur Capital Corporation as financial advisors to the Company in the private placement of new debt and possible equity.

On August 29, 2000, the Company entered into a short term bridge loan agreement with RBB Bank in connection with the Company's acquisition of DSSI. This loan agreement (the "\$3,000,000 RBB Loan Agreement") was between the Company and RBB Bank, pursuant to which RBB Bank, acting as agent for certain investors who provided the funds, loaned (the "\$3,000,000 RBB Loan") the Company the aggregate principal amount of \$3,000,000, as evidenced by a Promissory Note (the "\$3,000,000 RBB Promissory Note") in the face amount of \$3,000,000, having a maturity date of November 29, 2000 and bearing an annual interest rate of 12%.

In connection with the \$3,000,000 RBB Loan, the Company paid RBB Bank a fee of \$15,000 and issued RBB Bank, as agent for the investors who loaned the money to the Company, certain warrants (the "Initial RBB Loan Warrants"), having a term of three (3) years, allowing the purchase of up to 150,000 shares of the Company's Common Stock, par value \$.001 per share (the "Common Stock"), at an exercise price of \$1.50 per share, with these warrants containing a cashless exercise provision. The Black Scholes valuation of these warrants was \$57,000 and such amount was recorded as acquisition costs. Pursuant to the terms of the \$3,000,000 RBB Loan Agreement, if all principal and accrued and unpaid interest under the \$3,000,000 RBB Promissory Note is not paid in full by 5:00 p.m. New York time, (i) on October 30, 2000, then the Company shall issue to RBB Bank, as agent for the investors who loaned the money to the Company, certain additional warrants, having a term of three (3) years, allowing the purchase of up to an additional 5,000 shares of Common Stock for each \$100,000 of unpaid principal remaining under the Promissory Note on such date, at an exercise price equal to the closing market price of the Common Stock on the NASDAQ on October 30, 2000, with such warrants containing a cashless exercise provision, (ii) on November 29, 2000, then the Company shall issue to RBB Bank, as agent for the investors who loaned the money to the Company, a certain number of shares of Common Stock, with the number of shares determined by dividing \$300,000 by the closing market price of the Common Stock on the NASDAQ on such date, if shares of Common Stock have been traded on the NASDAQ on such date, or on the most recent trading date, if shares of Common Stock have not been traded on the NASDAQ on such date, and (iii) on the 29th day of each month after November 2000, then the Company shall issue to RBB Bank, as agent for the investors who loaned the money to the Company, a certain

additional number of shares of Common Stock, with the number of shares determined by dividing \$300,000 by the closing market price of the Common Stock on the NASDAQ on such date, if shares of Common Stock have been traded on the NASDAQ on such date, or on the most recent trading date, if shares of Common Stock have not been traded on the NASDAQ on such date. As of October 30, 2000, RBB Bank is the beneficial owner of approximately 12,830,363 shares of Common Stock or approximately 45.9% of the issued and outstanding Common Stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations RBB Loan," and "Part II Other Information, Item 5."

On August 31, 2000, the Company issued to Waste Management a certain short term note as part of the consideration for the purchase of DSSI. This note was a guaranteed promissory note (the "Guaranteed Note"), guaranteed by DSSI, with the DSSI guarantee secured by certain assets of DSSI (except for accounts, accounts receivable, general intangibles, contract rights, cash, real property, and proceeds thereof), executed by the Company in favor of Waste Management Holdings in the aggregate principal amount of \$2,500,000, and bearing interest at a rate equal to the prime rate charged on August 30, 2000, as published in the Wall Street Journal plus 1.75% per annum and having a term of the lesser of 120 days from August 31, 2000, or the business day that the Company acquires any entity or substantially all of the assets of an entity (the

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"Guaranteed Note Maturity Date"), with interest and principal due in a lump sum at the end of the Guaranteed Note Maturity Date.

In addition, as part of the consideration for the purchase of DSSI, the Company issued to Waste Management Holdings a long term unsecured promissory note (the "Unsecured Promissory Note") in the aggregate principal amount of \$3,500,000, bearing interest at a rate of 7% per annum and having a five-year term with interest to be paid annually and principal due at the end of the term of the Unsecured Promissory Note.

7. 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.

8. Business Segment Information

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

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- * 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 twelve 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 eight 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., Chem-Met Services, Inc., and Diversified Scientific 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. ("SYA") 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 SYA operations.

The following table shows certain financial information by business segment for the quarter ended September 30, 2000, and quarter ended September 30, 1999, and excludes the results of operations of the discontinued operations.

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Segment Reporting for the Quarter Ended September 30, 2000

	Waste Services	Engineering	Segments Total	Corp. (2)	Memphis (3)	Consolidated Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue from external customers	\$14,640	\$ 720	\$15,360	\$ -	\$ -	\$15,360
Intercompany revenues	1,879	35	1,914	-	-	1,914
Interest income	6	-	6	4	-	10
Interest expense	428	15	443	113	-	556
Depreciation and amortization	863	22	885	18	-	903
Segment profit (loss)	1,215	54	1,269	(663)	-	606
Segment assets(1)	66,464	2,312	68,776	2,043	47	70,866
Expenditures for segment assets	1,046	2	1,048	2	-	1,050

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Segment Reporting for the Quarter Ended September 30, 1999

	Waste Services	Engineering	Segments Total	Corp (2)	Memphis (3)	Consolidated Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue from external customers	\$ 12,457	\$ 1,401	\$13,858	\$ -	\$ -	\$ 13,858
Intercompany revenues	606	105	711	-	-	711
Interest income	16	-	16	-	-	16
Interest expense	249	(10)	239	18	-	257
Depreciation and amortization	738	28	766	5	-	771
Segment profit (loss)	1,084	(45)	1,039	(310)	-	729
Segment assets(1)	49,840	2,560	52,400	798	511	53,709
Expenditures for segment assets	771	1	772	45	-	817

<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 3).

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The table below shows certain financial information by business segment for the nine months ended September 30, 2000, and nine months ended September 30, 1999, and excludes the results of operations of the discontinued operations.

Segment Reporting for the Nine Months Ended September 30, 2000

	Waste Services	Engineering	Segments Total	Corp (2)	Memphis (3)	Consolidated Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue from external customers	\$40,898	\$ 2,543	\$43,441	\$ -	\$ -	\$ 43,441
Intercompany revenues	4,207	113	4,320	-	-	4,320
Interest income	20	-	20	11	-	31
Interest expense	1,105	43	1,148	259	-	1,407
Depreciation and amortization	2,503	62	2,565	52	-	2,617
Segment profit (loss)	1,928	273	2,201	(1,824)	-	377
Segment assets(1)	66,464	2,312	68,776	2,043	47	70,866
Expenditures for segment assets	2,739	51	2,790	46	-	2,836

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Segment Reporting for the Nine Months Ended September 30, 1999

	Waste Services	Engineering	Segment Total	Corp (2)	Memphis (3)	Consolidated Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue from external customers	\$ 28,698	\$ 3,545	\$ 32,243	\$ -	\$ -	\$ 32,243
Intercompany revenues	1,889	296	2,185	-	-	2,185
Interest income	32	-	32	2	-	34
Interest expense	382	33	415	(40)	-	375
Depreciation and amortization	1,805	68	1,873	14	-	1,887
Segment profit (loss)	2,524	51	2,575	(1,129)	-	1,446
Segment assets(1)	49,840	2,560	52,400	798	511	53,709
Expenditures for segment assets	1,780	16	1,796	138	-	1,934

<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 3).

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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 M&EC, (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) ability to receive or retain certain required permits or to obtain regulatory approvals to modify the permits held by M&EC to complete the acquisition of M&EC, (viii) 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, (ix) determination that PFM is the source of chlorinated compounds at the Allen Well Field, (x) changes in federal, state and local laws and regulations, especially environmental regulations, or in interpretation of such, (xi) potential increases in equipment, maintenance, operating or labor costs, (xii) management retention and development, (xiii) the requirement to use internally generated funds for purposes not presently anticipated, (xiv) inability to remain profitable, (xv) the inability to secure additional liquidity in the form of additional equity or debt, (xvi) the commercial viability of our on-site treatment process, (xvii) 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, (xviii) the inability of the Company to maintain the listing of its Common Stock on the NASDAQ, (xix) the determination that CM or CCC was responsible for a material amount of remediation at certain Superfund sites, (xx) inability to obtain additional financing, (xxi) inability to finalize the acquisition of M&EC, (xxii) inability of the Company to obtain a new term and revolving credit facility, (xxiii) inability of the Company to pay the balance due under the \$750,000 RBB Promissory Note, the \$3,000,000 RBB Promissory Note, and the Guaranteed Note. The Company undertakes no obligations to update publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

<TABLE>
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Results of Operations

The table below should be used when reviewing management's discussion and analysis for the three and nine months ended September 30, 2000, and 1999:

Consolidated	Three Months Ended September 30,				Nine Months Ended September 30,			
	2000	%	1999	%	2000	%	1999	%
(amounts in thousands)								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net	\$15,360	100.0	\$13,858	100.0	\$43,441	100.0	\$32,243	100.0
Cost of Goods Sold	10,190	66.3	9,223	66.6	29,739	68.5	21,332	66.2
Gross Profit	5,170	33.7	4,635	33.4	13,702	31.5	10,911	33.8
Selling, General & Administrative	3,138	20.4	3,014	21.7	9,318	21.4	7,147	22.2
Depreciation/Amortization	903	5.9	771	5.6	2,617	6.0	1,887	5.9
Income from Operations	\$ 1,129	7.4	\$ 850	6.1	\$ 1,767	4.1	\$ 1,877	5.8
Interest Expense	(556)	(3.6)	(257)	(1.9)	(1,407)	(3.2)	(375)	(1.2)
Preferred Stock Dividends	(51)	(0.3)	(57)	(0.4)	(155)	(0.4)	(247)	(0.8)
Gain on Preferred Stock Redemption	-	-	188	1.4	-	-	188	0.6

</TABLE>

Summary -- Three and Nine Months Ended September 30, 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 (waste containing both hazardous and low level radioactive material). 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 \$15,360,000 from \$13,858,000 for the quarter ended September 30, 2000, as compared to the same quarter in 1999. This increase of \$1,502,000 or 10.8% is principally attributable to the additional revenues resulting from the acquisition of Diversified Scientific Services, Inc. (DSSI), effective August 31, 2000, which contributed approximately \$1,088,000 to this increase. Also contributing to this increase, were increases within the Waste Management Services segment totaling approximately \$1,095,000, partially from an increase in mixed waste revenues due to the significant expansion of the North Florida mixed waste facility, in conjunction with the expanded permit as received during the second quarter of 2000. Offsetting these increases, were decreases within the Consulting Engineering segment totaling approximately \$681,000 principally from the Mintech, Inc. engineering company whose operations were reduced and merged with Schreiber, Yonley and Associates, Inc. during the 2nd half of 1999. Consolidated net revenues increased to \$43,441,000 from \$32,243,000 for the nine-month period ended September 30, 2000. This increase of \$11,198,000 or 34.7% is attributable to the Waste Management Services segment which experienced an increase in revenues of \$12,200,000. The additional revenues resulting from the acquisition of CCC, CCG and CM in the aggregate contributed

approximately \$10,868,000 to this increase along with additional revenues resulting from the acquisition of DSSI of approximately \$1,088,000. Other Waste Management Services facilities contributed \$244,000 to this increase. Partially offsetting this increase, were decreases within the consulting engineering segment totaling approximately \$1,002,000, principally from the Mintech, Inc. engineering company whose operations were reduced and merged with Schreiber, Yonley and Associates, Inc. during the second half of 1999.

Cost of goods sold for the Company increased \$967,000 or 10.5% for the quarter ended September 30, 2000, as compared to the quarter ended September 30, 1999. This consolidated increase in cost of goods sold reflects principally the increased operating, disposal and transportation costs, corresponding to the increased revenues from the acquisition of DSSI, as discussed above, which totaled \$392,000. Increased operating costs were also recognized across most of the Waste Management Services facilities, as we increased certain fixed costs and began preparation for the processing of new wastewater streams at several industrial facilities and the expanded mixed waste processing capabilities at the North Florida mixed waste facility. The resulting gross profit for the quarter ended September 30, 2000, increased \$535,000 to \$5,170,000 which as a percentage of revenue is 33.7%, reflecting an increase over the corresponding quarter in 1999 percentage of revenue of 33.4%. This increase in gross profit as a percentage of revenue was principally recognized through an increase in the Consulting Engineering segment from 19.7% in 1999 to 29.9% in 2000, reflecting the effect of Mintech, Inc. being reduced and merged into Schreiber, Yonley and Associates, Inc. in the second half of 1999. This was offset by the Waste Management Services segment which experienced a decrease from 34.5% in 1999 to 33.8% in 2000 reflecting the expansion and startup activities discussed above. Cost of goods sold also increased \$8,407,000 or 39.4% for the nine-month period ended September 30, 2000, as compared to the nine-month period ended September 30, 1999. This increase is a direct result of the increased operating, disposal and transportation costs, corresponding to the increased revenues from the acquisition of CCC, CCG, CM and DSSI. The resulting gross profit for the nine months of 2000 increased \$2,791,000 to \$13,702,000, which as a percentage of revenue is 31.5%, reflecting a decrease over the corresponding nine months in 1999 percentage of revenue of 33.8%. This decrease in gross profit as a percentage of revenue was principally recognized throughout the waste management services segment which experienced a decrease from 34.8% in 1999 to 31.5% in 2000 reflecting the expansion and startup activities discussed above. Offsetting this decrease, however, was an increase in the Consulting Engineering segment from 26.3% in 1999 to 31.4% in 2000, reflecting the benefits from the restructuring and consolidation of our engineering businesses.

Selling, general and administrative expenses increased \$124,000 or 4.1% for the quarter ended September 30, 2000, as compared to the quarter ended September 30, 1999. This increase is principally attributable to the additional expenses resulting from the acquisition of DSSI which totaled approximately \$80,000. However, as a percentage of revenue, selling, general and administrative expense decreased to 20.4% for the quarter ended September 30, 2000, compared to 21.7% for the same period in 1999. Selling, general and administrative expenses also increased for the nine-month period of 2000, as compared to 1999, by \$2,171,000 or 30.4%. This increase reflects the expenses directly related to the acquisition of CCC, CCG, CM and DSSI which total's \$2,359,000 and is offset by the efficiencies and benefits that came from the restructuring and consolidation of our engineering businesses. As a percentage of revenue, selling, general and administrative expense reflected a slight decrease to 21.4% for the nine-month period ended September 30, 2000, compared to 22.2% for the same period of 1999.

Depreciation and amortization expense for the quarter ended September 30, 2000, reflects an increase of \$132,000 as compared to the quarter ended September 30, 1999. This increase is attributable to a depreciation expense increase of \$120,000 which is a result of the depreciation in 2000 from the DSSI facility acquired effective September 1, 2000, totaling \$39,000 and the additional depreciation related to the expanded facilities totaling \$81,000, and an amortization expense increase of \$12,000 for the quarter ended September 30, 2000, as compared to the quarter ended September 30, 1999. This increase in amortization expense is a result of the permit amortization from the DSSI facility acquired in September 2000. Depreciation and amortization expense for the nine-month period ended September 30, 2000, reflects an increase of

\$730,000 as compared to the same period of 1999. This increase is

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attributable to the acquisition of CCC, CCG and CM, effective June 1, 1999, which reflected depreciation totaling \$608,000, an increase of \$433,000 and amortization which increased by \$143,000 and the acquisition of DSSI, effective August 31, 2000, totaling \$61,000, for which depreciation increased by \$39,000 and amortization increased by \$22,000 for the nine-month period ended September 30, 2000. The additional depreciation of \$93,000 is related to expanded facilities.

Interest expense increased \$299,000 for the quarter ended September 30, 2000, as compared to the corresponding period of 1999. This increase principally reflects the additional interest expense incurred in conjunction with the DSSI acquisition financing for the period August 31, 2000, through September 30, 2000 (\$72,000) and the additional borrowing levels maintained throughout the quarter pursuant to the facility expansions and acquisition efforts. Interest expense also increased by \$1,032,000 for the nine-month period ended September 30, 2000, as compared to the corresponding period of 1999. This increase principally reflects the impact of the above discussed DSSI acquisition financing and increased borrowing levels, as well as the full nine-month impact on 2000, versus the four-month impact on 1999, of the CCC, CCG and CM debt assumption and acquisition financing, which totals approximately \$587,000.

Preferred Stock dividends decreased \$6,000 during the quarter ended September 30, 2000, as compared to the corresponding period of 1999. This decrease is due to 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. Additionally, Preferred Stock dividends decreased \$92,000 for the nine-month period ended September 30, 2000, as compared to the corresponding period of 1999. This decrease is due to the conversion of Preferred Stock into Common Stock as stated above and the conversion of \$4,563,000 (4,563 preferred shares) of the Preferred Stock into Common Stock on April 20, 1999.

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.

Acquisitions

As provided in Note 4 to Notes to Consolidated Financial Statements, the Company has entered into a Stock Purchase Agreement dated May 16, 2000, which was subsequently amended on August 31, 2000 (together, the "Stock Purchase Agreement"), pursuant to which the Company purchased all of the outstanding capital stock of Diversified Scientific Services, Inc. ("DSSI") from Waste Management Holdings, Inc. ("Waste Management Holdings") pursuant to the terms of the Stock Purchase Agreement. On August 31, 2000, the conditions precedent to closing of the Stock Purchase Agreement were completed and the Stock Purchase Agreement was consummated.

Under the terms of the Stock Purchase Agreement, the purchase price paid by the Company in connection with the DSSI acquisition was \$8,500,000, consisting of (i) \$2,500,000 in cash paid at closing, (ii) a guaranteed promissory note (the "Guaranteed Note"), guaranteed by DSSI, with the DSSI guarantee secured by certain assets of DSSI (except for accounts, accounts receivables, general intangibles, contract rights, cash, real property, and proceeds thereof), executed by the Company in favor of Waste Management Holdings in the aggregate principal amount of \$2,500,000, and bearing interest at a rate equal to the prime rate charged on August 30, 2000, as published in the Wall Street Journal plus 1.75% per annum and having a term of the lesser of 120 days from August 31, 2000, or the business day that the Company acquires any entity

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or substantially all of the assets of an entity (the "Guaranteed Note Maturity Date"), with interest and principal due in a lump sum at the end of the Guaranteed Note Maturity Date, and (iii) an unsecured promissory note (the "Unsecured Promissory Note"), executed by the Company in favor of Waste Management Holdings in the aggregate principal amount of \$3,500,000, and bearing interest at a rate of 7% per annum and having a five-year term with interest to be paid annually and principal due at the end of the term of the Unsecured Promissory Note. The Company's ability to pay the balance due under the Guaranteed Note is subject to the Company obtaining new financing.

The cash portion of the purchase price for DSSI was obtained pursuant to the terms of a short term bridge loan agreement (the "\$3,000,000 RBB Loan Agreement") with RBB Bank Aktiengesellschaft, a bank organized under the laws of Austria ("RBB Bank"), whereby RBB Bank loaned (the "\$3,000,000 RBB Loan") the Company the aggregate principal amount of \$3,000,000, as evidenced by a Promissory Note (the "\$3,000,000 RBB Promissory Note") in the face amount of \$3,000,000, having a maturity date of November 29, 2000, and bearing an annual interest rate of 12%. See below for a discussion of warrants for the purchase of, or issuance of, the Company's common stock issued or which may be issued to RBB Bank as a result of the \$3,000,000 RBB Loan.

Proposed Acquisition

As provided in Note 5 to Notes to Consolidated Financial Statements, the Company signed a letter of intent to acquire 80% of the voting stock of East Tennessee Materials and Energy Corporation ("M&EC"). Subsequently, the Company and M&EC orally modified their negotiations to address a proposed acquisition by the Company of 100% of the voting stock of M&EC. M&EC is licensed to operate a low level radioactive and hazardous ("Mixed Waste") treatment facility at the U.S. Department of Energy's ("DOE") site in Oak Ridge, Tennessee. The two-acre M&EC facility, which is intended for the treatment of government and commercial mixed waste, is the only non-government operated mixed waste treatment facility that is located within the government's Oak Ridge, Tennessee, site. M&EC will process mixed waste under three Broad Spectrum contracts granted to M&EC. As of the date of this report, M&EC is in the process of constructing its treatment facility and has no material revenue generating activities. If this transaction is completed, the Company anticipates it will pay consideration of approximately \$1,350,000 which shall be payable at closing, as follows: (i) \$338,000 in cash, (ii) \$1,012,000 in the form of Perma-Fix Common Stock, with the number of shares determined at the date of closing, but not to exceed 675,000 shares. In addition, M&EC would issue, prior to the closing of this transaction, M&EC preferred stock to the M&EC Owners. As of November 15, 2000, the Company has loaned M&EC \$930,000. The Company has evidenced such loan by the execution by M&EC of a promissory note in favor of the Company, which is secured by the assets of M&EC. The acquisition of M&EC is subject to, among other things, negotiation and execution of a definitive agreement, completion of due diligence, regulatory approval, the Company obtaining appropriate financing for the acquisition, and the Company obtaining the settlement of certain of M&EC's tax liabilities and obligations relating to M&EC's 401(k), all of which must be to the satisfaction of the Company.

Liquidity and Capital Resources of the Company

At September 30, 2000, the Company had cash and cash equivalents of \$524,000. This cash and cash equivalent's total reflects a decrease of \$292,000 from December 31, 1999, as a result of net cash provided by continuing operations of \$380,000, offset by cash used by discontinued operations of \$343,000, cash used in investing activities of \$4,288,000 (principally purchases of equipment, net totaling \$2,280,000 and acquisition consideration of \$2,500,000) partially offset by proceeds from the sale of equipment and cash provided by discontinued operations resulting from the release of restricted cash, and by cash provided by financing activities of \$3,959,000 (net borrowings of the revolving loan and term note facility, proceeds from the issuance of long term debt, proceeds from the issuance of stock, partially offset by principal repayments of long term debt). Accounts receivable, net of allowances for continuing operations, totaled \$15,990,000, an increase of \$2,963,000 over the December 31, 1999, balance of \$13,027,000. The receivable balance increased during this nine-month period of 2000, due in large part to the acquisition of DSSI which had a balance of \$2,413,000 as of September 30, 2000, and as

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 year 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 due 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.

In connection with the acquisition of Diversified Scientific Services, Inc. (DSSI) on August 31, 2000, Congress, the Company and the Company's subsidiaries, including DSSI entered into a Second Amendment and Joinder to Loan and Security Agreement (the "Second Amendment") dated August 31, 2000, pursuant to which the 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 \$11,000,000 to \$12,000,000, with the revolving line of credit portion being determined as the

maximum credit of \$12,000,000, 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, and (ii) DSSI being added as a co-borrower under the terms of the original loan agreement, as amended. The Second Amendment became effective on August 31, 2000, when the acquisition of DSSI was consummated. The Company incurred approximately \$35,000 in amendment fees associated with the Second Amendment, as required pursuant to the acquisition of DSSI. The interest rate on the revolving loan and term loan was 11.25% at September 30, 2000.

Under the terms of the Original Loan Agreement, as amended, the Company had 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 CCC, CCG and CM acquisition. The adjusted net worth covenant requirement ranged 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. However, pursuant to the DSSI acquisition and Second Amendment, the covenant requirements were amended as follows: (i) the Company agreed to maintain a net worth in accordance with GAAP on a consolidated basis of not less than \$19,500,000 from the date of the acquisition until December 31, 2001, and (ii) effective December 31, 2001, through the remaining term of the Original Loan Agreement, the Company agreed to maintain an adjusted net worth of not less than \$3,000,000. 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, CM and DSSI) 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 September 30, 2000, borrowings under the revolving loan agreement were approximately \$7,040,000, an increase of \$1,149,000 over the December 31, 1999, balance of \$5,891,000. The balance under the term loan at September 30, 2000, was \$2,500,000, a decrease of \$703,000 from the December 31, 1999, balance of \$3,203,000. As of September 30, 2000, the Company's borrowing availability under the Congress credit facility, based on its then outstanding eligible accounts receivable, was approximately \$2,237,000, including \$1.0 million of additional borrowing availability extended to the Company by Congress. The additional borrowing availability was provided to the Company to assist with the acquisition of DSSI and M&EC (see Note 4 and Note 5 to Notes to Consolidated Financial Statements) and to fund certain facility expansions and capital improvements, in anticipation of the Company raising additional funds. During the first quarter of 2000, the Company engaged Ryan, Beck & Co. and Larkspur Capital Corporation (collectively, the "Financial Advisors") as financial advisors to the Company in the private placement of new debt and possible equity.

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 \$3,635,000 at September 30, 2000, of which \$906,000 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.

On July 14, 2000, the Company entered into a letter agreement ("\$750,000 RBB Loan Agreement") which provided for an unsecured promissory note ("Note") with RBB Bank Aktiengesellschaft ("RBB Bank") in the principal amount of \$750,000, at an annual interest

rate of 10.0% per annum. The purpose of this Note is to provide interim financing to facilitate the acquisition of DSSI and M&EC (see Note 4 and Note 5 to Notes to Consolidated Financial Statements) and to fund certain capital expansions at the Company's existing facilities. The principal amount of this Note and accrued interest thereon shall be payable in full upon the earlier of (i) December 31, 2000, or (ii) ten business days after the Company raises \$3,000,000 or more through a private placement of capital securities. As previously discussed, during the first quarter, the Company engaged Ryan, Beck & Co. and Larkspur Capital Corporation as financial advisors to the Company in the private placement of new debt and possible equity.

On August 29, 2000, the Company entered into a short term bridge loan agreement in connection with the Company's acquisition of Diversified Scientific Services, Inc. ("DSSI"). This loan agreement (the "\$3,000,000 RBB Loan Agreement") was between the Company and RBB Bank, pursuant to which RBB Bank, acting as agent for certain investors who provided the funds, loaned (the "\$3,000,000 RBB Loan") the Company the aggregate principal amount of \$3,000,000, as evidenced by a Promissory Note (the "\$3,000,000 RBB Promissory Note") in the face amount of \$3,000,000, having a maturity date of November 29, 2000 and bearing an annual interest rate of 12%.

In connection with the \$3,000,000 RBB Loan, the Company paid RBB Bank a fee of \$15,000 and issued RBB Bank, as agent for the investors who loaned the money to the Company, certain warrants (the "Initial RBB Loan Warrants"), having a term of three (3) years, allowing the purchase of up to 150,000 shares of the Company's Common Stock, par value \$.001 per share (the "Common Stock"), at an exercise price of \$1.50 per share, with these warrants containing a cashless exercise provision. Pursuant to the terms of the \$3,000,000 RBB Loan Agreement, if all principal and accrued and unpaid interest under the \$3,000,000 RBB Promissory Note is not paid in full by 5:00 p.m. New York time, (i) on October 30, 2000, then the Company shall issue to RBB Bank, as agent for the investors who loaned the money to the Company, certain additional warrants, having a term of three (3) years, allowing the purchase of up to an additional 5,000 shares of Common Stock for each \$100,000 of unpaid principal remaining under the Promissory Note on such date, at an exercise price equal to the closing market price of the Common Stock on the NASDAQ on October 30, 2000, with such warrants containing a cashless exercise provision, (ii) on November 29, 2000, then the Company shall issue to RBB Bank, as agent for the investors who loaned the money to the Company, a certain number of shares of Common Stock, with the number of shares determined by dividing \$300,000 by the closing market price of the Common Stock on the NASDAQ on such date, if shares of Common Stock have been traded on the NASDAQ on such date, or on the most recent trading date, if shares of Common Stock have not been traded on the NASDAQ on such date, and (iii) on the 29th day of each month after November 2000, then the Company shall issue to RBB Bank, as agent for the investors who loaned the money to the Company, a certain additional number of shares of Common Stock, with the number of shares determined by dividing \$300,000 by the closing market price of the Common Stock on the NASDAQ on such date, if shares of Common Stock have been traded on the NASDAQ on such date, or on the most recent trading date, if shares of Common Stock have not been traded on the NASDAQ on such date. As of October 30, 2000, RBB Bank is the beneficial owner of approximately 12,830,363 shares of Common Stock or approximately 45.9% of the issued and outstanding Common Stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations RBB Loan," and "Part II Other Information, Item 5."

On August 31, 2000, the Company issued to Waste Management a certain short term note as part of the consideration for the purchase of DSSI. This note was a guaranteed promissory note (the "Guaranteed Note"), guaranteed by DSSI, with the DSSI guarantee secured by certain assets of DSSI (except for accounts, accounts receivable, general intangibles, contract rights, cash, real property, and proceeds thereof), executed by the Company in favor of Waste Management Holdings in the aggregate principal amount of \$2,500,000, and bearing interest at a rate equal to the prime rate charged on August 30, 2000, as published in the Wall Street Journal plus 1.75% per annum and having a term of the lesser of 120 days

from August 31, 2000, or the business day that the Company acquires any entity or substantially all of the assets of an entity (the "Guaranteed Note Maturity Date"), with interest and principal due in a lump sum at the end of the Guaranteed Note Maturity Date.

In addition, as part of the consideration for the purchase of DSSI, the Company issued to Waste Management Holdings a long term unsecured promissory note (the "Unsecured Promissory Note") in the aggregate principal amount of \$3,500,000, bearing interest at a rate of 7% per annum and having a five-year term with interest to be paid annually and principal due at the end of the term of the Unsecured Promissory Note.

As of September 30, 2000, total consolidated accounts payable for continuing operations was \$6,671,000, a decrease of \$916,000 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. Included in the September 30, 2000, accounts payable total is \$226,000 related to DSSI, which was acquired effective August 31, 2000.

Our net purchases of new capital equipment for continuing operations for the nine-month period ended September 30, 2000, totaled approximately \$2,836,000. These expenditures were for expansion and improvements to the operations, principally within the Waste Management Services segment. These capital expenditures were principally funded by the cash provided by continuing operations, a portion of the \$750,000 RBB Bank unsecured promissory note and \$556,000 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 September 30, 2000, was \$4,666,000, as compared to a deficit position of \$1,400,000 at December 31, 1999. This increase in the deficit position of \$3,266,000 is a direct result of three promissory notes entered into during July and August of 2000. Pursuant to the closing of the DSSI acquisition, the Company entered into a guaranteed promissory note with Waste Management Holding, Inc. for \$2,500,000, due on December 29, 2000, and a short term bridge loan agreement in the amount of \$3,000,000 with RBB Bank due on November 29, 2000. Both of these debt obligations are classified as a current liability and represents interim financing which the Company intends to replace with permanent financing. Additionally, pursuant to this acquisition and the capital expansions to several facilities, the Company also entered into a \$750,000 short term promissory note with RBB Bank, which is also intended to be replaced with permanent financing. As discussed above, the Company has retained Financial Advisors to assist in the private placement of new debt and possibly equity. Excluding this short term financing of \$6,250,000, the Company would have reflected a \$1,584,000 working capital position.

The accrued dividends on the outstanding Preferred Stock for the period January 1, 2000, through June 30, 2000, total \$104,000, of which \$3,000 was paid in conjunction with the first quarter 2000 conversions and \$101,000 was paid in August 2000, in the form of 70,789 shares of Common Stock. The accrued dividends for the period July 1, 2000, through September 30, 2000, total \$51,000 and will be paid in January 2001.

In order to fund the cash portion of the purchase price relating to the proposed acquisition of DSSI and M&EC, 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 "Financial Advisors") as its financial advisors in the private placement of new debt and possible equity. Through the efforts of the Financial Advisors, the Company is negotiating with certain parties the possibility of providing debt financing or equity to the Company. In addition, the Company is discussing with others, including certain shareholders, the possibility of providing additional financing to the Company. 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 Financial Advisors as financial advisors to the Company, the Company has granted the Financial Advisors 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 Financial Advisors or within twelve months following termination of the agreement with the Financial Advisors and the placement involves a party contacted by the Financial Advisors prior to the termination, the Company has agreed to pay the Financial Advisors certain cash fees and additional warrants. The Company has the right to cancel 50% of the retainer warrants if the private placement is not completed by January 25, 2001.

The Company is currently negotiating with new lenders to provide the Company with new financings to replace the Company's existing term and working capital lines of credit and provide the Company with the additional funds necessary to repay the bridge loans of \$3,750,000 due to RBB Bank, as agent for its investors, the Guaranteed Note in the principal sum of \$2,500,000 due to Waste Management Holdings and to provide the Company with additional working capital. There are no assurances that the Company will be able to finalize any of these new financings. If the Company is unable to complete the new financing arrangement as discussed above in this paragraph in a timely manner, it may not be able to pay the bridge loans due to RBB Bank and the Guaranteed Note when due.

In summary, we have continued to take steps to improve our operations and liquidity as discussed above. However, with the acquisition in August 2000, 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, raise the additional financing required to repay the short term promissory notes 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 contaminants 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 \$137,000, \$192,000, \$45,000 and \$369,000 were spent during the first nine months 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.

Recent Accounting Pronouncements

In September 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 September 15, 2000. Historically, we have not entered into derivative contracts. Accordingly, FAS 133 is not expected to affect our financial statements.

In March 2000, the Financial Accounting Standards Board issued Interpretation No. 44 ("Fin 44"), Accounting for Certain Transactions Involving Stock Compensation, an interpretation of APB Opinion No. 25. FIN 44 clarifies the application of Opinion No. 25 for (a) the definition of employee for purposes of applying Opinion No. 25, (b) the criteria for determining whether a plan qualifies as a non-compensatory plan, (c) the accounting consequences of various modifications to the previously fixed stock option or award, and (d) the accounting for an exchange of stock compensation awards in a business combination. FIN 44 is effective July 2, 2000, but certain conclusions cover specific events that occur after either December 15, 1998, or January 12, 2000. The impact of FIN 44 did not have a material effect on the Company's financial position or results of operations.

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.
QUANTITATIVE AND QUALITATIVE DISCLOSURES 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.

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.

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 2. Changes in Securities and Use of Proceeds

(c) During the quarter ended September 30, 2000, the Company sold or entered into an agreement to sell, equity securities that were not registered under the Securities Act of 1933, as amended (the "Securities Act"), other than as previously reported, as such term is defined under Rule 12b-2 of the Exchange Act of 1934, as amended (the "Exchange Act"), as follows:

During August 2000, in connection with the \$3,000,000 RBB Loan, the Company issued RBB Bank certain warrants (the "Initial RBB Loan Warrants"), having a term of three (3) years, allowing the purchase of up to 150,000 shares of the Company's Common Stock, par value \$.001 per share (the "Common Stock"), at an exercise price of \$1.50 per share, with these warrants containing a cashless exercise provision.

During September 2000, the Company issued to RBB Bank 70,984 shares of the Company's Common Stock in payment of \$101,000 in accrued and unpaid dividends from January 1, 2000, to June 30, 2000, relating to certain outstanding series of the Company's Preferred Stock in accordance with the terms of such Preferred Stock. The issuance of the above described shares of Common Stock in payment of accrued and unpaid dividends in connection the Company's Preferred Stock were issued pursuant to an exemption from registration under Section 4(2) of the Act and/or Rule 506 of Regulation D as promulgated under the Act.

Item 5. Other Information

RBB Loan

On or about July 14, 2000, the Company and CM entered into the \$750,000 RBB Loan Agreement, pursuant to which RBB Bank agreed to loan \$750,000 to CM, as evidenced by the RBB Note, having a term until December 31, 2000, in the aggregate principal amount of \$750,000, at an annual rate of 10% interest thereon with accrued interest and principal due in full upon the earlier of (i) December 31, 2000 and (ii) the Company entering into a private placement of its securities yielding in excess of \$3,000,000 to the Company. The \$750,000 RBB Loan Agreement provided that if all principal and accrued and unpaid interest under the \$750,000 RBB Note is not paid in full by certain dates, then the Company was to issue to RBB Bank certain warrants. The Company has subsequently been orally informed by RBB Bank that RBB Bank will not require any of such warrants to be issued.

On August 29, 2000, the Company entered into a short term bridge loan agreement in connection with the Company's acquisition of Diversified Scientific Services, Inc. ("DSSI"). This loan agreement (the "\$3,000,000 RBB Loan Agreement") was between the Company and RBB Bank, pursuant to which RBB Bank, acting as agent for certain investors who provided the funds, loaned (the "\$3,000,000 RBB Loan") the Company the aggregate principal amount of \$3,000,000, as evidenced by a Promissory Note (the "\$3,000,000 RBB Promissory Note") in the face amount of \$3,000,000, having a maturity date of November 29, 2000 and bearing an annual interest rate of 12%.

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Pursuant to the terms of the \$3,000,000 RBB Loan Agreement, if all principal and accrued and unpaid interest under the \$3,000,000 RBB Promissory Note is not paid in full by 5:00 p.m. New York time, (i) on October 30, 2000, then the Company shall issue to RBB Bank, as agent for the investors who loaned the money to the Company, certain additional warrants, having a term of three (3) years, allowing the purchase of up to an additional 5,000 shares of Common Stock for each \$100,000 of unpaid principal remaining under the Promissory Note on such date, at an exercise price equal to the closing market price of the Common Stock on the NASDAQ on October 30, 2000, with such warrants containing a cashless exercise provision, (ii) on November 29, 2000, then the Company shall issue to RBB Bank, as agent for the investors who loaned the money to the Company, a certain number of shares of Common Stock, with the number of shares determined by dividing \$300,000 by the closing market price of the Common Stock on the NASDAQ on such date, if shares of Common Stock have been traded on the NASDAQ on such date, or on the most recent trading date, if shares of Common Stock have not been traded on the NASDAQ on such date, and (iii) on the 29th day of each month after November 2000, then the Company shall issue to RBB Bank, as agent for the investors who loaned the money to the Company, a certain additional number of shares of Common Stock, with the number of shares determined by dividing \$300,000 by the closing market price of the Common Stock on the NASDAQ on such date, if shares of Common Stock have been traded on the NASDAQ on such date, or on the most recent trading date, if shares of Common Stock have not been traded on the NASDAQ on such date.

As of October 20, 2000, RBB Bank holds approximately 12,830,363 shares, including 6,732,780 shares that RBB Bank holds of record or approximately 30.8% of the Company's Common Stock and 3,306,250 shares that RBB Bank has the right to acquire as of September 30, 2000, under certain warrants and 2,791,333 shares that RBB Bank has the right to acquire upon conversion of three (3) series of the Company's outstanding preferred stock consisting of 1,769 shares of Series 14 Class N Convertible Preferred Stock ("Series 14 Preferred"), 616 shares of Series 15 Class O Convertible Preferred Stock ("Series 15 Preferred") and 1,802 shares of Series 16 Class P Convertible Preferred Stock ("Series 16 Preferred") (collectively, the "RBB Preferred"). If the conversion of the currently outstanding RBB Preferred occurs between April 20, 2000 and April 20, 2001, then the (i) Series 14 Preferred, which during this period has a set conversion price of \$1.50 per share of Common Stock, is convertible into 1,179,333 shares of Common Stock, (ii) Series 15 Preferred, which during this period has a minimum conversion price of \$1.50 per share of Common Stock, is convertible into 410,667 shares of Common Stock, assuming the conversion is at \$1.50 per share of Common Stock, and (iii) Series 16 Preferred, which during this period has a minimum conversion price of \$1.50 per share of Common Stock, is convertible into 1,201,333 shares of Common Stock, assuming the conversion is at \$1.50 per share of Common Stock. If RBB Bank were to acquire an aggregate of 2,791,333 shares of Common Stock upon conversion of the outstanding shares of the RBB Preferred based on a conversion price of \$1.50 per share of Common Stock and were to exercise all of the outstanding warrants to acquire Common Stock which are held by RBB Bank, RBB Bank would own approximately 45.9% of the outstanding Common Stock, assuming that the Company does not issue any other shares of Common Stock or acquire any of the RBB Preferred or the Common Stock and RBB Bank does not sell or otherwise dispose of any shares of Common Stock. This does not include the shares of Common Stock which may be issuable for payment of dividends on the RBB Preferred or which may be issued in the event warrants are issued in connection with the RBB Loan. RBB Bank has advised the Company that it is holding the shares of Common Stock, the RBB Preferred and the warrants exercisable into Common Stock on behalf of numerous clients. As a result, RBB Bank may share voting and investment power over such shares.

M&EC Letter of Intent

During July, 2000, the Company signed a letter of intent ("Letter of Intent") to acquire M&EC. M&EC is licensed to operate a low-level radioactive and hazardous waste ("Mixed Waste") treatment facility at the U.S. Department of Energy's ("DOE") storage site in Oak Ridge, Tennessee. M&EC has previously been awarded contracts, each with a three-year term, subject to renewal, to process mixed waste under three Broad Spectrum Contracts awarded by Bechtel-Jacobs Company, LLC, which manages the DOE Oak Ridge site. As of the date of this report, M&EC is in the process of constructing its treatment facility and it does not have revenue generating activities.

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The Letter of Intent anticipates that in connection with the acquisition of M&EC, (i) the Company will deliver to the M&EC Owners \$338,000 in cash, (ii) the Company will deliver to the M&EC Owners \$1,012,000 in the form of Perma-Fix Common Stock, with the number of shares determined at the date of closing, but not to exceed 675,000 shares. In addition, M&EC would issue, prior to the closing of this transaction, M&EC preferred stock to the M&EC Owners. As of November 15, 2000, the Company has loaned M&EC \$930,000. The Company has evidenced such loan by the execution by M&EC of a promissory note in favor of the Company, which is secured by the assets of M&EC. The acquisition of M&EC is subject to, among other things, negotiation and execution of a definitive agreement, completion of due diligence, regulatory approval, the Company obtaining appropriate financing for the acquisition, and the Company obtaining the settlement of certain of M&EC's tax liabilities and obligations relating to M&EC's 401(k), all of which must be to the satisfaction of the Company. See Note 5 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."

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. as incorporated by reference from Exhibit 2.1 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2000.
- 2.2 Letter of Intent dated June 27, 2000, between the Company and East Tennessee Materials and Energy Corporation, Hillis Enterprises, and Performance Development Corporation as incorporated by reference from Exhibit 2.2 to the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2000.
- 4.1 Congress Letter of Consent dated July 25, 2000, relative to the RBB loan as incorporated by reference from Exhibit 4.1 to the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2000.
- 4.2 Congress Letter dated November 15, 2000, amending the Loan and Security Agreement dated January 25, 1998 among the Company, its subsidiaries and Congress.
- 4.3 Second Amendment and Joinder to Loan and Security Agreement dated August 31, 2000 among the Company, its subsidiaries and Congress.
- 10.1 Letter Agreement with RBB Bank Aktiengesellschaft regarding \$750,000 loan as incorporated by reference from Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2000.
- 10.2 Form of Warrant Agreement between the Company, Ryan, Beck & Co., Inc. ("Ryan Beck") and Larkspur Capital Corporation ("Larkspur") as incorporated by reference from Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2000. The Company entered into substantially similar warrant agreements with certain officers and directors of Ryan Beck and Larkspur, except for the parties and the number of shares addressed thereunder, and the Company agrees to file copies of such omitted documents with the Commission upon the Commission's request.
- 10.3 Unsecured Promissory Note for \$750,000 to RBB Bank Aktiengesellschaft as incorporated by reference from Exhibit 10.3 to the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2000.
- 10.4 Letter Agreement with RBB Bank Aktiengesellschaft regarding \$3,000,000 loan as incorporated by reference from Exhibit 4.1 to the Company's current report on Form 8-K, as filed September 15, 2000.
- 10.5 Unsecured Promissory Note for \$3,000,000 to RBB Bank Aktiengesellschaft as incorporated by reference from Exhibit 4.2 to the Company's current report on Form 8-K, as filed September 15, 2000.
- 10.6 Warrant for 150,000 shares of Common Stock issued to RBB Bank Aktiengesellschaft as incorporated by reference from Exhibit 4.3 to the Company's current report on Form 8-K, as filed September 15, 2000.
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- 10.7 Guaranteed Promissory Note, dated August 31, 2000, for \$2,500,000 issued to Waste Management Holdings, Inc. as incorporated by reference from Exhibit 4.4 to the Company's current report on Form 8-K, as filed September 15, 2000.
- 10.8 Promissory Note, dated August 31, 2000, for \$3,500,000 issued to Waste Management Holdings, Inc. as incorporated by reference from Exhibit 4.5 to the Company's current report on Form 8-K, as filed September 15, 2000.

10.9 Non-recourse Guaranty dated August 31, 2000, between Diversified Scientific Services, Inc. and Waste Management Holdings, Inc. as incorporated by reference from Exhibit 10.1 to the Company's current report on Form 8-K, as filed September 15, 2000.

27 Financial Data Schedule.

(b) Reports on Form 8-K

A current report on Form 8-K (Item 5 - Other Events), dated August 31, 2000, was filed by the Company reporting the Company's entry into a Stock Purchase Agreement with Diversified Scientific Services, Inc. ("DSSI"), a wholly owned subsidiary of Waste Management, Inc. wherein the Company agreed to purchase all of the outstanding capital stock of DSSI from Waste Management, Inc. pursuant to the terms of the DSSI Purchase Agreement.

A current report on Form 8-K/A (Item 5 - Other Events), dated August 31, 2000, was filed on November 14, 2000, by the Company reporting (i) the audited financial statements of DSSI and the unaudited interim financial statements of DSSI required by Rule 3.05(b) of Regulation S-X, as promulgated pursuant to the Securities Act and the Securities Exchange Act of 1934, as amended (the "Exchange Act") and (ii) the unaudited pro forma financial information required by Article 11 of Regulation S-X, as promulgated pursuant to the Securities Act and the Exchange Act.

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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.

November 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

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EXHIBIT INDEX

<u>EXHIBIT NO.</u>	<u>DESCRIPTION</u>	<u>SEQUENTIAL PAGE NO.</u>
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27	Financial Data Schedule.	59

November 15, 2000

Mr. Richard T. Kelecy
Chief Financial Officer
Perma-Fix Environmental Services, Inc.
1940 NW 67th Place, Suite A
Gainesville, FL 32653

Dear Dick,

Reference is made to that certain Loan and Security Agreement dated January 25, 1998 (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement") among Perma-Fix Environmental Services, Inc. and its direct and indirect subsidiaries named on the signature pages hereof, jointly and severally ("Perma-Fix" or "Borrower") and Congress Financial Corporation (Florida), ("Congress" or "Lender"). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Loan Agreement.

Borrower has advised Lender that as a result of the acquisition of Diversified Scientific Services, Inc. (DSSI) and related recording of purchase accounting, effective August 31, 2000, Borrower is not in compliance with the financial covenant set forth in section 9.14 of the Loan Agreement, which states:

"Borrowers shall, at all times, maintain Adjusted Net Worth on a consolidated basis in respect of Borrowers of not less than \$3,000,000."

As a consequence of this Event of Default, we are entitled to exercise various rights and remedies under the Loan Agreement. Borrower has requested that the Lender agree to amend section 9.14 of the Loan Agreement effective August 31, 2000 as follows:

Borrowers shall, (i) at all times, maintain net worth in accordance with GAAP on a consolidated basis of not less than \$19,500,000; and (ii) starting on December 31, 2001 Adjusted Net Worth of not less than \$3,000,000 through the Expiration Date.

Borrowers hereby represent, warrant, acknowledge and affirm that no other Event of Default or any default which with the passage of time, the giving of notice, or both, would constitute an Event of Default has occurred and is continuing.

Borrowers shall pay to Lender an amendment fee of \$15,000, which fee shall be due and payable, and deemed to have been fully earned, on the date of this Amendment and an additional monthly fee of \$3,000 starting October 31st, 2000

and continuing for each month that the Adjusted Net Worth is less than \$3,000,000.

Except as amended herein, all the terms and conditions of the Loan Agreement between us remain in full force and effect.

The foregoing is a one-time accommodation and is only to the extent specifically set forth herein. This accommodation shall not be construed as an obligation on our part to waive or consent to any departure from any obligation you have, or any right, power, or remedy under our documents with you which we would otherwise have, on any future occasion, whether similar in kind, or otherwise.

Please acknowledge your acceptance of this amendment by signing below and return this letter to the undersigned.

Sincerely,

CONGRESS FINANCIAL CORPORATION
(FLORIDA)

Gary Dixon
Vice President

AGREED:

BORROWERS:
PERMA-FIX ENVIRONMENTAL SERVICES,
INC., a Delaware corporation

By:

Richard T. Kelecyc, Chief
Financial Officer

INDUSTRIAL WASTE MANAGEMENT, INC.,
a Missouri corporation

By:

Richard T. Kelecyc, Chief
Financial Officer

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SCHREIBER, YONLEY & ASSOCIATES
(formerly known as Schreiber, Grana
& Yonley, Inc.), a Missouri
corporation

By:

Richard T. Kelecyc, Chief
Financial Officer

PERMA-FIX TREATMENT SERVICES,
INC., an Oklahoma corporation

By:

Richard T. Kelecyc, Chief
Financial Officer

PERMA-FIX, INC., an Oklahoma corporation

By:

Richard T. Kelecy, Chief
Financial Officer

MINTECH, INC., an Oklahoma corporation

By:

Richard T. Kelecy, Chief
Financial Officer

RECLAMATION SYSTEMS, INC., an Oklahoma corporation

By:

Richard T. Kelecy, Chief
Financial Officer

PERMA-FIX OF NEW MEXICO, INC.,
a New Mexico corporation

By:

Richard T. Kelecy, Chief
Financial Officer

PERMA-FIX OF FLORIDA, INC.,
a Florida corporation

By:

Richard T. Kelecy, Chief
Financial Officer

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PERMA-FIX OF MEMPHIS, INC.,
a Tennessee corporation

By:

Richard T. Kelecy, Chief
Financial Officer

PERMA-FIX OF DAYTON, INC.,
an Ohio corporation

By:

Richard T. Kelecy, Chief
Financial Officer

PERMA-FIX OF FORT LAUDERDALE, INC.,
a Florida corporation

By:

Richard T. Kelecy, Chief
Financial Officer

PERMA-FIX OF MICHIGAN, INC., a
Michigan corporation

By:

Richard T. Kelecy, Chief
Financial Officer

CHEMICAL CONSERVATION OF
GEORGIA, INC., a Georgia
corporation

By:

Richard T. Kelecy, Chief
Financial Officer

CHEMICAL CONSERVATION
CORPORATION, INC., a Florida
corporation

By:

Richard T. Kelecy, Chief
Financial Officer

DIVERSIFIED SCIENTIFIC SERVICES, INC.,
a Tennessee corporation

By:

Richard T. Kelecy, Chief
Financial Officer

SECOND AMENDMENT AND JOINDER TO LOAN AND SECURITY AGREEMENT

This Second Amendment and Joinder to Loan and Security Agreement (the "Second Amendment") made and entered into as of this 31st day of August, 2000, by and between Perma-Fix Environmental Services, Inc. ("Perma-Fix"), a Florida corporation, and its direct and indirect subsidiaries named on the signature pages hereof, jointly and severally (the "Borrowers"; all references to "Borrowers" shall mean each Borrower and all of the Borrowers, individually and collectively, jointly and severally), and CONGRESS FINANCIAL CORPORATION (FLORIDA), a Florida corporation ("Lender").

WITNESSETH:

WHEREAS, Lender and certain of the Borrowers entered into a Loan and Security Agreement dated as of January 15, 1998, as amended by a letter agreement dated September 22, 1999, and by that certain Amendment and Joinder to Loan and Security Agreement dated as of May 27, 1999 to which all Borrowers (other than DSSI (as defined below)) are parties thereto (the "Original Loan Agreement"; the Original Loan Agreement, as the same may hereafter be amended, including by this Second Amendment, is hereinafter referred to as the "Loan Agreement"; all capitalized terms used but not defined in this Amendment shall have the respective meanings set forth in the Original Loan Agreement);

WHEREAS, Perma-Fix is, inter alia, acquiring all of the issued and outstanding shares of stock of Diversified Scientific Services, Inc., a Tennessee corporation ("DSSI");

WHEREAS, in connection with the foregoing transactions, the Borrowers have requested that Lender consent to such transactions and related transactions, as more fully set forth in this Second Amendment, and agree to extend credit to DSSI under the Loan Agreement; and

WHEREAS, in connection with the foregoing, the Lender has required certain terms and conditions of the Original Loan Agreement to be amended and the joinder to the Loan Agreement of DSSI, as more fully set forth hereinbelow.

NOW, THEREFORE, in consideration of the premises, and for other good and valuable consideration, the receipt and sufficiency whereof is hereby acknowledged, the parties hereto agree that the foregoing recitals are true and correct and incorporated herein, and as follows:

I. Amendments to Loan Agreement. As used in this Amendment, all references to sections and headings contained in Section I of this Second Amendment are to those contained in the Original Loan Agreement. The Original Loan Agreement is hereby amended, modified and supplemented as follows:

1. Section 1. "Definitions" is hereby amended by:

(a) adding the following definitions:

"Intercreditor Agreement" shall mean that certain Intercreditor Agreement dated of even date with the Second Amendment, by and between New Seller and Lender.

"New Seller" shall mean Waste Management Holdings, Inc., a Delaware corporation and its successor and assigns.

"New Transaction Documents" shall mean, collectively, that certain Stock Purchase Agreement (the "Stock Purchase Agreement"), dated May 16, 2000, by and among Perma-Fix and New Seller, as amended by that certain First Amendment to Stock Purchase Agreement, dated August 31, 2000, the Seller Notes, the RBB Note, all other agreements of transfer as are referred to therein and all side letters with respect thereto, and all agreements and warrants for the issuance of Perma-Fix common stock entered into on or before the date of the Second Amendment in connection with the RBB Note and all documents, instruments, and agreements executed or delivered in connection therewith, as all of the foregoing now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated, or replaced.

"Purchased Stock" shall mean all of the issued and outstanding shares of DSSI.

"RBB Note" shall mean that certain unsecured Promissory Note in the original principal sum of \$3,000,000, issued by Perma-Fix to RBB Bank, dated

August 29, 2000.

"Second Amendment" shall mean the Second Amendment and Joinder to Loan and Security Agreement dated as of August ___, 2000, by and between Lender and Borrowers.

"Seller Collateral" shall have the meaning set forth in the Intercreditor Agreement.

"Seller Notes" shall mean Seller Note No. 1 and Seller Note No. 2, and all documents, instruments, and agreements relating to either of the foregoing, including, without limitation, that certain Non-Recourse Guaranty of Payment of Promissory Note dated the date of the Seller Notes, made by DSSI in favor of the New Seller.

"Seller Note No. 1" shall mean that certain Promissory Note dated August 31, 2000, in the original principal amount of \$3,500,000, made by Perma-Fix in favor of New Seller.

"Seller Note No. 2" shall mean that certain Guaranteed Promissory Note dated August 31, 2000, in the original principal amount of \$2,500,000, made by Perma-Fix in favor of the New Seller.

(b) by amending and restating the following definitions:

* * *

1.11 "Existing Unencumbered Real Property" shall mean all Real Property of any Borrower not subject of the Mortgages, including the Real Property described on Composite Exhibit "C" to this Agreement (including the supplements thereto annexed to the Amendment and the Second Amendment) owned by Perma-Fix of Memphis, Inc., and Perma-Fix of Ft. Lauderdale, Inc. and Perma-Fix Treatment Services, Inc. located in Tulsa, Oklahoma, respectively, the Real Property described on the supplements to Exhibit "C" annexed to the Amendment and the Second Amendment with respect to Real Property owned by Perma-Fix of Michigan, Inc., Chemical Conservation Corporation, Chemical Conservation of Georgia, Inc., and DSSI (but excluding the Real Property located at Latham Street in Memphis, Tennessee owned by Perma-Fix of Memphis, Inc.; the "Latham Street Property," the Real Property located in Wayne County, Michigan owned by Perma-Fix of Michigan, Inc., but solely to the extent such property is encumbered by the Sullivan Mortgage, and the Real Property located in Orange County, Florida owned by Chemical

Conservation Corporation, but solely, to the extent such properties are encumbered by the mortgage by Sun Trust securing the Sun Trust

Debt and the Carrier Debt, as replaced by Sun Trust).

* * *

1.20 "Maximum Credit" shall mean, on any date of determination, the amount of \$12,000,000.

* * *

"Term Note" or "Renewal Note" shall mean the Renewal Term Note (as defined in the Second Amendment), and all subsequent renewals, amendments, extensions, and supplements thereto.

* * *

2.(a) The preamble to Section 5, Grant of Security Interest, is hereby amended and restated as follows:

To secure payment and performance of all Obligations, each Borrower, including, DSSI, hereby grants and regrants, as appropriate, to Lender a continuing security interest in, a lien upon, and a right of set off against, and hereby assigns to Lender as security, the following property and interests in property of such Borrower, whether now owned or hereafter acquired or existing, and wherever located (collectively, the "Collateral"):

* * *

(b) The Borrowers agree that Section 5.2 is supplemented by the following:

..., including, without limitation, all of Perma-Fix's right, title and interest in, to, and under, the Transaction Documents, and the New Transaction Documents, including, without limitation, all of the benefits of any representations and warranties provided by the Seller or New Seller, as applicable, and any and all of Perma-Fix's rights to indemnification from the Seller or New Seller, as applicable, or any other person contained therein. Borrowers agree that no provision contained in this Agreement shall impose on Lender any of the obligations or liabilities of Perma-Fix under the Transaction Documents or the New Transaction Documents. In addition, Borrowers hereby indemnify Lender and hold it harmless from any and all claims, actions, suits, losses, damages, costs, expenses, fees, obligations and liabilities which may be incurred by or imposed upon Lender by Seller or New Seller, as applicable, or any other third party by virtue of Lender's lien on Perma-Fix's right, title and interest in, to, and under the Transaction Documents or the New Transaction Documents. The foregoing shall survive payment of the Obligations in full and

termination of the Agreement. Borrowers further acknowledge and agree that following the occurrence of

an Event of Default, Lender shall be entitled, at its option, to enforce any and all Perma-Fix's rights and remedies under the Transaction Documents or the New Transaction Documents and/or under applicable law.

3. Section 8, Representations and Warranties, is hereby supplemented by the following:

* * *

8.14 Acquisition of Purchased Stock.

(a) The New Transaction Documents and the transactions contemplated thereunder have been duly executed, delivered and performed in accordance with their terms by the respective parties thereto in all material respects, including the fulfillment (not merely the waiver, except as may be disclosed to Lender and consented to in writing by Lender), but, in the case of the common stock and warrants issued or to be issued in connection with the RBB Note, subject to certain NASDAQ approvals in connection with the issuance of Perma-Fix common stock of all material conditions precedent set forth therein and giving effect to the terms of the New Transaction Documents and the assignments to be executed and delivered by New Seller thereunder, Perma-Fix acquired and has good and marketable title to the Purchased Stock, free and clear of all claims, liens, pledges and encumbrances of any kind, except as disclosed in writing to Lender.

(b) All actions and proceedings required by the New Transaction Documents, applicable law or regulation (including, but not limited to, compliance with the Hart-Scott-Rodino Anti-Trust Improvements Act of 1976, as amended) have been taken and the transactions required thereunder have been duly and validly taken and consummated.

(c) No court of competent jurisdiction has issued any injunction, restraining order or other order which prohibits consummation of the transactions described in the New Transaction Documents and no governmental or other action or proceeding has been threatened or commenced, seeking any injunction, restraining order or other order which seeks to void or otherwise modify the transactions described in the New Transaction Documents.

(d) Borrowers have delivered, or caused to be delivered, to Lender true, correct and complete copies of the New Transaction Documents.

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8.15 Capitalization.

All of the issued and outstanding shares of capital stock of DSSI are directly and beneficially owned and held by Perma-Fix and all of such shares have been duly authorized and are fully paid and non-assessable, free and clear of all claims, liens,

pledges and encumbrances of any kind, except as disclosed in writing to Lender.

4. Section 9.8, Encumbrances is hereby amended by the addition of subsection (g) as follows:

. . . ; and (g) the security interests and liens of the New Seller in and to the Seller Collateral of DSSI, but only to the extent permitted under the Intercreditor Agreement.

5. Section 9.9 Indebtedness is hereby supplemented by the following:

* * *

; (f) the Seller Notes, the RBB Note, the "RBB Bank Bridge Loan" referred to the letter from Perma-Fix to Lender dated July 25, 2000, and the advances from Perma-Fix to M&EC consented to pursuant to the M&EC Letter (as the foregoing terms are defined in the Second Amendment); provided, that: (i) the principal amount of indebtedness evidenced by the Seller Notes, RBB Note and the aforesaid obligations shall not exceed \$3,500,000 in the case of Seller Note No. 1, \$2,500,000 in the case of Seller Note No. 2, \$3,000,000 in the case of the RBB Note, \$750,000 in the case of the RBB Bank Bridge Loan, and \$_____ in the case of the aforesaid advances to M&EC, less the aggregate amount of all repayments, repurchases or redemptions, whether optional or mandatory in respect thereof, plus interest thereon at the rate provided for in such agreement or instrument as in effect on the date hereof, (ii) Borrower shall not, directly or indirectly, make any payments in respect of the Seller Notes or the RBB Note other than regularly scheduled payments of principal and interest in accordance with the terms of such agreement or instrument as in effect on the date hereof, provided, however, at any time after the date of the Second Amendment, if Borrower maintains Excess Availability of at least \$5,000,000 for ten consecutive Business Days, it may on the next Business Day prepay Seller Note No. 2 in full; provided, further, that concurrently upon any such prepayment, all liens and security interests of the New Seller in and to the Seller Collateral shall be terminated pursuant to Form UCC-3 Termination Statements and other release and termination documents satisfactory to Lender; (iii) Borrower shall not, directly or indirectly, (A) amend, modify, alter or change any terms of the Seller Notes or the RBB Note; and (iv) Borrowers shall furnish to Lender all notices, demands or other materials concerning such indebtedness either received by any

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Borrower or on its behalf, promptly after receipt thereof, or sent by a Borrower or on its behalf, concurrently with the sending thereof, as the case may be.

* * *

6.(a) Section 10.1 Events of Default is amended by amending and restating Subsections (i) and (n) in their entireties:

* * *

(i) any default by Borrowers, or any of them, or any Obligor under any agreement, document or instrument relating to any indebtedness for borrowed money owing to any person other than Lender, or any capitalized lease obligations, contingent indebtedness in connection with any guarantee, letter of credit, indemnity or similar type of instrument in favor of any person other than Lender, in any case in an amount in excess of \$100,000, which default continues for more than the applicable cure period, if any, with respect thereto, including, without limitation, under the Subordinated Indebtedness, the Sullivan Mortgage, the RBB Note, or the Seller Notes, or either of them, or any default by Borrowers, or any of them, or any Obligor shall default under any material contract, lease, license or other obligation to any person other than Lender, which default continues for more than the applicable cure period, if any, with respect thereto, including, without limitation, under the other Transaction Documents or New Transaction Documents;

* * *

(n) any party to the Subordination Agreement or the Intercreditor Agreement shall breach any term thereof, or revoke or contest or attempt to revoke or contest any of the terms or conditions thereof.

* * *

7. Exhibit "A", Information Certificate, to the Original Loan Agreement is hereby supplemented with respect to DSSI by Exhibit "A" annexed to this Second Amendment.

8. Schedule 5.2 to the Loan and Security Agreement is hereby supplemented by Exhibit "B" annexed to this Second Amendment.

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II. Consent.

(1) Subject to the terms and conditions of this Second Amendment and all of the Financing Agreements, Borrowers have

requested that Lender consent, and Lender hereby consents, to (i) (A) notwithstanding the provisions of Section 9.10 of the Loan Agreement, the acquisition of the Purchased Stock, (B) notwithstanding the provisions of Section 9.7 of the Loan Agreement, to DSSI hereafter becoming a subsidiary of Perma-Fix, and (C) notwithstanding the provisions of Section 9.7 of the Loan Agreement, the issuance of warrants for common stock of Perma-Fix and common stock of Perma-Fix to RBB but solely to the extent set forth in the letter agreement by Perma-Fix to RBB dated August 29, 2000, and letter agreement by Perma-Fix to RBB issued in connection with the RBB Bank Bridge Loan, but, further, solely to the extent that no breach occurs under Section 10.1(j) of the Loan Agreement, and (ii) notwithstanding the provision of Sections 9.6 and 9.9 of the Loan Agreement, (A) the incurrence of the respective indebtedness evidenced by the Seller Notes and the RBB Note, in an aggregate principal amount not to exceed \$3,500,000 in the case of Seller Note No. 1, \$2,500,000 in the case of Seller Note No. 2 and \$3,000,000 in the case of the RBB Note, and in each case as otherwise subject as set forth in the Loan Agreement and/or the Intercreditor Agreement, and (B) the grant of security interest in favor of the New Seller in and to certain assets of DSSI, but only to secure obligations evidenced by Seller Note No. 2 and as otherwise subject as set forth in the Loan Agreement and/or the Intercreditor Agreement.

(2) Borrower acknowledges and agrees that the consents set forth in Section II(1) above and all other consents by Lender heretofore given, including, without limitation, the consent given pursuant to a letter dated July 25, 2000 with respect to the "RBB Bridge Loan", and the consent to the making of advances by Perma-Fix to East Tennessee Materials and Energy Corporation

"M&EC" as set forth in a letter from Perma-Fix to Lender dated January 25, 2000 (the "M&EC letter") shall be effective in the

respective specific instance only. Accordingly, except for such transactions set forth in the New Transaction Documents and the aforesaid transactions, Lender shall have no obligation to (i) consent to any departure from the terms and conditions of the Loan Agreement or any other Financing Agreements whether heretofore or hereafter occurring, or (ii) waive any default or Event of Default occurring under the Loan Agreement or any other Financing Agreement now existing or hereafter occurring, including, without limitation, pursuant to 10.1(j) of the Loan Agreement, in either case, whether arising out of similar or dissimilar transactions to the transactions contemplated in the New Transaction Documents, or otherwise. Further, Borrower acknowledges and agrees that the consent of Lender contained in the M&EC Letter is limited to the aforesaid financing transactions only and no consent is intended or implied with respect to the transactions contemplated in the letter of intent dated June 27, 2000 annexed thereto, or otherwise.

III. Joinder to Loan Agreement and other Financing Agreements.

1. (a) DSSI agrees that from and after the date of this Second Amendment, it shall be joined in the Loan Agreement as a "borrower" with joint and several liability with each of the other Borrowers and, accordingly, all references to the term "Borrowers" in the Loan Agreement, the Term Note and the other Financing Agreements shall have the meaning set forth in this Second Amendment.

(b) DSSI acknowledges that it has received and reviewed the Original Loan Agreement, a copy of which is annexed to this Second Amendment as Exhibit "1", and all other Financing Agreements, and agrees to be bound by all of the terms and conditions of the Loan Agreement and all of the other Financing

Agreements applicable to the "Borrowers." To this effect, DSSI

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acknowledges and agrees that pursuant to Section 5 of the Agreement, as of the date of this Second Amendment, it is granting to the Lender a first priority security interest in and to the Collateral described in the Loan Agreement, whether now owned by it or in which it has an interest, or hereafter acquired, created, or arising, subject only to those liens and security interests expressly permitted by the Loan Agreement or the other Financing Agreements.

(c) DSSI acknowledges and agrees that by execution of this Second Amendment, as of the date of this Second Amendment and hereafter, it is and shall be making all of the representations and warranties of a Borrower, whether in the Loan Agreement, the other Financing Agreements, or otherwise. To this effect, annexed to this Second Amendment are Exhibits "A", "B", and "C", and Schedules 8.4, 8.8, 8.9, 8.9, and 9.10, which Exhibits and Schedules are hereby made a part of the sections of the Loan Agreement referencing such Exhibits and Schedules. The Exhibits and Schedules supplement but do not replace the Exhibits and Schedules heretofore delivered to Lender in connection with the Original Loan Agreement.

IV. Conditions Precedent.

1. (a) Borrowers acknowledge and agree that as a condition precedent to the effectiveness of the consent of Lender pursuant to Part II of this Second Amendment:

(b) all requisite corporate action and proceedings in connection with the Loan Agreement and the other Financing Agreements shall be satisfactory in form and substance to Lender, and Lender shall have received all information and copies of all documents, including, without limitation, records of requisite corporate action and proceedings which Lender may have requested in connection therewith, such documents where requested by Lender

or its counsel to be certified by appropriate corporate officers or governmental authorities;

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(c) no material adverse change shall have occurred in the assets, business or prospects of DSSI or the other Borrowers since the date of Lender's latest field examination and no change or event shall have occurred which would impair the ability of Borrowers or any Obligor to perform its obligations hereunder or under any of the other Financing Agreements to which it is a party or of Lender to enforce the Obligations or realize upon the Collateral;

(d) Lender shall have received, in form and substance satisfactory to Lender, all consents, waivers, acknowledgments and other agreements from third persons which Lender may deem necessary or desirable in order to permit, protect and perfect its security interests in and liens upon the Collateral or to effectuate the provisions or purposes of the Loan Agreement and the other Financing Agreements, including, without limitation, acknowledgments by lessors, mortgagees and warehousemen of Lender's security interests in the Collateral, waivers by such persons of any security interests, liens or other claims by such persons to the Collateral and agreements permitting Lender access to, and the right to remain on, the premises to exercise its rights and remedies and otherwise deal with the Collateral;

(e) Lender shall have received, in form and substance satisfactory to Lender, such opinions of counsel to Borrowers and the New Seller with respect to the Financing Agreements, the New Transaction Documents, and such other matters as Lender may request;

(f) Lender shall have been named loss payee upon endorsements satisfactory to the Lender under the policies of insurance required to be maintained by each Borrower pursuant to

the Loan Agreement and all such policies of insurance shall be reviewed by and be satisfactory to Lender;

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(g) the Intercreditor Agreement and such other Financing Agreements and all instruments and documents hereunder and thereunder as Lender may require shall have been duly executed and delivered to Lender, in form and substance satisfactory to Lender;

(h) Lender shall have received, in form and substance satisfactory to Lender, evidence that the New Transaction Documents have been duly executed and delivered by and to the appropriate parties thereto and the transactions contemplated under the terms of the New Transaction Documents have been consummated prior to or contemporaneously with the execution of this Second Amendment, including, without limitation, all approvals, consents and the like from any and all applicable regulatory agencies and other governmental units to the transfer of ownership of DSSI, and proof satisfactory to Lender that concurrently upon the consummation of the transactions contemplated in the New Transaction Documents, DSSI will have all licenses, permits, and approvals and orders required by law to be held by DSSI in respect of its business as currently being conducted;

(i) Lender shall have received, in form and substance satisfactory to Lender, the most recently calculated pro-forma balance sheet of Borrower reflecting the initial transactions contemplated hereunder, including, without limitation, (i) the consummation of the acquisition of the Purchased Stock by Perma-Fix from New Seller and the other transactions contemplated by the New Transaction Documents and (ii) the Loans provided by Lender to Borrowers on the date of this Second Amendment and the use of the proceeds of the initial Loans as provided herein,

accompanied by a certificate, dated of even date herewith, of the chief financial officer of Borrowers, stating that such pro-forma balance sheet represents the reasonable, good faith opinion of such officer as to the subject matter thereof as of the date of such certificate; and

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(j) Lender shall have received, in form and substance satisfactory to Lender, the agreement of New Seller consenting to the collateral assignment by Borrower or any Obligor to Lender of all of Borrower's and such Obligor's rights and remedies and claims for damages and other relief under the New Transaction Documents and granting Lender such other rights as Lender may require, duly authorized, executed and delivered by New Seller.

V. Other Matters.

1. Borrowers are paying Lender a closing fee of \$20,000 on or before the date of this Second Amendment, which fee shall be deemed to be fully earned by Lender upon execution of this Second Amendment by Lender and Borrowers.

2. This Second Amendment constitutes a part of, and shall be construed in connection with, the Original Loan Agreement, and all terms, covenants, conditions, representations and warranties contained in the Original Loan Agreement (other than as expressly set forth in this Second Amendment) shall remain in full force in effect and are incorporated herein by reference as if fully set forth herein. In the event of any inconsistencies between the provisions of this Second Amendment and elsewhere in the Loan Agreement, the provisions of this Second Amendment shall in all respects govern and control.

3. Each Borrower certifies to Lender that (after giving effect to this Second Amendment) all representations and warranties of such Borrower contained in the Loan Agreement are, true and correct as of the date of this Second Amendment, except

to the extent such representations and warranties relate solely to an earlier date.

4. Each Borrower certifies to Lender that (after giving effect to this Second Amendment) no Event of Default under the Loan Agreement, or event which with the passage of time or the

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giving of notice, or both, would constitute an event of default under the Loan Agreement, has occurred and is continuing.

5. (a) In no way in limitation of the provisions of Section 9.15 of the Loan Agreement, Borrower will pay all out-of-pocket expenses incurred by Lender in connection with the preparation of this Second Amendment and of the other Financing Agreements, including, all amendments, supplements or modifications hereafter made to any of the foregoing after the date of this Second Amendment, and the closing of the transactions contemplated herein and therein, including, without limitation, the reasonable fees and expenses of counsel for Lender. In addition, Borrowers agree to pay all documentary stamp taxes, intangible taxes, filing or recording fees required in connection with the borrowings hereunder and creating, perfecting and preserving Lender's security interest in the Collateral.

6. (a) EACH BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS SECOND AMENDMENT, THE LOAN AGREEMENT, ALL DOCUMENTS AT ANY TIME MADE IN CONNECTION WITH THIS AMENDMENT, THE LOAN AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED HEREIN OR THEREIN. FURTHER, EACH BORROWER HEREBY CERTIFIES THAT NO REPRESENTATIVE OR AGENT OF THE LENDER NOR THE LENDER'S COUNSEL HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE LENDER WOULD NOT, IN THE EVENT OF SUCH LITIGATION, SEEK TO ENFORCE THIS WAIVER OF RIGHT TO JURY TRIAL PROVISION. FINALLY, EACH BORROWER ACKNOWLEDGES THAT THE

LENDER HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, INTER ALIA, THE PROVISIONS OF THIS PARAGRAPH.

7. Each Borrower agrees that it has no off-sets, defenses or counterclaims to the payment of the Obligations or the performance by it under the Loan Agreement or the other Financing Agreements. Further, each Borrower agrees that it has no claims of any nature whatsoever against the Lender, its parent, subsidiaries, affiliates, divisions, officers, directors, employees, agents, stockholders, successors, or assigns arising out of or related to the Obligations, the other Financing Agreements, or otherwise.

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to be duly executed, sealed and delivered the day and year first above written.

BORROWERS:

PERMA-FIX ENVIRONMENTAL
SERVICES, INC., a Delaware corporation

By:

Richard T. Kelecy, Chief
Financial Officer

INDUSTRIAL WASTE MANAGEMENT, INC.,
a Missouri corporation

By:

Richard T. Kelecy, Chief
Financial Officer

SCHREIBER, YONLEY & ASSOCIATES
(formerly known as Schreiber, Grana
& Yonley, Inc.), a Missouri
corporation

By:

Richard T. Kelecy, Chief
Financial Officer

PERMA-FIX TREATMENT SERVICES, INC.,
an Oklahoma corporation

By:

Richard T. Kelecy, Chief
Financial Officer

PERMA-FIX, INC., an Oklahoma
corporation

By:

Richard T. Kelecy, Chief
Financial Officer

MINTECH, INC., an Oklahoma
corporation

By:

Richard T. Kelecy, Chief
Financial Officer

RECLAMATION SYSTEMS, INC., an
Oklahoma corporation

By:

Richard T. Kelecy, Chief
Financial Officer

PERMA-FIX OF NEW MEXICO, INC.,
a New Mexico corporation

By:

Richard T. Kelecy, Chief
Financial Officer

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PERMA-FIX OF FLORIDA, INC.,
a Florida corporation

By:

Richard T. Kelecy, Chief
Financial Officer

PERMA-FIX OF MEMPHIS, INC.,
a Tennessee corporation

By:

Richard T. Kelecy, Chief
Financial Officer

PERMA-FIX OF DAYTON, INC.,
an Ohio corporation

By:

Richard T. Kelecy, Chief
Financial Officer

PERMA FIX OF FT. LAUDERDALE, INC.,
a Florida corporation

By:

Richard T. Kelecy, Chief
Financial Officer

PERMA FIX OF MICHIGAN, INC., a
Michigan corporation

By:

Richard T. Kelecy, Chief
Financial Officer

CHEMICAL CONSERVATION OF GEORGIA,
INC., a Georgia corporation

By:

Richard T. Kelecy, Chief
Financial Officer

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CHEMICAL CONSERVATION CORPORATION,
INC., a Florida corporation

By:

Richard T. Kelecy, Chief
Financial Officer

DIVERSIFIED SCIENTIFIC SERVICES,
INC., a Tennessee corporation

By:

Richard T. Kelecy, Chief
Financial Officer

LENDER:

CONGRESS FINANCIAL CORPORATION
(FLORIDA)

By:

Name:

Title:

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