

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q/A

Amendment No. 1
to

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 1996

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
of incorporation or organization Identification Number)

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

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

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

Indicate by check mark whether the Registrant (1) has filed
all reports required to be filed by Section 13 or 15(d) of the
Securities Exchange Act of 1934 during the preceding 12 months (or
for such shorter period that the Registrant was required to file
such reports), and (2) has been subject to such filing requirements
for the past 90 days. Yes 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 12, 1996
<u>Common Stock, \$.001 Par Value</u>	<u>9,366,035</u>
	(excluding 920,000 shares held as treasury stock)

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

PART I, ITEM 1

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

It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1995.

The results of operations for the nine months ended

September 30, 1996, are not necessarily indicative of results to be expected for the fiscal year ending December 31, 1996.

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands, Except for Share Amounts)	September 30, 1996 (Unaudited)	December 31, 1995
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 83	\$ 201
Restricted cash	441	380
Accounts receivable, net of allowance for doubtful accounts of \$406 and \$392, respectively	5,373	5,031
Inventories	98	183
Prepaid expense	658	414
Other receivables	155	134
Total current assets	6,808	6,343
Property and equipment:		
Building and land	4,776	6,055
Equipment	5,860	5,874
Vehicles	1,373	1,589
Leasehold improvements	386	143
Office furniture and equipment	1,316	1,252
Construction in progress	2,637	1,435
	16,348	16,348
Less accumulated depreciation	(4,282)	(3,378)
Net property and equipment	12,066	12,970
Other assets:		
Permits, net of accumulated amorti- zation of \$540 and \$366, respectively	3,961	4,036
Goodwill, net of accumulated amorti- zation of \$398 and \$289, respectively	4,883	4,992
Covenant not to compete, net of accum- ulated amortization of \$363 and \$304, respectively	28	87
Other assets	413	445
Total assets	\$ 28,159	\$ 28,873

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

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.

CONSOLIDATED BALANCE SHEETS, CONTINUED

(Amounts in Thousands, Except for Share Amounts)	September 30, 1996 (Unaudited)	December 31, 1995
<S>	<C>	<C>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 3,422	\$ 5,402
Accrued expenses	3,280	2,951
Revolving loan and term note facility	500	5,259
Equipment financing agreement	631	1,778
Current portion of long-term debt	263	325
	<hr/>	<hr/>
Total current liabilities	8,096	15,715
Long-term debt	3,612	1,116
Environmental accruals	2,940	3,063
Accrued closure costs	1,081	1,041
	<hr/>	<hr/>
Total long-term liabilities	7,633	5,220
Commitments and contingencies (Note 3)	-	-
Stockholders' equity:		
Preferred stock, \$.001 par value; 2,000,000 shares authorized, 5,500 and 0 shares issued and outstanding, respectively	-	-
Common stock, \$.001 par value; 20,000,000 shares authorized, 9,366,035 and 7,872,384 shares issued and outstanding, respec- tively	9	8
Treasury stock, \$.001 par value, 920,000 and 0 shares issued and outstanding, respectively	(1,769)	-
Redeemable warrants	269	269
Additional paid-in capital	28,125	21,546
Accumulated deficit	(14,204)	(13,885)
	<hr/>	<hr/>
Total stockholders' equity	12,430	7,938
	<hr/>	<hr/>
Total liabilities and stockholders' equity	\$ 28,159 =====	\$ 28,873 =====

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

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

Three Months Ended
September 30,

(Amounts in Thousands, Except for Share Amounts)	1996	1995
---	------	------

<S>	<C>	<C>
Net revenues	\$ 7,734	\$ 9,049
Cost of goods sold	5,195	6,953
	<u> </u>	<u> </u>
Gross profit	2,539	2,096
Selling, general and administrative	1,751	2,041
Depreciation and amortization	515	618
Nonrecurring charges	-	-
	<u> </u>	<u> </u>
Income (loss) from operations	273	(563)
Other income (expense):		
Interest income	13	22
Interest expense	(163)	(248)
Other	32	(29)
	<u> </u>	<u> </u>
Net income (loss)	\$ 155	\$ (818)
	<u> </u>	<u> </u>
Preferred stock dividends	64	-
	<u> </u>	<u> </u>
Net income (loss) applicable to common stock	\$ 91	\$ (818)
	<u> </u>	<u> </u>
Net income (loss) per share	\$.01	\$ (.10)
	<u> </u>	<u> </u>
Weighted average number of common and common equivalent shares outstanding	12,489	7,872
	<u> </u>	<u> </u>

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

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

Nine Months Ended
September 30,

(Amounts in Thousands, Except for Share Amounts)	<u>1996</u>	<u>1995</u>
<S>	<C>	<C>
Net revenues	\$ 23,484	\$ 27,053
Cost of goods sold	16,593	20,714
	<u> </u>	<u> </u>
Gross profit	6,891	6,339
Selling, general and administrative	5,175	6,140

Depreciation and amortization	1,692	1,761
Nonrecurring charges	-	705
Income (loss) from operations	<u>24</u>	<u>(2,267)</u>
Other income (expense):		
Interest income	53	46
Interest expense	(641)	(687)
Other	320	16
Net income (loss)	<u>\$ (244)</u>	<u>\$ (2,892)</u>
Preferred stock dividends	74	-
Net income (loss) applicable to common stock	<u>\$ (318)</u>	<u>\$ (2,892)</u>
Net income (loss) per share	<u>\$ (.04)</u>	<u>\$ (.37)</u>
Weighted average number of common common equivalent shares outstanding	<u>8,552</u>	<u>7,872</u>

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

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

Nine Months Ended
September 30,

(Dollars in Thousands)

	<u>1996</u>	<u>1995</u>
<S>	<C>	<C>
Cash flows from operating activities:		
Net loss	\$ (318)	\$ (2,892)
Adjustments to reconcile net loss to cash used in operations:		
Depreciation and amortization	1,691	1,762
Divestiture reserve	-	450
Provision for bad debt and other reserves	14	489
(Gain) loss on sale of plant, property and equipment	(37)	-
Changes in assets and liabilities:		
Accounts receivable	(356)	68
Prepaid expenses, inventories and other receivables	(298)	(633)
Accounts payable and accrued expenses	(1,763)	(149)
Net cash used in operations	<u>(1,067)</u>	<u>(905)</u>

Cash flows from investing activities:

Purchases of property and equipment, net	(1,487)	(2,047)
Proceeds from sale of property and equipment	1,211	-
Change in restricted cash, net	(72)	75
Other investing	-	9
	<hr/>	<hr/>
Net cash used in investing activities	(348)	(1,963)
Cash flows from financing activities:		
Borrowings (repayments) from revolving loan and term note	(2,315)	2,400
Borrowings on long-term debt	70	1,045
Principal repayments on long-term debt	(1,227)	(1,010)
Proceeds from issuance of stock	6,538	-
Purchase of treasury stock	(1,769)	-
	<hr/>	<hr/>
Net cash provided by financing activities	1,297	2,435
Decrease in cash and cash equivalents	(118)	(433)
Cash and cash equivalents at beginning of period	201	490
	<hr/>	<hr/>
Cash and cash equivalents at end of period	\$ 83	\$ 57
	=====	=====
<hr/>		
Supplemental disclosure:		
Interest paid	\$ 684	\$ 714
	=====	=====
Income taxes paid	\$ -	\$ -
	=====	=====

See accompanying notes to consolidated financial statements.
</TABLE>

PERMA-FIX ENVIRONMENTAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Unaudited)

Reference is made herein to the notes to consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1995.

1. Summary of Significant Accounting Policies

The Company's accounting policies are as set forth in the notes to consolidated financial statements referred to above.

Certain amounts in prior years' consolidated financial statements have been reclassified to conform to current period financial statement presentations.

As discussed in the Company's Annual Report on Form 10-K for

the year ended December 31, 1995, net loss per share has been presented using the weighted average number of common and common equivalent shares outstanding. Net loss per share has been restated, in accordance with Accounting Principles Board Opinion No. 15, for the period ended March 31, 1995, to reflect the issuance of contingent shares to Quadrex in November of 1995.

Earnings (loss) per common share is computed by dividing income, after deducting the preferred stock dividends, by the weighted average number of common shares outstanding during the period, plus the weighted average common stock equivalents as calculated using the treasury stock method. Primary and fully diluted earnings per share are the same. Common stock equivalents consist of shares subject to certain stock options, warrants, and the Series 3 Preferred Stock (see Note 4). For the three-month period ended September 30, 1995, and the nine-month periods ended September 30, 1996, and 1995, the common stock equivalents have an anti-dilutive effect on earnings per share and are therefore excluded from the weighted average shares outstanding.

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2. Long-Term Debt

Long-term debt consists of the following at September 30, 1996, and December 31, 1995 (in thousands):

	September 30, 1996	December 31, 1995
<S>	<C>	<C>
Long-term debt and notes payable:		
Revolving loan and term note facility	\$ 2,945	\$ 5,259
Equipment financing agreement	1,404	1,778
Various mortgage, promissory and notes payable	657	1,441
	<u>5,006</u>	<u>8,478</u>
Less current portion:		
Revolving loan and term note facility	500	5,259
Equipment financing agreement	631	1,778
Various mortgage, promissory and notes payable	263	325
	<u>\$ 3,612</u>	<u>\$ 1,116</u>
	=====	=====

</TABLE>

On January 27, 1995, the Company, as parent and guarantor, and all direct and indirect subsidiaries of the Company, as co-borrowers and cross-guarantors, entered into a Loan and Security Agreement ("Agreement") with Heller Financial, Inc. ("Heller"). The Agreement provides for a term loan in the amount of \$2,500,000, which requires principal repayments based on a five-year level principal amortization over a term of 36 months, with monthly principal payments of \$42,000. Payments commenced on February 28, 1995, with a final adjusted balloon payment in the amount of \$846,000 due on January 31, 1998. The Agreement also provides for a revolving loan facility in the amount of \$7,000,000. At any point in time the aggregate available borrowings under the facility are reduced by any amounts outstanding under the term loan and are also subject to the maximum credit availability as determined

through a monthly borrowing base calculation, equal to 80% of eligible accounts receivable accounts of the Company as defined in the Agreement. The termination date on the revolving loan facility is also the third anniversary of the closing date.

As previously disclosed, during the second quarter of 1995, the Company became in violation of certain of the restrictive financial ratio covenants of the Agreement. During the second quarter of 1996, the Company negotiated and subsequently entered into an amendment ("Third Amendment") to the Loan and Security Agreement, whereby, among other things, Heller waived the existing events of default, amended the financial covenants and amended

certain other provisions of the Loan Agreement as set forth therein. Applicable interest rate provisions were also amended, whereby the term loan shall bear interest at a rate of interest per annum equal to the base rate plus 2 1/4%, and the revolving loan shall bear interest equal to the base rate plus 2%. The Amendment also contains a performance price adjustment which provides that upon the occurrence of an "equity infusion" (see Note 4), applicable interest rates on the loans shall be reduced, in each instance by 1/2% per annum. Due to the equity infusion as discussed in Note 4, applicable interest rates on the loans were reduced pursuant to the terms of the Third Amendment effective August 16, 1996. Also, during the second quarter of 1996, Heller extended to the Company an overformula line in an amount not to exceed \$250,000, for a period ending the earliest of 90 days after the date of first advance or September 30, 1996. Pursuant to the above discussed Amendment, said overformula line terminated upon the Company's receipt of the equity infusion.

As disclosed at December 31, 1995, Heller had agreed to forebear from exercising any rights and remedies under the Agreement as a result of these previous defaults and continued to make normal advances under the revolving loan facility. However, in compliance with generally accepted accounting principles, and since there was no waiver or reset, the Company, at December 31, 1995, reclassified as a current liability \$3,882,000 outstanding under the Agreement that would otherwise have been classified as long-term debt. As a result of Heller waiving the defaults and resetting the financial covenants under the Third Amendment and resetting the "fixed charged ratio" covenant in the Agreement as of November 12, 1996, \$2,445,000 of such loans with Heller is classified as long-term debt at September 30, 1996, in compliance with generally accepted accounting principles.

Pursuant to the initial agreement, the term loan bears interest at a floating rate equal to the base rate (prime) plus 1 3/4% per annum. The revolving loan bears interest at a floating rate equal to the base rate (prime) plus 1 1/4% per annum. The loans also contain certain closing, management and unused line fees payable throughout the term. As discussed above, in conjunction with the Third Amendment, applicable interest rates were amended. However, a default rate was applied due to the financial covenant default discussed above, effective August 21, 1995 through the date of the Third Amendment, and therefore the Heller obligations bore interest at the above noted effective rate plus 2.0%. Both the revolving loan and term loan were prime based loans at September 30, 1996, bearing interest at a rate of 9.75% and 10.00%, respectively.

As of September 30, 1996, the borrowings under the revolving loan facility total \$1,432,000, a decrease of \$1,744,000 from the

December 31, 1995 balance of \$3,176,000, with borrowing availability of \$2,213,000. The balance on the term loan totalled \$1,513,000, as compared to \$2,083,000 at December 31, 1995. Total indebtedness under the Heller Agreement as of September 30, 1996 was \$2,945,000, a reduction of \$2,314,000 from the December 31, 1995 balance of \$5,259,000.

During October 1994, the Company entered into a \$1,000,000 equipment financing agreement with Ally Capital Corporation ("Ally"), which provides lease commitments for the financing of certain equipment through June 1995. During 1995, the Company negotiated an increase in the total lease commitment to \$1,600,000. The agreement provides for an initial term of 42 months, which may be extended to 48, and bears interest at a fixed interest rate of 11.3%. As of December 31, 1995, the Company had utilized \$1,496,000 of this credit facility to purchase capital equipment and subsequently drew down an additional \$57,000 in January 1996, bringing the total financing under this agreement to \$1,553,000. In conjunction with a 1994 acquisition, the Company also assumed \$679,000 of debt obligations with Ally Capital Corporation, which had terms expiring from September 1997 through August 1998, at a rate ranging from 10.2% to 13.05%. As previously disclosed, at December 31, 1995, the Company was not in compliance with the minimum tangible net worth covenant of this agreement and Ally had waived compliance with this covenant and no acceleration was demanded by the lender. However, in compliance with generally accepted accounting principles, the Company, at December 31, 1995, reclassified as a current liability \$1,103,000 outstanding under the agreement, which would otherwise have been classified as long-term debt. During the second quarter of 1996, the Company negotiated and subsequently entered into an amendment to the equipment financing agreement, whereby, among other things, Ally waived the existing event of default and amended the required covenants. The outstanding balance on this equipment financing agreement at September 30, 1996 is \$1,404,000, as compared to \$1,778,000 at December 31, 1995. As a result of the above discussed amendment and the resetting of the "fixed charge coverage" covenant for the remainder of 1996 as of November 14, 1996, \$773,000 has been classified as long-term debt at September 30, 1996, pursuant to generally accepted accounting principles.

3. Commitments and Contingencies

Hazardous Waste

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

Legal

In the normal course of conducting its business, the Company is involved in various litigation. The Company is not a party to any litigation or governmental proceeding which its management believes could result in any judgments or fines against it that would have a material adverse affect on the Company's financial position, liquidity or results of operations.

Permits

The Company is subject to various regulatory requirements, including the procurement of requisite licenses and permits at certain of its treatment, storage and/or disposal facilities. These licenses and permits are subject to periodic renewal without which the Company's operations would be adversely affected. The Company anticipates 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

The Company maintains closure cost funds to insure the proper decommissioning of its RCRA facilities upon cessation of operations. Additionally, in the course of owning and operating on-site treatment, storage and disposal facilities, the Company is 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 the Company maintains the appropriate accruals for restoration. The Company has recorded accrued liabilities for estimated closure costs and identified environmental remediation costs.

Insurance

The business of the Company exposes it to various risks, including claims for causing damage to property or injuries to persons or claims alleging negligence or professional errors or omissions in the performance of its services, which claims could be substantial. The Company carries general liability insurance which provides coverage in the aggregate amount of \$2 million and an additional \$6 million excess umbrella policy and carries \$1 million per occurrence and \$2 million annual aggregate of errors and omissions/professional liability insurance coverage, which includes tank removal and pollution control coverage.

The Company also carries specific pollution legal liability insurance for operations involved in the waste management services segment for property damages or bodily injuries occurring off-site of the Company's facilities due to release of contaminants from the Company's facilities, with such insurance providing coverages ranging from a \$2 million annual aggregate to \$8 million annual aggregate, for certain facilities.

4. Stock Issuance

As previously disclosed, the Company issued, during February 1996, to RBB Bank Aktiengesellschaft, located in Graz, Austria ("RBB Bank"), 1,100 shares of newly created Series 1 Class A Preferred Stock ("Series 1 Preferred") at a price of \$1,000 per share, for an aggregate sales price of \$1,100,000, and paid a placement fee of \$176,000. During February 1996, the Company also issued 330 shares of newly created Series 2 Class B Convertible Preferred Stock ("Series 2 Preferred") to RBB Bank at a price of \$1,000 per share, for an aggregate sales price of \$330,000, and paid a placement fee of \$33,000. The Series 1 Preferred and Series 2 Preferred accrued dividends on a cumulative basis at a rate per share of five percent (5%) per annum, payable at the option of the Company in cash or Company common stock. All dividends on the Series 1 Preferred and Series 2 Preferred were paid in common stock. During the second quarter of 1996, a total of 722 shares of the Series 1 Preferred were converted into approximately 1,035,000 shares of the Company's common stock and the associated accrued dividends were paid in the form of approximately 15,000 shares of the Company's common stock. Pursuant to a subscription and

purchase agreement for the issuance of Series 3 Class C Convertible Preferred Stock, as discussed below, the remaining 378 shares of the Series 1 Preferred and the 330 shares of the Series 2 Preferred were converted during July 1996 into 920,000 shares of the Company's common stock. By terms of the subscription agreement, the 920,000 shares of common stock were purchased by the Company at a purchase price of \$1,769,000. As a result of such conversions, the Series 1 Preferred and the Series 2 Preferred are no longer outstanding.

On July 17, 1996, the Company issued to RBB Bank 5,500 shares of newly-created Series 3 Class C Convertible Preferred Stock ("Series 3 Preferred") at a price of \$1,000 per share, for an aggregate sales price of \$5,500,000, and paid placement and closing fees as a result of such transaction of approximately \$360,000. As part of the sale of the Series 3 Preferred, the Company also issued to RBB Bank two (2) common stock purchase warrants entitling RBB Bank to purchase, after December 31, 1996, until July 18, 2001, an aggregate of up to 2,000,000 shares of common stock, with 1,000,000 shares exercisable at an exercise price equal to \$2.00 per share and 1,000,000 shares exercisable at an exercise price equal to \$3.50 per share. The Series 3 Preferred accrues dividends on a cumulative basis at a rate of six percent (6%) per annum, and is payable semi-annually when and as declared by the Board of Directors. Dividends shall be paid, at the option of the Company, in the form of cash or common stock of the Company. The holder of the Series 3 Preferred may convert into common stock of the Company up to (i) 1,833 shares of the Series 3 Preferred on and after October 1, 1996, (ii) 1,833 shares of the Series 3 Preferred on and after November 1, 1996, and (iii) the balance of the Series 3 Preferred on and after December 1, 1996. The conversion price

shall be the product of (i) the average closing bid quotation for the five (5) trading days immediately preceding the conversion date multiplied by (ii) seventy-five percent (75%). The conversion price shall be a minimum of \$.75 per share or a maximum of \$1.50 per share, with the minimum conversion price to be reduced by \$.25 per share each time, if any, after July 1, 1996, the Company sustains a net loss, on a consolidated basis, in each of two (2) consecutive quarters. At no time shall a quarter that has already been considered in such determination be considered in any subsequent determination. The common stock issuable on the conversion of the Series 3 Preferred is subject to certain registration rights pursuant to the subscription agreement. The subscription agreement also provides that the Company utilize \$1,769,000 of the net proceeds to purchase from RBB Bank 920,000 shares of the Company's common stock owned by RBB Bank. As discussed above, RBB Bank had previously acquired from the Company 1,100 shares of Series 1 Preferred and 330 shares of Series 2 Preferred and, as of the date of the subscription agreement, was the owner of record and beneficially owned all of the issued and outstanding shares of Series 1 Preferred and Series 2 Preferred, which totalled 378 shares of Series 1 Preferred and 330 shares of Series 2 Preferred. Pursuant to the terms of the subscription agreement relating to the Series 3 Preferred, RBB Bank converted all of the remaining outstanding shares of Series 1 Preferred and Series 2 Preferred into common stock of the Company (920,000 shares) pursuant to the terms, provisions, restrictions and conditions of the Series 1 Preferred and Series 2 Preferred, which were in turn purchased by the Company pursuant to the terms of such subscription agreement. As of this date, the holder of the Series 3 Preferred has not elected to convert any of the Series 3 Preferred into common stock of the Company.

5. Subsequent Event

On November 15, 1996, Arthur Andersen, LLP, the outside independent auditor of the Company, advised the Company that it was resigning as the independent auditor of the Company, effective immediately. Arthur Andersen orally advised the Company that the resignation was not due to any disagreements with Arthur Andersen on any matter of accounting principles or practices, financial statement disclosures or auditing scope or procedure. As of the date of this report, the Company has not engaged a new independent auditor to replace Arthur Andersen. The Company will be filing a Form 8-K in connection with such resignation.

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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

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, 1996, and 1995 (in thousands):

	Three Months Ended September 30,			
Consolidated	1996	%	1995	%
<S>	<C>	<C>	<C>	<C>
Net Revenues	\$ 7,734	100.0	\$ 9,049	100.0
Cost of Goods Sold	5,195	67.2	6,953	76.8
Gross Profit	2,539	32.8	2,096	23.2
Selling, General and Administrative	1,751	22.6	2,041	22.6
Depreciation/Amortization	515	6.7	618	6.8
Nonrecurring Charges	-	-	-	-
Income (loss) from Operations	\$ 273	3.5	\$ (563)	(6.2)
Interest Expense	\$ 163	2.1	\$ 248	2.7
Preferred Stock Dividend	\$ 64	0.8	\$ -	-

</TABLE>
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Nine Months Ended
September 30,

	Nine Months Ended September 30,			
Consolidated	1996	%	1995	%
<S>	<C>	<C>	<C>	<C>
Net Revenues	\$23,484	100.0	\$27,053	100.0
Cost of Goods Sold	16,593	70.7	20,714	76.6

Gross Profit	6,891	29.3	6,339	23.4
Selling, General and Administrative	5,175	22.0	6,140	22.7
Depreciation/Amortization	1,692	7.2	1,761	6.5
Nonrecurring Charges	-	-	705	2.6
Income (loss) from Operations	\$ 24	0.1	\$(2,267)	(8.4)
Interest Expense	\$ 641	2.7	\$ 687	2.5
Preferred Stock Dividend	\$ 74	0.3	\$ -	-

</TABLE>

Summary -- Quarter and Nine Months Ended September 30, 1996 and 1995

Consolidated net revenues decreased to \$7,734,000 from \$9,049,000 for the three month period ended September 30, 1996, as compared to the comparable period for 1995. This 14.5% decrease, or \$1,315,000, reflects reduced revenues within both the waste management and consulting engineering segments of \$1,310,000 and \$5,000, respectively. As reflected, the most significant decrease was within the waste management segment and is a result of the impact of the various restructuring programs initiated during 1995, which resulted in the consolidation and closure of certain offices, the divestiture of a subsidiary and the disruption resulting from a major capital expansion at one facility, in conjunction with the Company's continued focus on select markets. Consolidated revenues for the nine months ended September 30, 1996 and 1995 were \$23,484,000 and \$27,053,000, respectively, reflecting a \$3,569,000 decrease. This decrease is a direct result of the above discussed restructuring program, again focused on the closure or divestiture of unprofitable operations during 1995 and early 1996. Also, as a result of industry and weather related issues during the first quarter, revenues were negatively impacted in all segments beyond normal seasonality for this typically down period.

Costs of goods sold decreased to \$5,195,000 for the quarter ended September 30, 1996, from \$6,953,000 for the quarter ended September 30, 1995. The \$1,758,000 decrease is primarily attributable to the reduced revenue during the third quarter of 1996, as discussed above, and the cost benefit associated with the various restructuring programs and the closure or divestiture of non-performing entities. As a percent of revenue, costs of goods sold decreased to 67.2% in the third quarter of 1996, compared to 76.8% in the corresponding third quarter of 1995. This consolidated decrease in cost of goods sold as a percent of revenue reflects improvements in both the waste management and consulting engineering segments, resulting from the continued emphasis on cost containment across all Company segments. Consolidated cost of goods sold for the nine months ended September 30, 1996 was \$16,593,000, a reduction of \$4,121,000 from the comparable period of 1995 total of \$20,714,000. Cost of goods sold as a percent of revenue also decreased for the nine month period of 1996 to 70.7% from a percentage of 76.6% for 1995. The Company continued to see improvements in the consolidated gross profit as a percentage of net revenues, with the first quarter of 1996 improving by approximately one (1) percentage point to 23.9% (a typically low quarter), the second quarter reflecting an improvement of seven (7) percentage points, to 31.1%, and the third quarter reflecting an improvement to 32.8%, which again reflects the impact of the

restructuring and cost savings programs.

Selling, general and administrative expenses decreased to \$1,751,000 for the quarter ended September 30, 1996, from \$2,041,000 for the quarter ended September 30, 1995. This decrease of \$290,000 reflects (i) the indirect cost or overhead reduction resulting from the closure or divestiture of certain operations, (ii) the reduced corporate overhead resulting from the restructuring program and significant downsizing of the corporate costs, finalized during the first quarter of 1996, which was partially offset during the quarter by increased costs associated with the equity and refinancing activities, and (iii) the overall corporate focus on cost reductions and efficiencies at all levels. However, as a percent of revenue, selling, general and administrative expenses were consistent with the three month period ending September 30, 1995, at 22.6%. Selling, general and administrative expenses also decreased for the nine months ended September 30, 1996 to \$5,175,000 from \$6,140,000 for the same period of 1995. This decrease of \$965,000 reflects again the above discussed reductions and improvements partially offset by the first quarter increase in sales and marketing costs incurred by the Company as it strengthens and expands its efforts in this area. As a percent of sales, selling, general and administrative costs improved from 22.7% in 1995 to 22.0% in 1996, with significant improvement demonstrated during the second quarter.

Interest expense was \$163,000 for the quarter ended September 30, 1996, as compared to \$248,000 for the same period of 1995. The decrease in interest expense of \$85,000 for the third quarter is principally a result of the reduced interest expense associated with the revolving loan and term note facility, reflecting lower average loan balances, resulting from the private equity placement completed during the quarter (see Note 4 of Notes to Consolidated Financial Statements), and lower interest rates resulting from the amended loan agreement with Heller Financial, Inc. (see Note 2 of the Notes to Consolidated Financial Statements). This decrease was partially offset by the additional interest expense resulting from new equipment financing agreements entered into with Ally Capital Corporation throughout 1995 and early 1996. Interest expense for the nine months ended September 30, 1996 totaled \$641,000, as compared to \$687,000 for the same period of 1995. This decrease of \$46,000 is principally a result of the reduced overall debt level of the Company combined with the reduced Heller Financial, Inc. interest expense which was down \$25,000 for the nine months of 1996, as compared to 1995. However, these reductions were partially offset by the above discussed additional Ally Capital Corporation debt and related interest expense, which reflected an increase of \$48,000 for the nine months of 1996, as compared to 1995.

The Company also recorded preferred stock dividends during the nine months ended September 30, 1996 of \$74,000, as related to the "Series 1 Preferred," "Series 2 Preferred," and "Series 3 Preferred" stock issued during 1996 (see Note 4 of the Notes to Consolidated Financial Statements). Dividends for the third quarter of 1996 totalled \$64,000, which included \$62,000 for the

"Series 3 Preferred" as issued on July 17, 1996. Accrued dividends on the Series 1 Preferred and Series 2 Preferred were payable at the option of the Company in cash or Company common stock. The Company paid accrued dividends on the Series 1 Preferred and Series 2 Preferred in common Stock. The Company has the option to pay

accrued dividends on the Series 3 Preferred in either cash or common stock.

During the second quarter of 1995, the Company recorded several one-time, nonrecurring charges totaling \$705,000 for certain unrelated events. Of this amount, \$450,000 represented a divestiture reserve as related to the sale of the Company's wholly-owned subsidiary, Re-Tech Systems, Inc., a post-consumer plastics recycling company. This sale transaction was closed effective March 15, 1996. The Company also recorded during the second quarter of 1995 one-time charges totaling \$255,000 as related to various restructuring programs, which included a one-time charge of \$180,000 to provide for costs, principally severance and lease termination fees, associated with the restructuring of the Perma-Fix, Inc. service center group. This program entailed primarily the consolidation of offices in conjunction with the implementation of a regional service center concept and the closure of seven (7) of nine (9) offices. A one-time charge of \$75,000 was also recorded to provide for consolidation costs, principally severance, associated with the restructuring of the Southeast Region, which is comprised of Perma-Fix of Florida, Inc. and Perma-Fix of Ft. Lauderdale, Inc.

Other income for the quarter ended September 30, 1996 was \$32,000, as compared to expense of \$29,000 for the quarter ended September 30, 1995. Other income for the nine months ended September 30, 1996 was \$320,000 as compared to \$16,000 for the same period of 1995. This increase of \$304,000 was principally a result of the gain on the sale of certain nonproductive assets within the waste management services segment.

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The table below reflects activity for the three and nine months ended September 30, 1996 and 1995, which should be used in conjunction with the management's discussion and analysis by segment (in thousands):

Three Months Ended September 30,	Waste Management Services				Consulting Engineering			
	1996	%	1995	%	1996	%	1995	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net Revenues	\$6,122	100.0	\$7,432	100.0	\$1,612	100.0	\$1,617	100.0
Cost of Goods Sold	4,048	66.1	5,638	75.9	1,147	71.2	1,315	81.3
Gross Profit	\$2,074	33.9	\$1,794	24.1	\$ 465	28.8	\$ 302	18.7
	=====	=====	=====	=====	=====	=====	=====	=====

</TABLE>
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Nine Months Ended September 30,	Waste Management Services				Consulting Engineering			
	1996	%	1995	%	1996	%	1995	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net Revenues	\$19,193	100.0	\$22,313	100.0	\$4,291	100.0	\$4,740	100.0
Cost of Goods Sold	13,465	70.2	16,923	75.8	3,128	72.9	3,791	80.0

Gross Profit	\$ 5,728	29.8	\$ 5,390	24.2	\$1,163	27.1	949	20.0
	=====	=====	=====	=====	=====	=====	=====	=====

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Waste Management Services -- Quarter and Year Ended September 30,
1996 and 1995

The waste management services segment is engaged in on- and off-site treatment, storage, disposal and blending of a wide variety of by-products and industrial and hazardous wastes. This segment competes for materials and services with numerous regional and national competitors to provide comprehensive and cost-effective waste management services to a wide variety of customers in the Midwest, Southeast and Southwest regions of the country. In 1996, the Company operated and maintained facilities or businesses in the waste by-product brokerage, on-site treatment and stabilization, and off-site blending, treatment and disposal industries.

During 1995, the Company initiated a re-engineering of the waste management services segment, which included the detail review of all operations and modification of its approach to soliciting new customers while maintaining its existing customer base and, at the same time, expanding its marketing efforts. In re-engineering the waste management services segment, the Company made two key decisions during 1995. The first was the elimination of a majority of its service center locations. In June, 1995, the Company closed seven (7) of nine (9) service centers, leaving its Albuquerque office operating due to its continued profitability and the future prospects thereof, and to operate its Tulsa, Oklahoma service center as part of other waste management operations of the Company. The second decision was to exit the toll grinding of post-consumer and industrial plastics and resins, performed through its wholly-owned subsidiary, Re-Tech Systems, Inc. in Houston, Texas. The decision to sell this business entity was a continued effort to focus the Company on consulting engineering and certain on-site and off-site environmental services, all of which demonstrate higher gross margins than toll grinding.

Effective March 15, 1996, the Company completed the sale of Re-Tech Systems, Inc. The sale transaction included all real and personal property of the subsidiary, for a total consideration of \$970,000. Net cash proceeds to the Company were approximately \$320,000, after the repayment of a mortgage obligation of \$582,000 and certain other closing and real estate costs. In conjunction with this transaction, the Company also made a prepayment of

\$50,000 to Heller Financial, Inc. for application to the term loan. As previously disclosed, the Company recorded during the second quarter of 1995, a nonrecurring charge of \$450,000 for the estimated loss on the sale of this subsidiary, which was recorded as an asset reduction. However, the Company recognized, during the first quarter of 1996, a small gain on this sale after the asset write-down. The Company sold total assets of approximately \$1,346,000, while retaining certain assets totalling approximately \$94,000 and certain liabilities totalling approximately \$48,000.

Waste management services' revenue was \$6,122,000 for the quarter ended September 30, 1996. During the same period in 1995, waste management services' revenue was \$7,432,000. This decrease of \$1,310,000, or 17.6%, is principally a result of the above discussed re-engineering program, in conjunction with the closing of the service center locations, the disruption of one facility

currently undergoing major capital expansion, and the impact of the sale of Re-Tech. The closed service center locations reflected approximately \$965,000 of this decrease during 1996, which was partially offset by additional revenue through the expansion of the remaining service centers and the receipt of new contracts, such as the waste treatment project at the U.S. Department of Energy's Fernald, Ohio facility. Also contributing to this decrease was the sale of Re-Tech, which resulted in a reduction of approximately \$163,000 during the quarter. The Company also experienced reduced revenue levels at its Ft. Lauderdale, Florida facility as the Company finalizes a major capital expansion project and the refocus of its business segments. Revenues for the nine months ended September 30, 1996 were \$19,193,000, as compared to \$22,313,000 for the same period of 1995. This decrease of \$3,120,000 is again attributable to the above discussed issues, with the closed service centers reflecting approximately \$2,194,000 of this decrease, the sale of Re-Tech contributing \$366,000 of this decrease and the reduced revenue levels at Ft. Lauderdale reflecting approximately \$589,000 of this decrease, all of which was partially offset by the receipt of new contracts at favorable pricing/margins. Also, during the first nine months of 1996, the waste management segment continued to experience downward pressure on prices due to the market imbalance of excess supply over industry demand, principally within the off-site blending, treatment and disposal facilities. These market conditions contributed to the reduced revenue within certain areas of this segment, and, as a result, the Company continues to focus its efforts on its existing operations, including new waste treatment technologies, its water treatment facilities and its low level radioactive operations in north Florida.

Cost of goods sold decreased to \$4,048,000 from \$5,638,000 for the quarter ended September 30, 1996 and 1995, respectively. This decrease of \$1,590,000, or 28.2%, in cost of goods sold reflects the corresponding direct and indirect costs related to the above discussed revenue reduction of 17.6%, and the savings resulting

from various cost containment programs initiated during 1995 and early 1996. The Company continued during the quarter to closely monitor and reduce all possible operating costs. These reductions, however, were partially offset by the temporary increase in operating costs incurred at its Ft. Lauderdale, Florida facility, as the Company finalizes this facility's expansion. As a percent of revenue, the cost of goods sold for waste management services decreased from 75.9% of revenue for the quarter ended September 30, 1995 to 66.1% of revenue for the quarter ended September 30, 1996, again reflecting the impact of the restructuring and cost reduction programs. Cost of goods sold also decreased \$3,458,000 for the nine month period ended September 30, 1996 to \$13,465,000, from a total of \$16,923,000 for the same period of 1995. As a percent of revenue, the cost of goods sold decreased from 75.8% for the nine months ended September 30, 1995 to 70.2% for the nine months of 1996. This decrease in cost of goods sold again reflects the savings resulting from the above discussed cost containment programs and restructuring related changes.

Consulting Engineering Services -- Quarter and Nine Months Ended September 30, 1996 and 1995

The Company's consulting engineering segment provides a wide variety of environmental consulting and engineering services to industry and government. Through the Company's wholly-owned subsidiaries in Tulsa, Oklahoma and St. Louis, Missouri, this segment provides oversight management of environmental restoration

projects, air and soil sampling and compliance reporting, surface and subsurface water treatment design for removal of pollutants, and various compliance and training activities. This segment, like many other engineering firms within the pollution control industry, is maturing rapidly, experiencing downward pricing pressure and competitive conditions.

Net revenues for the consulting engineering segment were \$1,612,000 for the quarter ended September 30, 1996, as compared to \$1,617,000 for the quarter ended September 30, 1995, which reflects the continued improvement from the first and second quarters of 1996. Net revenues, however, for the nine months ended September 30, 1996 were \$4,291,000 as compared to \$4,740,000 for the nine months of 1995. This decrease of \$449,000, or 9.5%, occurred principally during the first quarter and reflects, among other changes, the above discussed competitive nature of the industry, weather related issues that delayed the start-up of certain contracts, and the corresponding loss of certain other contracts. Also, during 1995, the Company closed its Canton, Ohio office of Schreiber, Grana and Yonley, Inc., which resulted in approximately \$87,000 of this revenue reduction. The Company has also, however, partially offset this reduction by the receipt of several new contracts/relationships and the expansion of its product base into new services to be provided to current and prospective customers.

Cost of goods sold decreased \$168,000 to \$1,147,000 from \$1,315,000 for the quarter ended September 30, 1996 and 1995, respectively. This decrease of 12.8% reflects the overall reduction of operating costs on revenues, which were consistent for the third quarter of 1996 as compared to 1995. Also, with this improved utilization and aggressive cost containment program, the consulting engineering segment's cost of goods sold decreased from 81.3% of net revenues to 71.2% of net revenues for the quarter ended September 30, 1995 and 1996, respectively. Cost of goods sold for the nine months ended September 30, 1996 were \$3,128,000 as compared to \$3,791,000 for the same period of 1995. This decrease of \$663,000 or 17.5% reflects, as discussed above, the impact of reduced revenue and cost containment efforts. These results reflect a gross margin level of 27.1% for the nine months of 1996, an improvement over the 20.0% for 1995.

Liquidity and Capital Resources of the Company

At September 30, 1996, the Company had cash and cash equivalents of \$83,000. This cash and cash equivalents total reflects a decrease of \$118,000 from December 31, 1995, as a result of net cash used in operations of \$1,067,000 (principally related to the reduction of accounts payable and accrued expenses), cash used in investing activities of \$348,000 (principally purchases of equipment, net totaling \$1,487,000, partially offset by the proceeds from the sale of property and equipment of \$1,211,000) and cash provided by financing activities of \$1,297,000. Accounts receivable, net of allowances, totalled \$5,373,000, an increase of \$342,000 over the December 31, 1995 balance of \$5,031,000, which reflects the increased revenue levels as the Company emerges from its traditionally busier summer months, in comparison to the late fourth quarter, a period of reduced revenue due to holidays and shut-downs.

As of September 30, 1996, the borrowings under the Company's revolving loan facility totalled \$1,432,000, a decrease of \$1,744,000 from the December 31, 1995 balance of \$3,176,000, with

a related borrowing availability of \$2,213,000, based on 80% of the amount of eligible receivables of the Company as of September 30, 1996. The balance on the term loan totalled \$1,513,000, as compared to \$2,083,000 at December 31, 1995. Total indebtedness under the Agreement with Heller, as amended, as of September 30, 1996 was \$2,945,000, a reduction of \$2,314,000 from the December 31, 1995, balance of \$5,259,000. See Note 2 to Notes to Consolidated Financial Statements.

Pursuant to the Agreement with Heller, as amended by the Third Amendment, the term loan bears interest at a floating rate equal to the base rate (prime) plus 1 3/4% per annum, and the revolving loan

bears interest at a floating rate equal to the base rate (prime) plus 1 1/2% per annum. The loans also contain certain closing, management and unused line fees payable throughout the term. However, during the period that the Agreement was in default, a default rate of interest was applied effective August 21, 1995 through the date of the Third Amendment, and therefore the Heller obligations bore interest at the above noted effective rate plus 2.0%. Both the revolving loan and term loan were prime based loans at September 30, 1996, bearing interest at a rate of 9.75% and 10.00%, respectively. See Note 2 to the Notes to Consolidated Financial Statements.

As of September 30, 1996, total consolidated accounts payable for the Company was \$3,422,000, a reduction of \$1,980,000 from the December 31, 1995 balance of \$5,402,000. This September 1996 balance also reflects a reduction of \$1,563,000 in the balance of payables in excess of sixty (60) days, to a total of \$1,662,000. The Company utilized a portion of the net proceeds received in connection with the sale of preferred stock during 1996, as discussed below, to reduce accounts payable.

As discussed in Note 2 to Notes to Consolidated Financial Statements, Ally Capital Corporation ("Ally") has provided the Company with an equipment financing arrangement to finance the purchase of capital equipment. As of September 30, 1996, the Company's outstanding principal balance owing under this equipment financing arrangement was \$1,404,000. The Company has fully utilized this equipment financing arrangement with Ally.

For 1996, the Company had budgeted capital expenditures of \$1,250,000 for improving operations and maintaining Resource Conservation Recovery Act ("RCRA") permit compliance. All of these expenditures are materially necessary to maintain compliance with federal, state or local permit standards. As of September 30, 1996, the Company's net purchases of new capital equipment totalled approximately \$1,487,000, which was principally funded by the proceeds from the issuance of Preferred Stock, as discussed below, with the exception of \$57,000, which was financed by the Company's equipment financing lender discussed above, and \$44,000 through various other lease financing sources. At this time, the Company anticipates additional capital expenditures of approximately \$400,000 will be required during the fourth quarter of 1996 for the completion of existing projects and initiation of others, to be financed by a combination of lease financing with lenders other than under the equipment financing arrangement discussed above and/or utilization of the equity raised in July, 1996, as discussed below and in Note 4 of the Notes to Consolidated Financial Statements.

At September 30, 1996, the Company had \$5,006,000 in aggregate principal amounts of outstanding debt, as compared to \$8,478,000 at

December 31, 1995. This decrease in outstanding debt of \$3,472,000

during the first nine months of 1996 reflects the net repayment of the revolving loan and term note facility of \$2,314,000, the scheduled principal repayments on long-term debt of \$1,228,000, including the equipment finance agreement payments to Ally, and the repayment of \$582,000 on a mortgage obligation in conjunction with the Re-Tech sale, as discussed below.

The working capital deficit position at September 30, 1996 was \$1,288,000, as compared to a deficit position of \$9,372,000 at December 31, 1995. The December, 1995, deficit position includes the reclassification of certain long-term debt to current as a result of a default under certain financial ratios under certain loan agreements at that time. Prior to this reclassification, the December, 1995, deficit position would have been \$3,399,000, which reflects an improvement in this position of \$2,111,000 during the nine months of 1996.

As previously disclosed, the Company issued to RBB Bank, during February 1996, 1,100 shares of newly created Series 1 Preferred at a price of \$1,000 per share, for an aggregate sales price of \$1,100,000, and paid a placement fee of \$176,000. The Company also issued to RBB Bank 330 shares of newly created Series 2 Preferred at a price of \$1,000 per share, for an aggregate sales price of \$330,000, and paid a placement fee of \$33,000. The Series 1 Preferred and Series 2 Preferred accrued dividends on a cumulative basis at a rate per share of five percent (5%) per annum, payable, at the Company's option, in cash or in common stock of the Company. All dividends on the Series 1 Preferred and Series 2 Preferred were paid by the issuance of shares of common stock. During the second quarter of 1996, a total of 722 shares of the Series 1 Preferred were converted into approximately 1,035,000 shares of the Company's common stock and the associated accrued dividends were paid in the form of approximately 15,000 shares of the Company's common stock. Pursuant to a subscription and purchase agreement for the issuance of Series 3 Class C Convertible Preferred Stock, as discussed below, the remaining 378 shares of the Series 1 Preferred and the 330 shares of the Series 2 Preferred were converted during July 1996 into 920,000 shares of the Company's common stock, which included the accrued and unpaid dividends thereon, and the Company purchased the 920,000 shares for \$1,769,000. As a result of such conversions, the Series 1 Preferred and Series 2 Preferred are no longer outstanding.

On July 17, 1996, the Company issued to RBB Bank 5,500 shares of newly-created Series 3 Preferred at a price of \$1,000 per share, for an aggregate sales price of \$5,500,000, and paid placement and closing fees of approximately \$360,000. As part of the consideration for the issuance of the Series 3 Preferred, the Company also issued to RBB Bank two (2) common stock purchase warrants entitling RBB Bank to purchase, after December 31, 1996, until July 18, 2001, an aggregate of up to 2,000,000 shares of common stock, with 1,000,000 shares exercisable at an exercise

price equal to \$2.00 per share and the other 1,000,000 shares of common stock exercisable at an exercise price equal to \$3.50 per share. Dividends on the Series 3 Preferred are paid when and as declared by the Board of Directors at a rate of six percent (6%) per annum and are payable semi-annually. Dividends are cumulative and shall be paid, at the option of the Company, in the form of cash or common stock of the Company. It is the present intent of the Company to pay such dividends, if any, in common stock of the

Company. The shares of the Series 3 Preferred may be converted into shares of common stock. See Note 4 of Notes to Consolidated Financial Statements. The Company received from the sale of the Series 3 Preferred net proceeds of approximately \$5,100,000. Pursuant to the terms of the Subscription Agreement relating to the sale of the Series 3 Preferred, the Company has purchased from RBB Bank from the net proceeds 920,000 shares of common stock of the Company that RBB Bank received upon conversion of the balance of the outstanding shares of Series 1 Preferred and Series 2 Preferred for \$1,769,000. The Company has used, or intends to use, approximately \$1,650,000 of the net proceeds for capital improvements at its various facilities and the balance of the net proceeds to reduce outstanding trade payables and for general working capital. As of this date, the holder of the Series 3 Preferred has not elected to convert any of the Series 3 Preferred into common stock of the Company.

Effective March 15, 1996, the Company completed the sale of Re-Tech Systems, Inc., its plastics recycling subsidiary in Houston, Texas. The sale transaction included all real and personal property of the subsidiary, for a total consideration of \$970,000. Net cash proceeds to the Company were approximately \$320,000, after the repayment of a mortgage obligation of \$582,000 and certain other closing and real estate costs. In conjunction with this transaction, the Company also made a prepayment of \$50,000 to Heller Financial, Inc. for application to the term loan. As previously disclosed, the Company recorded during 1995, a nonrecurring charge (recorded as an asset reduction) of \$450,000 for the estimated loss on the sale of this subsidiary, which, based upon closing balances, the Company recognized a small gain on this sale after the asset write-down. The Company sold total assets of approximately \$1,346,000, while retaining certain assets totalling approximately \$94,000 and certain liabilities totalling approximately \$48,000. In addition to the above asset sale, the Company also sold certain non-productive assets during the quarter, principally at closed service center locations and at the Perma-Fix of Dayton, Inc. facility. Proceeds from these asset sales total approximately \$320,000.

In summary, the Company has taken a number of steps to improve its operations and liquidity as discussed above, including the equity raised in 1996. If the Company is unable to continue to improve its operations and to sustain profitability in the foreseeable future, such would have a material adverse effect on

the Company's liquidity position and on the Company. This is a forward-looking statement and is subject to certain factors that could cause actual results to differ materially from those in the forward-looking statement, including, but not limited to, the Company's ability to maintain profitability or, if the Company is not able to maintain profitability, whether the Company is able to raise additional liquidity in the form of additional equity or debt.

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

in the Company's Form 10-K for the year ended December 31, 1995, except as discussed below:

The Ohio Attorney General has advised the Company's subsidiary, Perma-Fix of Dayton, Inc. ("PFD") that it is considering filing a complaint (the "Complaint") against PFD alleging that PFD had violated certain of Ohio's hazardous waste laws regarding ordered compliance with an EPA approved "Closure Plan" for certain property leased by a company merged into PFD prior to the acquisition of PFD by the Company. The Ohio Attorney General alleges that PFD has not met either timetables or financial assurance requirements which were part of the Closure Plan. The Company is currently negotiating a consent order with the Attorney General of Ohio under which the Company believes it will agree to undertake closure of the Leased Property in an EPA approved manner. The Company believes that the consent order will also require PFD to pay a civil penalty to the State of Ohio in an amount which has not yet been determined ("Civil Penalty"), and to supply financial assurance, in the form of a bond or similar trust agreement, of approximately \$340,000 to ensure adequate funding for completing the Closure Plan. The Company has maintained such a trust fund, which trust fund had approximately \$325,000 in funds therein. The Company increased the amount in the trust fund to \$340,000 to comply with the request of the Ohio Attorney General. The Company believes that the amount of the Civil Penalty which may be assessed pursuant to the consent order will not be of sufficient size that payment thereof by the Company will have a material adverse effect upon the Company. This is a forward looking statement and is subject to certain factors that could cause variation from what is described in such forward looking statement, including, but not limited to, the Company's inability to come to a suitable agreement with the Attorney General of Ohio or the Ohio EPA.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 4.1 - Third Amendment to Loan and Security Agreement with Heller Financial, Inc.

previously filed as Exhibit 4.1 to the Company's Form 10-Q for the quarter ended June 30, 1996, and is incorporated herein by reference.

Exhibit 4.2 - Amendment to Ally Capital Corporation Lease Agreement dated August 16, 1996, previously filed as Exhibit 4.3 to the Company's Form 10-Q for the quarter ended June 30, 1996, and is incorporated herein by reference.

Exhibit 4.3 - Subscription and Purchase Agreement, dated July 17, 1996, between the Company and RBB Bank Aktiengesellschaft ("RBB Bank"), previously filed as Exhibit 4.4 to the Company's Form 10-Q for the quarter ended June 30, 1996, and is incorporated herein by reference.

- Exhibit 4.4 - Fourth Amendment to Loan and Security Agreement with Heller.
- Exhibit 4.5 - Amendment to Ally Capital Lease Agreement dated November 14, 1996.
- Exhibit 10.1 - Common Stock Purchase Warrant Certificate dated July 19, 1996, granted to RBB Bank, previously filed as Exhibit 10.1 to the Company's Form 10-Q for the quarter ended June 30, 1996, and is incorporated herein by reference.
- Exhibit 10.2 - Common Stock Purchase Warrant Certificate dated July 19, 1996, granted to RBB Bank, previously filed as Exhibit 10.2 to the Company's Form 10-Q for the quarter ended June 30, 1996, and is incorporated herein by reference.
- Exhibit 27 - Financial Data Schedule.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the third quarter of 1996.

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, thereunto duly authorized.

PERMA-FIX ENVIRONMENTAL
SERVICES, INC.

Date: November 20, 1996

By: /s/ Dr. 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

<TABLE>
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EXHIBIT INDEX

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<S> Exhibit 4.1	<C>
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Exhibit 27	Financial Data Schedule	47

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AMENDMENT TO LEASE AGREEMENT

DATED November 14, 1996

This Amendment becomes a part of the Equipment Lease Agreement dated as of October 12, 1994, and the accompanied Rider No. 2, wherein Perma-Fix Environmental Services Inc., Perma-Fix of Memphis Inc., Perma-Fix of Ft. Lauderdale Inc., Perma-Fix of Dayton Inc., and Perma-Fix Treatment Services Inc. as Lessees and Ally Capital Corporation is Lessor, whereas the attached Exhibit A Section 1.4 is further amended. All other conditions of the Equipment Lease Agreement including the August 16, 1996 amendments remain in force and effect.

PERMA-FIX SERVICES INC. AND PERMA-FIX OF MEMPHIS INC. AND PERMA-FIX OF FT. LAUDERDALE INC. AND PERMA-FIX OF INC. AND PERMA-FIX TREATMENT SERVICES INC. CO-LESSEES.

ALLY CAPITAL CORPORATION
AS LESSOR

PERMA-FIX ENVIRONMENTAL
SERVICES, INC.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

PERMA-FIX OF MEMPHIS INC.

By: _____
Name: _____
Title: _____

PERMA-FIX OF FT. LAUDERDALE INC.

By: _____
Name: _____
Title: _____

PERMA-FIX OF DAYTON INC.

By: _____
Name: _____
Title: _____

PERMA-FIX TREATMENT SERVICES INC.

By:

Name:

Title:

Exhibit "A" to Amendment to Lease Agreement

Dated: November 14, 1996

FINANCIAL COVENANTS

Section 1

Perma-Fix Environmental Services Inc. and its subsidiaries on a consolidated basis covenant and agree that until payment in full of all Obligations owed by Perma-Fix Environmental Services Inc. to Ally Capital are paid, Perma-Fix shall comply with all covenants in this Section 1. The terms used in this Exhibit "A" to amendment to lease agreement shall have the meanings as defined in the loan and security agreement dated as of January 27, 1995 among Perma-Fix Environmental Services Inc. and subsidiaries and Heller Financial Inc. as amended to the date of this amendment.

1.1 Tangible Net Worth.

Perma-Fix Environmental Services Inc. shall maintain Tangible Net Worth of at least the amount set forth below at the end of each applicable period set forth below:

Applicable Period	Amount
As of 6/30/96	(\$600,000)
As of 9/30/96	(\$100,000)
As of 12/31/96 and as of the end of each fiscal quarter of Borrower thereafter	\$500,000

1.2 Minimum EBITDA.

Perma-Fix Environmental Services Inc. shall achieve an EBITDA of at least the amount set forth below for each applicable period set forth below:

Applicable Period	Amount
Six Months Ended 6/30/96	\$ 900,000
Nine Months Ended 9/30/96	\$1,700,000
Twelve Months Ended 12/31/96	\$2,500,000
Twelve Months Ended 3/31/97 and for each twelve month period ending on the last quarter day of each fiscal quarter thereafter	\$3,000,000

1.3 Capital Expenditure Limits.

The aggregate amount of all Capital Expenditures of Perma-Fix Environmental Services Inc. and its Subsidiaries (excluding trade-ins and excluding (a) Capital Expenditures in respect of replacement assets to the extent funded with casualty

insurance proceeds and (b) Capital Expenditures financed

pursuant to Capital Leases permitted will not exceed the amount set forth below for each applicable period set forth below:

Applicable Period	Amount
January 1, 1996 - December 31, 1996	\$1,820,000
January 1, 1997 - January 31, 1998	\$1,250,000

1.4 Fixed Charge Coverage.

Perma-Fix Environmental Services Inc. shall not permit Fixed Charge Coverage for each applicable period set forth below to be less than the amount set forth below for such period (provided, however, that in computing Fixed Charge Coverage, Capital Expenditures pursuant to Capital Leases permitted pursuant to Section 7.1 hereof and Indebtedness paid by Perma-Fix, Inc. in connection with the sale of its Re-Tech division shall be excluded):

Applicable Period	Ratio
Ten Months Ended 10/31/96	.30:1
Eleven Months Ended 11/30/96	.30:1
Twelve Months Ended 12/31/96	.30:1
Twelve Months Ended 1/31/97	.75:1
Twelve Months Ended 2/28/97	.75:1
Twelve Months Ended 3/31/97	.75:1
Twelve Months Ended 4/30/97	.75:1
Twelve Months Ended 5/31/97	.75:1
Twelve Months Ended 6/30/97	.75:1
Twelve Months Ended 7/31/97	.75:1
Twelve Months Ended 8/31/97	.75:1
Twelve Months Ended 9/30/97	.75:1
Twelve Months Ended 10/31/97	.75:1
Twelve Months Ended 11/30/97	.75:1
Twelve Months Ended 12/31/97	1.00:1

1.5 Maximum Days Receivable.

Perma-Fix Environmental Services Inc. will not permit (A) the product of (x) the aggregate dollar amount of the Accounts of all Perma-Fix entities as at the end of any fiscal quarter, times (y) ninety (90), divided by (B) the Loan Parties net sales revenue in respect of such fiscal quarter, to exceed seventy-five (75) days.

1.6 Current Ratio.

Borrower shall maintain at all times a ratio of "Current Assets" (as defined under GAAP) to trade payables of at least 1.3:1.

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ALLY CAPITAL CORPORATION
AS LESSOR

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SERVICES, INC.

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By: _____
Name: _____
Title: _____

PERMA-FIX OF DAYTON INC.

By: _____
Name: _____
Title: _____

PERMA-FIX TREATMENT SERVICES INC.

By:

Name:

Title:

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